



National
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Chief Review Services Chef - Service d'examen

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Analysis of Director Military Family Services

November 2010

NP0901



Canada 

Table of Contents

Acronyms and Abbreviations	i
Results in Brief	ii
Introduction	1
Background	1
Objectives	1
Scope	2
Methodology.....	2
Key Findings	3
Assessment of Progress Made Towards Achieving the Objectives Established by the MFSP: PFP.....	3
Assessment of the Management Control Framework.....	4
Governance.....	7
PFP, MOU & SLA.....	7
Assessment of Internally Conducted Compliance Inspections of Funds Provided to C/MFRCs	7
Annex A—Accountability Process Flowchart	A-1
Annex B—Audit Criteria	B-1



Acronyms and Abbreviations

BOD	Board of Directors
CF	Canadian Forces
CMFRC	Canadian Military Family Resource Centre (not in Canada)
C/MFRC	Military Family Resource Centre (in Canada and abroad)
CNA	Community Needs Assessment
COC	Chain of Command
DMFS	Director Military Family Services
DND	Department of National Defence
FY	Fiscal Year
MAF	Management Accountability Framework
MFRC	Military Family Resource Centre (in Canada)
MFSP	Military Family Services Program
MOU	Memorandum of Understanding
NPP	Non-Public Property
PFP	MFSP: Parameters for Practice
QER	Quarterly Expenditure Report
QSPR	Quarterly Service Performance Report
SDA	Service Delivery Agreement
SLA	Service Level Agreement
UK	United Kingdom



Results in Brief

In accordance with the Chief Review Services Non-Public Property (NPP) Audit Group work plan for fiscal year (FY) 2010/11, an analysis of the Director Military Family Services (DMFS) organization was conducted. This project is focused on the funding from DMFS to both Military Family Resource Centres (MFRCs) in Canada, and Canadian Military Family Resource Centres (CMFRCs), which are all abroad. (The acronym “C/MFRC” will refer to all military family resource centres, in Canada or abroad.)

This project commenced with the Management Accountability Framework (MAF) assessment and a risk assessment of these additional objectives:

- Assess progress in achieving the objectives/goals established by the Military Family Services Program (MFSP): Parameters for Practice (PFP);
- Assess the soundness of the management control framework; and
- Assess the internally conducted compliance inspections.

This analysis is in keeping with the NPP Audit Committee’s emphasis on having a strong internal audit presence at the national level.

Key Findings

- A strong performance measurement system is in place to ensure progress towards achievement of PFP objectives;
- A robust management control framework is in place; and
- Strong monitoring mechanisms are in place to ensure that action is taken on the recommendations of the internally conducted compliance inspections of the C/MFRCs.

Conclusions

Although the aim of this project was to identify priorities and timings of future audit activity, there were few issues worthy of note and none with sufficient risk to warrant a full audit. This speaks highly of DMFS, DMFS staff and their management framework.

All issues mentioned in this report have been discussed with DMFS management and no action is required at this time. Rather than scheduling audits at present, it is recommended that another assessment be initiated during FY 2012/13, unless there are significant changes in the program. The assessment should include follow-up action regarding:

- the Quarterly Service Performance Reports (QSPRs), after the initial implementation period;
- compliance inspection reports on the high-risk C/MFRCs;
- governance;
- the new management structure for the MFRC in Yellowknife; and
- scheduling of DMFS site visits.



Introduction

Background

During the 1990s, MFRCs were opened on Canadian Forces (CF) bases, wings and stations across Canada, and CMFRCs were established in the United States, Europe and the United Kingdom (UK).

MFRCs are third-party, not-for-profit organizations registered within the province where they reside and operate outside the CF command structure. Each MFRC is governed by a Board of Directors (BOD), made up of volunteer members, who are military and spouses (civilian).

In order to receive funds from the Department of National Defence (DND), which are administered by DMFS, MFRCs enter into a Memorandum of Understanding (MOU) with DND in order to ensure the coordinated management and delivery of the MFSP to CF members and their families, as well as to establish roles and responsibilities.

CMFRCs in Europe and the UK became non-public fund entities in 2002. These centres enter into a Service Level Agreement (SLA) with DND as represented by the Director General Personnel and Family Support Services, once again establishing a framework for the effective provision of MFSP services and establishing roles and responsibilities.

