January 2019

THE SHORT TERM ILLNESS AND INJURY PLAN

An independent audit report

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OFFICE OF THE
Auditor General
of British Columbia

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The Honourable Darryl Plecas
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Dear Mr. Speaker:

I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the report, *The Short Term Illness and Injury Plan.*

We conducted this audit under the authority of section 11(8) of the *Auditor General Act* and in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook – Canadian Standard on Assurance Engagements (CSAE) 3001 and Value-for-money Auditing in the Public Sector PS 5400.

Carol Bellringer

Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
January 2019

AUDITOR GENERAL'S COMMENTS

THE SHORT TERM ILLNESS AND INJURY PLAN (commonly called STIIP) is administered by the BC Public Service Agency (PSA) and provides eligible employees with most of their earnings in the event that they are absent from work because of illness or injury. The program represents approximately $39 million per year or 2.4% of the public service payroll.

Because STIIP leave involves employees self-reporting their time away from work, controls are necessary to reduce the risk of misuse. In this audit we looked at the controls that the PSA uses to manage STIIP. We also looked at a sample of ministries to see how they were using STIIP.

The foundation of the program relies on the integrity of individual employees and supervisors who enter and review the information. We found that the PSA has controls in place to prevent errors and that supervisors are the key control for the detection of errors or issues. We also found that when errors or issues are found, there is a process in place to ensure they're corrected. We selected some test samples and found evidence that when errors are detected, they are corrected.
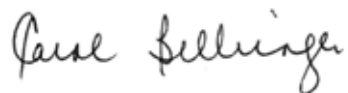
Overall, there is an effective control framework in place to manage STIIP, but there is some room for improvement. In our report, we make five recommendations, including that the PSA coordinate with ministries to improve oversight and better monitor usage. We also recommend that the PSA develop and maintain a summary overview of available STIIP resources to support user understanding and ability to locate resources efficiently.

CAROL BELLRINGER, FCPA, FCA
Auditor General

AUDITOR GENERAL'S COMMENTS

I would like to thank the staff at the Public Service Agency, the Ministry of Children and Family Development and the Ministry of Forests, Lands, Natural Resource Operations and Rural Development, for their cooperation and assistance during our work on this report.

Carol Bellringer

Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
January 2019

REPORT HIGHLIGHTS

STIIP **provides employees earnings** if they miss work because of **illness** or **injury**

SUPERVISORS are the **KEY CONTROL** for detection of errors or issues

Information system controls are in place to prevent errors

STIIP is equivalent to **2.4%** of public service's payroll or about **$39 million** per year

There's an **EFFECTIVE CONTROL FRAMEWORK** for STIIP, but also room for improvement

BETTER USE OF DATA ANALYSIS would IMPROVE UNDERSTANDING of STIIP usage

Effective program controls are a function of GOOD MANAGEMENT

When errors or issues are found, **THERE'S A PROCESS** to ensure they're corrected

Resources are available to help prevent injury and illness, and support appropriate use of STIIP

SUMMARY OF RECOMMENDATIONS

WE RECOMMEND THAT THE PSA:

1 develop and maintain a high-level summary overview of available STIIP resources (training and other supports), including where they are located, and make this easily accessible to all employees.

2 coordinate with ministries to track employee and supervisor training enrolment to enable executive to understand the level of staff training and to support the effective allocation of training resources.

3 coordinate with ministries to:

- clarify responsibility and accountability roles for ministry STIIP performance
- develop STIIP performance metrics at the department/program level
- monitor, assess, and investigate STIIP performance by department/program against performance metrics
- regularly communicate STIIP performance findings and analysis to ministry staff.

4 regularly analyze data on identified or suspected STIIP misuse in order to improve preventive and detective STIIP controls.

5 work with ministries to conduct regular reviews of STIIP policies, procedures and other controls to ensure that they are up to date and are meeting objectives.

RESPONSE FROM THE B.C. PUBLIC SERVICE AGENCY

THE B.C. PUBLIC SERVICE thanks the Office of the Auditor General for their work reviewing the controls in place to support government employees using the Short-Term Illness and Injury Plan (STIIP). We share the view that work absences due to illness and injury can impact productivity and that monitoring STIIP leaves is important because of their impacts on government costs, the reliable delivery of public services, and employee well-being.

We are pleased to note that the audit concludes that government is effectively applying controls to support employees' appropriate use of STIIP, has information systems in place to prevent errors, and provides a good amount of STIIP-relevant training and health and wellness supports to employees and supervisors. The average number of sick days per B.C. Public Service employees (FTE) is 9.4 days for 2018. In comparison, Statistics Canada indicates the average number of sick days for provincial administrations in Canada is 11.5, and even higher for the federal administration at 12.5 days. This should give British Columbians reassurance that the frameworks and practices we have in place are effective in managing the use of STIIP.

