

AUDIT OF KEY FINANCIAL PROCESSES

AT

THE SOUTHWEST NWT FIELD UNIT

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FINAL REPORT

DECEMBER 2006

Report tabled and approved by the A&E Committee

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the Chief Executive Officer of Parks Canada, 2007

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Report tabled and approved at the A&E Committee meeting on March 26, 2007

EXECUTIVE SUMMARY

Parks Canada Agency (PCA) is conducting a series of cyclical audits of Field Units, service centres and the national office to review key financial, administrative and management practices. The audits focus on compliance with Treasury Board Secretariat (TBS) and PCA policies and practices. The audit of Southwest NWT Field Unit was conducted as part of this cyclical audit program.

The objectives of this audit were to confirm whether due diligence is being exercised in key management processes and to provide assurance to senior management that processes and controls in place in Southwest NWT Field Unit are adequate to mitigate the risk of non-compliance to TBS and PCA policies and practices. The scope of this engagement included the review of the management control framework (MCF) over financial management and the following key financial process areas: Revenues; Contracting; Use of Acquisition Cards; Expenditures for Travel; Financial Coding and Payments to Suppliers. Financial practices were assessed at the two national park offices within the Field Unit: Fort Smith/Wood Buffalo and Fort Simpson/Nahanni.

In our opinion, sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this report.

Our observations and recommendations have been made in accordance with the Audit Reporting Rating System used by Parks Canada.

Overall, the Southwest NWT Field Unit has financial procedures in place at the Fort Smith/Wood Buffalo location to ensure accountability of financial transactions. However, the Management Control Framework at the Fort Simpson/Nahanni office must be strengthened to provide an acceptable level of due diligence for most procedures. While no significant errors were found, there is an increased risk of inappropriate or unapproved financial activities, transactions and/or calculations due to a lack of segregation of duties and a lack of compensating supervisory controls.

The audit found several weaknesses. The details of those weaknesses are discussed in the relevant sections below, with corresponding recommendations. To address the weaknesses noted, it is recommended that:

1. Due to the lack of segregation of duties, the Manager, Finance and Administration and the Field Unit Superintendent increase their financial supervision in Fort Simpson/Nahanni, with more regular field visits. The Fort Simpson/Nahanni Park Superintendent should consider attending a refresher course on the Financial Administration Act to reinforce his financial management responsibilities.
2. Nahanni prepare and submit regular activity reports to the Manager, Finance and Administration to improve the level of monitoring.

3. The Finance Officer in Fort Simpson/Nahanni should improve the filing system to ensure that supporting documentation can be easily found. Consideration should be given to increasing the number of file folders for suppliers, acquisition cards, business travel, isolated post travel, staff housing, revenue by source, etc. All files should include a well documented audit trail to clearly explain what transactions took place, when and by whom.
4. The Manager Finance and Administration should ensure that internal controls over the receipt and recording of revenue are appropriate for the entire Field Unit. This could include:
 - Monthly invoicing for guide fees, based on the start date of trips.
 - Monthly reconciliations of revenue earned, received and deposited to the bank records and general ledger.
 - Review of reconciliations by the Superintendent and the Manager, Finance and Administration.
5. The Manager Finance and Administration should implement additional supervisory controls to ensure the timely recording, invoicing and depositing of revenues as well as the reconciliation of the revenue account balances, for each type of revenue at the Fort Simpson/Nahanni office. The Fort Simpson/Nahanni Park Superintendent should sign the reconciliation and forward it to the Manager Finance and Administration on a monthly basis.
6. The Manager, Finance and Administration should ensure that the Salary Report by PRI is reconciled monthly to both the general ledger and the summary rental sheets by employee.
7. The Manager, Finance and Administration and Fort Simpson/Nahanni Superintendent should increase the level of review and supervision of payments made in the Fort Simpson office (Nahanni) to ensure approvals are appropriately documented for Section 34 authority and to ensure that all payments to suppliers are made on a timely basis to avoid late fees.
8. The Field Unit should implement procedures to facilitate the timely processing of acquisition card statements and monitor all acquisition card activity to avoid late charges. They should consider obtaining online access to obtain the information in a more timely fashion.
9. The Manager Finance and Administration should develop a policy where LPOA purchases can be used instead of acquisition cards to streamline the payment process.
10. The Finance and Administration Officer in Fort Simpson/Nahanni should ensure that business and IPA travel can be easily tracked and monitored by each employee by year.

11. The Finance and Administration Officer in Fort Simpson/Nahanni should ensure that the current status of travel claims for all types of travel (business and IPA) are monitored and reviewed monthly by the Nahanni Superintendent and the Manager Finance and Administration.
12. The Manager Finance and Administration should continue to refine the Fire Management spreadsheet to streamline the financial coding and fire management reports.
13. The Manager Finance and Administration should conduct increased reviews of financial coding of transactions to ensure accuracy in coding.

