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Report of the
**Auditor General
of Canada**
to the House of Commons

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Chapter 6
Old Age Security—Human Resources and
Social Development Canada and Service Canada



Office of the Auditor General of Canada

The November 2006 Report of the Auditor General of Canada comprises Matters of Special Importance—2006, Main Points—Chapters 1 to 12, Appendices, An Overview of the Federal Government's Expenditure Management System, and 12 chapters. The main table of contents is found at the end of this publication.

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Chapter

6

Old Age Security

Human Resources and Social
Development Canada and Service
Canada

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Old Age Security

Human Resources and Social Development Canada and Service Canada

Main Points

What we examined

The Old Age Security program pays three benefits to seniors, each with its own eligibility conditions—the Old Age Security (OAS) pension, the Guaranteed Income Supplement (GIS), and the Allowance. Human Resources and Social Development Canada and Service Canada manage the program. We examined whether these organizations provide adequate access to program benefits, have reasonable assurance that correct benefits are paid to eligible beneficiaries, and record and collect overpayments in accordance with legislation and policy.

The reporting of the audit, originally scheduled for April 2006, was deferred because of changes to the parliamentary calendar as a result of the federal election. To update our observations, in August 2006 we obtained information from both organizations on any action they may have taken to address the observations and recommendations in this chapter. We have provided that information under **Subsequent events**.

Why it's important

The Old Age Security program provides a basic income for its beneficiaries, many of whom have little other income. The number of beneficiaries is expected to double in the next 25 years. It is important that the program be managed in such a way that everyone who is entitled to benefits is able to apply for and receive them.

More than 4 million people receive OAS benefits amounting to a total of about \$28 billion each year—14 percent of the federal government's total yearly spending. With so many current beneficiaries and still more to come in the future, errors that affect even a small proportion of clients or payments can involve relatively large numbers of individuals or large amounts of money. To demonstrate good stewardship of public funds, those who deliver the program need to understand and manage the risks involved.

What we found

- Human Resources and Social Development Canada and Service Canada have improved seniors' access to program benefits by simplifying the application process and by implementing initiatives to

increase the take-up of GIS. However, the organizations lack adequate information on these and other aspects of their service to clients, and do not give Parliament a complete picture of program performance.

- Quality reviews by Service Canada staff in processing centres, as well as our own testing, suggest that errors in establishing monthly payment amounts at the time of application occur at relatively low rates. However, because payment accuracy is not measured systematically, there is no assurance that this will be sustained. Moreover, the quality of application processing is not monitored adequately, and quality deficiencies occur at significantly varying rates from one quality review to another. Quality deficiencies—failures to follow processing policies and procedures—can lead to payment errors. Practices for updating accounts and assessing continuing eligibility are also not consistent from one processing centre to another.
- Human Resources and Social Development Canada and Service Canada do not have the consolidated information they need to properly manage overpayments. They lack a consistent approach to collecting overpayments across all processing centres. Further, the two organizations do not charge interest on OAS overpayments, despite a legislative requirement to do so.
- Information provided in August 2006 by Human Resources and Social Development Canada and Service Canada indicates that they have begun action to strengthen their management of the OAS program. They indicated that, by the end of 2007, they will have collected and reported improved information on client satisfaction and services, implemented a national quality review system, and improved information on overpayments. They also plan to issue a revised policy on managing overpayments.

Human Resources and Social Development Canada and Service Canada have responded. Human Resources and Social Development Canada and Service Canada have agreed with each of our recommendations and have committed to take action. Their responses are included throughout the chapter.

Introduction

The Old Age Security program provides income support to seniors

6.1 The Old Age Security (OAS) program provides income support to Canadian seniors. It dates back to 1952, when Parliament passed the *Old Age Security Act*. The program pays benefits monthly, with quarterly adjustments for increases in the cost of living.

6.2 The OAS program pays three benefits:

- the OAS pension;
- the Guaranteed Income Supplement (GIS); and
- the Allowance, including Allowance for the Survivor.

6.3 There are eligibility conditions for each benefit, and the amounts to which beneficiaries are entitled depend on their age, residence history, income, and marital status (Exhibit 6.1). In general, in January 2006

- a single beneficiary over the age of 65 with an income greater than \$15,000 could receive a maximum of \$484.63 in OAS pension benefits per month;
- a single beneficiary over the age of 65 with an income less than \$15,000 could receive a maximum of \$1,078.60 in OAS pension and GIS benefits per month;
- each member of a married couple with a combined income less than \$19,000 could receive a maximum of \$874.30 in OAS and GIS or Allowance benefits per month; and
- a surviving spouse or common-law partner between 60 and 64 years of age, with an income less than \$20,000, could receive a maximum of \$967.24 in Allowance for the Survivor benefits per month.

Federal organizations delivering the program are in transition

6.4 Human Resources Development Canada delivered the OAS program until 12 December 2003, when the government announced the division of this department into two new departments: Social Development Canada and Human Resources and Skills Development Canada. Social Development Canada's mandate was to design and deliver a range of social programs, including the Old Age Security program.

