

**Department of Indian Affairs and Northern Development
Corporate Services
Departmental Audit and Evaluation Branch**

**Audit of Transfer Payment
Management System**

**Project 95/01
October 1996**

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Executive Summary

BACKGROUND

The Transfer Payment Management System (TPMS) was developed and implemented in 1990 as a user friendly, menu driven, computer database system. It was designed to assist the Department of Indian Affairs and Northern Development (DIAND) in managing funding agreement information and to apply cash management requirements for the Indian and Inuit Affairs Program. The funding agreements include grants, contributions and other transfer payments to First Nation bands, tribal council and other recipients. It provides to recipients' auditors timely and accurate year-end confirmations of the amounts funded by DIAND.

In 1992-1993, a monitoring and control module called TPMS Manager was added to TPMS. It is an online system which establishes a pending file for, and lists, all reporting requirements and their timeframes. TPMS Manager deals with DIAND's accountability for the funds authorized for release through TPMS. TPMS Manager also tracks the terms and conditions of funding agreements.

OBJECTIVES AND SCOPE

The objectives of this audit were to :

- assess the adequacy of application controls to ensure the integrity of data and system information; including all manual, clerical and supervisory controls over the data before input into the computerized system, and all computerized basic controls;
- evaluate the system's performance, in terms of efficiency, productivity, usefulness and impact on operations, including taking into consideration the results of the Managing Funding Arrangements Workshop - Joint Application Development (JAD) process;
- identify any opportunities for improvement of system performance; and,
- assess compliance with the central agency and departmental cash management policies and directives.

The scope of the audit included the review of both manual and computerized procedures at headquarters and in the Quebec, Saskatchewan and Alberta Regions. This report covers the results of the review conducted at these locations only.

In October 1995, the Departmental Resource Management Systems (DRMS) Directorate had organized a TPMS users' Joint Application Development (JAD) Workshop. In this workshop, a list of a number of system modification issues was established (See Appendix A). These issues were excluded from our review to avoid any duplication.

GENERAL ASSESSMENT

- Subject to our findings under data integrity section, the integrity controls in the TPMS and TPMS Manager are adequate and are being complied with;
- The TPMS has automated cheque requisitioning and major business functions. It has enhanced efficiency and productivity of the operation, thereby reducing the cost and helping improve services and controls;
- There is adequate compliance with the central agency and departmental cash management policies and directives;
- Over the several months, users' satisfaction with the TPMS has increased;

- The JAD process is a best management practice. It ensured users' involvement in further development of the system and in identification of users' information needs; and
- There are opportunities for improvement in the system. These are described in the following key findings and recommendations sections of the report.

OTHER RELATED MATTER

During the course of the audit, some "management framework" related issues were noticed by the audit team and were also brought to our attention by the users. Since, the management framework was outside the scope of this audit, no observations or recommendations have been made on these issues. However, these issues were discussed with the management of the Finance Branch.

KEY FINDINGS

Compliance

- TPMS and TPMS Manager enable the regions to comply with the Treasury Board and departmental policies and directives, including the cash management policy.

Data Integrity

- The Operating System Utilities within the TPMS allow changes to the payment transaction files without providing any audit trail. Also, functions in the TPMS Manager allow for accidental deletion of data. These uncontrolled changes create risks of errors in processing of payments to recipients and diminish integrity of data.

Processing

- The TPMS is flexible enough to accommodate processing of provincial government's funding arrangements with First Nations. For example, the Alberta Region utilizes the external payment function of the TPMS to transfer funds, deposited in advance with the federal government by the Province of Alberta, to First Nations.
- The control over the various versions of the TPMS is adequate. The regions visited were using appropriate version of the system.
- TPMS requires a cumbersome process i.e., journal voucher (JV) entries, to rectify financial coding errors.

Segregation of Duties

- There are segregation of duties within the TPMS related functions at the visited regions, however, they need to be strengthened.

KEY RECOMMENDATIONS

1. The Director, DRMS, Finance Branch, ensure that :
 - all functions within the TPMS and TPMS Manager that can accidentally erase data be suspended or controls be implemented to reduce the risk of accidental data erasure;
 - controls over access to Hewlett Packard Operating System utilities are introduced to provide audit trail for any changes made to the payment transaction files; and
 - all high priority projects, especially those involving data integrity errors in the TPMS and TPMS Manager, be monitored to ensure completion within a reasonable time and a fully costed business plan involving these projects is established.
2. The Director, DRMS, Finance Branch, jointly with the Director, Information Systems, simplify the TPMS processes for rectification of financial coding errors.

Detailed Report

BACKGROUND

The Department of Indian Affairs and Northern Development (DIAND) fulfils the lawful obligations of the federal government to Aboriginal peoples arising from treaties, the *Indian Act* and other legislation. DIAND provides funding to First Nations for the delivery of basic services (such as education, social assistance, housing and community infrastructure) to status Indian and Inuit communities. The funding is provided by means of funding agreements with First Nations, such as the Comprehensive Funding Agreement (CFA), the Alternative Funding Agreement (AFA), and grants and contributions.

The department, however, remains accountable to Parliament for proper delivery of services and for ensuring that the funds provided are used for the purposes intended. As an aid for discharging this accountability, DIAND developed an automated Transfer Payment Management System (TPMS).

The TPMS was developed and implemented in 1990 as a user friendly, menu driven, computer database system.

It consists of four modules (agreement database, cash management, cheque release, and reporting).

The system is used in the Indian and Inuit Affairs Program. It assists the department in managing funding agreement information and applying prudent cash management practices in accordance with the Treasury Board's requirements.

TPMS has automated cheque requisitioning and major business functions in DIAND to reduce cost, improve service and enhance controls.

The system establishes a database for all departmental funding arrangements. It automatically calculates cash flows in accordance with the federal cash management policy. The TPMS generates monthly payments to recipients based upon a single annual cheque requisition. It also provides year-end confirmations of amounts funded by DIAND.

Since 1990, a number of enhancements have been made to the system. In 1992-1993, a monitoring and control module called TPMS Manager was added to TPMS.