The following table illustrates the rating summary

FORT SMITH/WOOD BUFFALO NATIONAL PARK

FINANCIAL PROCESS	RATING	
Management control framework	GREEN	Controlled
Revenues	GREEN	Controlled
Contracting	GREEN	Controlled
Payment to Suppliers	GREEN	Controlled
Acquisition cards	GREEN	Controlled
Travel	GREEN	Controlled
Financial Coding	YELLOW	Moderate Improvements Needed

FORT SIMPSON/NAHANNI NATIONAL PARK

FINANCIAL PROCESS	RATING	
Management control framework	ORANGE	Significant Improvements Needed
Revenues	RED	Unsatisfactory
Contracting	GREEN	Controlled
Payment to Suppliers	YELLOW	Moderate Improvements Needed
Acquisition cards	YELLOW	Moderate Improvements Needed
Travel	YELLOW	Moderate Improvements Needed
Financial Coding	YELLOW	Moderate Improvements Needed

1 OVERVIEW

1.1 BACKGROUND

PCA is conducting a series of cyclical audits of key financial, administrative and management practices for all Field Units, service centres and the national office. Field Units are groupings of national parks, national historic sites and national marine conservation areas that are usually in proximity to one another. Their proximity allows them to share management and administrative resources.

The Southwest NWT Field Unit is comprised of Wood Buffalo National Park, Nahanni National Park Reserve and 29 National Historic Places. The Field Unit headquarters is located in Fort Smith, NWT, which together with a small office in Fort Chipewyan, is responsible for Wood Buffalo National Park. Another office located in Fort Simpson, NWT, is responsible for Nahanni National Park Reserve.

Wood Buffalo National Park, straddling Alberta and the Northwest Territories, is Canada's largest national park and one of the largest in the world. The park was established in 1922 to protect the free-roaming bison herds of the area. In 1982, UNESCO granted Wood Buffalo World Heritage status. A large portion of this budget is for management and study of the bison, whooping crane and other wildlife as well as fire management. A typical year can see between 30-60 forest fires within the park and as such Wood Buffalo is one of very few National Parks with an annual fire budget. There are approximately 1,000 visitors per year to the Park for use of the eight trails, three campgrounds and 241 kilometres of unpaved roads and winter roads. Today the communities around the park are mostly made up of Cree, Chipewyan, Metis and non-aboriginal people. Park resources are used by local aboriginals for traditional hunting, fishing and trapping.

Nahanni National Park Reserve is centred on the river valleys of the Nahanni and Flat Rivers in the southwest part of the NWT. In 1978, Nahanni National Park, a recognized global canoeing destination, became the first site in the world to be granted UNESCO World Heritage status. The park was established after the culmination of a major public debate over the future of the South Nahanni River and Virginia Falls as a free-flowing wilderness river. This process directly influenced park boundary decisions so that the importance of protecting the river from hydroelectric development at the expense of intact watersheds and wildlife habitat was emphasized. Dene people are the traditional aboriginal people of the area. The Park is jointly managed by the Nah Dehe Consensus Team (NDCT) – comprised of three PCA appointees and four appointees of the Deh Cho First Nations. There is no road access into the Park. Most people accessing the river do so by aircraft. For many years there have been ongoing debates regarding the expansion of the Parks' boundaries to incorporate the entire watershed of the Nahanni River, largely to protect the river, wildlife and forests from potential pollution and destruction from mining activity within the watershed. This has met with mixed feelings from the local population in a debate about development of resources versus protection of the environment.

In October 2006, during the audit, the Minister of the Environment announced a commitment to completing the expansion of Nahanni National Park by 2008. This could expand the park

up to 38,000 square kilometres. At the same time, the minister announced an agreement between the Lutsel K'e First Nation and the federal government to begin drawing the boundaries and setting the rules for making the East Arm of Great Slave Lake in the NWT, a national park of up to 33,000 square kilometres¹. This new park will likely be added to the responsibility of the Southwest NWT Field Unit to administer.

The following table profiles the resources and visitor activity for the two main park offices within the Field Unit:

Item	Wood Buffalo (Fort Smith office)	Nahanni (Fort Simpson office)
2006-07 Budget	\$5.7 million	\$1.7 million
2006-07 Goods and Services Budget	\$3,575,000	\$925,000
2006-07 Fire Management budget	\$1,960,000 (55% of total G&S) for pre-suppression fire costs such as base salaries, base contracts and other base costs plus vote 110 funds as incurred	No fixed budget
Size	44,000 square kilometres	4,766 square kilometres
Permanent Staff	35	7
Seasonal Staff	53 – largely comprised of fire crews	9
Annual Visitors	1000	1000
Typical visitor use	Campsite with road access	Private river guides

¹ For reference purposes, Switzerland is 41,000 square kilometers and Belgium is 30,000 square kilometers.

1.2 OBJECTIVES AND SCOPE

The objectives of this audit were to confirm whether due diligence is being exercised in key management processes and to provide assurance to senior management that processes and controls in place are adequate to mitigate the risk of non-compliance to Treasury Board Secretariat (TBS) and Parks Canada Agency (PCA) policies and practices.

The scope of the audit included the review of the management control framework (MCF) over financial management and the following key financial process areas:

- Revenues;
- Contracting;
- Payments to Suppliers;
- Use of Acquisition Cards;
- Expenditures for Travel; and
- Financial Coding.

The scope of the audit covered processes in place and transactions entered into between April 1, 2005 and mid October 2006.

1.3 METHODOLOGY

The methodology for the audit included a one week visit to the Field Unit headquarters in Fort Smith, NWT as well as a one week visit to the office in Fort Simpson. The following activities were conducted:

- ◆ Review of relevant documentation including: the Nahanni Management Document, Field Unit Sustainable Business Plans for 2003-08 and 2006-11, Nahanni Interim Park Management Arrangement, MOU between PCA and Deh Cho Nations, Northern Costing Model document, TBS policies dealing with the key financial process areas, and various financial reports;
- ◆ Interviews with the Field Unit management and personnel responsible for the key financial processes in both locations;
- ◆ Examination of a sample of transactions in each of the key financial process areas.