Exhibit 6.1 Old Age Security (OAS) benefits and who can receive them

Benefit	Eligibility conditions	Maximum monthly payment (January 2006)	Key features
OAS pension	<p>The pension is designed to provide modest retirement income for seniors.</p> <p>The benefit is available to Canadian citizens and legal residents who</p> <ul style="list-style-type: none"> are 65 years of age or over; have resided in Canada for a minimum of 10 years (20 years if applying from abroad) after reaching age 18; and applied for the benefit. 	\$484.63	<p>The pension is paid as a full or partial benefit, depending on length of residence in Canada (Exhibit 6.3).</p> <p>The benefit may be paid retroactively for a period of up to 11 months (plus the month the application is received) provided all conditions of eligibility are met.</p> <p>An individual who has resided in Canada for less than 10 years but who lived in a country having a social security agreement with Canada may qualify for a partial pension.</p> <p>In 2006, a pensioner with a total income greater than \$62,144 must repay part or all of the benefit through the tax system.</p>
Guaranteed Income Supplement (GIS)	<p>The GIS is an additional benefit available to low-income OAS recipients.</p> <p>Yearly income (excluding OAS pension) may not exceed certain limits.</p> <p>If the applicant is married or living in a common-law relationship, the combined income of the pensioner and spouse or common-law partner is taken into account.</p> <p>The OAS recipient must apply separately for the GIS benefit.</p>	<p>Single person: \$593.97</p> <p>Spouse or common-law partner of</p> <ul style="list-style-type: none"> a non-pensioner: \$593.97 a pensioner: \$389.67 an Allowance recipient: \$389.67 	<p>The GIS may increase or decrease according to reported changes in a recipient's yearly income and marital status.</p> <p>If a pensioner or that person's spouse or common-law partner has retired or has a loss of pension income, the application may include an income estimate for the current calendar year in place of the income of the preceding calendar year.</p> <p>The GIS is not taxable.</p> <p>Recipients must re-apply annually for the benefit, or file a tax return.</p>
Allowance, including Allowance for the Survivor	<p>The Allowance is paid to the spouse or common-law partner of someone receiving the OAS pension and the GIS.</p> <p>The Allowance for the Survivor is paid to someone whose spouse or common-law partner has died.</p> <p>Combined yearly income (excluding OAS or GIS) of the couple, or the annual income of the survivor, may not exceed certain limits.</p> <p>At the time of application, the spouse (or common-law partner) or survivor must</p> <ul style="list-style-type: none"> be between 60 and 64, have resided in Canada for at least 10 years after age 18, and be a legal resident in Canada. 	<p>Spouse: \$874.30</p> <p>Survivor: \$967.24</p>	<p>The Allowance may increase or decrease according to reported changes in a recipient's yearly income.</p> <p>If a pensioner or that person's spouse or common-law partner has retired or has a loss of pension income, the application may include an income estimate for the current calendar year in place of the income of the preceding calendar year.</p> <p>The Allowance ceases at age 65. The Allowance also ceases if the spouse or common-law partner receiving a pension ceases to be eligible for the GIS, or if the spouses or common-law partners divorce or separate for more than 3 months. In addition, the Allowance for the Survivor ceases if the survivor remarries or lives in a common-law partnership for more than 12 months.</p> <p>The Allowance is not taxable.</p> <p>Recipients must re-apply annually for the benefit or file a tax return.</p>

Source: Human Resources and Social Development Canada

6.5 In May 2005 the Treasury Board approved the creation of Service Canada. The organization describes its goal as to “provide Canadians with one-stop, easy-to-access, personalized service,” including delivery of OAS program benefits. Service Canada delivers services to OAS program beneficiaries through its processing centres and call centres, as well as service centres located across Canada.

6.6 Social Development Canada remained responsible for the OAS legislation and for policy development and design of the OAS program. In February 2006 Social Development Canada was merged with Human Resources and Skills Development Canada to form Human Resources and Social Development Canada. Service Canada, though not a separate legal entity, continued to operate autonomously.

6.7 In the transition to these new arrangements, the challenge was to maintain client service without disruption while implementing a new client service approach. Officials told us that these major reorganization efforts had an impact on program-related work, such as the further development of performance measures.

Large and growing payments are being made to a large and growing number of recipients

6.8 More than 4 million people receive OAS program benefits. Net expenditures totalled \$27.9 billion in 2004–05 (Exhibit 6.2).

6.9 In the coming decades, the number of OAS beneficiaries will increase. The Chief Actuary of Canada estimates that the number of people receiving OAS pensions will more than double from 2004 to 2030. Growth is expected to be slower in the number of GIS beneficiaries, who have little or no other income, but they will still account for more than one quarter of program beneficiaries by 2030.

Exhibit 6.2 Old Age Security (OAS) expenditures and beneficiaries, 2004–05

OAS program benefit	Expenditures (\$ millions)	Number of beneficiaries
OAS pension	21,364*	4,098,785
Guaranteed Income Supplement	6,038	1,484,834
Allowance	469	93,748

* This amount does not include a \$745-million “clawback” collected by the Canada Revenue Agency from high-income beneficiaries. For 2006, OAS pension benefits are reduced on a sliding scale for beneficiaries with incomes over \$62,144 and are fully clawed back on incomes over \$100,914.

Source: Human Resources and Social Development Canada

6.10 With so many beneficiaries and still more to come in the future, problems that concern a small proportion of clients or payments can affect relatively large numbers of individuals or involve relatively large amounts of money. It is important that the program be managed in such a way that everyone who is entitled to benefits is able to apply for and receive them. At the same time, it is essential for Human Resources and Social Development Canada and Service Canada to ensure the accuracy of OAS program payments.

Focus of the audit

6.11 Our audit objectives were to determine whether

- Human Resources and Social Development Canada and Service Canada make information about the Old Age Security program available and provide access to services in ways that respond to beneficiaries' needs;
- the systems and practices for determining initial benefit eligibility and for monitoring continuing eligibility provide reasonable assurance that eligible individuals receive the correct Old Age Security program benefits; and
- overpayments of Old Age Security program benefits are identified, collected, or forgiven in accordance with applicable legislation and policies.

6.12 Our audit focused on the systems and practices used by Human Resources and Social Development Canada and Service Canada for making program benefits accessible, verifying initial and continuing eligibility, and dealing with overpayments. We examined practices at the national headquarters of both organizations and in 4 of their 10 regions. In each region we visited some service centres, we held discussions with officials from the regional headquarters, and we visited a processing centre where staff assess OAS applications and make other changes to beneficiaries' accounts.

6.13 We conducted audit tests on benefit application and overpayment data provided by Human Resources and Social Development Canada. We did not audit the data for completeness. However, after analysis, comparison, file review, and discussion, we were sufficiently assured that we could rely on the data for our tests.

6.14 More details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendations

Accessing program benefits

Initiatives are increasing the number of seniors receiving benefits

6.15 Human Resources and Social Development Canada knows that not all seniors eligible for Old Age Security program benefits receive them. Of particular concern are seniors with little or no other income who may be eligible for the Guaranteed Income Supplement but do not receive it; in other words, they do not “take-up” their eligibility for the program. In 2001 the House of Commons Standing Committee on Human Resources Development and the Status of Persons With Disabilities released a report on the issue, entitled *The Guaranteed Income Supplement: The Duty to Reach All*.

6.16 To increase the number of seniors receiving OAS program benefits, Human Resources and Social Development Canada and Service Canada have undertaken three main activities:

- **GIS automatic renewal.** Because a beneficiary’s annual income determines eligibility, the GIS must be renewed yearly. Since 2000 it has been renewed automatically for most beneficiaries when they file their income tax return each year with the Canada Revenue Agency. Currently, this is how the GIS is renewed for 86 percent of beneficiaries; for most of the remaining 14 percent, it cannot be renewed automatically because they did not file an income tax return. Renewal applications are sent to those beneficiaries.
- **GIS mailings.** Since February 2002, Human Resources and Social Development Canada has mailed pre-filled GIS application forms yearly to about 100,000 seniors identified from Canada Revenue Agency data as having low incomes and possibly being eligible for the Supplement.
- **Outreach.** Human Resources and Social Development Canada has staff in each region whose primary responsibility is to reach out to seniors, provide them with information, and encourage and help them to apply for benefits. In response to a 2001 evaluation of its outreach program, the Department changed its approach from providing individuals with information to striving to reach more vulnerable population groups and working in partnership with community organizations involved with seniors.