We acknowledge the value of the Auditor General's insights into areas where additional focus may further optimize the management of STIIP. In the past year, the B.C. Public Service has initiated several actions that effectively address some of the recommendations made in this audit report. Updates to the Accountability Framework for Human Resources Management in March 2018 highlight the responsibilities and accountabilities of the B.C. Public Service Agency, ministries, and individual employees to ensure effective human resource management in our shared delivery model. This framework includes specific responsibilities and accountabilities addressing the management of health and safety across the public service.

Additionally, recent investments in our human resource information system will assist in monitoring, assessing and analyzing STIIP usage, and provide for further reporting of STIIP data. These ongoing efforts demonstrate our commitment to strengthening how we effectively manage STIIP as an employer, and they align well with the recommendations made in this report.

The Auditor General's findings highlight five key recommendations focused on prevention, detection, and correction. We accept the recommendations and will explore options to implement them. An effective framework together with continued training and clear accountabilities for employees and supervisors will help to continue to minimize the risk of STIIP misuse and errors.

We thank the Office of the Auditor General for a report that supports and reinforces both the commitment of the B.C. Public Service to ensuring a safe and healthy workplace and the commitment to ensuring the continued effective management of the STIIP Benefit Plan.

ABOUT THE AUDIT

BACKGROUND

Short Term Illness and Injury Plan

The Short Term Illness and Injury Plan (STIIP) is an employee benefit plan designed to provide eligible employees with most of their earnings in the event that they are absent from work because of illness or injury. STIIP provides short-term earnings coverage to a maximum of six months. Most employees use STIIP for common shorter-term illnesses, such as colds or flu; however, STIIP also covers longer-duration leave for more serious illnesses or injuries. The plan covers all regular full-time, regular part-time and qualified auxiliary employees.

STIIP co-exists with the Long Term Disability (LTD) benefit plan and the WorkSafeBC insurance plan. If after six months employees are still unable to return to work, STIIP benefits end and they are able to apply to the LTD benefit plan. WorkSafeBC insurance can intersect with both STIIP and LTD, providing earnings coverage in cases where employees are injured at work. In these instances, earnings coverage may come from the WorkSafeBC insurance plan rather than STIIP or the LTD benefit plan.

Detailed policy provisions governing STIIP are found in Appendix 4 of the B.C. Government and Service Employees' Union Master Agreement for unionized employees. For other bargaining unit staff, such as nurses or professional employees, the policy provisions are located in other collective agreements. STIIP provisions for non-union employees are found in the terms and conditions of employment and are similar to those for union employees.

STIIP management

Employees report any leave for short-term illness or injury (STIIP leave) to their direct supervisor for approval. Supervisors are a primary control in ensuring that claimed STIIP leave complies with policy and that STIIP is being used as intended.

To support supervisors in this role, the BC Public Service Agency (PSA) provides a variety of tools, resources and training options. Supervisors are expected to independently manage straightforward STIIP leaves, using their training and available resources. For complex STIIP cases, supervisors can get PSA expert support by phone or by making a request through the PSA's MyHR website. The PSA has a variety of resources to support supervisors in complex cases, including experts in STIIP processes and policies, and workplace or occupational health resources.

ABOUT THE AUDIT

Why an audit of STIIP?

Work absences due to illness and injury can impact organizational productivity and costs. Between 2008 and 2018, the B.C. government's annual average STIIP usage was approximately $39 million, or 2.4% of total payroll. Exhibit 1 presents STIIP costs as a percentage of payroll over this time period.

The appropriate use of STIIP relies on the assumptions that employee self-reporting will be consistent with policy and that supervisors are satisfied they have the information they need to approve reported STIIP leave. Monitoring STIIP leaves is important, because of their impact on both government costs and employee well-being. However, monitoring STIIP leaves is challenging, as illnesses and injuries may not be observable or supported by clear evidence. A strong STIIP control environment can help minimize annual costs while still providing employees with support, as intended by the plan.

AUDIT SCOPE

There is risk in any workplace that unethical employees may use programs like STIIP to claim that they are sick or injured when they are not. The purpose of our audit was not to identify people who have misused STIIP; employees' supervisors are in the best position to do this in their capacity as managers of employee attendance. Instead, our purpose was to examine government controls that are in place to support employees (including supervisors) in using STIIP as intended.

