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Canada

Internal Audit for the Treasury Board of Canada For the Year Ending March 31, 1998

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Canada Pour l'exercice terminé le 31 mars 1998

For the Year Ending March 31, 1998

Prepared by Consulting and Audit Canada - November 1999

Executive Summary

The audit of the Pension Plan For Employees of the Government of Canada Locally Engaged in the USA - Registered Pension Plan(RPP) was conducted in October 1998 at the Canadian Embassy in Washington, D.C., for the fiscal year ending March 31, 1998. The Treasury Board of Canada is the plan sponsor for the pension plan and has designated the Embassy's Head of Personnel as the Plan Administrator. The Embassy's Benefits Group is responsible for day-to-day administration.

As a result of our review, we conclude that the pension plan has been administered in compliance with the RPP Document and the financial transactions into and out of the RPP Fund were found to be timely and accurate. The market value of RPP assets at March 31, 1998 was \$85.5 million (Canadian).

While effective control has been provided over the systems and procedures in place to administer the RPP, we have recommended a number of corrective actions intended to maintain or strengthen the administration of the RPP with regard to financial integrity, service level to clients and data processing capability, as follows:

- Minor differences were found to exist between financial balances shown on the RPP trustee's monthly statements for the RPP and those of the RPP investment manager. The differences are apparently the result of timing differences in the respective preparation of monthly statements. Therefore, we have recommended that the RPP trustee provide the Plan Administrator, in writing, with an explanation of any such discrepancies if they occur from month to month.
- A review of the trustee's monthly portfolio statements revealed that the statements were difficult to read and interpret. Consequently, at the time of the audit, the Benefits Group was not able to reconcile the financial data provided by the trustee to its own internal records. As a result, we have recommended that the trustee be requested to provide the Plan Administrator with better training, including adequately detailed written instructions and explanations concerning the use of the monthly portfolio statements.
- There has been a marked increase in the overall workload of the Benefits Group, due to the development and implementation of the RPP (the revised former Plan) and the newly established Qualified Pension Plan, and the resulting need to design, develop and implement new computer systems. Further, the decision to use three insurance carriers for the welfare programs, in place of the one previously used, has also added to the overall workload. As a consequence, we have recommended that temporary and/or contracted support be provided in the short-term until the new pension and welfare plans become fully operational and the resulting resource needs are clearly established.
- While all Benefits Group systems have been replaced or upgraded to be Year 2000 compliant, the Embassy's pension application ALPH (Automated Life, Pension and Health System) remains the one notable exception. ALPH is not considered an acceptable Year 2000 product,

as its dBase-III/Clipper database technology is about 15 years old. As a result, we have recommended three corrective actions, namely: (1) Verify ALPH processing capabilities/limitations regarding year 2000. (2) Prepare a comprehensive ALPH replacement plan, including the support required from key stakeholders, key development phases and an estimate of the cost to replace the system. (3) Prepare a contingency plan/business continuity plan to support data processing into the new millennium.