6.17 Human Resources and Social Development Canada has used tax data from Statistics Canada to estimate the number of eligible tax filers who are not receiving the GIS. Tax returns do not collect certain information needed to determine eligibility, such as beneficiaries’

residence history; consequently, the Statistics Canada figures overestimate the number of GIS non-recipients who might be eligible. Partly as a result of this, only between 41 and 71 percent of seniors who receive the pre-filled applications each year apply for benefits. Nevertheless, the number of seniors receiving benefits increased significantly from 2001 to 2002, reducing the number of potentially eligible non-recipients from about 195,000 to 135,000. The increase coincided with the start of the GIS mailings and the changes made to the outreach program.

6.18 Human Resources and Social Development Canada and Service Canada have limited information on why potentially eligible seniors do not apply for the GIS. The two organizations also lack data collection mechanisms that would reveal whether outreach activities translate into applications received. However, Human Resources and Social Development Canada plans to conduct a program evaluation of GIS take-up in 2006–07 and another evaluation of the outreach program in 2008–09. The evaluations may yield better information about whether current take-up initiatives are targeted appropriately and are as effective as they could be.

The application process for beneficiaries has been simplified

6.19 In 2000–01 Human Resources and Social Development Canada (then Human Resources Development Canada) analyzed the process and documentation required to apply for OAS program benefits. The aim was to identify opportunities for simplification. In response to the resulting recommendations, the Department has made many simplifications and is considering others.

6.20 We reviewed the simplified application forms for OAS program benefits to determine whether they asked for the same information as other income security programs managed by Human Resources and Social Development Canada and Service Canada, and whether all the requested information was needed to determine eligibility. For the most part, the two organizations only asked for information they did not already have. Officials told us that they are examining the few remaining instances of duplication to identify further opportunities for simplification.

Assessing program risks

Eligibility rules are often complex

6.21 For about 60 percent of OAS benefit applicants—seniors who were born in Canada, have lived here all their lives, and are not applying for the GIS—determining eligibility is straightforward. These

applicants qualify for the full OAS pension. They are entitled to continue receiving their benefit if they choose to live outside Canada, although they must provide Service Canada with up-to-date contact information. There is nonetheless a need for vigilance and appropriate controls to protect against error or fraud.

6.22 The eligibility rules are more complicated for the other 40 percent of OAS benefit applicants. The residence and portability rules are particularly complex (Exhibit 6.3).

6.23 Information from benefit applicants must be assessed against these and the program's other eligibility conditions. Errors may occur and inaccurate payments may be issued if service delivery agents make mistakes in processing the information, or if beneficiaries or their representatives make mistakes in supplying the information or fail to promptly report changes in their circumstances.

Assessment of risks to payment accuracy has begun

Payment accuracy—The right person receives the right benefit at the right time, and for the intended purpose.

6.24 To manage the complexity of the program rules and protect against error and fraud, Human Resources and Social Development Canada and Service Canada first need a good understanding of the risks they face. The two organizations recognize the importance of risk assessment for effective management. They have periodically conducted risk assessment exercises at various levels of management responsible for the OAS program, both at national headquarters and in the regions we visited.

6.25 As a result, even though the OAS program itself has not undergone a structured and comprehensive risk assessment, Service Canada has identified the following areas as requiring greater attention to eliminate or reduce the risk of error and fraud:

- identity fraud,
- incorrect residence information,
- incorrect marital status information,
- incorrect information about annual income, and
- late notification of death of a beneficiary.

6.26 At the time we completed our audit fieldwork in October 2005, the risks were still in the early stages of being assessed; this involved determining on a program-wide basis how often information about beneficiaries' circumstances was not correct or up to date, and identifying the impact in terms of inaccurate payments. Recent

assessments have often been responses to particular incidents or proposals to change procedures. The result is that assessment of several of the risks was partial or not yet completed.

Exhibit 6.3 Residence and portability rules for Old Age Security (OAS) benefits

Eligibility requirement	Benefit affected	Rules
Residence	OAS pension	<p>The amount of pension paid depends on the rule under which the beneficiary qualifies.</p> <p>Full pension—40-year rule</p> <p>The applicant has resided in Canada for at least 40 years after age 18 and before approval of the application.</p> <p>Full pension—10-year rule</p> <p>On 1 July 1977, the applicant was 25 years or older, and</p> <ul style="list-style-type: none"> • was living in Canada, or • had already lived in Canada after age 18, or • possessed a valid Canadian immigration visa, and <p>has resided in Canada for the last 10 years immediately before the date of approval of the application.</p> <p>Full pension—“3 for 1” rule</p> <p>On 1 July 1977, the applicant was 25 years or older, and</p> <ul style="list-style-type: none"> • was living in Canada, or • had already lived in Canada after age 18, or • possessed a valid Canadian immigration visa, and <p>has resided in Canada for at least 1 year immediately before the date of approval of the application, and was present in Canada after age 18 and before the 10 years immediately preceding the date of approval of the application, for periods totalling at least three times the length of absences during the 10-year period.</p> <p>Partial pension</p> <p>The applicant has resided in Canada for at least 10 years but less than 40 years after age 18.</p> <ul style="list-style-type: none"> • 1/40 of the full pension is granted for each full year of residence in Canada. • The amount of the partial pension does not change once it has been approved, even if the recipient continues to reside in Canada.
	GIS and Allowances	The applicant must have resided in Canada for at least 10 years.
Portability (benefit can continue to be paid indefinitely to a recipient living outside Canada)	OAS pension	<p>The applicant must have resided in Canada for at least 20 years before departure.</p> <p>In the case of a partial pension, the 20 years may include time resided in Canada after approval of the pension.</p> <p>If the applicant has resided in Canada for less than 20 years, payments are stopped after six months following the month of departure from the country.</p>
	GIS and Allowances	<p>The applicant must live in Canada to receive benefits.</p> <p>Payments are stopped after six months following the month of departure from Canada.</p>

Source: *Old Age Security Act*

Risk management is being strengthened

6.27 Service Canada was developing a national risk management plan at the time of the audit. It was assessing current data available and the potential for using it to identify risks and indicators of higher risk. Officials told us that they expect the work to lead to the implementation of a new, ongoing risk management approach beginning in July 2006.

