



Audit of Controls Around Payment Processes: Program Payments – Phase 1

November 2023





Audit of Controls Around Payment Processes: Program Payments - Phase 1

Large print, braille, MP3 (audio), e-text and DAISY formats are available on demand by ordering online or calling 1 800 O-Canada (1-800-622-6232). If you use a teletypewriter (TTY), call 1-800-926-9105.

© His Majesty the King in Right of Canada, 2024


For information regarding reproduction rights: droitdauteur.copyright@HRSDC-RHDCC.gc.ca.

PDF

Cat. No. Em20-185/2024E-PDF

ISBN

978-0-660-69403-0



1. BACKGROUND

Employment and Social Development Canada (ESDC) provides direct services and support to Canadians by delivering statutory programs. The Department must maintain reliable payment procedures and processes to ensure the accuracy of programs payments issued. The Emergency Response Benefit (ERB) delivered by the Department relied on the applicants' attestation of eligibility with limited pre-payment controls to allow benefits to be paid rapidly during the Covid-19 pandemic. The Phase 1 audit scope included payments issued by the five programs presented below:

- Employment Insurance (EI) including the ERB delivered by ESDC;
- Old Age Security (OAS) and Guaranteed Income Supplement (GIS); and,
- One-time payment for seniors (OTP-Seniors) and to persons with disabilities (OTP-PWD).

1.1 Audit Objectives

The objectives of the Phase 1 audit were to assess whether:

- Applications are reviewed by the Department to validate the identity and verify the eligibility of the applicants to the ERB program;
- Payments to recipients are processed and approved in accordance with the requirements of applicable Treasury Board (TB) directives and policies, the [Financial Administration Act](#) (FAA), as well as departmental policies and procedures; and,
- Canada Emergency Response Benefit (CERB) and Canada Recovery Benefit (CRB) payments are processed in accordance with the Memorandum of Understanding (MoU) with the Canada Revenue Agency (CRA).

1.2 Audit Scope

The scope of the Phase 1 audit included controls related to the processing of payments completed between **April 1, 2020, and December 31, 2020**, for the five programs. The audit scope also included quality assurance activities and monitoring of recipient records. Please see Appendix B for a description of the five programs.

1.3 Audit Methodology

The audit was conducted remotely using the following methodologies which included, but were not limited to:

- Documentation review, analysis and process observation using virtual screen sharing;
- Interviews and walkthroughs with management and staff from the implicated branches at National Headquarters (NHQ) completed virtually;
- File reviews were completed on a sample of payment batches and program payments issued by the five programs; and,
- Data analytics was completed on \$86.13 billion in payments issued to 18.93 million recipients.



2. AUDIT FINDINGS

The results of the data analytics and file reviews completed on the payments processed during the audit period are presented below.

2.1 Reviewing Applications and Assessing Eligibility

- **PROTECTED**

Recommendation

1. **PROTECTED**

Management Response

PROTECTED

2.2 Processing Program Payments

- The Department had controls in place during the audit period to ensure that the program payments tested were processed in an accurate and timely manner.
- Data analytics were completed on the program payments issued during the audit period and the audit team found that:
 - EI recipients were paid only once for the same benefit week; and,
 - OAS and GIS recipients receive only one regular monthly payment.
- The CRA sends the Department a monthly invoice of CERB and CRB payments administered on behalf of ESDC. The audit team tested a sample of CRA monthly invoices paid by the Department. The audit found that the Department's payments of the CRA invoices were processed accurately and in a timely manner.

Overpayments

- The Chief Financial Officer Branch (CFOB) provided the audit team with a duplicate payments analysis of the CERB and the ERB payments. The Deputy Chief Financial Officer (CFO) of ESDC signed off on the analysis. The analysis compared data to identify benefits that were issued to the same recipient for the same time period. A total of \$841.3 million in duplicate payments was included in the departmental financial statements as of March 31, 2021.
- **PROTECTED**
- **PROTECTED**



2.3 Financial Administration Act Approvals of Payment Processed

The FAA requires that Sections 32, 34 and 33 approvals be completed by officers with financial authorities before program payments are issued. FAA Section 32 is the commitment authority to ensure sufficient funds are available before issuing a program payment. FAA Section 34 is the authority to certify, before making a program payment, that the recipient is eligible to receive the program benefit. FAA Section 33 is the authority to release program payments.

