

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Audit of the Inmate Trust Fund

INTERNAL AUDIT SECTOR

July 9, 2020

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EXECUTIVE SUMMARY

What We Examined

The Audit of the Inmate Trust Fund was conducted as part of Correctional Service Canada's (CSC) Internal Audit Sector's 2018–2020 Risk-Based Audit Plan.

The overall objectives of this audit were to:

- Provide reasonable assurance that a management framework was in place and supported the effective and efficient management of the Inmate Trust Fund; and
- Assess the adequacy and effectiveness of the internal controls related to the Inmate Trust Fund.

The audit was national in scope and assessed the overall management framework and the controls in place related to the Inmate Trust Fund.

Why it's Important

The establishment and operation of the Inmate Trust Fund is a legislative requirement within the Corrections and Conditional Release Act and the associated regulations. As of March 2019, the balance of the Inmate Trust Fund, as per the information within the Inmate Accounting System Replacement (IASR), was approximately \$16 million and is considered a liability to the Government of Canada. A total of \$80 million of transactions occurred between April and December 2018. Although the amount of the Inmate Trust Fund itself is not material to the government's financial statements, the money held within the Fund can have a significant impact on the incarcerated inmates. The inmates use their funds for items such as making personal property purchases, inmate canteen, telephone calls, paying for legal services and supporting their family. The Inmate Trust Fund is also a significant component of CSC's reintegration efforts to prepare offenders for being financially responsible upon release. Additionally, a reputational risk to the organization exists should an inmate's funds not be managed appropriately.

What We Found

Overall, the audit team found no significant areas of concern related to the management of inmate monies. Although some compliance issues were noted, these were deemed to have a minimal impact on the Inmate Trust Fund. Furthermore, the audit team believes that the compliance issues raised will be rectified once the management framework issues are addressed.

The audit found that some elements of a management framework were in place. A Commissioner's Directive and a user guide existed and identified how to complete transactions within the Inmate Trust Fund. In addition, reconciliations were being completed and reviewed at a site and regional level.

Still, the management framework requires further improvements. More specifically, the audit found that:

- Policy documents and guidance materials require additional clarification and direction;

- The roles and responsibilities for the individuals validating source of monies received needs to be clearly defined; and
- Monitoring, reporting and oversight of the activities within the Inmate Trust Fund need to be strengthened.

With respect to overall compliance, the audit found that CSC had established system controls, was generally compliant with policies related to transaction controls, and relevant transactions were generally accurate and complete.

Management Response

Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations.

The Management Action Plan is scheduled for full implementation by August 31, 2021.

ACRONYMS & ABBREVIATIONS

CCRA:	Corrections and Conditional Release Act
CCRR:	Corrections and Conditional Release Regulations
CD:	Commissioner’s Directive
IASR:	Inmate Accounting System Replacement
IFMMS:	Integrated Financial and Material Management System

1.0 INTRODUCTION

1.1 Background

The Internal Audit Sector conducted the Audit of the Inmate Trust Fund as part of Correctional Service Canada's (CSC) 2018–2020 Risk-Based Audit Plan. This audit is linked to CSC's corporate priority of "efficient and effective management practices that reflect values-based leadership" and to the corporate risk that "CSC will not be able to implement legislative changes and fiscal constraint measures."

The Inmate Trust Fund acts as the inmate's bank account and serves to manage the inmate's money while incarcerated. CSC's primary responsibility related to the Inmate Trust Fund is to safeguard the funds of individual inmates and process the inmate's transactions. Within the trust fund, two main inmate accounts exist; a savings account, which is intended to encourage inmates to save for their release, and a current account, which is used to pay for purchases, such as canteen, personal property and hobby crafts. Additionally, the Inmate Trust Fund includes group accounts such as the inmate welfare committee account and inmate canteen account. As per the information within the Inmate Accounting System Replacement (IASR), the total value of the Inmate Trust Fund as of March 2019 was approximately \$16 million¹ of which approximately \$12 million was held in individual inmate accounts and, in strict accounting terms, is represented as a liability to the Government of Canada. Between April and December 2018, a total of \$80 million of transactions flowed through the Inmate Trust Fund. While the total value of the Inmate Trust Fund is not material to CSC or to the financial statements, a small amount of money can have a large impact for an incarcerated inmate.