Determining benefits

Quality review—Check by a second person, often on a sample basis, of a service delivery agent's processing action to confirm that all policies and procedures have been followed.

The quality of application processing is not adequately monitored

6.28 National quality review. At the time of the audit, Human Resources and Social Development Canada and Service Canada did not have a nationally standardized **quality review** procedure for applications for OAS program benefits. As a result, there was no current, program-wide information on the quality or accuracy of application processing.

6.29 We therefore conducted a test of the quality of processing on a representative national sample of 400 applications for OAS program benefits that were processed from April to June 2005.

6.30 The most common quality deficiencies were

- lack of evidence on file to indicate whether certain types of income had been verified,
- processing of applications with inadequate supporting documentation or with no evidence on file to indicate whether adequate supporting documentation had been reviewed, and
- failure to properly approve applications.

Quality deficiency—Failure to follow processing policies and procedures, potentially leading to a payment error.

Payment error—Failure to issue funds to the right beneficiary, or for the right benefit, or in the right amount, or at the right time.

6.31 Quality deficiencies may or may not cause a **payment error**. This is because the potential for a payment error depends not only on the actions of the service delivery agent, but also on the accuracy of the information provided by the applicant and on the applicant's circumstances. For example, if the service delivery agent did not verify certain income information in an application, this omission could cause a payment error only if the information provided was in fact incorrect.

6.32 We found quality deficiencies in 9 percent of the applications we reviewed. The two organizations followed up on the quality deficiencies we identified to see whether payment errors had resulted. They confirmed payment errors in less than 1 percent of applications. These errors involved 0.6 percent of the total amount of monthly benefits to which applicants in the sampled period were entitled.

6.33 In reviewing how the applications were processed, we found that some prescribed procedures for handling applications appeared to be unnecessary, inconsistent, or not sufficiently clear. We also found weaknesses in the way that applicants' documentation was managed, which made it difficult to locate some information in a timely manner. As a result, officials told us that they would be examining their processing and document management procedures to determine how they could be streamlined or clarified.

6.34 Quality reviews in processing centres. Each of the processing centres we visited had conducted some quality reviews during the previous three years, although the extent of the reviews varied substantially.

6.35 Of the processing centres we visited, one had a more comprehensive system than the others. In each of the previous three years it had conducted reviews of all types of applications and of some actions to update beneficiaries' accounts. The processing centre had detailed instructions on how to review files and classify errors; it produced regular, detailed reports to management; and it had established targets for processing accuracy.

6.36 Two other processing centres had conducted some reviews but not annually. The reviews did not cover all types of applications, and regular reports on results were not provided to management. The fourth processing centre provided individual feedback to service delivery agents whose work was reviewed, but it did not consolidate the results to provide information to management.

6.37 In the three processing centres that had documented the results of their quality reviews, we found 13 reports of quality reviews. We did not audit the conduct of the reviews. We noted that the reviews reported rates of quality deficiencies ranging from 0 to 40 percent of cases. They also showed that the deficiencies had led to payment errors in 0 to 7 percent of cases.

6.38 While our test of the quality of application processing suggests that payment error rates are low, the rates reported in quality reviews in processing centres show an important variation. Also varying substantially are the rates of quality deficiency, which may lead to payment errors. The variation in error rates signals a need for systematic monitoring of the quality of application processing to ensure that payment error rates remain controlled.

6.39 Recommendation. Service Canada should implement a nationally standardized quality review system for applications for OAS

program benefits, covering all types of applications and other key processing activities.

Service Canada's response. With the introduction of Service Canada enterprise-wide approaches, work is under way to conduct a baseline assessment of quality review processes. In 2006–07 a national quality review program will be introduced.

6.40 Recommendation. Until a standardized approach is in place, Service Canada should direct its processing centres to apply existing quality review procedures more systematically.

Service Canada's response. The national quality review system to be implemented in 2006–07 will include standardized procedures for use by regional processing centres.

Service Canada is reviewing reports on updating and correcting accounts

6.41 Each month the OAS information system automatically generates reports that identify actions needed on beneficiaries' accounts and possible problems in the processing actions undertaken by service delivery agents. The reports provide an opportunity to update beneficiaries' accounts and correct possible mistakes in application processing before the next payment is issued.

6.42 We examined selected key reports to determine whether they received the required follow-up in the processing centres we visited:

- Edit and Update Reports list actions and updates to the OAS processing system that have not been properly accepted or for which the information entered into the system is incompatible.
- The Month End Report is a series of about 10 individual lists identifying situations requiring action to ensure that data on file accurately reflects beneficiaries' situations. Various actions may be required:
 - Beneficiaries becoming eligible for new benefits may need to submit an application or update their income and residence history.
 - Beneficiaries may need to confirm their address and residence history to ensure that they continue to be eligible for benefits.
 - For an incomplete application, staff need to determine the cause of the delay in supplying information and ensure prompt processing.

- Beneficiaries whose benefits have been suspended may need to be contacted for updated information.
- The Death Code Discrepancy Report lists cases in which the Canada Revenue Agency has a date of death for a GIS or Allowance beneficiary, but the OAS processing system does not yet have a date of death for that individual.

6.43 We found that different processing centres manage all of these reports in different ways and do not always fully understand their content and purpose. Some processing centres did not take prompt follow-up action on entire sections of the reports. We examined a non-statistical sample of 163 accounts listed in reports previously reviewed by service delivery agents. In 10 percent of the cases, the action taken was incomplete or incorrect, resulting in payment errors in 7 accounts. In another 10 percent, the follow-up had not been completed within the subsequent month. These results cannot be extrapolated to the general population of OAS beneficiaries' accounts. None of the processing centres had conducted quality reviews of the way they handled their automated reports.

6.44 At the time of our examination, Service Canada had begun a review of all OAS system reports. This project involved identifying the reports, reviewing their content and use, and publishing an updated set of procedures on how to manage them. The organization expected to complete this project by the end of March 2006.