It is an online system which establishes a pending file for, and lists, all reporting requirements and their timeframes. TPMS Manager deals with DIAND's accountability for the funds authorized for release through TPMS and tracks the terms and conditions of the funding agreements.

As per 1995-1996 Departmental Audit and Evaluation Branch (DAEB) Plan, approved by the Departmental Audit and Evaluation Committee (DAEC), DAEB carried out an audit of the TPMS during November and December 1995.

AUDIT OBJECTIVES

The objectives of the audit were to:

- assess the adequacy of application controls to ensure the integrity of data and system information; including all manual, clerical and supervisory controls over the data before input into the computerized system, and all computerized basic controls;
- evaluate the system's performance, in terms of efficiency, productivity, usefulness and impact on operations, including taking into consideration the results of the Managing Funding Arrangements Workshop - Joint Application Development (JAD) process;
- identify any opportunities for improvement of system performance; and
- assess compliance with the central agency and departmental cash management policies and directives.

AUDIT SCOPE

The scope of the audit included the review of both manual and computerized procedures at headquarters and in the Quebec, Saskatchewan and Alberta Regions. This report covers the results of the review conducted at these locations only.

In October 1995, the Departmental Resource Management Systems (DRMS) Directorate had organized a TPMS users' Joint Application Development (JAD) Workshop. In this workshop, a list of a number of system modification issues was established (see Appendix A). These issues were excluded from our review to avoid any duplication.

AUDIT APPROACH

The audit of the Transfer Payment Management System was conducted in the following three phases:

- Preliminary Survey - this phase covered audit planning and reviewing of the preliminary information.
- Fieldwork and Analysis - this phase covered the review of documentation, processes and data integrity and other objectives of the audit. During this phase, we also visited the regions of Alberta, Saskatchewan and Quebec.
- Reporting - this phase covered the writing of the audit report.

Observations and Recommendations

DATA INTEGRITY

SYSTEM VALIDATION EDITS

To determine the accuracy of the system validation edit checks and its effect on the data integrity, we reviewed the TPMS Report (Quiz Audit Report) of August 22, 1995. The purpose of this report is to provide accurate information on the status of the recipients' annual audit reports to the management. However, our review has shown that in some cases illogical conditions exist in the system validation edit checks. As a result, the following inaccurate information was reported:

- in a region, 98 audit reports were to be received from the recipients;
- 85 audit reports were shown as received from the recipients;
- 18 audit reports were shown as reviewed by the region;
- 87 recipients were identified as being over the insolvency threshold limit, whereas, only 85 were received and 18 out of them were reviewed;
- an audit report was shown as received on July 6, 1995, and was shown as reviewed by the region on August 12, 1994; and

- another audit report was shown as received on July 18, 1995, and was shown as reviewed by the region on May 18, 1995.

Our review has shown that the system validation edits i.e. checks, are in place to ensure accuracy of data within the system. However, in the above particular situation, it was found that the edit checks were illogical, which affected the data integrity, accuracy and reliability of decision making management information.

RECOMMENDATION

1. The Director, DRMS, Finance Branch, in consultation with the Director, Information Systems, Information Management Branch ensure that, where required, the logical design and the edit checks for the TPMS reports are reviewed and enhanced.

MANAGEMENT RESPONSE

DRMS Directorate

Since January 1996, all the system changes (including reports) are subject to a more stringent user acceptance testing process.

Information Systems Directorate

We will provide assistance to DRMS Directorate to implement this recommendation.

DATA MODIFICATION

Our review of the payment data files has shown that the TPMS data can be modified or changed, without leaving an audit trail. This has a significant impact on the data integrity and may result in erroneous processing of payments to recipients.

The payment data file, a text file created by TPMS 710 Release Payment for DRMS, is not secured. This file can be modified by using a utility within the Multiprogramming Executive III (MPE III) Operating System. In one case this utility was used and a manual batch number was accidentally assigned twice in the same fiscal period.

To recreate the TPMS payment transaction using a different batch number takes too long. Therefore, direct manipulation of the batch number on the file is performed. This change to the payment data file allows the file to be successfully used to process the payments for the fiscal period, but without leaving any audit trail.

However, a batch number in the TPMS "420" report will differ from the Departmental Accounting System (DAS) batch number, therefore, the TPMS "420" report is rerun using the "fixed" payment file.

Although, this change utility was used to change the batch number only, it can also be easily used to change other payment information. Hence, the department runs the risks of unauthorized changes and lack of data integrity.

We recognize that ultimately, any changes made by using this utility are bound to be detected when balancing between TPMS and DAS takes place. But this will be "after the event".

RECOMMENDATION

2. The Director, DRMS, Finance Branch, ensure that access to the change utility used in Multiprogramming Executive (MPE) III is discontinued. This should be implemented only after controls have been added to ensure that a batch number cannot be assigned more than once. Until that time, use of the MPE III utility must be strictly controlled and documented.

MANAGEMENT RESPONSE

DRMS Directorate

We understand the risks that are taken by allowing the use of the MPE III utility. However, it is important to note that this utility is used when a database has been corrupted e.g., by processing.

Alberta Region

This should only be discontinued when increased controls have been added to ensure that the same batch number cannot be accidentally assigned again.

TPMS MANAGEMENT REPORTS

The TPMS provides options to users to select and retrieve a number of different types of reports by recipient, by district or by region.

The regional Funding Service Officer (FSO) manages a number of transfer payment agreements. To better manage the portfolio of a number of agreements assigned to each FSO, reports by FSO are needed. However, the system does not accommodate this information need.

For example, a FSO may want a report showing all recipients with any outstanding reporting requirements for his or her portfolio of agreements. To get a report by FSO, one has to request a number of reports, every report covering each of the recipient serviced by the FSO.

RECOMMENDATION

3. The Director, DRMS, Finance Branch, ensure that the TPMS provides an option to obtain reports by Funding Service Officer (FSO), for all the agreements managed by a FSO.

MANAGEMENT RESPONSE

DRMS Directorate

A field was established in January 1996, where the FSO name can be inserted thus associating the arrangements with the FSO.

A new report or changes required to one or more existing reports should go through the requesting for change procedure, in order for the maintenance team to obtain proper specifications of the requirements.