Deposits into and withdrawals out of the Inmate Trust Fund originate from a number of sources. The deposits can include: inmate pay, profits from hobby crafts, funds received from family members and Canadian Pension Plan payments. The withdrawals can include: inmate purchases, inmate canteen, telephone calls, legal fees, family support and various deductions including those for food and accommodations, the administrative costs for the inmate telephone system and the inmate welfare fund.

The Inmate Trust Fund uses the IASR to record the daily transactions of the trust fund. On a daily basis, an upload of the transactions into CSC's main financial system, the Integrated Financial and Material Management System (IFMMS), takes place.

1.2 Legislative and Policy Framework

Legislation

The *Corrections and Conditional Release Act (CCRA)* and the *Corrections and Conditional Release Regulations (CCRR)* contain the legislative requirements for the Inmate Trust Fund. Additionally, the Financial Administration Act also includes clauses which apply to the administration of the Inmate Trust Fund.

Requirements within the *CCRA* and *CCRR* relevant to the Inmate Trust Fund state that:

¹ Inmate Accounting System Replacement Balance Sheet, as at March 31, 2019

- CSC is to hold offenders' money in a trust fund;
- The Inmate Trust Fund is to include both savings and current accounts and all money in the inmates possession when they arrive at the institution and any money given to an inmate is to be deposited into the appropriate account;
- When an inmate is released, they are to receive all money held in their trust account;
- CSC can deduct funds from an inmate's account to cover costs incurred by the Crown for food and accommodations and the administrative costs associated with the inmate telephone system; and
- Once CSC has recovered all debt, a deceased inmate's next of kin is to receive any money held within the inmates' accounts.

Treasury Board Policies and Directives

The Directive on Accounting Standards: GC 4100 Specified Purpose Accounts requires that all non-consolidated specified purpose accounts, which includes the Inmate Trust Fund, be recorded as a liability to the Government of Canada.

CSC Directive and Guidelines

Commissioner's Directive (CD) 860 Offender's Money is the primary directive that governs the Inmate Trust Fund. As such, those requirements impose on CSC a strong fiduciary responsibility for inmates' funds.

1.3 CSC Organization

National Headquarters (NHQ)

Together, the Correctional Operations and Programs Sector and the Corporate Services Sector are the policy holders for CD 860. Furthermore, the Corporate Services Sector is responsible for overseeing and controlling access to the IASR.

Regional Headquarters (RHQ)

The Regional Comptrollers group at Regional Headquarters act as the liaison between the institutions and NHQ for the Inmate Trust Fund and provides guidance to the institutional financial staff as required.

Institutions

The Institutional Head approves any food and accommodation and inmate telephone system waivers², additional withdrawals from an inmate's savings account, inmate to inmate transfers, and certain disbursements from the Inmate Welfare Fund.

Financial specialists, who are located at the institutions, are responsible for entering inmate related financial transactions into the trust fund; this includes: inmate pay, inmate purchases, money received from outside sources, as well as inmate debts. Financial specialists also produce and distribute biweekly individual inmate account statements. Upon an inmate's

² Offenders can request that the food and accommodation or telephone deduction be reduced or waived, up to a maximum of 6 months.

release, financial specialists are responsible for closing out the inmate's account and providing the inmate with the balance of funds. Monthly, CSC finance staff completes an IFMMS to Inmate Trust Fund reconciliation and the Chief of Finance reconciles and certifies the Inmate Trust Fund balance and IFMMS balance at year-end.

Visits and Correspondence officers are responsible for processing and issuing receipts for funds received from outside sources.