The audit programs, interview guides and transaction testing were based on standard forms and procedures developed by PCA for use in all Audits of Key Financial Processes at Field Units to ensure a consistent approach and comparative analysis and results for all Field Units.

Our observations and recommendations have been made in accordance with the PCA Audit Reporting Rating System described below:

Audit reporting rating system		
RED	Unsatisfactory	Controls are not functioning or are nonexistent. Immediate management actions need to be taken to correct the situation.
ORANGE	Significant Improvements Needed	Controls in place are weak. Several major issues were noted that could jeopardize the accomplishment of program/operational objectives. Immediate management actions need to be taken to address the control deficiencies noted.
YELLOW	Moderate Improvements Needed	Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement or not of program/operational objectives.
BLUE	Minor Improvements Needed	Many of the controls are functioning as intended. However, some minor changes are necessary to make the control environment more effective and efficient.
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

1.4 ASSURANCE STATEMENT

In our opinion, sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this report.

1.5 CONCLUSION

The audit found several weaknesses. The details of those weaknesses are discussed in the relevant sections below, with corresponding recommendations.

The Southwest NWT Field Unit has financial procedures in place at the Fort Smith/Wood Buffalo location to ensure accountability of financial transactions. However, the Management Control Framework at the Fort Simpson/Nahanni office must be strengthened to provide an acceptable level of due diligence for most procedures. While no significant errors were found, there is an increased risk of inappropriate or unapproved financial activities, transactions and/or calculations due to a lack of segregation of duties and a lack of compensating supervisory controls.

2 OBSERVATIONS AND RECOMMENDATIONS

2.1 Management Control Framework

Fort Smith/Wood Buffalo National Park		
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

Fort Simpson/Nahanni National Park		
ORANGE	Significant Improvements Needed	Controls in place are weak. Several major issues were noted that could jeopardize the accomplishment of program/operational objectives. Immediate management actions need to be taken to address the control deficiencies noted.

Current Practices

Our work related to the Southwest NWT Field Unit included reviews of relevant documentation and interviews with the Superintendent of the Field Unit, Fort Simpson/Nahanni Park/Sites Manager (Nahanni Superintendent), the Finance and Administrative Manager in Fort Smith and the Finance and Administrative Officer II in Fort Simpson.

Staff of the Finance and Administration group are located at the Field Unit Headquarters and Wood Buffalo Park office in Fort Smith with the exception of the Finance and Administrative Officer II who is located in Nahanni Park office in Fort Simpson. The Finance and Administrative Officer II reports directly to the Nahanni Superintendent, but has functional responsibility to the Manager Finance and Administration. An additional Resource Conservation Administrative Assistant, located in the Fort Chipewyan office, provides finance and administrative functions for that location.

Expenditures are processed by Finance and Administration, with spending authority exercised by the various individuals with Section 34 authority. Typically those with Section 32 authority also have Section 34 authority, although some with Acquisition cards only have Section 32 authority. Payment authority (Section 33) rests with the Finance and Administration Manager, with the Winnipeg or Vancouver service centres providing backup during absences. When the Manager, Finance and Administration uses her Section 33 authority for payment runs, the Superintendent authorizes her related payments under Section 34. It is clearly understood that the same individual cannot exercise both payment authority and spending authority.

Training courses and materials in financial management are provided to all employees, including the following:

- Western Canada Service Centre web-site for primary desk procedures;
- Orientation packages are reviewed with all staff, which includes information on travel, Isolated Post allowances, access to office, etc. Additional information is provided, as appropriate, regarding delegated authorities, specimen signatures, acquisition cards;
- Parks Canada “Finance and Admin 101” online mandatory training;
- Relevant Finance and Administration issues identified by Finance and Administration staff, typically the Accounting Assistant and Finance Manager, are discussed at each Management Meeting or with the individual depending on the issue.

The management committee meets monthly and is attended by the managers who report to the superintendent. The management committee discusses planning, operational issues, updates and activities. A Finance update is a standing item on the agenda.

The Finance team meets monthly to discuss issues. Each month a specific topic is reviewed to ensure that all staff are current in financial procedures, issues, changes, etc.

PCA does not have a risk management framework in place at the national level. Although a formal risk profile with risk associated mitigation has not been developed, the Southwest NWT Field Unit informally considers risks in the development of its three year Sustainable Business Plan through the identification of priorities. Operational plans are developed with significant consultation and participation with local stakeholder groups. The Field Unit budget is established based on the three year Business Plan and the historical A-Base funding allocation. Approximately five years ago, a zero based budget was prepared as the basis for funding. The Field Unit intends to use a zero-based budget process on a cyclical basis to justify its budget allocations.

At the beginning of the year, the budget envelope is allocated to the different managers largely based on historical spending. Capital spending needs are identified and resources allocated based on priorities. The Manager, Finance and Administration, has a coordinating role in the budget planning exercise. Managers are held accountable for achieving planned results with their budgets, which is a component of their performance review. Variances from budget are monitored by the Manager, Finance and Administration and discussed with the managers and the Superintendent. Variance reports are prepared monthly for Field Unit staff and quarterly to the Western Canada office in Calgary for consolidation. In the first half of the year emphasis is typically on the work planning and activities. In the second half of the year the emphasis changes to financial and budgetary management.