Approaches to assess continuing eligibility vary

6.45 Once applications are accepted, Service Canada needs to know whether beneficiaries continue to be eligible. We found that different processing centres have substantially different ways of assessing continuing eligibility:

- We noted considerable variation in practices followed by service delivery agents when deciding whether to change the status of a beneficiary's OAS pension from non-portable to portable. A pension is non-portable if the beneficiary has resided in Canada for less than 20 years when the pension is approved; in other words, payment will stop if the beneficiary leaves Canada. In this case, if the beneficiary continued to live in Canada after approval until meeting the 20-year residence rule, the pension would become portable. This means that the beneficiary may move outside Canada and continue to receive the benefit (Exhibit 6.3). However, procedures are not clear on the extent to which beneficiaries who move outside the country are required to

provide documentation to demonstrate that they had resided continuously in Canada from the date when the pension was first granted until the date when the benefit became portable. We found that some beneficiaries were required to provide documentation of their continuing residence in Canada after initial approval of their pension, while others were not asked for documentation.

- Service Canada issues T4A tax slips to beneficiaries for use in reporting the income they have received under the OAS program. Tens of thousands of these slips are returned by Canada Post, indicating that Service Canada's information about beneficiaries' addresses is not up to date. Only one of the four processing centres that we visited followed up on the returned slips to update information for the beneficiaries concerned. In that processing centre more than 20,000 slips were returned in 2004 and 2005, representing about four percent of OAS beneficiaries in the region. In following up on these slips, the processing centre was able to update its information on about two percent of beneficiaries in the region and confirmed that it had already received updated information on the rest.

6.46 Recommendation. Service Canada should review the approaches it currently uses to assess beneficiaries' continuing eligibility and should ensure that the necessary approaches are applied consistently in all processing centres.

Service Canada's response. National tools are being revised and issued to assist in the establishment of coherent and consistent national approaches to service delivery. As part of that ongoing effort, Service Canada will ensure that common procedures are implemented for returned taxation slips and for absences from the country for beneficiaries who have less than 20 years' residence.

Efforts have been made to strengthen investigations

6.47 Where service delivery agents review beneficiaries' accounts and are unable to confirm eligibility, or where they suspect fraud, they refer such cases to designated investigators. At the time of our visits in August and September 2005, each region organized its investigation function differently. Some had full-time investigators; some combined the function with other activities. Guidance on conducting investigations was last updated in 2001. Each region tracked its investigations differently, and Service Canada therefore could not measure or compare whether regions were conducting investigations effectively.

6.48 In October 2005 Old Age Security and Canada Pension Plan investigators merged with Employment Insurance investigators in a single Service Canada Integrity Services Branch. The Branch told us that as a result, the investigation function is now organized more consistently across regions. The Branch further told us that investigators have better access to the more current guidance and training provided to Employment Insurance investigators, and information from investigations is being collected and reported to national headquarters in a more consistent way. Information from investigations is also being incorporated into the work under way toward developing a national risk management plan by July 2006.

Monitoring program performance

Information on payment accuracy and service quality has gaps

6.49 Human Resources and Social Development Canada and Service Canada use a range of performance information to manage their delivery of the Old Age Security program. However, there are some important gaps in the information.

6.50 Payment accuracy. There is no national measure of payment accuracy. The four regions we visited indicated that they use results from their regional quality reviews and one-time reviews undertaken at the direction of national headquarters to obtain information on payment accuracy. But because the approaches to quality review vary by region, they do not provide a national view, nor do they allow comparison across regions or from one period to another. The findings cannot readily be used to identify better practices or performance at the national level, or to assess the impact of local efforts toward improving payment accuracy.

6.51 Service delivery. Human Resources and Social Development Canada and Service Canada measure and publicly report on nationwide delivery of the OAS program using two key performance indicators:

- the percentage of OAS benefits paid within the first month of entitlement, and
- the percentage of telephone callers answered by a service delivery agent within three minutes.

6.52 Neither performance indicator provides a complete picture of the service area it measures. The first-month indicator is used to measure the timeliness of processing of OAS pension applications alone—not GIS or Allowance applications, although they account for about 30 percent of applications for OAS program benefits. The

indicator of answering a phone call within a three-minute waiting period overstates performance because it does not include callers who receive a busy signal, and it counts as a successful result a call where the caller hangs up before the three-minute period is over.

Departmental data indicates that the overstatement of performance may be in the range of 10 percent of callers per year.

6.53 To provide broader information on service delivery, in 2005 Service Canada implemented a national workload reporting system. Three of the processing centres we visited use an information system to track their workload and provide monthly reports to national headquarters. The fourth produces the necessary information by manually counting work outstanding. This information gives early warning that backlogs may be developing in the processing of all types of OAS program applications and in the activities needed to update beneficiaries' files.

6.54 Client satisfaction. Information on client satisfaction with the delivery of the OAS program has not been collected regularly and consistently. In 2001 Human Resources and Social Development Canada (then Human Resources Development Canada) surveyed clients about their satisfaction with OAS service delivery. The survey investigated several measures of overall satisfaction with the service received, including satisfaction with different service channels. However, the Department has not conducted any further national surveys of client satisfaction with the program.

6.55 Two combined measures of client satisfaction with OAS and the Canada Pension Plan are included in the government-wide Citizens First Survey, which has been conducted about every two years since 1998. The survey is performed by an external organization across a broad range of federal government programs. Its results are therefore not readily comparable to the 2001 departmental survey. Service Canada conducted a client satisfaction survey across all of its main product lines in March and April 2006. At the time of the audit, it was not clear how the results of the survey would be reported and therefore whether they could be compared with the earlier program-specific or Citizens First surveys.

6.56 Program evaluation. An evaluation of the effectiveness of the GIS and Allowance was begun in 2001. An interim report was prepared in 2003. Human Resources and Social Development Canada plans to complete the evaluation in 2007.

6.57 Reporting to Parliament. The Department uses only the two key service delivery performance indicators to report its results in its departmental performance report, submitted annually to Parliament. These provide an incomplete view of the performance of the Old Age Security program.

Plans to improve performance measurement are in place

6.58 In both its 2004–05 and 2005–06 reports on plans and priorities, Human Resources and Social Development Canada stated that it was developing new performance indicators. We found that Human Resources and Social Development Canada and Service Canada were making progress in developing new performance information frameworks and measurement tools to manage the program and report to Parliament. The frameworks we reviewed would provide improved information on payment accuracy and service to beneficiaries.

6.59 The challenge is to develop ways of measuring performance, ensure the quality of the information, and implement the new frameworks as scheduled. Plans called for reporting on an initial set of revised performance indicators in spring 2006.

Managing overpayments

6.60 An OAS overpayment is the payment of a benefit to a beneficiary who is not entitled to receive it, or the payment of an amount exceeding what the beneficiary is entitled to receive. The *Old Age Security Act* requires beneficiaries to return overpayments. Common causes of overpayments are

- incorrect estimates of income for GIS and Allowance payments,
- late notifications of changes in marital status,
- errors by beneficiaries and Service Canada staff, and
- late notifications of death.