Exhibit 1: STIIP usage as a percentage of payroll – 2008–2018
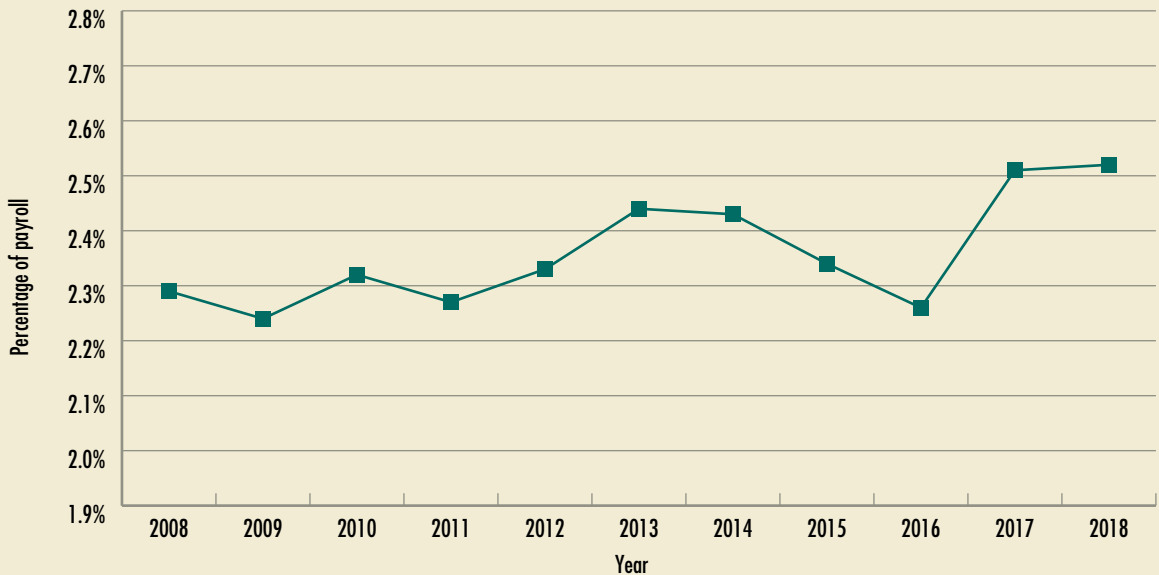
Source: BC Public Service Agency

ABOUT THE AUDIT

Our audit focused on the design of government's STIIP management controls at a point in time. We did not extend the scope of the project to look at the operating effectiveness of the controls over a period of time. This scoping decision was intentional, reflecting an effort to balance our resources with the perceived impact of our office's work.

Responsibility for government's STIIP management controls is shared by the PSA and its clients (ministries and other government agencies). We included the PSA and the following two sample ministries in the scope of our audit:

- Ministry of Children and Family Development (CFD) – higher average usage
- Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNR) – lower average usage

These two ministries were selected because they had higher- and lower-than average STIIP usage (respectively) when compared with government-wide average usage.

The audit was conducted in the fall and winter of 2017/18.

AUDIT METHOD

We conducted interviews with staff from each organization and examined supporting documentation to understand the design of the PSA's and the two ministries' existing STIIP management controls. We performed substantive procedures to confirm the existence of certain controls.

The report is dated January 16, 2019. This is the date on which the audit team finished obtaining the evidence used to determine the findings and conclusions of the report.

AUDIT OBJECTIVE, CRITERIA AND CONCLUSION

AUDIT OBJECTIVE

The objective of this audit was to determine whether the BC Public Service Agency (PSA) and a sample of ministries are effectively applying controls to support employees' appropriate use of the Short Term Illness and Injury Plan (STIIP).

AUDIT CRITERIA SUMMARY

We developed the following lines of inquiry and criteria to conclude against our overall audit objective:

- **Prevention:** The PSA and sample ministries are actively employing preventive controls to reduce the risk of STIIP being misused.

- **Detection:** The PSA and sample ministries are proactively using detective controls to identify STIIP recording issues, errors and misuse.

- **Correction:** The PSA and sample ministries take corrective action when STIIP errors or misuse are found.

AUDIT CONCLUSION

As it has been designed, the appropriate use of STIIP depends on the integrity of its users. The PSA, the Ministry of Children and Family Development, and the Ministry of Forests, Lands, Natural Resource Operations and Rural Development are effectively applying controls to support employees' appropriate use of STIIP. However, we found that the PSA could improve its oversight of STIIP to better monitor usage and coordinate with ministries.

Continuing to promote ethical employee behaviour by the PSA and ministries, together with applying appropriate STIIP controls, including supervisor scrutiny, are important ways to help reduce the risk of STIIP misuse and errors.