DMFS is responsible for the management of the MFSP on behalf of the DND/CF. DMFS exists to resource, promote and sustain the excellence, relevance and accountability of the MFSP. Specifically, its responsibility is to:

- Provide resources that contribute to the success of the C/MFRCs;
- Provide professional advice and technical guidance to stakeholders regarding the MFSP;
- Create, implement and promote MFSP policies and services; and
- Oversee and enhance the resources and performance of the MFSP.¹

The PFP outlines the core services for which DMFS will provide funding to individual C/MFRCs. DMFS has instituted a program of compliance inspections to review the usage of these funds in accordance with the MOU/SLAs.

Objectives

This project commenced with an assessment against the MAF and a risk assessment of the following objectives to determine priorities and timings of future audit activity:

- Assess progress made towards achieving the objectives established by the PFP;
- Assess the soundness of the management control framework; and
- Provide an independent assessment of internally conducted compliance inspections of funds provided to MFRCs.

¹ CFPSA website: <http://www.cfpsa.com/en/psp/dmfs/about.asp>.

Scope

Given that MFRCs are third-party, independent organizations, only the MOUs between DMFS and the MFRCs are auditable. CMFRCs are within the NPP framework and, as such, are subject to NPP policies, including audit. For consistency only the SLAs between the CMFRCs and DND were considered in this report. This assessment concentrated on the funding distributed by DMFS to the C/MFRCs—specifically, the process in place to determine distribution.

Methodology

The following represents the general methodology employed for this audit assessment:

- Preliminary background research and review of governance structure;
- Review of risk management framework and documentation;
- Review of the PFP, SLAs between DND and CMFRCs, and the MOU template between DND and MFRCs;
- Interviews with DMFS and DMFS staff;
- Analysis of the funding process and assessment for strengths and weaknesses in the control framework; and
- Assessment of the DMFS-commissioned compliance inspection reports from 2007 to 2009, identification of those centres with the highest risk factors so further examination could ascertain what steps had been taken to correct identified issues and reduce overall risk.

Key Findings

Assessment of Progress Made Towards Achieving the Objectives Established by the MFSP: PFP

PFP Objectives

- To help families of CF members manage the stresses associated with the unique characteristics of the military lifestyle.
- To enhance the quality of life in CF communities by supporting personal, family and community development.
- To foster the active and meaningful participation of CF families—and in particular, civilian spouses of CF members—in the development, delivery and evaluation of military family services.
- To contribute to the operational effectiveness of the CF by strengthening CF families and communities.

Methodology

- Delivery of mandated services, including community integration, parenting support, family separation and reunion support, prevention/support/intervention, personal development, and child/youth development.
- DMFS Participant Survey, QSPRs (to be implemented in FY 2010/11), and community needs assessments (CNA).

Performance Measures

- C/MFRCs must show that they are providing mandated services through their Funding Application and Service Delivery Agreement (SDA).
- Participants of the programs/services provided by C/MFRCs rate these services for value through a Participant Survey and give feedback during site visits.
- Compliance with the MOU and other policies is monitored through the DMFS-commissioned compliance inspections, which also provide recommendations.
- The MOU states that the BOD at C/MFRCs must consist of 51 percent military spouses.

Risk Assessment

- Funding Applications are assessed against the PFP for measurable criteria and go through a three-stage process for funding approval, prior to creation of the SDA.
- Participant Surveys and site visit feedback are used to generate new or improved programs, policies, and priorities.
- DMFS-commissioned compliance inspections are being conducted. Report recommendations are acted upon. Measures are in place if C/MFRCs do not comply with the MOU or other policies.



Capabilities Report on Deficiencies

The Capabilities Report on Deficiencies of the MFSP was written by DMFS in response to Chief Military Personnel Strategic Initiating Directive—02/09 Enhancement of CF Military Family Support Capability. The report's purpose was to provide recommendations for the resolution of identified deficiencies in the military family support capability.

DMFS used a variety of data collection methods to classify the existing capabilities of the MFSP, to note deficiencies and to create enhancement initiatives. This is another demonstration of the proactive measures and responsiveness of DMFS that were observed during this assessment.

Assessment of the Management Control Framework

Accountability Process

The MFRC accountability framework of DMFS relies upon the MOUs, SLAs and PFP.