6.61 Service Canada’s processing centres are generally responsible for identifying, recording, and collecting overpayments. However, roles and responsibilities vary by centre.

Information for managing overpayments is limited

6.62 The Departmental Accounts Receivable System of Human Resources and Social Development Canada and Service Canada does not handle OAS overpayments. As a result, the information normally available for managing overpayments is limited to monthly totals and lists of individual overpayment accounts. As of 31 March 2005, the amount

outstanding in overpayments of OAS benefits was about \$82 million. This represents overpayments that Human Resources and Social Development Canada had not yet recovered, written off, or forgiven.

6.63 Information on the total amount of overpayments managed during each year—that is, new overpayments identified and collected, as well as those still outstanding—is not consolidated to provide a yearly or national picture. Limited analysis is undertaken of differences in the amounts and age profile of overpayments by year, benefit, or region.

6.64 Without this kind of information, overpayments cannot be managed adequately. For example, with data obtained from the OAS information system we found that overpayments have remained outstanding for longer periods. From March 2003 to March 2005, the proportion of overpayments older than five years increased from 14 to 21 percent of total outstanding overpayments. In the absence of information on the overpayments portfolio as a whole, it is impossible to determine whether this reflects a decrease in the effectiveness of collection efforts or an increase in the amount of overpayments. An increase in older overpayments is of particular concern since they are harder to collect.

Procedures for collecting overpayments need to be improved

6.65 Sometimes a beneficiary has not repaid an overpayment and continues to receive a benefit. Human Resources and Social Development Canada's overpayment policy sets guidelines for the collection process to ensure that beneficiaries repaying overpayments are treated consistently and equitably:

- Normally, recovery of the full amount is to be attempted first.
- The overpayment is to be recovered within 5 years or, if the overpayment is greater than \$10,000, within 10 years. Recovery is to begin promptly through monthly deductions from benefits, after informing the beneficiary of the overpayment and allowing one month for a reply.
- If the beneficiary would suffer undue financial hardship from application of the preceding provision, the recovery period may be extended beyond 5 or 10 years, but a minimum payment of \$10 per month must be established and the account must be reviewed every 6 to 12 months to determine whether a higher recovery rate is possible.

6.66 We found that these guidelines were not applied consistently from one processing centre to another:

- One processing centre accounted for 5 percent of the overpayment cases in which beneficiaries continued to receive benefits. At the same time, the centre accounted for 38 percent of the national total of these cases where a recovery rate was not set within two months.
- Another processing centre accounted for two thirds of all cases with a recovery rate set below the \$10 monthly minimum. Officials in the centre told us that they did not always take into account the 5- and 10-year limits or the \$10 minimum when setting monthly recovery rates.
- Practices differed for recovering overpayments issued because of **erroneous advice** or **administrative error**. One processing centre we visited attempts to recover any such overpayment before forgiving the debt. Another generally forgives the debt immediately but sometimes attempts to recover the amount first.

Erroneous advice—Communication to beneficiaries that contains an error or omits key information.

Administrative error—Clerical or computer error, wrong decision, or failure to follow procedures.

6.67 In our 1993 Report, Chapter 18, Department of National Health and Welfare—Programs for Seniors, we stated that the systems and procedures for recording and collecting overpayments were inadequate. We based our conclusion on the fact that neither the national headquarters of the former Department of National Health and Welfare (then responsible for the OAS program) nor its regions regularly monitored the amounts outstanding in overpayments, the actions taken to recover them, or the amounts collected. Existing systems did not allow managers to quantify overpayments or manage their recovery efficiently, and the Department was not organized for the recovery of overpayments. The current audit found that these problems persist.

6.68 Human Resources and Social Development Canada is updating its policy on administrative error and erroneous advice, as well as its overpayment policy. It has been developing the new policy on administrative error and erroneous advice since spring 2005, and the new overpayment policy since 2001.

Legislative provisions need to be applied

6.69 No interest is charged on OAS overpayments. The *Financial Administration Act* requires federal departments and agencies to charge interest on outstanding overpayments. Regulations made under the Act specify that interest should be charged if a debtor is not adhering

to a repayment schedule or if the case involves fraud. When the regulations were adopted in 1996, Human Resources and Social Development Canada (then Human Resources Development Canada) indicated that it would meet this requirement in 1999. Instead of doing so, in 2000 the Department adopted a policy of charging interest only in cases of fraud or misrepresentation. However, it never made the legislative changes necessary to implement the policy. The result is that Human Resources and Social Development Canada and Service Canada do not comply with the legislative requirement to charge interest on overpayments.

6.70 Policies needed to implement the penalty provisions of the *Old Age Security Act* have not been completed. The Act was amended in 1998. One of the amendments, which would enable Human Resources and Social Development Canada to charge penalties in cases of deliberate omission or misrepresentation, was not put into force so that the Department could develop necessary policies and procedures. Work was begun on the policies and procedures, but eight years later it has not been completed.

6.71 Recommendation. Human Resources and Social Development Canada and Service Canada should take steps to improve their management of overpayments. These steps should include

- consolidating, analyzing, and acting on information on overpayments and collections;
- completing the review of their overpayment policy and ensuring that it is applied consistently;
- complying with the requirements of the *Financial Administration Act* concerning the charging of interest on outstanding overpayments; and
- finalizing policies and procedures to permit the implementation of the penalty provisions of the *Old Age Security Act*.

Human Resources and Social Development Canada's and Service Canada's response. Measures are being introduced to ensure that processes for managing information on overpayments are rigorous and meet reporting requirements. Existing systems, with appropriate checks built in, will be used until the migration of Old Age Security program information to the Departmental Accounts Receivable System.

Human Resources and Social Development Canada acknowledges the need to review its policy on overpayments and integrate new statutory

requirements. In addition, the policy will be revised where required to ensure coherence of application. This will be supplemented by review sessions with involved areas to support a common understanding. It is expected that a new draft policy will be completed by the end of 2006–07.

The Department is seeking the earliest opportunity to amend the *OAS Act* to comply with *Financial Administration Act* requirements. Given the limited financial resources of most pension recipients, the departmental position has been that public pensions programs should be exempt from the general requirement to charge interest on overpayments, except in cases of fraud or misrepresentation. Human Resources and Social Development Canada has identified a list of potential legislative initiatives for fall 2006, which includes a proposed amendment to the *OAS Act*. This amendment would grant regulation-making authority to exempt the charging of interest on outstanding overpayments in certain circumstances.