1.4 Risk Assessment

The audit team completed a risk assessment based on a review of past audits, audits completed by other jurisdictions and interviews with key stakeholders. The team also considered applicable policy documents and user manuals.

At the commencement of the audit, the audit team considered the following main risks based on a preliminary assessment:

- Lack of oversight of the Inmate Trust Fund and associated activities;
- Controls not functioning as intended;
- Inaccurate balances in the Inmate Trust Fund; and
- Data integrity being compromised when information is transferred between IASR and IFMMS.

The audit team identified the following fraud risks based on a preliminary assessment:

- Inappropriate withdrawals by staff;
- Funds not being deposited into the inmate's account; and
- Funds not being deposited during the transfer from the institutions to the bank.

These risks were considered in the development of the audit criteria and testing tools.

2.0 OBJECTIVES AND SCOPE

2.1 Audit Objectives

The overall objectives of this audit were:

- To provide reasonable assurance that a management framework was in place and supported the effective and efficient management of the Inmate Trust Fund; and
- To assess the adequacy and effectiveness of the internal controls related to the Inmate Trust Fund.

Specific audit criteria are included in **Annex A**.

2.2 Audit Scope

The audit was national in scope. The audit team visited institutions in all five regions. The auditors interviewed staff at institutions, Regional and National Headquarters. They also tested a sample of transactions occurring between April 2017 and March 2019 to assess compliance with policy and whether CSC was appropriately safeguarding inmates' monies.

The audit focused on assessing the management framework, the controls in place to safeguard the assets within the Inmate Trust Fund and the accuracy of the recorded information. Although the audit examined transactions related to inmate pay, inmate purchasing and the recording of any waivers for food and accommodations in terms of their accurate entry into the inmate's accounts, it did not assess the decisions made to approve these transactions.

The audit did not assess the transactions processed through group accounts within the Inmate Trust Fund, which includes the inmate welfare fund and the inmate canteen as these are processed automatically.

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Management Framework

The first audit objective was to provide reasonable assurance that a management framework was in place and supported the effective and efficient management of the Inmate Trust Fund.

The following sections highlight those areas where expectations were met and those where management attention is required.

Annex A provides the overall assessment for all audit criteria.

3.1.1 Policy Framework

The audit expected to find that CSC's Commissioner's Directives, guidelines and manuals were clear, supported the management of the Inmate Trust Fund and complied with applicable legislation.

The audit assessed this criterion as being partially met. The findings are discussed below.

Relevant policy documents, financial directives and a user guide were in place; however, areas requiring further clarification were found.

The policy suite related to the Inmate Trust Fund includes the Commissioner's Directive (CD) 860—Offender's Money, the IASR User Guide and various financial directives and bulletins. This information collectively details the rules and policies related to the Inmate Trust Fund including how to process transactions through the Inmate Trust Fund. The Policy Holder for CD 860 is joint between the Correctional Operations and Programs Sector and the Corporate Services Sector. The audit noted confusion in who is ultimately responsible for providing overall policy guidance as both sectors play a key role.

Although staff generally indicated that they understood the policy requirements, the audit found compliance issues related to the execution of transactions within the Inmate Trust Fund, which will be discussed in Objective Two and demonstrates that further clarity is required.

The audit expected to find that the policies in place were clear and up-to-date; however, the audit team found that improvements were needed within the existing policies. Some of the gaps/areas for improvement include:

- CD 860 states that up to \$200 can be given to an inmate as cash upon release; however, this limit is \$750 and has not been updated in the CD although Treasury Board approved the increased limit;
- CD 860 is unclear regarding the approval process for withdrawing funds directly from an inmate's savings account when the amount is under \$750. Currently, the policy requires that the Institutional Heads authorize disbursements from the inmate's savings account when they are over \$750. Institutional Heads approval is also required when inmates would like to make more than four transfers from their savings to current account³. Additionally, confusion exists related to whether withdrawals which come directly from