TPMS PROCESSING

CHANGES IN CODING

There are currently the following basic types of funding arrangements in use throughout the department:

- Comprehensive Funding Agreement (CFA) is the basic funding mechanism; and
- Alternative Funding Agreement (AFA) is an optional funding mechanism.

All of these funding agreements have a specific list of services and respective financial codings that are valid for the type of agreement only.

A new Flexible Transfer Agreement (FTA) is being introduced to replace the CFA. FTA will require changing of all financial codings, as it has a different set of financial coding requirements.

But, these coding changes cannot be made through an automated interaction within the TPMS. As a result, all the original financial codings have to be reversed; and new financial codings have to be entered.

This reversal and re-entry can only be done by a journal voucher, which is a very time consuming process. Each journal voucher entry requires the use of four separate input screens. Two screens are needed to reverse the original financial codings. Another two screens are required to input the new financial codings. This involves many processes.

Also, the TPMS does not edit to verify whether the service codes input are valid for the type of funding arrangement. This may result in allocation of funds to incorrect services.

RECOMMENDATION

4. The Director, DRMS, Finance Branch, ensure that the TPMS provides an automated interaction to enable users to make changes in the service codes, when needed.

MANAGEMENT RESPONSE

DRMS Directorate

This issue was raised in the October 1995 workshop. Alternatives to achieve this function will be examined shortly in order to evaluate the relative costs and benefits.

Information Systems Directorate

With respect to this recommendation, we will work with DRMS Directorate to develop a less cumbersome process to rectify financial coding errors in TPMS. Currently, release is planned for June 1996, followed by another release in December 1996. The potential exists to have this improvement included as part of one these releases, however, DRMS Directorate will have to take the lead in the functional specification and establishment of the relative priority of this over other requests.

TPMS TRANSLATION

The french translation of the TPMS and the TPMS Manager screens needs to be improved. The TPMS english terminology is not adequately translated in french on the french screens. As a result, the french users are not at ease in using the TPMS data entry and inquiry screens.

Documentation of TPMS and TPMS Manager also needs improved translation in french. Technical terms are found to be confusing to the users.

When inadequate or incorrect translation exists, employees do not fully understand the system processes. This adversely affects the efficiency of the management of the funding arrangements.

RECOMMENDATION

5. The Director, DRMS, Finance Branch, ensure that adequate translation is provided for the TPMS and TPMS Manager screens and documentation to meet the users' needs.

MANAGEMENT RESPONSE

DRMS Directorate

All the screens have been translated by official translators, they have been reviewed by the users, and have been forwarded to IMB for implementation with release 3.2 of the system in June 1996.

Alberta Region - Detailed Findings

TPMS MANAGEMENT REPORTS

SERVICE CODE

There are 17 reports listed on the TPMS report menu, but many of the reports are not being used in the Alberta Region.

The region requires management reports showing funded amounts by service code as well as by recipient. The region uses its funding formula based upon historical trends of funding for the different services. Hence, information concerning funded amounts by service code is required.

This option is currently not available in the TPMS. The region has to manually create its own reports in order to obtain management information on funding by service code.

AGREEMENT CHANGES

All transactions, including amendments made to funding agreements, entered into the TPMS are available for a review by inquiring. Changes in funding may result due to some of the amendments made to a recipient's funding agreement.

The region needs reports on total changes made to each recipient's funding agreement. However, the TPMS does not provide any report showing the total amount of changes to an agreement. The region manually tracks individual and cumulative total changes by amendments and by notice of budget adjustments to agreements.

This information is used to show the impact of changes on agreements. In addition, it is used as a management trail for documenting all changes to agreements.

REPORTS BY FIELD SERVICE AREA

The Alberta Region manages transfer payment agreements based upon three field service areas. The service areas are northern Alberta, central Alberta and southern Alberta.

There is one Field Service Manager for each service area. The TPMS does not provide reports by the field service area. The region has to maintain manual records and reports of TPMS data by each field service area.

Some of these reports include lists of brought forward (BF) items due in each field service area, or financial records by each field service area.

RECOMMENDATION

6. The Director, DRMS, Finance Branch, ensure that the TPMS provides:
- reports by service;
 - a report/inquiry showing each change and the cumulative dollar amount of each change; and
 - reports by field service areas.

MANAGEMENT RESPONSE

DRMS Directorate

- The TPMS does currently provide reports by service code.
- This is a new requirement, that will be examined in the normal maintenance process, and given a priority based on the users community consensus.

Transfer Payments Directorate

As for the reports by service codes, TPMS has numerous reports, what it does not have is the ability to look at e.g., all the commitments for day care service in the region and report on this as a program report. TPMS has service codes detailed by recipient but not by service. It was understood that we are no longer in the business of managing services.

While, we question the need for this specific report, we support the need for more and better reporting.

TPMS SUPPORT

SYSTEM CHANGE REQUESTS

The Alberta Region has requested many changes to be made to the TPMS. However, the region does not know why the requested changes have not been acknowledged and implemented.

This creates a user perception that issues important to them are not being resolved in a timely manner.

RECOMMENDATION

7. The Director, DRMS, Finance Branch, ensure that all change requests submitted by the region are acknowledged, acted upon and the status of the change requests be notified to the region.

MANAGEMENT RESPONSE

DRMS Directorate

The changes to TPMS were identified by all regions, including Alberta Region, and listed in priority by those regions (refer to Appendix A).

Information Systems Directorate

It is important that proposed changes to TPMS be examined and approved by regions.

We support the establishment of a formal process to deal with requests, confirming their receipts, assessing their impacts and establishing priority for their implementation. Also, the regions should be advised of the plan and status of all requests.

COMPLIANCE WITH POLICIES

Financial Policy and Procedures Manual Part 5 - Transfer Payments, Chapter 5.6 - Funding Arrangements: Monitoring of Compliance indicates that "a portion of funds, payable to a recipient under a funding arrangement, will be retained by the department to permit withholding of funds during the year, in the event of performance problems".

Our review of the selected funding arrangements has shown that the cash flows are initially created without using the TPMS. All comprehensive funding arrangements in the region provide a cash flow that allows for four months release of funds (while awaiting the June 30 submission of the annual audited statement for the previous year). The balance of the funds is placed in the "pool" as referred to in TPMS.