KEY FINDINGS AND RECOMMENDATIONS

PREVENTION

Good preventive controls exist—improvement opportunities identified

We expected to see that the Public Service Agency (PSA), the Ministry of Children and Family Development (CFD), and the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNR) were using information system controls to support the accuracy of reported Short Term Illness and Injury Plan (STIIP) leave. We also expected to see that the PSA and ministries provided employees and supervisors with adequate training and other health and wellness supports to ensure the appropriate use of STIIP and to reduce the risk of illness and injury.

Information system controls are in place

The PSA is responsible for the information system used to manage STIIP leaves—the Time and Leave module within government's PeopleSoft application. Employees use this module to record STIIP leave for their supervisor's review and approval. Within this information system environment, we found a good suite of preventive controls covering user access, data input restrictions, automated system calculations and system-generated alerts. For example, supervisors will receive a system-generated notification when employees are nearing the end of their STIIP leave benefit.

Training and health and wellness supports are provided

The PSA and ministries share responsibility for providing employees and supervisors with STIIP training and health and wellness supports. The PSA is responsible for government-wide training and other supports, while ministries are responsible for developing training and supports that are unique to their organization. Collectively, we found that the PSA, CFD and FLNR have a good amount of STIIP-relevant training and health and wellness supports available to employees and supervisors.

KEY FINDINGS AND RECOMMENDATIONS

Employees and supervisors can access the PSA's government-wide training and other supports through its MyHR website, Learning Centre System and @Work website. They can access ministry-developed training and other supports on their ministry's intranet website or within their workplaces.

Although training and other supports exist, we identified some areas that are important to address (see Exhibit 2).

HEALTH AND WELLNESS SUPPORTS

The PSA and individual ministries provide a wide range of health and wellness supports for their employees. They are designed to prevent or reduce the impact of illness or injury. For example, ergonomic assessments are offered to ensure that employees will be able to work comfortably, without injury, at their desks. Other examples are information on workplace safety procedures and tips to promote health and well-being.

Exhibit 2: Training, and health and wellness support risk areas

Risk	Importance
Training and other supports are available in a variety of different locations, making it difficult for employees and supervisors to know what is available and where it can be found.	Employees' and supervisors' understanding of what STIIP training and supports are available and where they are located is critical to the effectiveness of the material.
Active monitoring of training and other support uptake is limited; funds may be spent on training or other supports where there is little to no employee uptake.	Employees and supervisors may not be getting the training they require. The PSA and ministries may be spending money on training or other supports where there is a low return on investment.
Ministries are not tracking supervisor STIIP training, resulting in their executive not knowing whether supervisors are adequately trained to manage STIIP leave.	Supervisors are the primary control in managing employee STIIP leave and may not be adequately trained to effectively do so.

RECOMMENDATION 1: *We recommend that the PSA develop and maintain a high-level summary overview of available STIIP resources (training and other supports), including where they are located, and make this easily accessible to all employees.*

RECOMMENDATION 2: *We recommend that the PSA coordinate with ministries to track employee and supervisor training enrolment to enable executive to understand the level of staff training and to support the effective allocation of training resources.*

KEY FINDINGS AND RECOMMENDATIONS

DETECTION

Reliance is on supervisors—more data analytics needed

We expected the PSA, CFD and FLNR to review staff leave reports for validity and accuracy. We looked for evidence that they collect and analyze data to detect possible STIIP issues, errors and misuse.

Supervisors are the key control for detection

Supervisors provide the primary control over ensuring that employees' STIIP leave is valid and accurate, and detecting when it isn't. Supervisors must establish effective working relationships with their employees and monitor employee work performance and attendance.

When employees become ill or injured, they inform their supervisor and record STIIP leave within the PSA's Time and Leave module. Supervisors are then responsible for reviewing and approving the leave within the system, confirming that it complies with STIIP policy and is accurately captured in the system.

Use of data analytics to detect STIIP issues, errors or misuse is limited

In addition to supervisor STIIP approvals, we found a variety of detective controls being used by the PSA and the sample ministries; however, we did not see either the PSA or the ministries using data analysis in a robust manner to detect ministry STIIP issues, errors or misuse.

The PSA collects and analyzes data to identify gaps and areas of weakness that might be addressed through the development of government-wide training and other supports. Data analytic tests include review of annual Work Environment Survey results, completion of a Corporate Learning Needs Assessment, and review of STIIP support service requests that the PSA receives from its clients. However, these processes tend to focus on identifying issues with STIIP training and supporting information, rather than identifying issues of STIIP errors or misuse.