³ CSC allows inmates to transfer funds from their savings to current account up to four times a year for a total of \$750 without requiring additional approvals.

the savings account count towards the \$750 annual limit. Policy allows for some purchases to be paid for directly from an inmate's savings account if one of the criteria listed in the CD is met; however, many interpretations exist related to whether some withdrawals would meet the identified criteria;

- No instructions or directions are available on how to process dormant accounts. This includes accounts that are no longer attributed to a specific inmate. During the transition from the previous accounting system to the current system, some inmate information did not transfer to the new system. This concern also exists for inmates who have passed away while in custody. Currently, processes do not exist for handling accounts where no estate is willing to accept the inmates' funds;
- Inmates who have less than \$50 in their account upon release are to receive a top-up to reach \$50; however, an exemption exists within the policy stating that if the inmate's conditional release is suspended, they may not be eligible for an additional top-up to \$50. The audit found that the policy is not clearly written and requires the financial specialist to interpret the intent of the policy; and
- The policy framework does not provide any guidance to institutions on the acceptance and handling of cash. The audit found that some institutions accepted cash with no limits, while others refused cash and would only accept money orders or cheques.

The lack of a clear policy framework may create challenges for staff to understand how to handle and record transactions in a consistent manner.

3.1.2 Roles and Responsibilities

The audit expected to find that roles and responsibilities were clearly defined, documented and understood.

The audit assessed this criterion as being partially met. Overall, the audit found that staff in the day-to-day operations of the Inmate Trust Fund generally understood their roles and responsibilities. There was, however, one area where management attention is required.

There is a lack of a defined and consistent process regarding the validation of funds received.

CD 860 states that when money is mailed to an inmate, a verifiable legitimate relationship must exist between the inmate and the sender of the money. At all sites visited, it was the Visits and Correspondence officers receiving the funds, however the specific responsibilities involved in how this was to occur was not documented in the policy or the various post orders.

The Audit found that the Visits and Correspondence officers were not always validating the legitimacy of the relationship of the individual sending in the funds. Ad hoc processes were noted at various institutions; however, the processes were found to vary depending on the officer receiving the funds.

This section of the report is redacted.

3.1.3 Monitoring and Reporting

The audit expected to find that CSC had established monitoring and reporting processes to allow for general oversight of the Inmate Trust Fund.

The audit assessed this criterion as being partially met. The findings are discussed below.

There is no consistent process in place to monitor the Inmate Trust Fund.

A monitoring and reporting function would allow CSC to validate the accuracy of the data and to note any unusual activities within the Inmate Trust Fund.

From a finance perspective, the audit team did find some monitoring taking place. At a national level, the nightly information upload from IASR to IFMMS is reviewed to ensure that all transactions are uploaded. If issues are identified, the institution who initiated the transaction is requested to fix and resubmit the transaction. In addition, post payment verification is completed on a sample of financial transactions, including transactions within the Inmate Trust Fund. Each region is also reviewing their IASR to IFMMS reconciliations to ensure completeness.

The audit team found, however, that more monitoring and reporting could be done to ensure that the financial transactions in the Inmate Trust Fund respects the Legal and Policy framework. For example, as will be discussed in Objective Two in more detail, the audit noted several issues including presence of dormant accounts with positive and negative balances, delays in removal of expired waivers and improper classification of transactions. Had sufficient monitoring taken place, the issues may have been identified and resolved.

This section of the report is redacted.

Conclusion

With respect to the first objective, the audit team found that some elements of a management framework were in place. A Commissioner's Directive and a user guide existed and identified how to complete transactions within the Inmate Trust Fund. In addition, sites and regions completed and reviewed reconciliations.

As noted, the management framework requires further improvements. More specifically, the audit found that:

- Policy documents and guidance materials require additional clarification and direction;
- The roles and responsibilities for the individuals validating source of monies received needs to be clearly defined; and
- Monitoring, reporting and oversight of the activities within the Inmate Trust Fund need to be strengthened.