The MOU has the greatest impact on the accountability framework as it is explicit in terms of the accountability arrangement. The MOU articulates expectations, roles and responsibilities of all players; specifies funding levels; discusses financial arrangements and oversight; and articulates consequences of failure to comply. The CMFRCs (those centres outside of Canada) have SLAs which perform the same role. The PFP incorporates both the SLA and the MOU and provides a guide for the operations of C/MFRCs, including the mandatory categories of services that every C/MFRC must provide. The PFP amplifies the direction provided by the MOU, provides guidance (even more so than actual policy), and is more focused on the delivery of service. Through these documents, the C/MFRCs then create a plan for programs and services that they wish to offer, which is submitted to DMFS through a funding application. This plan is then reviewed by DMFS, which gives its approval, in whole or in part, and allocates funding to the C/MFRC based on eight factors.²

Having received their funding allocation, C/MFRCs then create an SDA, which states the programs and services they will provide given the constraints of their budget. This SDA is once again reviewed by DMFS, which gives approval or returns it to the C/MFRC for revisions and re-submittal. Once the SDA is approved, the C/MFRC can then begin to provide its services. The C/MFRCs record their own financial transactions in a central system, and every quarter they provide Quarterly Expenditure Reports (QER) to DMFS. These reports are reviewed by DMFS in order to look for discrepancies or other issues.

² The factors include: Personnel Tempo, Isolation, Number of Regular CF Members, Number of Families of Regular (or Reserve) CF Members, Number of Children of Regular (or Reserve) CF Members, Number of CF Reserve Units, Population Dispersion, and Number of Reservists.

Monitoring Mechanisms

In addition to using the QERs as a monitoring mechanism to ensure C/MFRCs do not over- or under-spend their allocated budgets, DMFS has several other monitoring mechanisms:

- **DMFS Site Visits.** The introduction this year of community site visits³, an expansion to the formal site visits, involves Field Operations Managers conducting community conversations, which are dialogues with families in the community. Such conversations raise issues and concerns beyond the MFSP, and are not restricted to families already using the MFRC programs/services.
- **Compliance Inspections.** DMFS-commissioned compliance inspections are conducted approximately every three years.
- **Financial Audit.** A financial audit conducted by an independent, licensed public accountant. DMFS receives the financial audit report from each MFRC once per year within one month of when it is issued by the chosen accounting professional.
- **QSPRs.** These are based on the service policy accountability framework and will be in place starting in FY 2010/11 to complement QERs.
- **C/MFRC-Conducted Evaluations.** These ensure that programs and services are achieving the desired results.
- **DMFS Participant Survey.** C/MFRCs are given direction to implement the survey at the direction of DMFS. This survey assesses achievement of key mandated service objectives against prescribed, measurable, and published indicators of success (i.e., questions explicitly reflect elements of the accountability frameworks outlined for each service component, in the PFP⁴). This performance measurement was key in the survey's design, and also makes this instrument much more robust from an accountability perspective than merely an effort to gauge users' satisfaction with their C/MFRC. Additionally, this survey:
 - o Will be extended to include a survey for CF members who do not use the C/MFRCs, in order to increase their participation.
 - o Will have aggregate results fed into DMFS priorities for national program and policy development, and more recently, supported the work on the current enhancement initiatives (e.g., emergency child care). MFRCs use their individual results to compare with the national aggregate to determine where they should focus to improve, and DMFS uses the information during site visits to either acknowledge where MFRCs are comparatively strong or weak.
 - o Will be used in conjunction with information for funding review (along with CNA results, QSPRs, etc.), thereby ensuring accountability is maintained.
- **C/MFRC-Conducted CNAs.** These ensure that the right programs are being delivered to the right communities.

³ DMFS site visits will be conducted yearly.

⁴ Pages 33-53, https://www.cfpsa.com/en/psp/dmfs/pdfs/parameters_e.pdf.



Control Risks

- Risk that Funding Applications are “rubber-stamped” (i.e., same amounts automatically approved for each centre).
 - **Mitigated.** DMFS uses eight parameters to assess C/MFRCs with regard to funding and it has developed a variance-based funding allocation model. The funding applications also go through a three-level review.
- Risk that inspection recommendations are being ignored.
 - **Mitigated.** There is evidence that the DMFS-commissioned inspection reports are being acted upon. For example, one centre was put on notice for its numerous violations of the MOU. It has now been dissolved and will be operated under the NPP framework similar to the CMFRCs. (The MFRC will no longer be an independent, not-for-profit organization with its own BOD, registered with the province or territory, but will become an organization under the local chain of command (COC), with non-public fund employees.)
- Risk that information gathered through the MFSP Participant Survey is not used.
 - **Mitigated.** Results were sent to an independent survey specialist company to collate and analyze. Reports for C/MFRCs and aggregate results are then generated. This information is subsequently fed into DMFS priorities for national program and policy development and, more recently, to the work on the current enhancement initiatives (e.g., emergency child care). MFRCs use their individual results to compare with the national aggregate to determine where they should focus to improve, and DMFS uses the information during site visits to ascertain where MFRCs are either comparatively strong or weak. DMFS has also indicated that, in order to “close the accountability feedback loop,” it has started using the information gathered for funding review; its new approach for funding encourages use of the data in funding applications (along with CNA results, QSPRs, etc.).
- Risk of insufficient funds for the annual DMFS site visits. Last fiscal year there was a departmental travel restriction imposed and many of the scheduled annual DMFS site visits were postponed until the last fiscal quarter. The rigorous review of so many centres concentrated during a compressed time period was not optimal, and generated unrealistic timelines for completion.
 - A plan is being considered to schedule the site visits every other year—except the high-risk centres or those with problems.