Funds are released from the "pool" and thus issued to the recipients only when specifically authorized.

For example, funds are released upon receipt of the audited financial statement from the recipient. In addition, funds to recipients are issued on a monthly basis. Therefore, if terms and conditions are not met, the region can "withhold" remaining funds to a recipient.

RECOMMENDATION

None.

SEGREGATION OF RESPONSIBILITIES

PAYEE CODES - CHANGES

When recipients want to change payee names on the cheques issued by DIAND, they send an authorization letter to the Funding Services Officer.

TPMS has security controls to prevent unauthorized access to certain functions like changing payee codes. Only specific individuals should be allowed to change payee codes. Alberta Region has adequate internal controls and segregation of duties. The region has delegated authorities to change payee codes to two separate regional functions. One is a Finance Officer in the Corporate Services Directorate. The other is a Resource Officer in the Funding Services Directorate.

The Finance Officer can only add or change payee codes and information in the TPMS payee table. The Finance Officer does not modify payee codes of a specific funding agreement.

The Resource Officer can only change the payee code on the service detail screen of an agreement. The payee code can only be changed from one code already on the payee code table to another payee code on the payee code table. The Resource Officer does not access the payee table, and is restricted to change payee to only those payees on the payee table.

When the Resource Officer changes the payee code, the arrangement must go through a pre-audit in Corporate Services where the change is approved.

Changes to payees are made only upon authorization from the recipient. If the new payee is not in the TPMS, then the request is given to Finance to add the payee to the TPMS table.

RECOMMENDATION

None.

ACCESS TO REGION DATABASE

The VESOFT Security 3000 report identifies headquarters staff with authorized access to the Alberta Region TPMS database. The Alberta Region has indicated that they have not given the authorization for headquarters staff to access their database.

The Alberta Region doesn't know what other access authorization these headquarters individuals may have.

RECOMMENDATION

8. The Director, Funding Services, Alberta Region, jointly with the Director, DRMS, Finance Branch should identify and authorize the headquarters individuals that need access to the Alberta Region's database.

MANAGEMENT RESPONSE

DRMS Directorate

Agreed. Currently the Regional Directors have full control over the access to their database. A review of the list of the individuals from headquarters that have access to these database will be carried out every six month as recommended.

Transfer Payments Directorate

While we do not have a problem with controlling access to the regional database, it must be remembered that headquarters has a legitimate right to be able to read the data.

Saskatchewan Region - Detailed Findings

INTEGRITY CONTROLS

DATA DELETION

The Saskatchewan Region informed the DRMS Directorate that the use of the TPMS Manager <GENR> function twice by accident, can delete all recipient audit data previously input. This requires the region to reinput the deleted data. The Saskatchewan Region suggested that a warning message be displayed when executing this function.

Until, the possibility of accidental deletion of data is removed, the risk of unauthorized data deletion continues.

RECOMMENDATION

9. The Director, DRMS, Finance Branch, ensure that all functions within TPMS and TPMS Manager which can accidentally erase data be either suspended or adequate controls be implemented to reduce the risk of accidental data erasure.

MANAGEMENT RESPONSE

DRMS Directorate

This is an ongoing process which will continue over time. The case stated in the report was fixed in January 1996.

TPMS MANAGEMENT REPORTS

TPMS/DRMS RECONCILIATION REPORT

TPMS has a management report (#17 on the management report menu) that prints the TPMS cheque amount, DRMS cheque amount and any variances between the two for every recipient. The region was unaware of the availability of this report and, therefore, was not using it. The region verifies on a monthly basis, the total batch amount printed on the TPMS-DRMS transaction report (TPZ0710) to the total batch amount printed on the DRMS summary of batch requisitions report (R406).

However, this procedure will not detect and provide information on offsetting differences in cheque amounts. Hence, there is a risk of having a payment batch in balance but with offsetting incorrect cheque amounts.

RECOMMENDATION

10. The Director, Corporate Services, Saskatchewan Region, ensure that the TPMS/DRMS reconciliation report be printed by every cheque run and that variances, if any, are addressed.

MANAGEMENT RESPONSE

Saskatchewan Region

As indicated in the report, this report is not used by the region, a detailed review is done when commitments are established and also when the monthly edit run is reviewed when the cheques are produced. The review of the edit report is required to ensure there are no errors present which would prevent the cheque from being produced and so the vendor check is conducted at the same time. The identified report is a detailed report; however, if the report was designed to produce an exception listing it would be a much more useful report.

SEGREGATION OF RESPONSIBILITIES

INPUT AND MODIFICATION

The TPMS is designed to have input function and changes of agreements function as two separate functions. These functions require program approval as well as financial approval, which is an important internal control. This approval process aims at achieving segregation of responsibilities for both the functions stated above.

However, within the program approval function, the region has authorized two employees to do the input, to modify agreements and perform program approval.

We recognize that no payments can be made until financial approval is obtained. However, the region still has two employees, within the program approval function, each being able to perform both the input and the program approval authorization.

As a result, one person can input, make changes and provide a program approval to an agreement. This compromises proper segregation of duties and minimizes the adequacy of internal controls.

PROGRAM AND FINANCIAL APPROVAL BY REGION

The TPMS processes an agreement for payment, only after separate program approval and financial approval have been obtained.

Three regional employees from the program functions have the authority to perform program approval of agreements. They do not have the authorization to perform financial approval.

One of these employees is responsible for analyzing the annual audit reports received from the recipients, as well as exercising program approval authority.

Three other employees in Corporate Services have the authority to perform financial approval of agreements. These three individuals also have the authorization to create the payment transaction file and to release the payments to DRMS.

The Regional Informatics Manager has the authority to create a payment transaction file and to release it to DRMS but does not have the authority to approve any agreements.

APPROVAL AND MODIFICATIONS BY HEADQUARTERS STAFF

To provide support to the region, three headquarters employees have been given the authorization to access the Saskatchewan Region TPMS database.