Disaster recovery plans are in place for electronic information for the Southwest NWT Field Unit. Incremental backups are performed nightly (Monday-Thursday). Weekly and monthly back-up is also performed and stored in a fire proof safe at the Field Unit compound in Fort Smith. Facilities are safeguarded and locked.

The Manager Finance and Administration stated that she has reviewed all previous audit reports issued for other Field Units and has incorporated recommendations not in operation.

Observations

In many respects, the Field Unit does not operate as one Unit but rather as two distinct entities, Fort Simpson/Nahanni National Park and Fort Smith/Wood Buffalo National Park. As such, many recommendations apply to only one location.

Fort Smith/Wood Buffalo

Roles and responsibilities of finance staff at Fort Smith are clearly defined and documented. We found that the Management Control Framework includes policies and procedures related to finance and administration activities that have been established and communicated to staff. These include direction and guidance with respect to financial coding, delegated signing authorities, travel, contracting and procurement. The Finance and Administration Manager plays an integral management role for the entire Field Unit, including facilitating, challenging and coordinating the Sustainable Business Plan and functioning as acting Superintendent as required.

Sufficient segregation of duties exists within the Fort Smith Field Unit and the Finance and Administration group. Roles and responsibilities for payments are clearly delineated under routine circumstances as well as to cover off absences.

The management control framework in place at the Fort Smith/Wood Buffalo office is adequate to ensure stewardship of resources (financial, human resources, facilities, information technology systems). Staff who were interviewed are aware of their financial responsibilities including the details of Treasury Board policies. There has been limited turnover in the finance staff for the last several years.

Given the isolated location of the offices, continued connectivity is an ongoing concern. Typically, once a month the servers require a hard boot. This is reportedly largely due to the age of equipment and limited space on the server. The Administrative Assistant in Fort Chipewyan does not have access to the Agency's financial system, IFMS, due to related issues. There is no cell phone coverage, although satellite phones are used in the field as required.

Fort Simpson/Nahanni

The management control framework in place at the Fort Simpson/Nahanni office is weak, primarily due to a lack of segregation of duties (only one Finance staff) and insufficient compensating supervisory controls. The lack of segregation of duties combined with the lack of regular monitoring and managerial oversight creates an increased risk, that errors or misappropriations may go undetected.

The filing system and general tracking mechanisms have not been developed to facilitate independent tracking of transactions and activities. Additional audit work was conducted to ensure that duplicate payments were not made or that errors or omissions had not occurred. While no errors were detected and the supporting documentation and/or verbal explanations were ultimately obtained, the filing system made it difficult to find documentation and determine the appropriateness, timeliness and accuracy of transactions. For example, travel for all employees, whether for business, isolated post medical, isolated post travel actually

taken and isolated post payroll deductions are maintained in the same file. Acquisition card statements are also filed together and not separated by employee. The Finance and Administration Officer was very familiar with the activity and could respond to all queries but the files and supporting documentation were not well organized such that other individuals would know where to find documentation.

The Fort Simpson/Nahanni office is not supervised to the same extent as the Fort Smith/Wood Buffalo staff. Historically, the Manager Finance and Administration has visited the Nahanni office a few times a year. Two flights with a nightly stopover are required to fly between the two locations or a seven hour drive make more frequent visits problematic.

Procedures do not ensure appropriate review and oversight by the Fort Simpson/Nahanni Park Superintendent, the Field Unit Supervisor nor the Manager Finance and Administration. Regular reconciliations to the revenue and expenditures in the general ledger accounts are not regularly performed. If performed, this would facilitate supervision by the Manager.

Recommendations

It is recommended that:

Due to the lack of segregation of duties, the Manager, Finance and Administration and the Field Unit Superintendent should increase their financial supervision in Fort Simpson/Nahanni, with more regular field visits. The Fort Simpson/Nahanni Park Superintendent should consider attending a refresher course on the Financial Administration Act to reinforce his financial management responsibilities.

MANAGEMENT RESPONSE

Agree: The Manager, Finance and Administration and the Field Unit Superintendent will increase the number of field visits to the Fort Simpson/Nahanni office. Visits will be made quarterly with the first visit taking place on February 26 to March 2, 2007. In addition, the Fort Simpson/Nahanni Park Superintendent and the Finance Officer in Fort Simpson/Nahanni will sign up for a refresher course on the FAA.

Nahanni should prepare and submit regular activity reports to the Manager, Finance and Administration to improve the level of monitoring.

MANAGEMENT RESPONSE

Agree: The Finance Officer in Fort Simpson/Nahanni will prepare an activity report that will include a listing of revenue earned for that month, a reconciliation of all suspense accounts (62270, 43750, 32016, 74505, 74500, SMS default, Staff Housing), which will be signed off by the site Superintendent and forwarded to the Manager, Finance and Administration by the end of the 1st week of every month for review. The first activity report will be prepared and forwarded for the month of February 2007.

The Finance Officer in Fort Simpson/Nahanni should improve the filing system to ensure that supporting documentation can be easily found. Consideration should be given to increasing the number of file folders for suppliers, acquisition cards, business travel, isolated post travel, staff housing, revenue by source, etc. All files should include a well documented audit trail to clearly explain what transactions took place, when and by whom.

MANAGEMENT RESPONSE

Agree: The Finance Officer in Fort Simpson/Nahanni will develop a filing system which will facilitate tracking of transactions, by having separate files for each employee for duty travel, IPA travel and for acquisition cards. In addition, files will be created for each vendor and filed alphabetically. This will be set up immediately in preparation for the new fiscal year.