3.2 Internal Controls

The second audit objective was to assess the adequacy and effectiveness of the internal controls related to the Inmate Trust Fund. As previously discussed under the Scope section of this audit report, this section of the audit focused specifically on individual inmate account balances and did not include transactions within the group accounts.

Annex A provides the overall assessment for all audit criteria.

3.2.1 Safeguarding of Assets

3.2.1.1 System Controls

The audit expected to find that CSC had implemented system controls over the Inmate Trust Fund to safeguard the inmate's money under its fiduciary responsibilities.

The audit assessed this criterion as being met with exceptions. The following areas met the audit expectations:

- The Financial Policies, Practices and Systems division within the National Comptroller's Branch controls access to the IASR;
- Institutional finance staff is only able to access inmate accounts for those inmates who are at the institution they are working at and are only able to alter the transactions which took place while the inmate is at the institution to which they have access; and
- All current inmates have active accounts in IASR.

There was one area within this criterion where the audit identified some concerns.

A systematic control was not in place to disable users' access when no longer needed.

It is CSC's intention to cancel an IASR User's account after six months of inactivity. To do so, a system administrator must manually review the list of users to determine who has not accessed the system in the previous six months, however this does not always occur. Of the 225 user accounts tested, the audit found that 28 (12%) of the users still had access even though they had not accessed the system in the past 12 months.

This section of the report is redacted.

3.2.1.2 Transaction Controls

The audit expected to find that CSC had implemented transactional controls over the Inmate Trust Fund to safeguard the inmate's money under CSC's fiduciary responsibilities.

The audit assessed this criterion as being partially met. The following areas met the audit expectations for this criterion:

- Staff accurately recorded the funds inmates received;
- Staff entered the transactions into the Inmate Trust Fund in a timely manner;
- Evidence was available to support that the inmate initiated the withdrawal/purchase request 94% (160 out of 170) of the time;
- Withdrawals from the Inmate Trust Fund contained sufficient documentation to support the disbursement of funds from the Inmate's account in 84% (83 out of 99) of the transactions. The types of transactions where support was not available included tuition payments, online subscriptions, identification card replacements and lawyers' fees which were considered to be of lower risk because of the payee;
- Auditors found approvals in 90% (129 out of 144) of the transactions related to withdrawals under \$750; and
- There was evidence in 97% (127 out of 131) of the files reviewed that the inmate acknowledged the amount of funds they received upon release.

The following sections highlight areas where management attention is required.

The individual with the proper level of authority was not always approving withdrawal transactions.

CD 860 requires that for withdrawals over \$750 and taken directly from an inmate's savings account, Institutional Heads approve the transactions at their discretion. The audit found that the Institutional Heads approved such transactions in 53% (17 out of 32) of the files reviewed. The test reviewed transactions over \$750 but did not account for those transactions that cumulatively totalled over \$750 during the year. The intent of the withdrawal authorization is to help inmates meet their correctional plan objectives to accumulate savings for when they are released.

Dormant accounts with both positive and negative balances exist.

The *CCRR* requires that when an inmate is released from an institution CSC is to provide them with all money held within their trust account. The audit found dormant accounts with a positive or negative amount although the inmate had been released.

The audit conducted an analysis of dormant Inmate Trust Fund accounts and found 4,718 accounts with more than two dollars remaining, the Low Value Amount as defined in the FAA Regulations, for a total of \$364,315. Many of these accounts have been dormant for some time and are for inmates who are no longer under CSC's supervision. The audit team noted that in many cases it has been proven difficult for CSC to forward the remaining funds as the inmates may not have an available address or any noted next of kin willing to take the funds.

In addition, at the time of the audit, the audit team noted the presence of 741 dormant accounts with negative balances greater than two dollars remaining for a total of \$27,473. In many of these cases, expenses or other charges were charged to the inmate account after they were released. For example, in some instances these negative balances are related to punitive fines charged to the inmate where a delay existed between the fines being imposed and being processed.