One employee from the DRMS Directorate has the authorization to modify the region's payee codes. One employee from the TPMS Directorate has the authority to modify brought forward items. This employee is also responsible for analyzing the recipient's performance. The third employee from the Information Systems Directorate, a programmer, is responsible for the TPMS and has the authority to perform a program approval and to modify payee tables.

These authorizations together create inadequate segregation of duties. Consequently, with too many people having access to regional information, there is a risk of unauthorized changes.

RECOMMENDATION

11. The Regional Director, Corporate Services, Saskatchewan Region, in conjunction with headquarters' directorates should ensure that the functions performed by employees at the region and headquarters are compatible to proper segregation of duties and internal controls.

MANAGEMENT RESPONSE

DRMS Directorate

Agreed. This should be done in conjunction with the above recommendation 8.

Saskatchewan Region

The region was aware that headquarters authorization was given to provide the required system support, however, these authorizations have been modified to ensure complete segregation of duties. Authorization is given to headquarters personnel to provide system support when required and does not permit access to the system without the region having knowledge of the access. System authorizations are reviewed regularly to ensure segregation of duties and that their effective and efficient operations of TPMS.

Quebec Region - Detailed Findings

COMPLIANCE WITH POLICIES

The Quebec Region complies with Financial Policies and Procedures Manual Part 5 - Transfer Payments, Chapter 5.11 - Funding Arrangements, Remedial Action and with the Treasury Board policy on cash management and departmental directives.

RECOMMENDATION

None.

TPMS MANAGER

The TPMS Manager, an online monitoring and control module was added to the TPMS in 1992-1993. It deals with the department's accountability for the funds authorized for release by the TPMS and tracks compliance with the agreement's terms and conditions.

However, the Quebec Region has not yet fully implemented the use of the TPMS Manager in their funding agreements management function.

Reports required by the transfer payment arrangements are received from the recipients at the regional central registry office. These reports are not routed to the Funding Service Officers (FSO). The reports are also not entered in the system using the TPMS Manager. As a result, the FSO may not be fully aware of the recipients' compliance with the reporting requirements of the transfer payments arrangements.

The region is, however, manually tracking and monitoring compliance with the transfer payments arrangements.

The region has recognized that their planned implementation of the TPMS Manager will be of benefit. The region has recently added the TPMS Manager to the TPMS and has commenced to use it.

RECOMMENDATION

12. The Director, Funding Services, Quebec Region, ensure full implementation of the TPMS Manager and routing of all reports, required under the terms and conditions of the transfer payments arrangements, for inclusion in the TPMS Manager.

Quebec Region

The implementation of the TPMS Manager was delayed due to, among other things, translation deficiencies and mistakes as mentioned on page 6 of this report.

Appendix A

TPMS/TPMS Manager Software Change Log Report (by Priority). This list was developed at the October 1995 Joint Application Development Workshop. It consists of users' requested enhancements to both the TPMS and TPMS Manager systems.

STATUS REPORT ON THE CRITICAL ITEMS TO BE FOLLOWED UP BY DRMS

TPMS / TPMS MGR SOFTWARE CHANGE LOG REPORT (By Priority)

Critical Issues

Ref No.	Cat	Description Of Software Change	Request sent to ISD	Sarf No	Addtl. Info Requestd from Regions	Unable to do	Not a Prob.	Being analy-zed
PP07	C	Include all recipient classes receiving Vote 15 funds in TPMS						
PP21	C	A process for multi-year arrangements management is required						
R23	C	A report to compare amounts of budgets between TPMS and DAS at the planning variable level is required						
R25	C	Multi-year information by Activity						
R32	C	View arrangements spanning 2 fiscal years on screens as well as reporting	Nov.02	5034/5				
T37	C	Increase size of field "from where" in screen TPK0823M	Oct.30	5024				
T69	C	Commitment load is needed at the service level						
T70	C	Establish a procedure for multi-year commitments						
T71	C	Commitment load should include recipients name						
T76	C	Need a BF item generation for varying fiscal year agreements	Nov.02	5033				
T77	C	Create an Arrangement summary screen						
T78	C	Develop TPMS capabilities to accommodate JV's, issuing cheques and budget commitments						
T82	C	Develop screens for entering data for arrangements spanning two fiscal years						
T87	C	Implement Program 3 into TPMS	Dec.94	4015				
T88	C	Create a special community profile screen for N.W.T.						
G01	C	Multi-year capabilities for commitments, coding structures, reporting and compliance review /tracking						
G05	C	Spreadsheet capabilities for budgeting and cash flow management						
G06	C	TPMS/DAS interface that eliminates the need for double entry of data and transactions						
G07	C	Budget derivation audit trail						
T94	C	Allow view of all arrangements within a region's RCMs (New)						
R35	C	Include horizontal total on Report TPZ5141, and allow selection of specific recipients (New)	Jan 96	5038				

STATUS REPORT ON THE CRITICAL ITEMS TO BE FOLLOWED UP BY DRMS

The following were previously sent to IMB:

Ref No.	Cat	Description Of Software Change	Request to ISD	Sarf No	Addtl. Info Requestd from Regions	Unable to do	Not a Prob
		Recompile french screens with officially approved translations	Jul. 95	5036			
		Snap program problem bring regional data to HQ	Oct. 95	5037			
		Printing reports over the local networks to slave printer is difficult	Sep. 94	4005			
		Reports to be displayed on the screens & printed to files	Sep. 95	5019			

TPMS / TPMS MGR SOFTWARE CHANGE LOG SHEET

Very Important Issues

Ref No.	Cat.	Description Of Software Change
R14	V	Include Service Code details in Financial Report by RCM & VCC (TPZ0505)
R21	V	Include FSO name in report TPZ0892
R29	V	Report of Unapproved arrangements by RCM / PV / VCC
R31	V	Report by exception on unmatched PAYEEs v/s RECIPIENTS
T62	V	Associate tables with FY they were created
T83	V	Facility to list multiple "Actual Disbursements" in the existing arrangement detail screen (TPK0311)
G04	V	TPMS/DAS report linking budgets to Agreements
G10	V	Amendment/Adjustment hard copy tracking and statistical reporting
G15	V	RAP performance evaluations
G16	V	"Flagging" of HOT files for ministerial briefings