2.2 Revenues

Fort Smith/Wood Buffalo National Park		
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

Fort Simpson/Nahanni National Park		
RED	Unsatisfactory	Controls are not functioning or are nonexistent. Immediate management actions need to be taken to correct the situation.

Current Practices

The Field Unit target revenue is \$131,000 for 2006-07. This is comprised of the following:

Revenue Source	\$
Park Entry fees	49,800
Camping and recreation fees	4,600
Land rental	5,600
Business fees	1,600
Other revenue	5,500
Real property (Refer to Section 2.8 Government Housing)	63,900
Total	\$131,000

There are approximately 1,000 visitors to each of Fort Simpson/Nahanni National Park and Fort Smith/Wood Buffalo National Park annually. Visitors are required to register and pay a park fee before entering the Park. While Park fees are charged, the primary reasons for registration are to ensure safety of visitors and to safeguard the environment. Visitors must complete a mandatory orientation course, which is delivered by staff at the local Park office to complete their registration. Rates range from approximately \$14-20/day to \$63-125/season for Fort Smith/Wood Buffalo and Fort Simpson/Nahanni respectively.

The majority of Park entry fees in Fort Simpson/Nahanni are collected by one of three Tour Operators who are licensed to operate in the protected area (there is a \$200 annual fee). This service is collected at the time of reservation. Depending on volume, monthly or end-of-season reports and payments are to be submitted.

Observations

Fort Smith/Wood Buffalo

No unusual items were noted at this location. Controls are working as intended. Revenues are recorded when earned. Accounts receivables are monitored and collected. Segregation of duties is in place where individuals who receive the fees are separate from those who record the revenues. Revenues were regularly reported and reviewed by the Field Unit management team.

Fort Simpson/Nahanni

In Fort Simpson/Nahanni, internal controls over revenue are weak. This is due in part to a lack of segregation of duties and lack of supervisory controls.

Several areas of concern were noted at Fort Simpson/Nahanni:

- Reporting, recording and depositing revenue is not done on a timely basis.
 - As at October 20, 2006 none of the Fort Simpson/Nahanni outfitters had been invoiced for summer trips. Revenue for three Outfitters of \$35,781.25 was neither invoiced nor recorded in the general ledger. Staff indicated that they intended to issue invoices at a meeting with the outfitters in November. This does not comply with policy and the FAA.
 - As at October 17, 2006, deposits made in Fort Simpson office since the end of July totalling \$3,573.45 have not been allocated to revenue accounts. The amount deposited is still recorded in a suspense account. No reason was given by staff for the delay in allocating the revenue.
- It was not possible to verify completeness of Revenue. As mentioned above, outfitter earned revenue has not yet been recorded. Also, some Park fees are collected in the field at remote locations and funds are to be brought to the office. There is no way to verify that all this revenue is recorded. Given weaknesses in segregation of duties and managerial oversight, the concern over underreported revenue is high. The risk may be mitigated somewhat since most visitors check in at the Park office and visit the Park with the outfitters where more effective controls are in place.

Field Unit

Most revenue at both locations is derived from rental revenue for staff housing. The general ledger records for revenue derived from staff housing contained errors, due to movement of PCA employees among Parks. Most errors were timing related and rent had been collected but not allocated by Pay and Benefits to the correct Field Unit.

Rental income was correct for only eight out of 15 employees (including those who transferred out). It was overstated for four employees who had transferred out of the Field Unit but who continued to have their payroll rent included as rental income for the Field Unit. Similarly, it was understated for two employees who had transferred in. In addition, a

staff member, who started in May 2006, still did not have her monthly rental amount finalized at the end of October and no rent had been paid for 6 months. Rental income was overstated by approximately \$7,000 and understated by approximately \$12,000. While the net impact is not significant, this should not have gone undetected.

The Financial Manager recently became aware² of a report, the Salary Report by PRI, which greatly facilitates a reconciliation between the revenue records and the related payroll deductions made by each employee. The Salary report by PRI revealed numerous errors in the records for Rental Revenue. These have now been corrected.

Recommendations

It is recommended that:

1. The Manager Finance and Administration should ensure that internal controls over the receipt and recording of revenue are appropriate for the entire Field Unit. This could include:
 - Monthly invoicing for guide fees, based on the start date of trips
 - Monthly reconciliations of revenue earned, received and deposited to the bank records and general ledger.
 - Review of reconciliations by the Superintendent and the Manager, Finance and Administration.

MANAGEMENT RESPONSE

Agree: The Finance Officer in Fort Simpson/Nahanni will develop a revenue spreadsheet that will be prepared monthly, signed off by the Superintendent and forwarded along with back up to the Manager, Finance and Administration for review. The spreadsheet will include vendor name, document number, description of work, date invoiced, date work performed, amount and date collected. This spreadsheet will be included in the package described in recommendation #2

The Manager Finance and Administration implement additional supervisory controls to ensure the timely recording, invoicing and depositing of revenues as well as the reconciliation of the revenue account balances, for each type of revenue at the Fort Simpson/Nahanni office. The Fort Simpson/Nahanni Park Superintendent should sign the reconciliation and forward it to the Manager Finance and Administration on a monthly basis.

MANAGEMENT RESPONSE

Agree: The Finance Officer in Fort Simpson/Nahanni will forward monthly the reconciliation of revenue deposited, to the Manager, Finance and Administration for review beginning with the month of February 2007.