[Annex A](#) presents a flowchart displaying the accountability process.

Governance

DMFS has a strong governance structure that utilizes appropriate monitoring and reporting tools. Procedures are in place to provide senior management with timely, accurate, and relevant information for decision-making purposes. Roles and responsibilities are clear, communicated, understood and adequate to facilitate effective oversight.

A National Military Family Council is being established to allow family members to voice their views and preferences with regards to DMFS strategies and operations. Individuals appointed to this Council are selected based on their qualifications⁵ and a vetting system.⁶ During the course of this assessment it was noted that there were instances of influence and/or direction to DMFS and staff from outside the COC. This may have a number of negative effects including an erosion of accountability and/or undermining the Council and the MFSP.

PPF, MOU & SLA

The MOUs, SLAs and PFP are up to date. DMFS staff review these documents every three years and update them, if required.

Assessment of Internally Conducted Compliance Inspections of Funds Provided to C/MFRCs

The internally conducted compliance inspections were assessed to determine their comprehensiveness and usefulness as a monitoring tool. Comprehensiveness was tested by comparing the inspection template with the requirements of the MOU, SLA and PFP. No significant omissions were found.

The compliance inspection reports conducted between 2007 and 2009 were examined. In order to test the usefulness of these reports as a monitoring tool, the issues identified were assigned point values to represent the risk ranking, as shown in Table 1. DMFS concurred with the risk ranking.

⁵ Qualified military family members must be dynamic, well informed and policy-minded, demonstrate volunteer involvement in their community, and have some experience or interest in policy and analysis.

⁶ Applications were screened for qualifications and then vetted to ensure optimal representation, e.g., regarding region, language, etc.

Problem/Issue	Point Value
Financial Statements do not balance, are not comparable or are missing	3 (Extremely Important)
Improper use of DMFS funds and/or lack of authorization	3 (Extremely Important)
Annual external financial audits not being conducted, not independent	3 (Extremely Important)
Employment policies not verified	2 (Significant)
Spouses do not make up 51 percent of BOD	2 (Significant)
Trust Fund issues	1 (Noteworthy)
Other governance, policy issues	1 (Noteworthy)
Lack of cash security	1 (Noteworthy)
Outdated/lack of accounting software	1 (Noteworthy)
Inconsistent accounting policies	1 (Noteworthy)
Chart of Account: its descriptions and headings are out of date/unclear	1 (Noteworthy)
Inventory issues	1 (Noteworthy)
Lack of internal controls	1 (Noteworthy)

Legend:

1 – Noteworthy

2 – Significant

3 – Extremely Important

Table 1. Issues Identified in the Compliance Inspections with Point Values. This table assigns point values to the identified issues in the compliance reviews to assess risk.

The C/MFRCs were then assessed in points, based on observations reported in DMFS compliance inspections. The centres with nine points or more were deemed to be the high-risk centres. DMFS then provided documentation, for the purpose of this assessment, to verify actions taken to rectify the issues identified for the high-risk centres.