TPMS / TPMS MGR SOFTWARE CHANGE LOG SHEET

Important Issues

Ref No.	Cat.	Description Of Software Change
PP12	I	Make multiple acknowledgments available for certain BFs
PP15	I	Tracking reporting dates on a national level
R01	I	Reports TPZ2313-6 & 7 To show fiscal year and date extracted
R08	I	BF items status reports to be sorted
R19	I	Postal codes are not provided on the 620 reports for some recipients
R20	I	Allow for several reports to be requested in the report review
R26	I	Modify TPK8100 screen to show arrangements from other regions and from HQ
T23	I	Add a screen to select from 1 to 9 years
T67	I	Eliminate batching function in TPMS
T72	I	Need to capture non-financial info of RAP
T73	I	A full word processing capability is required in TPMS Manager
T84	I	Activate Recurring Payment Modules
T85	I	Streamline input for Sub Service Codes
G02	I	Credits to prior year expenditures
G03	I	Assessments tracking systems and deficiencies tracking
G14	I	Audit status tracking

TPMS / TPMS MGR SOFTWARE CHANGE LOG SHEET

Nice To Have Issues

Ref No.	Cat.	Description Of Software Change
PP13	N	Include a project tracking facility in TPMS
G08	N	Agreement status tracking
G09	N	Templates for development of Agreements
G11	N	Cheque issue statistics
G13	N	Random number generation for data quality sampling
G19	N	Program review compliance

TPMS / TPMS MGR SOFTWARE CHANGE LOG SHEET

Deleted & Non-Related Issues

Ref No.	Cat.	Description Of Software Change
PP11	O	Service code # to which T&C can be attached to special agreements
R16	O	A Band population report is required
T74	O	Need to handle more than one transaction per fiscal period
T80	O	Determine the possibilities for Electronic Funds Transfer
G17	O	B.F. Items features in TPMS / TPMS Mgr
G18	O	Non-compliance by Department

STATUS REPORT ON THE CRITICAL ITEMS TO BE FOLLOWED UP BY DRMS

Completed and Implemented

Ref No.	Cat	Description Of Software Change	Dec. Release	Request sent to ISD	Sarf No	Implemented	Unable to do	Not a Prob.
PP18	C	Multiple arrangements with one recipient should call for an audit	√	Oct.30	5022	Jan. 96		
R02	C	Develop special summary reports in IMPROMPTU	√	Oct.30	5031	Jan. 96		
R04	C	Develop a menu with existing Quiz reports	√	Oct.30	5028	Jan. 96		
R15	C	2 new Cash Flow reports are required	√	Oct.30	5031	Jan. 96		
R22	C	A new/modified report is required to show financial information	√	Oct.30	5031	Jan. 96		
R28	C	410 report should show negative amounts	√	Oct.30	5029	Jan. 96		
R30	C	Ability to run reports through TPMS during cheque runs	√	Oct.30	5030	Jan. 96		
T06	C	Indicators to show that there is data spread over 2 screens or more		Oct.30	5023		√	
T43	C	Update function to be performed in all TPMS screens		Oct.30	5025		√	
T79	C	Edit routine to Include check for stub information	√	Feb.95	4024	Jan. 96		
T81	C	Some regions cannot delete RAP BF items from the screen	√	Oct.30	5026	Jan. 96		
T86	C	Recipient information screen no longer allows direct access to specific recipient		Oct.30				√
T92		Invoking "PREV" in the RAP Information screen (TPK0822) overwrites existing data if not updated	√		5032	Jan. 96		
		The edit process was locking the database for a time longer than required.	√		4003	Jan. 96		
		Modifications to the Edit Process with regards to the rounding problem in DAS	√		5011			DAS
		The EALL function in the User/Band association screen needs to be corrected.	√		5015	Jan. 96		
		The wrong message is issued when using the "GENR" option in TPK0821	√		5020	Jan. 96		
		The quiz AUDITREP1 and AUDITREP2 should include BF items #50 (Special Audit Reports for JBNQA negotiation payments)	√		5021	Jan. 96		
		Report TPZ0505 to include service code details (See Very Important Issues problem # R14)	√		4020	Jan. 96		

Terms of Reference

TERMS OF REFERENCE**AUDIT OF THE TRANSFER PAYMENT MANAGEMENT SYSTEM (TPMS)**

PURPOSE: The purpose of this audit is to assess the adequacy and effectiveness of the application integrity controls in TPMS; and the extent of compliance with central agency and departmental cash management policies and directives.

BACKGROUND: The 1995-1996 Audit and Evaluation Plan, approved by the Departmental Audit and Evaluation Committee (DAEC), includes an audit of TPMS.

TPMS was developed and implemented in 1990 as a user friendly, menu driven, computer database system. It was designed to assist the department in managing funding agreement information; and to apply cash management requirements for the Indian and Inuit Affairs Program. The funding agreements include grants, contributions and other transfer payments to First Nations bands, Tribal Councils and other recipients. TPMS has automated cheque requisitioning and major business functions across all regions to reduce cost, improve service and enhance controls.

The system establishes a database for all departmental funding arrangements. It automatically calculates cash flows in accordance with the federal cash management policy; and it generates monthly payments to recipients based upon a single annual cheque requisition. It has eliminated long standing problems such as the need to provide timely and accurate year-end revenue confirmations to recipients' auditors.

The Departmental Audit and Evaluation Branch (DAEB) carried out a post-implementation audit of the TPMS in 1990. Since then, a number of enhancements have been made to the system. Hence, there is a need to review the integrity controls of the enhanced system. In 1992-1993, a monitoring and control module called TPMS-Manager was added to TPMS. It is an on-line system which establishes a pending file for, and lists, all reporting requirements and their time-frames, including the regional ones. Hence, there is a need to review the TPMS and its integrity controls.

OBJECTIVES: The objectives of this audit are to:

- assess the adequacy of application controls to ensure the integrity of data and system information; including all manual, clerical and supervisory controls over the data before input into the computerized system, and all computerized basic controls;
- taking into consideration the results of the Joint Application Design (JAD) process of user workshop(s), evaluate the system's performance in terms of:
 - efficiency, productivity, usefulness;
 - impact on operations and identify any opportunities for improvement of system performance; and
 - assess compliance with the central agency and departmental cash management policies and directives.

