

Since 2000-01, total annual operating deficits have generally declined because revenues have increased more than expenditures. Most notably, Provincial funding increased \$201.0 million (29%) from \$692.7 million in 2000-01 to \$893.7 million in 2004-05. During this same period, total expenditures increased \$187.7 million (23%) from \$816.8 million in 2000-01 to \$1,004.5 million in 2004-05.

2.15 Income Support Program

The Province's income support program is delivered by the Department of Human Resources, Labour and Employment (the Department) under authority of the *Income and Employment Support Act*. Since 2001, the Department has served an average of 36,334 cases each year.

Due to an increased emphasis on assisting clients to find and maintain employment, improved technology, and declining case loads the Department has reduced the number of district offices and has changed the manner in which it delivers its programs, particularly in the information it collects and the ways that clients can apply for, and continue receiving, income support. The Department made the requirement for home visits discretionary in the mid-1990's because they determined that home visits did not add significant value to ensuring that only eligible clients actually received benefits.

The Department has instituted integrity measures to ensure it has current and accurate client information on file and that errors are not made in approving applications for income support or in the continuing provision of income support.

While the Department has instituted a number of useful measures to monitor the Income Support Program, these measures are not being employed as effectively or thoroughly as they should be.

Weakness in Departmental structure

There are weaknesses with the Department's structure as it relates to the Income Support Program. Responsibility for ensuring appropriate income support payments are made to clients is divided

between the Eligibility Assurance Section (EAS) and the Internal Audit Division. The integrity measures of EAS are inter-related with and complimentary to audit activities and should be under single direction.

Interfaces not effectively performed

Interfaces refers to the practice of cross-referencing cases with other income programs (Federal and Provincial) to determine if clients are receiving income from other sources. In the past two years, 1,815 clients have either been suspended and/or had an overpayment set up as an account receivable (\$1 million). We found that the interface process:

- is not always performed or acted upon in a timely manner; and
- does not include a formal process for communicating results to senior staff or Executive.

TEC not applied widely enough

The Telephone Eligibility Confirmation (TEC) process establishes a recipient's continued eligibility to receive income support and determines their interest in employment and/or training. In the last two fiscal years, there were records kept for telephone contact with 2,868 clients. Of this number, 2,471 interviews were completed. We found that while the TEC process works well to reveal errors, ultimately saving the Department money, it is not being applied widely enough. These are the results of the call program for the last two fiscal years:

- 206 of the 2,868 clients were not interviewed and were suspended from income support because they could not be contacted;
- There was no follow-up action for 191 of the 2,868 clients where some form of action was required;

- 45 of the 2,471 clients interviewed were suspended because they were not entitled to receive income support;
- \$964,377 in savings was projected due to the suspensions;
- a further \$24,255 in overpayments were identified; and
- personal information errors were identified.

Furthermore, there is no evidence that errors identified have been corrected in the Department's database.

Internal Audit Division does not audit district offices frequently enough

Based on a review of the Division's records, we found that divisional offices are not being audited frequently enough. Specifically:

- thirteen of the 28 district offices have not been audited since 2001-02;
- based on the current rate, district offices will only be audited every six or seven years; and
- audits the Division conducted in 2003-04 and 2004-05 revealed:
 - errors in payment of income support (14 overpayments and 1 underpayment in 256 items tested);
 - payment of income support without adequate documentation (eg: 4 of 38 medical transportation payments); and
 - errors in the Department's database (similar to errors detected by telephone eligibility confirmation).

Cycle reviews not completed in accordance with established frequency

The Department requires cases be regularly reviewed “to ensure information is current, and to confirm eligibility for income support.” One of the procedures used is a cycle review, which consists of a mail out / mail back form. Forms are mailed to clients based on how long they have been receiving income support. We found that cycle reviews are not always completed in accordance with established frequency.

Investigations take too long to complete

An investigation can occur when an officer becomes aware that a client is receiving income support where there is no entitlement. We observed weaknesses in the Department's handling of investigations as follows:

- 482 investigations were outstanding at 28 February 2005, of which 205 were older than four months. Based on the Department's interpretation of the *Income and Employment Support Regulations* (that investigations must be completed within four months), the Department terminated the 205 cases. We could not determine if any would have led to suspensions or legal proceedings, and
- 39 cases approaching the four month mark are scheduled to be terminated in the new year.

We do not agree with the Department's interpretation of the *Regulations* whereby they terminate an investigation just because the investigation has not been completed within the required four month time frame.

Performance indicators not established for integrity measures

The Department has not established performance indicators which could be used to assess the effectiveness of the integrity measures which are designed to increase assurance that only eligible clients are receiving income support and that employment support is being provided to clients in cases where it would be beneficial.

2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program

Newfoundland and Labrador Housing Corporation provides its employees with computer purchase loans. Employees are required to provide proof of purchase to the Corporation for a loan to be advanced. The advance can be issued to either the employee or the vendor. The loans are then recovered through employee payroll deductions over a period not to exceed 36 months (defined in loan agreements between the Corporation and the employees). These loans bear interest at the Corporation's demand rate and the interest rate is adjusted semi-annually. The maximum loan is \$5,000.

All departments, boards, agencies and commissions, for which Government is the ultimate employer, are using public money to compensate employees. Therefore, it would be reasonable to expect that similar compensation practices would be consistently applied. However, the employee computer purchase loan program offered by the Corporation is not available for employees in central government. As a result, this compensation practice is inconsistent with Government's compensation practices.

Offering this sort of loan program exposes the Corporation to unnecessary risk. To illustrate, the program was briefly suspended in 2004 when the Corporation discovered that an employee received a computer purchase loan even though a computer had not been purchased. In this case, it was determined that insufficient documentation was provided. Eventually, a senior official was terminated and two others were suspended.