- None of the program recipient payments nor the CRA invoice payments tested had a FAA Section 32 commitment authority approval. Upon enquiring with the CFOB, it was explained that legislation commits the Department to administer benefits based on eligibility requirements. Since there are no fixed budgets or expenditure limits, the Department accepts the risks of not completing the required FAA Section 32 approval before issuing program payments.
- All of the program payments tested had FAA Section 34 and FAA Section 33 approvals were completed in a timely manner by officers who had proper delegated financial authorities. However, the audit identified a deficiency with the FAA Section 33 process.
- The [TB Directive on Delegation of Spending and Financial Authorities](#) requires the Department to complete quality assurance activities to fulfill the account verification responsibilities of delegated FAA Section 33 officers. The CFOB informed the audit team that they rely on various quality assurance activities as well as the annual *Letter of Attestation of System Controls for Account Verification* provided by the Assistant Deputy Ministers (ADM) of the branches. However, the CFOB was unable to substantiate to the audit team whether other existing control activities support the FAA Section 33 account verification requirements for program payments. As a result, the audit found that the CFOB does not have a clearly articulated framework that adequately supports the FAA Section 33 account verification requirements.

Recommendation

2. The CFOB should identify existing quality assurance activities, assess whether they adequately support the FAA Section 33 account verification requirements, and document the Department's updated approach.

Management Response

Agreed. While the Department has a Framework that outlines the quality assurance activities to support the FAA Section 33 account verification, a review of these activities and an update to the Framework will be done to clearly identify all existing assurance activities that the Department has in place to support FAA section 33 of Program payments.

2.4 Memorandum of Understanding with the Canada Revenue Agency

- The MoU with the CRA established the roles and responsibilities of ESDC and the CRA to administer the CERB and the CRB payments on behalf of ESDC. The MoU also defines the information sharing and governance functions required from the Department and the CRA. A joint ESDC and CRA CERB Steering Committee was established to provide direction on the administration of the benefits and public communications.
- The CRA provided a letter of attestation on the internal controls over financial reporting for the Covid-19 benefits administered on behalf of the Department for the year ended March 31, 2021. The letter included controls related to benefit payments, transactions data and invoicing. The design of the controls was assessed as effective and the letter indicated that no high or medium risk observations were identified.

3. CONCLUSION

Overall, the audit concluded that payments issued by the five programs assessed in the audit scope and the CRA CERB invoices received were processed in accordance with the requirements of applicable TB policies and directives as well as departmental policies and procedures.

PROTECTED

The audit found that the CFOB needs to identify and assess whether the quality assurance activities support the FAA Section 33 account verification requirements.

4. STATEMENT OF ASSURANCE

In our professional judgment, the audit team gathered and analysed sufficient and appropriate evidence to support the accuracy of conclusions found in this report. The audit team based these conclusions on observations and analyses at the time of the audit. These conclusions are applicable only for the Audit of Controls Around Payment Processes: Program Payments - Phase 1. The audit team followed the Treasury Board *Policy on Internal Audit* and the *International Standards for the Professional Practice of Internal Auditing*.



APPENDIX A: AUDIT CRITERIA ASSESSMENT

2.1 EI, ERB and Simplified EI

Audit Criteria

Rating

Reviewing Applications and Assessing Eligibility: It was expected that the Department has implemented controls to:

- PROTECTED

PROTECTED

Processing Payments: It was expected that the Department has implemented controls to:

- Verify that FAA Sections 32, 33 and 34 approvals of program payments are performed by officers with proper financial authority delegations in accordance with the TB Directive on Delegation of Spending and Financial Authorities;
- Process and issue accurate payments and identify overpayments for recovery in a timely manner.

●

Monitoring Recipient Records and Payment Processes: It was expected that the Department has implemented controls to:

- Detect errors and prevent unauthorized access to program payment recipient records;
- Perform account verification activities as part of a risk-based quality assurance process that is based on a sound sampling and execution methodology.