For the Inmate Trust Fund accounts belonging to offenders for which the Service does not have current contact information, CSC does not have the legal authority to write-off these dormant accounts. Conversely, for those released offenders whom still have balances within the Inmate Trust Fund and who are still under CSC's supervision, the organization has no process in place to return these funds to the offender in the community. As the dormant accounts are continuing to accumulate interest, the liability will continue to grow indefinitely.

Institutions are not complying with the policy requirement to place a hold on the deposit of both personal cheques and money orders.

CD 860 requires that holds be placed on money orders and cheques to ensure they clear the bank prior to the inmate having access to the funds. Of the files tested, the audit found that 19 out of 87 (22%) money orders were held while 20 out of 66 (30%) personal cheques had holds placed. While the audit team believes that there may be minimal risk in not holding money orders, a financial risk does exist related to the personal cheques. Should the personal cheque not clear the bank, it may prove difficult to recover the funds, especially if the inmate has used the money or has been released.

Expiry dates on inmate fee waivers are not being respected.

As per the *CCRR*, the Institutional Heads can reduce or waive a portion of the full amount of food and accommodation and the administrative costs associated with the inmate telephone system. The Institutional Head will make the decision based on the information supplied by an inmate, and determine whether a deduction or payment of this inmate fee will unduly interfere with the ability of the offender to meet the objectives of their correctional plan or to meet basic needs or family or parental responsibilities. If the Institutional Head approves the request, the waiver is valid for a maximum of six months. Of the waivers tested, 67% (10 out of 15) were still active even though they had expired and these waivers were, on average, 94 days past their expiry. NHQ is responsible for entering the waiver information into the IASR, but institutions are required to inform NHQ when a waiver is to be removed, but this does not always occur. As a result, the Inmate's account may not be fully accurate as the relevant deductions are not taken even though the waiver had expired, thus giving the inmate additional funds for which they are not entitled to.

3.2.2 Accuracy of Information

The audit expected to find that CSC recorded transactions in the Inmate Trust Fund in an accurate, complete and timely manner.

The audit assessed this criterion as being met with exceptions. As discussed previously, CSC deposits inmate funds into their account in an accurate and timely manner. The following areas met the audit expectations for this criterion:

- Staff were creating inmate trust accounts within three days of an inmate arriving at an institution in 97% (138 out of 143) of the accounts tested;
- Staff processed inmate requests for items such as supporting family and legal services on average within 20 days; and other purchases, such as video games, religious items and clothing on average within 63 days. Policy does not specify the service standards for purchases; and
- Inmates were receiving their account statements regularly.

Although the audit team found that the criterion was met in most aspects, there was one area where management needs to pay additional attention.

For the transactions reviewed, half were classified incorrectly.

The IASR User Guide and various IASR Bulletins detail the categories staff must use when entering deposits into the Inmate Trust Fund. This includes whether it is cash or a cheque, as well as the source of the funds such as family, outside work, funds on intake, and aboriginal activities. The audit found that 52% of the transactions tested were being classified incorrectly, with the majority of these transactions involving cheques and money orders being classified as cash. Some sites indicated that they categorize all deposits as cash. Others indicated that holding money orders resulted in administrative challenges to enter and clear the hold, as well as to avoid questions from inmates regarding missing funds, as funds held do not get posted until the hold is removed.

Additionally, the audit found that a significant number of transactions were being classified to the miscellaneous category and when the audit examined the comments associated with the

transaction, it discovered that these transactions should have been classified to a different category. This impacts the accuracy of the inmate's trust fund as the miscellaneous category does not automatically trigger deductions for food and accommodation nor the administrative fee for the inmate telephone system, therefore providing the inmate with more funds than they would otherwise be entitled to.

The lack of accurate data in the system affects CSC's ability to use the information to its full potential.