SCOPE: The scope of the audit includes the review of both manual and computerized procedures performed at the operations, supervisory and management levels at headquarters and at the Québec, Saskatchewan and Alberta Regions. It will include a review of the:

- implementation and application of the control procedures;
- completeness, accuracy and validity of data input to the system, generated by the system and updated to the master files;
- authorization of data input and access to system information;
- accuracy of calculation, summarization and categorization of computer generated information data;
- completeness and retention of data maintained on the master files; and
- TPMS-Manager.

Reference is also made to the enclosed list - "Areas of Audit Activity".

APPROACH: The audit of TPMS will be conducted in the following three phases:

- Preliminary Survey and Evaluation;
- Fieldwork and Analysis; and
- Reporting

COST: The estimated cost of this audit is \$55,000.

SCHEDULE: The audit planning will commence from October 1995 and the report will be completed by March 1996.

APPROVED BY:

A. Williams
Assistant Deputy Minister
Corporate Services

**AREAS OF AUDIT ACTIVITY
INFORMATION SYSTEMS**

I Control

APPLICATION INTEGRITY CONTROLS:

- Completeness
- Accuracy
- Authorization
- Compliance with accounting policy
- Retention of records
- Audit trails

II Economy

SYSTEMS DEVELOPMENT PERFORMANCE:

- Departmental system development methodology
- Compliance by specific project
- Application integrity controls (overview) of specific system

III Efficiency

APPLICATION SYSTEM'S PERFORMANCE:

- Productivity
- Impact on performance
- Ease of operation
- Appropriateness of approach to activities (manual/computerized) on-line/batch

IV Operational Effectiveness

INFORMATION REQUIREMENTS:

- Quality of data for decision-making:
 - relevant
 - current
 - reliable

Action Plan

PROJECT TITLE / TITRE DU PROJET : AUDIT OF THE TRANSFER PAYMENT MANAGEMENT SYSTEM
REGION OR BRANCH / REGION OU DIRECTION GÉNÉRALE : CORPORATE SERVICES - DEPART. RESOURCE MANAGEMENT SYSTEMS DIR.

(1) RECOMMENDATIONS / RECOMMANDATIONS	(2) REPORT/ RAPPORT PAGE NO	(3) ACTION PLAN / PLAN D'ACTION (If space provided is insufficient please continue on blank sheet.) (Si vous manquez d'espace, veuillez continuer sur une page blanche.)	(4) RESPONSIBLE MANAGER GESTIONNAIRE RESPONSABLE (TITRE / TITLE)	(5) PLANNED COMPLETION DATE / PRÉVUE DE MISE EN OEUVRE
1 The Director, DRMS, Finance Branch, in consultation with the Director, Information Systems, Information Management Branch ensure that, where required, the logical design and the edit checks for the TPMS reports are reviewed and enhanced.	4	Action has completed in time with our following management response : "Since January 1996, all the system changes (including reports) are subject to a more stringent user acceptance testing process".	Director, Dept'l. Res. Mgt. Systems	96.01.31
2 The Director, DRMS, Finance Branch, ensure that access to the change utility used in Multiprogramming Executive (MPE) III is discontinued. This should be implemented only after controls have been added to ensure that a batch number cannot be assigned more than once. Until that time, use of the MPE III utility must be strictly controlled and documented.	5	A standard process has been instituted for reporting, logging and documenting resolution of all problems in DAS. This process will now be extended to TPMS problems. This will provide the necessary control and documentation called for in this recommendation.	Director, Dept'l. Res. Mgt. Systems	97.01.31
3 The Director, DRMS, Finance Branch, ensure that the TPMS provides an option to obtain reports by Funding Service Officer (FSO), for all the agreements managed by a FSO.	6	A change request has been initiated and the system change will be made in accordance with the relative priority that the TPMS user group will establish. (Depending upon the priority assigned by the user group)	Director, Dept'l. Res. Mgt. Systems	97.12.31
4 The Director, DRMS, Finance Branch, ensure that the TPMS provides an automated interaction to enable users to make changes in the service codes, when needed.	7	The costs and benefits of this alternative will be studied in conjunction with DAS - to determine whether this accounting function in DAS should be duplicated in TPMS - (subject to resourcing priorities).	Director, Dept'l. Res. Mgt. Systems	97.12.31

PROJECT TITLE / TITRE DU PROJET : AUDIT OF THE TRANSFER PAYMENT MANAGEMENT SYSTEM
REGION OR BRANCH / REGION OU DIRECTION GÉNÉRALE : CORPORATE SERVICES - DEPART. RESOURCE MANAGEMENT SYSTEMS DIR.

(1) RECOMMENDATIONS / RECOMMANDATIONS	(2) REPORT/ RAPPORT PAGE NO	(3) ACTION PLAN / PLAN D'ACTION (If space provided is insufficient please continue on blank sheet.) (Si vous manquez d'espace, veuillez continuer sur une page blanche.)	(4) RESPONSIBLE MANAGER GESTIONNAIRE RESPONSABLE (TITRE / TITLE)	(5) PLANNED COMPLETION DATE / PRÉVUE DE MISE EN OEUVRE
5 The Director, DRMS, Finance Branch, ensure that adequate translation is provided for the TPMS and TPMS Manager screens and documentation to meet the users' needs.	8	1 User documentation completed. 2 Operational screen completed. 3 Editing of reports to be completed (subject to resourcing priorities).	Director, Dept'l. Res. Mgt. Systems	94.11.30 96.08.31 97.06.30
6 The Director, DRMS, Finance Branch, ensure that the TPMS provides : (1) reports by service; (2) a report/inquiry showing each change and the cumulative dollar amount of each change; and (3) reports by field service areas.	10	1 TPMS currently provides reports by service code. 2 A change request has been initiated and the system change will be made in accordance with the relative priority that the TPMS user groups will establish. (Depending upon assigned priority by the user group) 3 A change request has been initiated and the system change will be made in accordance with the relative priority that the TPMS user groups will establish. (Depending upon assigned priority by the user group)	Director, Dept'l. Res. Mgt. Systems	96.09.11 97.12.31 97.12.31
7 The Director, DRMS, Finance Branch, ensure that all change requests submitted by the region are acknowledged, acted upon and the status of the change requests be notified to the region.	10	A process for logging, acknowledging and actioning change requests is in place.	Director, Dept'l. Res. Mgt. Systems	95.10.31

PROJECT TITLE / TITRE DU PROJET : AUDIT OF THE TRANSFER PAYMENT MANAGEMENT SYSTEM
 REGION OR BRANCH / REGION OU DIRECTION GÉNÉRALE : CORPORATE SERVICES - DEPART. RESOURCE MANAGEMENT SYSTEMS DIR.