Human Resources and Social Development Canada and Service Canada will also take steps to finalize appropriate policies and procedures to permit the implementation of penalty provisions at the earliest possible opportunity. Human Resources and Social Development Canada and Service Canada recognize the need to implement appropriate penalty provisions within the *OAS Act* in cases of deliberate omission or misrepresentation. The current *OAS Act* sections on penalties, not yet in force, contain provisions that may create administrative complexities. Both organizations are reviewing these sections and will take legislative action, at the earliest available opportunity.

Subsequent events

6.72 We completed the fieldwork for this audit in October 2005 and obtained responses to the recommendations from Human Resources and Social Development Canada and Service Canada in May 2006. However, because the reporting date of the audit was rescheduled, in August 2006 we obtained and assessed information from both organizations on what action, if any, they may have taken to address the observations and recommendations in the audit report.

6.73 Program evaluations (6.18 and 6.56). We were informed that, as of August 2006, planning for the evaluation of GIS take-up was progressing, but the expected completion date was not until December 2007. An evaluation of the outreach program was still planned for 2008–09, and completion of the GIS and Allowance evaluation was still intended for the end of 2007.

6.74 National risk management plan (6.27 and 6.48). Service Canada informed us that it had continued to develop an Enterprise-Wide Operational Risk Management approach. Existing information sources continued to be reviewed to identify and assess risks. Next steps planned by March 2007 include piloting new risk management approaches, ensuring that planned approaches are consistent with privacy requirements, and improving data analysis.

6.75 Quality review of processing (6.39 and 6.40). Service Canada informed us that in February and March 2006, it had conducted a national quality assurance survey of OAS program beneficiaries' files, using a statistical sample of 425 files. The purpose was to establish a benchmark for future quality surveys. As of August 2006, validation of the results had not been completed. Service Canada told us it plans to conduct similar surveys periodically to assess the effectiveness of its risk mitigation strategies. While the results of such surveys would not be statistically valid at the regional level, Service Canada was planning to implement a national quality review system with standardized procedures for use by regional processing centres by the end of March 2007.

6.76 In March and April 2006, Service Canada conducted a review of OAS program beneficiaries' files using a statistical sample of 2,370 files. The purpose was to verify that benefits were paid to eligible recipients in the correct amounts. A review of this size had not been conducted in previous years. The audit approach was similar to our test of applications, but covered all beneficiaries who received a pension between April 2005 and January 2006. The review addressed only the proportion of payment errors, not the proportion of quality deficiencies. The review estimated that a maximum of one percent of benefits could have been paid in error.

6.77 Updating accounts and assessing continuing eligibility (6.44 and 6.46). By August 2006, the review of OAS system reports had been completed. Revised procedures and expectations for managing the reports had not yet been provided to OAS processing centres. No new guidance had been provided to processing centres concerning returned taxation slips or absences from the country of beneficiaries with less than 20 years' residence. Service Canada informed us that it would determine what action to take on procedures for ensuring continuing eligibility based on the results of the national quality assurance survey.

6.78 Performance information (6.55 and 6.59). In August 2006, Human Resources and Social Development Canada and Service

Canada were continuing to re-examine performance indicators for the OAS program. They had not yet begun reporting against revised indicators but planned to provide revised and expanded performance information for Parliament and the public in fall 2007. We were told that this information would include the results of Service Canada's 2006 survey of client satisfaction. Service Canada considered that the client satisfaction survey would provide an initial baseline of client satisfaction and would therefore not be comparable with the 2001 departmental survey or the Citizens First surveys. Thus, Service Canada will not yet be able to report trends in client satisfaction with the delivery of the OAS program.

6.79 Overpayments (6.71). Service Canada informed us that by August 2006, it had made changes to its information systems and procedures to improve the information available on overpayments. Human Resources and Social Development Canada said it was continuing to review its overpayment policy and planned to develop a new draft policy by March 2007. It also said it was pursuing a legislative change to the *OAS Act* for the fall of 2006, including amendments with respect to the *Financial Administration Act* requirement to charge interest on overpayments. Until these measures are completed, however, the organizations will not be in compliance with the legislative requirement to charge interest on outstanding overpayments. Both organizations said that the legislative initiative contains further amendments to the current penalty provisions of the *OAS Act*. Service Canada is concurrently finalizing the necessary policies and procedures to implement penalty provisions for the OAS program.

Conclusion

6.80 Human Resources and Social Development Canada and Service Canada make millions of Old Age Security program benefit payments to millions of beneficiaries every year. However, delivery of the program would benefit from improvements in some areas.

6.81 The organizations make information about the OAS program available and provide access to services in ways that meet beneficiaries' needs. They nonetheless need to strengthen their performance information on these and other aspects of their service to clients, and they need to use this information to present a more complete picture of program performance to Parliament.

6.82 Quality reviews in processing centres, as well as our own testing, suggest that errors in establishing payment amounts at the time of application occur at relatively low rates. However, it is not known whether this will continue, given that payment accuracy is not systematically measured. Quality deficiencies, which may lead to payment errors, occur at rates that vary substantially. Practices for updating accounts and assessing continuing eligibility also are not consistent from one processing centre to another. These variations signal a need for regular monitoring of the quality of application processing to ensure that payment error rates remain controlled.

6.83 Human Resources and Social Development Canada and Service Canada have identified key areas where payment accuracy may be at risk, but they have not completed an assessment of these risks. The organizations are developing a national risk management approach to identify and assess risks systematically, design appropriate control mechanisms, and monitor the risks.

6.84 Improving the management of payment accuracy would also improve the organizations' ability to identify overpayments promptly. However, Human Resources and Social Development Canada and Service Canada do not have the consolidated information they need to properly manage overpayments. They do not collect overpayments across all processing centres in a consistent way. We identified some of these problems several years ago. Further, the two organizations do not comply with legislation requiring them to charge interest on OAS overpayments.

6.85 In many of the areas examined by this audit, Human Resources and Social Development Canada and Service Canada have begun to take action to strengthen their management of the OAS program. By the end of 2007, they indicated that they will have collected and reported improved information on client satisfaction and services, implemented a national quality review system, and improved information on overpayments. They also plan to issue a revised policy on managing overpayments.

About the Audit

Objectives

The objectives of the audit were to determine whether

- Human Resources and Social Development Canada and Service Canada make information about the Old Age Security program available and provide access to services in ways that respond to beneficiaries' needs;
- the systems and practices for determining initial benefit eligibility and for monitoring continuing eligibility provide reasonable assurance that eligible individuals receive the correct Old Age Security program benefits; and
- overpayments of Old Age Security program benefits are identified, collected, or forgiven in accordance with applicable legislation and policies.