Conclusion

With respect to the second objective, the audit found that overall, CSC had established system controls, was generally compliant with following policies related to transaction controls and the Inmate Trust Fund was generally complete and transactions were entered on a timely basis.

As noted, there are areas which require further improvements. More specifically, the audit found that:

- Transactions were not being classified properly in the Inmate Trust Fund;
- CSC was not placing holds on cheques and money orders received;
- Waivers for food and accommodations and the inmate telephone system were not being removed in a timely manner; and
- Positive and negative balances remained within dormant accounts.

The audit team is of the opinion that the majority of the compliance issues noted will be rectified once management has addressed the framework concerns noted in Objective One.

Recommendation 1

The Assistant Commissioner, Correctional Operations and Programs should:

- Review and update the policy framework to reflect the current operational needs; including the establishment of clear protocols for sites to consistently validate and verify the source of funds; and
- Determine how best to use the data in the Inmate Trust Fund from a security perspective.

Management Response

The Assistant Commissioner, Correctional Operations and Programs (ACCOP) agrees to conduct a review of the policy framework related to the Inmate Trust Fund. The results of this review will assist CSC in determining updates required to reflect current operational needs and address the issues/gaps identified in this audit, including the development and implementation of a protocol that will assist sites to consistently validate and verify the sources of funds sent to offenders. Further, the ACCOP will: determine if information in the inmate trust fund system can be leveraged to identify security concerns; assess the feasibility of system modifications; and where possible, the implementation of system modifications.

Recommendation 2

The Assistant Commissioner, Corporate Services should:

- Provide direction on the classification of transactions to allow CSC to better use the information;
- Develop a mechanism to ensure waivers are systematically removed when they are expired;
- Ensure dormant accounts are managed and explore options with Legal Services and Central Agencies to provide the organization the required legal and policy framework to do so;
- Establish financial monitoring and reporting requirements to provide oversight related to the Inmate Trust Fund; and
- Proactively consider minimizing the receipt of cash and explore options such as an electronic transfer system to improve efficiency and to minimize the risk of fraud.

Management Response

The Assistant Commissioner, Corporate Services (ACCS) agrees to take steps to improve the consistency of administration of Inmate Trust Funds, explore options for dormant accounts, enhance monitoring and reporting, and study the receipt of cash deposits into inmate trust funds, recognizing legal, financial and inmate hardship constraints.

4.0 OVERALL CONCLUSION

Overall, the audit team found no significant areas of concern related to the management of inmate monies. Although some compliance issues were noted, these were deemed to have a minimal impact on the Inmate Trust Fund. Furthermore, the audit team believes that the compliance issues raised will be rectified once the management framework issues are addressed.

The audit found that some elements of a management framework were in place. A Commissioner's Directive and a user guide existed and identified how to complete transactions within the Inmate Trust Fund. In addition, reconciliations were being completed and reviewed at a site and regional level.

Still, the management framework requires further improvements. More specifically, the audit found that:

- Policy documents and guidance materials require additional clarification and direction;
- The roles and responsibilities for the individuals validating source of monies received needs to be clearly defined; and
- Monitoring, reporting and oversight of the activities within the Inmate Trust Fund need to be strengthened.

With respect to overall compliance, the audit found that CSC had established system controls, was generally compliant with policies related to transaction controls, and relevant transactions were generally accurate and complete.

5.0 MANAGEMENT RESPONSE

Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations.

The Management Action Plan is scheduled for full implementation by August 31, 2021.

6.0 ABOUT THE AUDIT

6.1 Approach and Methodology

Audit evidence was gathered through a number of methods:

Interviews

Interviews were conducted with senior management and staff at the national, regional and institutional level. At the national level, interviews were conducted with policy holders and staff working directly with NHQ's financial systems. At the regional level, interviews were conducted with the regional comptrollers and finance supervisors. In addition, various staff were interviewed at the institutional level such as the institutional heads, chief of finance, inmate accountants, visits and correspondence, admissions and discharge and Assistant Warden Management Services. Where possible, the audit team also interviewed members of the inmate committee to gather additional insight.