² As a result of the findings of a recent audit, the Gwaii Haanas Field Unit Finance Manager recently became aware of the ability to create this report within the SAP system. She then informed National Office and all Western Finance Managers. The week before the Southwest NWT Field Unit Audit, the Manager Finance and Administration began the process of correcting the errors with the new report. This type of cooperation and collaboration among Western Field Unit Finance Managers appears typical and should be encouraged across the country.

The Manager, Finance and Administration should ensure that the Salary Report by PRI is reconciled monthly to both the general ledger and the summary rental sheets by employee.

MANAGEMENT RESPONSE

Agree: The Manager, Finance and Administration will monitor all suspense accounts monthly, starting immediately, to ensure the housing revenue is accurate and any changes are initiated in a timely fashion.

2.3 Contracting

Fort Smith/Wood Buffalo National Park		
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

Fort Simpson/Nahanni National Park		
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

Current Practices

Contracts are used for both goods and services. Contracting (along with all purchasing) is decentralized to the various business units. All managers with spending authority have received formal training in contracting regulations and advice can be sought from a contracting specialist in the Field Unit or the Western Canada office. The Manager Finance and Administration is the Field Unit's Contracting Specialist. The Finance Administrative Assistant is responsible for contracting. Each has the following responsibilities:

Administrative Assistant

- issues all contract numbers regardless of value;
- prepares draft contract documents, including requests for bid invitations, participating in review of bids and awarding contracts on behalf of the Field Unit; and
- maintains all original contracts and supporting documentation for all contracting activities.

Manager, Finance and Administration

- reviews all procurement activities over \$1,000;
- prepares/reviews contract documents, including requests for bid invitations, participating in review of bids and awarding contracts on behalf of the Field Unit;
- oversees the contracting function, i.e. addresses issues, communicates changes in policy/procedures;
- provides advice/training to staff in undertaking activities in this area, seeks clarifications and additional advice from service centre experts in Calgary;

- raises issues directly with employees/managers and provides additional training where required;
- delivers training to new employees (which includes procurement and contracting guidelines);
- undertakes the Finance and Administration Administrative Assistant's and other managers' performance appraisals specific to the contracting function.

Contracting Specialist for Western and Northern Canada (Calgary)

- reviews all procurement activities over \$5,000; and
- provides clarifications and additional advice to staff in contracting activities.

Contract files are stored separately from payable files to ensure completeness of all documentation. Delegation of Authority specimen signature cards are reviewed and updated annually and stored in a binder in the Finance and Administration section.

Observations

The audit reviewed numerous aircraft invoices, at both offices, under a standing offer plus 14 other contracts amounting to almost \$800,000. This accounted for almost 10% of the entire goods and services budget. No unauthorized or inappropriate transactions were noted. Aircraft rental contracts are the most frequent and significant contracting in both locations and are closely monitored.

Fort Smith/Wood Buffalo

For several months, the administrative assistant function in Fort Smith has been filled by term positions without formal training. This has required additional supervision by the Finance and Administration Manager. The existing term employee was recently made a permanent employee and will be receiving formal Contract Administration training in November 2006. This will permit the development of additional in-house specific contracting skills.

Fort Simpson/Nahanni

The majority of contracts in Nahanni relate to aircraft rentals. Contracting was adequately supported and no inappropriate transactions were noted.

Recommendations:

None.

2.4 Payments to Suppliers

Fort Smith/Wood Buffalo National Park		
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

Fort Simpson/Nahanni National Park		
YELLOW	Moderate Improvements Needed	Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement or not of program/operational objectives.

Current Practices

The majority of purchases are for routine or standing offer items such as rent, aircraft rental, phone, groceries, field supplies, fire management meals, hydro, office supplies, etc.

Procurement of goods is generally done through Local Purchase Order, acquisition card or standing offer. Standing offers, at both the national and regional levels, are in place for certain goods including fuel, office supplies and photocopier rentals.

Commitments are typically set up at the time the goods are ordered for expenditures greater than \$1,000, including those purchased with acquisition cards. If the commitment is not set up in advance, it is done when the invoice is received to ensure that the free balance is accurate. Explanations are required from managers if the items are not committed in advance. All high value items are inventoried when processed for payment.

Invoices are received and date stamped by Finance and then forwarded to the original purchaser where they are matched with the expenditure initiation document (except acquisition cards), coded according to the supporting documentation, signed under Section 34, and forwarded to Finance for processing in the departmental financial system, IFMS. In Fort Simpson/Nahanni, the Finance and Administrative Officer II signs under Section 34 for office related items (hydro, MasterCard, office supplies) and enters the invoices for payment in IFMS.

Purchase authorizations (e.g., purchase orders) are maintained by the business units and are returned with the invoice. The Accounting Assistant (Fort Smith) and Finance and Administration Officer II (Fort Simpson) match the information on the Purchase Order to ensure consistency. A review of invoices is conducted by the Accounting Assistant at Fort Smith/Wood Buffalo and the Finance and Administration Officer at Fort Simpson/Nahanni to ensure proper supporting documentation, coding and approvals. Problems in coding and supporting documentation are challenged if encountered.

The Manager, Finance and Administration, with Section 33 authority, reviews the payment runs from both Fort Smith/Wood Buffalo and Fort Simpson/Nahanni and electronically releases payment within IFMS. Section 33 authority backup to the Manager Finance and Administration is provided by the Western Canada Service Centre office as required.