Scope and approach

The Old Age Security program benefits include the pension, the Guaranteed Income Supplement, and the Allowance for spouses or survivors. Our audit focused on the systems and practices used by Human Resources and Social Development Canada and Service Canada to manage and deliver these benefits.

- We examined how the two organizations ensure that all persons eligible for benefits have access to the program.
- We examined how they identify risks to payment accuracy and how they control those risks.
- We examined how national and regional procedures for identifying, collecting, and forgiving overpayments meet the requirements of legislation and policy.
- Finally, we examined performance information and reporting to Parliament.

We did not examine the clawback of OAS pension benefits paid to high-income beneficiaries; this is managed by the Canada Revenue Agency.

We interviewed officials and reviewed documents at the national headquarters of Human Resources and Social Development Canada and Service Canada. We also interviewed officials and reviewed documents in regional offices of the two organizations in British Columbia, Newfoundland and Labrador, Ontario, and Quebec. The processing centres we visited delivered 47 percent of total program benefits in 2004–05.

Other federal organizations contribute to the management and delivery of the program. We therefore reviewed documents and met with officials of the Canada Revenue Agency, the Canada Border Services Agency, Statistics Canada, and the Treasury Board of Canada Secretariat.

In addition, we conducted file reviews for a representative sample of OAS benefit applications to determine whether Human Resources and Social Development Canada and Service Canada service delivery agents followed correct procedures for validating documents and verifying applicants' eligibility. We randomly selected 400 applications for OAS program benefits from a total of 73,769 applications

processed between April and June 2005. The sample was stratified and non-proportional. The population estimates reported in this audit have been appropriately weighted to reflect the distribution of the national population.

We analyzed Service Canada's internal processing reports and overpayment data and requested targeted data from the OAS and Canada Pension Plan systems. Our purpose was to identify populations of beneficiaries with profiles presenting a higher risk of incorrect benefit payments.

Criteria

Our audit was based on the following criteria:

- Human Resources and Social Development Canada has reliable information on the costs and effectiveness of measures to increase take-up.
- Information on program benefits is easy to find, and access is offered through channels that meet beneficiaries' needs.
- Beneficiaries receive the benefits to which they are entitled in ways that are accessible and convenient.
- Human Resources and Social Development Canada identifies and mitigates risks to the integrity of program benefits.
- Program benefits are paid in accordance with legislation and policy.
- Overpayments are identified, recorded, and collected in accordance with legislation and policy.
- Overpayments are written off or remitted in accordance with legislation and policy.
- Performance information is gathered and used to provide early warning of problems for all key aspects of service to beneficiaries, payment accuracy, and management of overpayments.

Audit work completed

Audit work for the chapter was substantially completed on 31 October 2005. Validation of the subsequent events information was substantially completed on 31 August 2006.

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Appendix List of recommendations

The following is a list of recommendations found in Chapter 6. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Departments' responses
Determining benefits	
<p>6.39 Service Canada should implement a nationally standardized quality review system for applications for OAS program benefits, covering all types of applications and other key processing activities. (6.28–6.38)</p>	<p>Service Canada's response. With the introduction of Service Canada enterprise-wide approaches, work is under way to conduct a baseline assessment of quality review processes. In 2006–07 a national quality review program will be introduced.</p>
<p>6.40 Until a standardized approach is in place, Service Canada should direct its processing centres to apply existing quality review procedures more systematically. (6.28–6.38)</p>	<p>Service Canada's response. The national quality review system to be implemented in 2006–07 will include standardized procedures for use by regional processing centres.</p>
<p>6.46 Service Canada should review the approaches it currently uses to assess beneficiaries' continuing eligibility and should ensure that the necessary approaches are applied consistently in all processing centres. (6.41–6.45)</p>	<p>Service Canada's response. National tools are being revised and issued to assist in the establishment of coherent and consistent national approaches to service delivery. As part of that ongoing effort, Service Canada will ensure that common procedures are implemented for returned taxation slips and for absences from the country for beneficiaries who have less than 20 years' residence.</p>

Recommendation	Departments' responses
<p>Managing overpayments</p> <p>6.71 Human Resources and Social Development Canada and Service Canada should take steps to improve their management of overpayments. These steps should include</p> <ul style="list-style-type: none"> • consolidating, analyzing, and acting on information on overpayments and collections; • completing the review of their overpayment policy and ensuring that it is applied consistently; • complying with the requirements of the <i>Financial Administration Act</i> concerning the charging of interest on outstanding overpayments; and • finalizing policies and procedures to permit the implementation of the penalty provisions of the <i>Old Age Security Act</i>. <p>(6.60–6.70)</p>	<p>Human Resources and Social Development Canada's and Service Canada's response. Measures are being introduced to ensure that processes for managing information on overpayments are rigorous and meet reporting requirements. Existing systems, with appropriate checks built in, will be used until the migration of Old Age Security program information to the Departmental Accounts Receivable System.</p> <p>Human Resources and Social Development Canada acknowledges the need to review its policy on overpayments and integrate new statutory requirements. In addition, the policy will be revised where required to ensure coherence of application. This will be supplemented by review sessions with involved areas to support a common understanding. It is expected that a new draft policy will be completed by the end of 2006–07.</p> <p>The Department is seeking the earliest opportunity to amend the <i>OAS Act</i> to comply with <i>Financial Administration Act</i> requirements. Given the limited financial resources of most pension recipients, the departmental position has been that public pensions programs should be exempt from the general requirement to charge interest on overpayments, except in cases of fraud or misrepresentation. Human Resources and Social Development Canada has identified a list of potential legislative initiatives for fall 2006, which includes a proposed amendment to the <i>OAS Act</i>. This amendment would grant regulation-making authority to exempt the charging of interest on outstanding overpayments in certain circumstances.</p> <p>Human Resources and Social Development Canada and Service Canada will also take steps to finalize appropriate policies and procedures to permit the implementation of penalty provisions at the earliest possible opportunity. Human Resources and Social Development Canada and Service Canada recognize the need to implement appropriate penalty provisions within the <i>OAS Act</i> in cases of deliberate omission or misrepresentation. The current <i>OAS Act</i> sections on penalties, not yet in force, contain provisions that may create administrative complexities. Both organizations are reviewing these sections and will take legislative action, at the earliest available opportunity.</p>

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