(1) RECOMMENDATIONS / RECOMMANDATIONS	(2) REPORT/ RAPPORT PAGE NO	(3) ACTION PLAN / PLAN D'ACTION (If space provided is insufficient please continue on blank sheet.) (Si vous manquez d'espace, veuillez continuer sur une page blanche.)	(4) RESPONSIBLE MANAGER GESTIONNAIRE RESPONSABLE (TITRE / TITLE)	(5) PLANNED COMPLETION DATE / PRÉVUE DE MISE EN OEUVRE
9 The Director, DRMS, Finance Branch, ensure that all functions within TPMS and TPMS Manager which can accidentally erase data be either suspended or adequate controls be implemented to reduce the risk of accidental data erasure.	13	Corrective action on this specific observation has been implemented.	Director, Dept'l. Res. Mgt. Systems	96.01.31

PROJECT TITLE / TITRE DU PROJET : AUDIT OF THE TRANSFER PAYMENT MANAGEMENT SYSTEM
 REGION OR BRANCH / REGION OU DIRECTION GÉNÉRALE : ALBERTA - FUNDING SERVICES

(1) RECOMMENDATIONS / RECOMMANDATIONS	(2) REPORT/ RAPPORT PAGE NO	(3) ACTION PLAN / PLAN D'ACTION (If space provided is insufficient please continue on blank sheet.) (Si vous manquez d'espace, veuillez continuer sur une page blanche.)	(4) RESPONSIBLE MANAGER GESTIONNAIRE RESPONSABLE (TITRE / TITLE)	(5) PLANNED COMPLETION DATE / PRÉVUE DE MISE EN OEUVRE
8 The Director, Funding Services, Alberta Region, jointly with the Director, DRMS, Finance Branch should identify and authorize the headquarters individuals that need access to the Alberta Region's database.	12	Corporate Services, Alberta Region has a record of DRMS headquarter staff who have access to the Region's TPMS database. The Alberta Region's TPMS directorates of Funding Services and Corporate Services will establish a process to review and approve those headquarters staff who need access.	Director, Funding Services, Alta.	96.09.30

PROJECT TITLE / TITRE DU PROJET : AUDIT OF THE TRANSFER PAYMENT MANAGEMENT SYSTEM
REGION OR BRANCH / REGION OU DIRECTION GÉNÉRALE : SASKATCHEWAN REGION - CORPORATE SERVICES

(1) RECOMMENDATIONS / RECOMMANDATIONS	(2) REPORT/ RAPPORT PAGE NO	(3) ACTION PLAN / PLAN D'ACTION (If space provided is insufficient please continue on blank sheet.) (Si vous manquez d'espace, veuillez continuer sur une page blanche.)	(4) RESPONSIBLE MANAGER GESTIONNAIRE RESPONSABLE (TITRE / TITLE)	(5) PLANNED COMPLETION DATE / PRÉVUE DE MISE EN OEUVRE
10 The Director, Corporate Services, Saskatchewan Region, ensure that the TPMS/DRMS reconciliation report be printed by every cheque run and that variances, if any, are addressed.	14	As indicated in the report, this report is not used by the region, a detailed review is done when commitments are established and also when the monthly edit run is reviewed when the cheques are produced. The review of the edit report is requires to ensure there are no errors present which would prevent the cheque from being produced and so the vendor check is conducted at the same time. The identifies report is a detailed report; however, if the report was designed to produce an exception listing it would be a much more useful report.	Regional Dir., Corp. Services, Sask.	96.04.29
11 The Regional Director, Corporate Services, Saskatchewan Region, in conjunction with headquarters' directorates should ensure that the functions performed by employees at the region and headquarters are compatible to proper segregation of duties and internal controls.	15	The region was aware that headquarters authorization was given to provide required system support, however, these authorizations have been modified to ensure complete segregation of duties. Authorization is given to headquarters personnel to provide system support when required and does not permit access to the system without the region having knowledge of the access. System authorizations are reviewed regularly to ensure segregation of duties and that their effective and efficient operations of TPMS.	Regional Dir., Corp. Services, Sask.	96.04.29

PROJECT TITLE / TITRE DU PROJET : AUDIT OF THE TRANSFER PAYMENT MANAGEMENT SYSTEM
 REGION OR BRANCH / REGION OU DIRECTION GÉNÉRALE : QUÉBEC - FUNDING SERVICES

(1) RECOMMENDATIONS / RECOMMANDATIONS	(2) REPORT/ RAPPORT PAGE NO	(3) ACTION PLAN / PLAN D'ACTION (If space provided is insufficient please continue on blank sheet.) (Si vous manquez d'espace, veuillez continuer sur une page blanche.)	(4) RESPONSIBLE MANAGER GESTIONNAIRE RESPONSABLE (TITRE / TITLE)	(5) PLANNED COMPLETION DATE / PRÉVUE DE MISE EN OEUVRE
12 The Director, Funding Services, Quebec Region, ensure full implementation of the TPMS Manager and routing of all reports, required under the terms and conditions of the transfer payments arrangements, for inclusion in the TPMS Manager.	16	1 Complete the training program for TPMS users. 2 Implement a quality control procedure. 3 Complete the audit screens data entry. 4 Review the Report Routing Guide. 5 Implement a Funding Arrangement management system.	Director, Funding Services	96.05.30 96.06.30 96.10.30 96.12.31 96.12.31