In Fort Smith/Wood Buffalo, the original invoices are attached to the payment run for the Manager to review and reference.

In Fort Simpson/Nahanni, only the payment run summary sheet, without the invoices is forwarded to the Manager, Finance and Administration prior to release of payments. Independent review of the work performed by the Finance and Administration Officer in Fort Simpson/Nahanni is performed only on a random sampling basis. This occurs when the Manager, Finance and Administration periodically visits the Fort Simpson/Nahanni office and reviews previous payments and procedures.

In addition, on a monthly basis random payments are audited for supporting documentation.

All invoices for the current and previous fiscal year are filed with supporting approvals in the office of the Accounting Assistant (Fort Smith) and Finance and Administration Officer in Fort Simpson.

Reports are produced monthly and are available as needed. Managers submit forecasts of revenues and expenses quarterly for comparison against the Business Plan. The Manager, Finance and Administration consolidates the information, identifies significant variances, obtains explanations as required and discusses variances with the superintendent.

Observations

A total of \$230,000 of expenditures in Fort Smith/Wood Buffalo and \$28,000 of expenditures in Fort Simpson/Nahanni were reviewed. Particular attention was paid to the call-ups of standing offers for aircraft rentals and groceries as well as payments of utilities and acquisition card statements; the vast majority of payments.

Fort Smith/Wood Buffalo

No unusual items were noted at this location. Controls are working as intended. Suppliers are paid in a timely manner for goods and services provided. There is adequate segregation of duties and appropriate approvals.

Fort Simpson/Nahanni

In Fort Simpson/Nahanni, there is not sufficient segregation of duties or adequate compensating supervisory procedures. In addition, there is no regular independent review of all invoices prior to the payment run.

While, no unauthorized transactions or calculation errors were found, errors could go undetected due to the lack of stringent procedures. The following errors were noted during the review of transactions:

- Five instances were found where invoices were not signed and/or dated in the section 34 approval box. These items were, however, coded by the Finance and

Administration Officer with section 34 authority, indicating a deemed approval. This is not in accordance with policy.

- Six instances of interest due to overdue payments. Interest was paid to the local utility and the local grocery store totalling \$106.23 as well as for seventeen acquisition card statements totalling \$517.39. Late fees were incurred throughout the year, not just during the busy summer months, with no reasonable explanation. While it is recognized that at peak times, managers may be in the field and unable to authorize acquisition card payments for a few weeks, compensating measures can be taken, such as downloading monthly acquisition card statements online in advance or having managers approve and code expenditures/ invoices when they are incurred, then these items could be reconciled and processed once the statement arrives.

Procedures for approvals and prompt payment of invoices should be more formalized and monitored in greater depth from Fort Smith/Wood Buffalo.

Recommendations:

It is recommended that:

The Manager, Finance and Administration and Fort Simpson/Nahanni Superintendent should increase the level of review and supervision of payments made in the Fort Simpson office (Nahanni) to ensure approvals are appropriately documented for Section 34 authority and to ensure that all payments to suppliers are made on a timely basis to avoid late fees.

MANAGEMENT RESPONSE

Agree: The Manager, Finance and Administration will increase the number of face to face visits, as mentioned in recommendation #1 where she will conduct internal audits on payments to suppliers. In addition, the Finance and Administration Officer in Fort Simpson/Nahanni will include with her payment log, all backup for invoices greater than \$1,000.

2.5 Acquisition Cards

Fort Smith/Wood Buffalo National Park		
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

Fort Simpson/Nahanni National Park		
YELLOW	Moderate Improvements Needed	Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement or not of program/operational objectives.

Current Practices

Acquisition cards are used to purchase items such as office supplies, books, ammunition, communications, computer equipment, other equipment and food/supplies for the Park employees in remote locations.

The Field Unit Coordinators for Acquisition cards are the Finance and Administration Officer for Fort Simpson/Nahanni and the Manager Finance and Administration for Fort Smith/Wood Buffalo. They orient new employees, retrieve cards from departing employees, maintain a list of cardholders and monitor activity.

Applications are sent to either the Bank of Montreal MasterCard or CIBC Visa for processing and the cards are sent to the Coordinator. The cardholder claims the card from the Coordinator and signs a receipt, acknowledging that they understand their responsibilities in using the card and eligible expenditures.

It is the cardholder's responsibility to complete a log of purchases, attach receipts, obtain Section 34 approval and forward to Finance for payment processing. Finance performs a review to ensure that the appropriate individual has signed Section 34 on the invoice. Payment approval (Section 33) is done by the Manager, Finance and Administration. Clarifications of procedures regarding Acquisition Cards are available online and in staff newsletters.

ObservationsFort Smith/Wood Buffalo

No unusual items were noted at this location. Controls are working as intended. Acquisition cards are used for appropriate expenditures with purchase logs completed in a timely manner. Expenditures are properly approved prior to payment of the monthly statements.

Fort Simpson/Nahanni

For the transactions tested, finance charges/interest payments were noted for four employees over the last four months amounting to \$106.23. While there may be some justification for late submissions of the Purchase Register Log during the busy summer season and therefore resulting in a late payment, there is no justification for interest charges during other times of the year.

General

In some cases, the method of payment is based on the preference of the vendor, resulting in an inconsistent application of purchasing procedures. For example, in some cases purchases from Mountain Equipment Co-op (MEC) were paid directly with cash. In other cases, the purchases were charged to the credit cards. MEC issues rebates for volume purchases, which will not be recorded nor realized if purchases are made individually and charged to numerous acquisition cards. Other suppliers are more lenient than Visa and MasterCard with respect to late payments.