The CFD and FLNR approaches to STIIP detection controls are similar. Both ministries leave the control design and implementation decisions to their program area leadership staff. If a particular department determines a need for data analysis, it works through the ministry's human resources staff. These staff have access rights to a PSA reporting tool that enables department-wide analysis.

KEY FINDINGS AND RECOMMENDATIONS

Both ministries publish high-level human resource metrics (including STIIP data) on their intranet websites for their employees to review; however, the data could be improved by including historical trends and performance targets at the department level. This information would help users to more effectively evaluate the STIIP metrics.

Robust detective controls are important; as they help the ministry monitor the nature and extent of STIIP leave within its departments and programs. Further, controls communicate to employees that the organization cares and is paying attention to this area.

> **RECOMMENDATION 3:** *We recommend that the PSA coordinate with ministries to:*
>
> - *clarify responsibility and accountability roles for ministry STIIP performance*
> - *develop STIIP performance metrics at the department/program level*
> - *monitor, assess and investigate STIIP performance by department/program against performance metrics*
> - *regularly communicate STIIP performance findings and analysis to ministry staff*

CORRECTION

Corrective action is taken— learning opportunities exist

We expected to see that the PSA, CFD and FLNR corrected STIIP leave benefits when errors were detected. We looked for evidence that action was taken when STIIP misuse was identified. We also looked to see if policies, procedures and other controls were regularly evaluated and updated to improve STIIP oversight and management.

STIIP errors are identified and corrected

We found that employees and supervisors are able to correct mistakes in recording STIIP leave when they are identified. However, they must make these corrections within three pay periods, because as time passes, the risk of making a mistake in correcting an error goes up. In order to make corrections beyond this time frame, the employee or supervisor must submit a PSA service request to have the correction processed by people with more expertise.

Corrective action is taken in cases of STIIP misuse

Supervisors are the primary control for ensuring that corrective action is taken when misuse of STIIP is identified. The supervisor's first step is to contact the PSA. A PSA staff resource is assigned to work closely with the supervisor to guide, document and understand

KEY FINDINGS AND RECOMMENDATIONS

the possible misuse. If, at the end of this preliminary review, it is determined that misuse is in fact occurring, the supervisor will deny the employee's STIIP leave request, and PSA staff will begin an investigation into the case. The PSA's Employee Relations department conducts these investigations, which include capturing documentation and supporting evidence related to the case. A final investigation report is then prepared by the PSA and shared with a ministry designate to inform further decisions.

Employees are able to challenge denied STIIP leave claims. There are different processes in place for challenging STIIP decisions, depending on whether the employee is in a union or not.

STIIP policies, procedures and controls are not regularly reviewed

We found that the PSA, CFD and FLNR have no formalized regular STIIP review processes in place. Such reviews are needed to evaluate and make necessary changes to STIIP policies, procedures and controls. The PSA showed that it does occasionally update its STIIP guidance and training, through, for example, analyzing MyHR service requests to help identify information gaps. The sample ministries have other processes, such as risk assessments and critical incident reporting, that assist in identifying areas requiring an update.

While we observed good corrective controls, we identified some areas that we believe are important to address (see Exhibit 3.)

Exhibit 3: Corrective control risk areas

Risk	Importance
STIIP misuse data is not being analyzed to learn lessons and improve controls.	Details on STIIP misuse cases can potentially provide quality information to improve training, other supports and control procedures.
There is no formalized regular review of control procedures, policies or training.	Up-to-date control procedures, policies and training are important in ensuring an effective control environment.

RECOMMENDATION 4: *We recommend that the PSA regularly analyze data on identified or suspected STIIP misuse in order to improve preventive and detective STIIP controls.*

RECOMMENDATION 5: *We recommend that the PSA work with ministries to conduct regular reviews of STIIP policies, procedures and other controls to ensure that they are up to date and are meeting objectives.*

AUDIT QUALITY ASSURANCE

WE CONDUCTED THIS AUDIT under the authority of section 11 (8) of the *Auditor General Act* and in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook – Canadian Standard on Assurance Engagements (CSAE) 3001 and Value-for-money Auditing in the Public Sector PS 5400. These standards require that we comply with ethical requirements and conduct the audit to independently express a conclusion on whether or not the subject matter complies in all significant respects to the applicable criteria.

The Office of the Auditor General applies the CPA Canadian Standard on Quality Control 1 (CSQC), and accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. In this respect, we have complied with the independence and other requirements of the code of ethics applicable to the practice of public accounting issued by the Chartered Professional Accountants of BC that are founded on the principles of integrity, objectivity and professional competence, as well as due care, confidentiality and professional behaviour.

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