Annex A—Accountability Process Flowchart

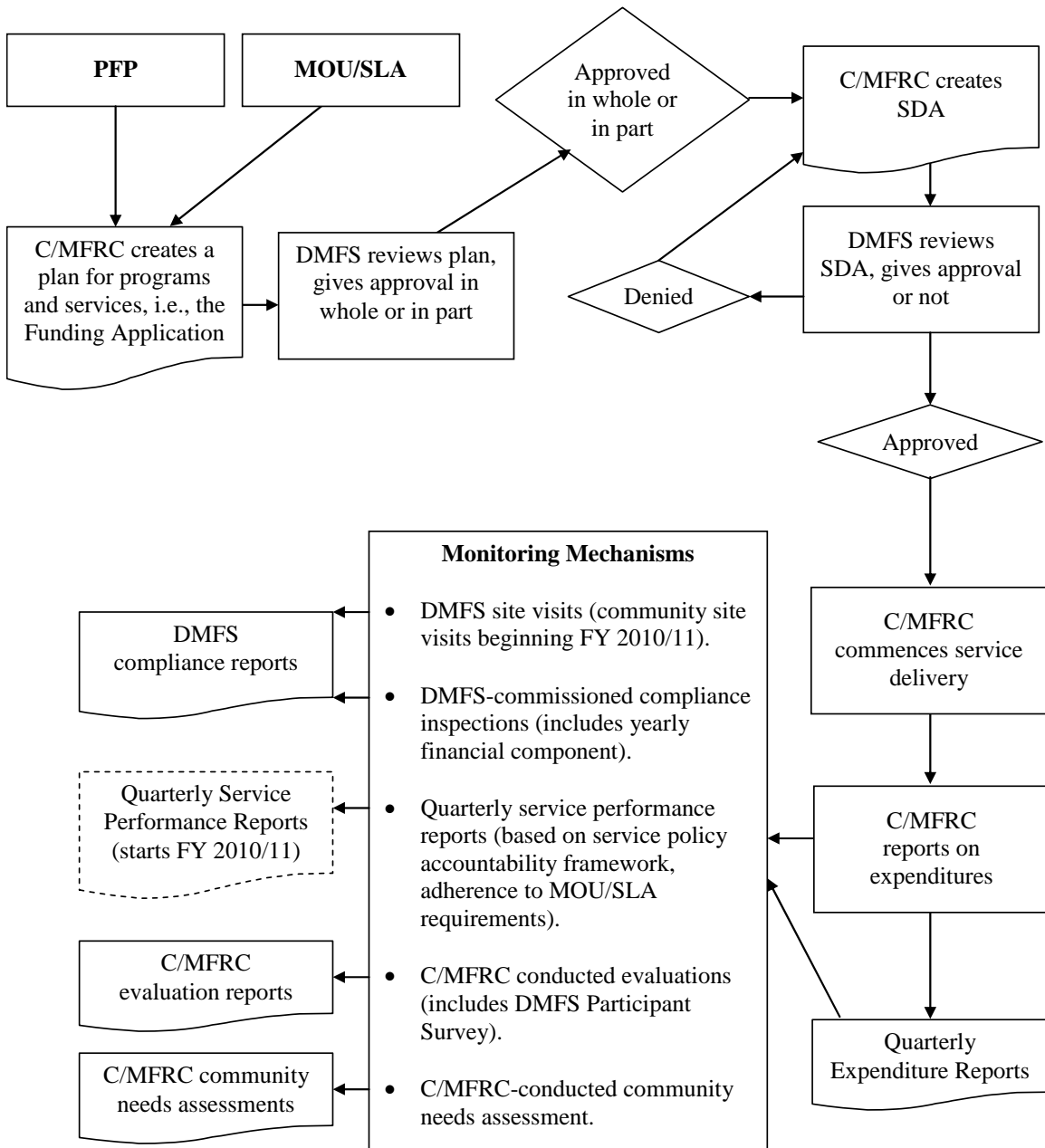


Figure 1. Accountability Process Flowchart. This flowchart outlines the funding, approval and monitoring process for C/MFRCs.

Annex B—Audit Criteria

Objective

1. Assess the governance structure.

Criteria

- Appropriate monitoring and reporting tools and procedures are in place to provide senior management with timely, accurate, and relevant information for decision-making purposes; and
- Roles and responsibilities are clear, communicated, understood, and adequate to provide effective oversight.

Objective

2. Assess the risk management framework.

Criteria

- Identifiable risks are recognized, understood, quantified and appropriately managed;
- Risks are quantified and risk impact thresholds have been established; and
- Appropriate risk response strategies have been developed.

Objective

3. Assess the adequacy of policy and programs.

Criteria

- Existing policies, procedures, SLAs and MOUs are adequate and up to date.

Objective

4. Assess the accountability and stewardship frameworks.

Criteria

- The funding cycle is conducted in accordance with the applicable policies/procedures; and
- The compliance inspections are sufficient in content to meet the mandate, are completed as often as required, and identified issues are followed up to ensure correction.



Objective

5. Assess whether services are client-focused based on results and performance information gathered.

Criteria

- Determine that services provided are of value to the military family members.