Review of documentation

Relevant documentation including legislation, corporate documents, reconciliations and procedural documents such as post orders and other relevant corporate documentation were reviewed.

Testing

The audit reviewed transactions such as withdrawals, deposits, and disbursements to determine whether they were supported, appropriate and accurate. In addition, the audit team analyzed and assessed the controls in place to safeguard the assets within the Inmate Trust Fund.

Site Selection

The audit team focused on selecting sites that would provide a mixture of security levels as well as clustered and stand-alone sites. A healing lodge as well as a women's institution was also selected.

Annex B identifies the sites visited.

6.2 Past Audits Related to the Inmate Trust Fund

Audit of Inmate Related Financial Transactions (2009)

The audit found there to be limited monitoring taking place over inmates pay and related financial transactions and clarification was required related to Warden's exemptions and when current and savings accounts should be used to pay for expenses. Lastly, there were inconsistency in how much cash an inmate was given upon their release as some were given \$200 and the rest was in the form of a cheque, while others were given the full amount in cash.

At the time, specific recommendations were made that relate to the current audit. These include the following:

- The Assistant Commissioner, Correctional Operations and Programs and Assistant Commissioner, Corporate Services should clarify and update the policies were needed and enhance performance monitoring mechanisms; and
- Assistant Commissioner, Correctional Operations and Programs and Assistant Commissioner, Corporate Services should provide additional guidance for cash disbursements upon release.

6.3 Statement of Conformance

In my professional judgment as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the area examined.

The audit conforms to the Internal Auditing Standards for Government of Canada, as supported by the results of the quality assurance and improvement program. The evidence gathered was sufficient to provide senior management with proof of the opinion derived from the internal audit.

Christian D'Auray, CPA, CA
Chief Audit Executive

ANNEX A: AUDIT CRITERIA

The following table outlines the audit criteria developed to meet the stated audit objective and audit scope:

Objective	Audit Criteria	Met/ Met with Exceptions/ Partially Met/ Not Met
1. To provide reasonable assurance that a management framework is in place and supports the effective and efficient management of the Inmate Trust Fund.	<u>1.1 Policy Framework</u> —Commissioner's Directives, guidelines and manuals are clear, support the management framework of the Inmate Trust Fund and comply with applicable legislation	Partially Met
	<u>1.2 Roles and Responsibilities</u> —Roles and responsibilities are clearly defined, documented and understood	Partially Met
	<u>1.3 Monitoring and Reporting</u> 1.3.1—Monitoring and reporting processes are in place and there is general oversight of the Inmate Trust Fund	Partially Met
2. To assess the adequacy and effectiveness of the internal controls related to the Inmate Trust Fund.	<u>2.1 Safeguarding</u> 2.1.1—System controls over the Inmate Trust Fund are in place to safeguard the inmate's money under CSC's fiduciary responsibilities 2.1.2—Transactional controls over the Inmate Trust Fund are in place to safeguard the inmate's money under CSC's fiduciary responsibility	Met with exceptions Partially Met
	<u>2.2 Accuracy of Information</u> —Transactions are recorded in the Inmate Trust Fund in an accurate, complete and timely manner	Met with exceptions

ANNEX B: SITE SELECTION

Region	Sites
Atlantic	<ul style="list-style-type: none"> • Dorchester Penitentiary • Nova Institution
Quebec	<ul style="list-style-type: none"> • Regional Reception Centre • La Macaza Institution
Ontario	<ul style="list-style-type: none"> • Collins Bay Institution • Bath Institution
Prairies	<ul style="list-style-type: none"> • Stony Mountain Institution • Edmonton Institution • Grierson Institution
Pacific	<ul style="list-style-type: none"> • Mission Institution • Mountain Institution • Kwikwèxwelhp Healing Village