●

2.2 OAS, GIS and One-Time Tax-Free Payments for Seniors and Persons with Disabilities

Audit Criteria

Rating

Processing Payments: It was expected that the Department has implemented controls to:

- Verify that FAA Sections 32, 33 and 34 approvals of program payments are performed by officers with proper financial authority delegations in accordance with the TB Directive on Delegation of Spending and Financial Authorities;
- Process and issue accurate payments and identify overpayments for recovery in a timely manner.

●

Monitoring Recipient Records and Payment Processes: It was expected that the Department has implemented controls to:

- Detect errors and prevent unauthorized access to program payment recipient records;
- Perform account verification activities as part of a risk-based quality assurance process that is based on a sound sampling and execution methodology.

●

2.3 CERB and CRB

Audit Criteria

Rating

Processing Payments to CRA: It was expected that the Department has implemented controls to approve and accurately record invoices received from CRA for CERB and CRB payments administered on behalf of the Department.

●

Monitoring Recipient Records and CRA MoU Administration: It was expected that the Department has implemented controls to obtain assurance that the CERB and CRB payments are processed in accordance with the MoU with CRA.

●

- ✦ Best practice
- Sufficiently controlled; low-risk exposure
- Controlled, but should be strengthened; medium-risk exposure
- Missing key controls; high-risk exposure



APPENDIX B: BACKGROUND

Context

Employment and Social Development Canada (ESDC) provides direct services and support to Canadians during various phases of their lives by delivering programs. The payments provided by the five programs included in this audit report are briefly described below:

- **Employment Insurance (EI):** Provides regular benefits to individuals who lose their jobs through no fault of their own and are available for and able to work but cannot find a job. EI provides stability to Canadian workers during a range of life events such as welcoming a new child or caring for a critically ill family member. Three types of EI payments were examined during the audit period which included normal EI and the following two EI payment types:
 - **Emergency Response Benefit (ERB):** The ERB was administered by ESDC and was designed to provide the same benefits as CERB for claimants who were EI eligible from March 15, 2020 to October 3, 2020 during which eligible applicants receive a minimum taxable benefit of \$500 per week.
 - **Simplified EI:** As part of the CERB transition plan, changes to the EI program were put in place as of September 27, 2020 to better support Canadians looking for work after the CERB benefits ended. Canadians were transferred off ERB to receive a minimum weekly taxable benefit of \$500.
- **Old Age Security (OAS):** Provides basic OAS pension to seniors aged 65 and over who meet the legal status and residency requirements.
- **OAS – Guaranteed Income Supplement (GIS):** Provides the GIS to low-income OAS pensioners as well as the allowances for low-income individuals aged 60 to 64 who are the spouses, common-law partners of GIS recipients or who are widows.
- **One-Time Payment for Seniors:** The government emergency response also included a one-time \$300 payment for seniors eligible for OAS in June 2020 and an additional one-time \$200 payment for seniors eligible for GIS in June 2020 to help cover increased costs caused by Covid-19. The one-time separate payments were issued during the weeks of July 6, 2020 and September 28, 2020.
- **One-Time Payment to Persons with Disabilities:** In recognition of the extraordinary expenses faced by persons with disabilities during the Covid-19 pandemic, a non-taxable, non-reportable, one-time payment of up to \$600 was issued to persons with disabilities on October 30, 2020 who were a beneficiary of CPP Disability under the CPP Disability Program as at July 1, 2020 and who met other eligibility factors.

APPENDIX C: GLOSSARY

ADM	Assistant Deputy Minister
BDM	Benefits Delivery Modernization
BISB	Benefits and Integrated Services Branch
CERB	Canada Emergency Response Benefit
CFO	Chief Financial Officer
CFOB	Chief Financial Officer Branch
CRA	Canada Revenue Agency
CRB	Canada Recovery Benefit
EI	Employment Insurance
ERB	Emergency Response Benefit
ESDC	Employment and Social Development Canada
FAA	Financial Administration Act
GIS	Guaranteed Income Supplement
ISAMS	Identity Services and Access Management Solution
ISB	Integrity Services Branch
MOU	Memorandum of Understanding
NHQ	National Headquarters
OAS	Old Age Security
OTP-PWD	One-Time Payment to Persons with Disabilities
OTP-Seniors	One-Time Payment for Seniors
ROE	Record of Employment
TB	Treasury Board
TBS	Treasury Board Secretariat