A clear policy indicating situations where there is a preference for LPOA purchases versus acquisition cards is not in place. The administration of Acquisition cards is often more

labour intense and problematic than an invoice, particularly for employees who spend extended time in the field away from the office. If an LPOA is used, the LPOA and invoice are processed, coded and submitted to Finance for payment immediately. If an acquisition card is used, the employee must keep all receipts until the monthly statement arrives, complete and reconcile the purchaser's log. Resultant time lags can increase the risk of interest charges.

Based on information from staff at two Field Units, CIBC Visa statements are not available for download online but BMO MasterCard statements are. Other Field Units are able to download BMO statements on-line at the end of each payment period and distribute to the cardholders in advance of receiving the statements in the mail. In addition, the list of cardholders for the Field Unit is available through a secure login to the BMO website. The listing on the bank website is always considered current and shows the history of all cards issued. If the Field Unit used BMO MasterCard exclusively for their acquisition cards, the Manager Finance and Administration, or her delegate would be able to monitor all acquisition card activity online as well as process payments in a more timely fashion.

Recommendations

It is recommended that:

2. The Field Unit should implement procedures to facilitate the timely processing of acquisition card statements and monitor all acquisition card activity to avoid late charges. They should consider obtaining online access to obtain the information in a more timely fashion.

MANAGEMENT RESPONSE

Agreed: The Finance and Administration Officer in Fort Simpson/Nahanni will coordinate the change of acquisition cards, from VISA to MASTERCARD, as accounts can be accessed on line whenever you need. All acquisition cards will be transferred by March 2008. When delegated manager is absent a financial actor will be assigned with full financial authority.

3. The Manager Finance and Administration should develop a policy where LPOA purchases can be used instead of acquisition cards to streamline the payment process.

MANAGEMENT RESPONSE

Reservation: The Manager Finance and Administration will develop a procedure, by December 2007, that will outline when to utilize the different procurement instruments (LPOA, PO, SOA, or Acquisition Card) to ensure consistency. However we cannot avoid the use of the acquisition card, as it is the preferred payment option for the majority of our suppliers.

2.6 Travel

Fort Smith/Wood Buffalo National Park		
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

Fort Simpson/Nahanni National Park		
YELLOW	Moderate Improvements Needed	Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement or not of program/operational objectives.

Current Practices

A Financial Information Session, which presents an overview of travel policies and guidelines, is provided electronically to all staff.

When travel is required, a requisition for travel is completed and signed by the employee's direct supervisor, a person with Section 34 authority. The name of the person, location and purpose of the travel, as well as the dates, are recorded on the requisition for travel form. There are Blanket Travel authorizations for manager's travel within the NWT or Alberta. These are updated and reviewed annually as part of the year end process. All other travel must be authorized in advance using a Travel Authority Advance (TAA).

Travel claims are prepared using standard forms. Travel claims are authorized under Section 34 by supervisors at all levels, including the superintendent. Payment of travel expenses follows the Treasury Board Travel Directive. All travel claims are audited by the Finance and Administration Officer, prior to Section 34 authorization. Travel advances are not used extensively.

Some employees at the Field Unit have American Express Travel Cards. While the cards are offered to all appropriate staff, many employees prefer to use their own card as they claim many businesses, such as the local airline, do not accept Amex. Most airfares are completed using Travel Warrant as the American Express limit is often not sufficient for Northern airfares and the actual travel costs. That is, in most cases, the local office pays for the airline ticket directly and the travel expense claim is for the remaining travel expenses.

When American Express cards are desired, new travel cards are requested by the Finance and Administration's Administrative Assistant and applications are sent to American Express. Cards are sent directly to the employee's home address. Employees are responsible to pay the full balance of their statements, which are mailed to them directly.

For both offices, all duty travel is recorded in a log and a copy of the TAA is kept in a pending file, which is monitored weekly. All advances are coded to a suspense account and the account is reconciled on a monthly basis.

The Southwest NWT Field Unit qualifies for Isolation Post Allowance (IPA) travel for both vacations and medical requirements. Employees receive either 100% accountable³ travel or 80% non-accountable travel. The accountable travel is processed following the same procedures as duty travel. Non-accountable travel is forwarded to Pay and Benefits and is processed in a manner similar to overtime.

Fort Smith/Wood Buffalo

No unusual items were noted at this location. Controls are working as intended. Travel is in accordance with TBS and PCA policy with appropriate approvals received. Travel is recorded properly in the financial records.

Fort Simpson/Nahanni

No travel issues involving improper payments etc. were found during transaction testing. However, in Fort Simpson/Nahanni, problems with travel, such as duplication of payments, could potentially exist and go undetected due to a lack of organization in the documentation and filing. The internal records for all travel, including business, 100% IPA for actual travel and 80% IPA payroll allowance, are all kept together in the same file and use the same numbering system. This makes it difficult to monitor what was paid and for what. Additional audit tests were conducted to ensure that there was no duplication of payments or other errors.

As well, there is reliance on the small nature of operations and therefore the sense that the key people are fully aware of all travel activity. Given the low supervisory monitoring and oversight, the requirement for complete and accurate supporting documentation and filing is increased.

A separate business travel file is not maintained for each employee by year nor is there a separate IPA file by employee by year. Such files could be used to monitor the IPA vacation travel entitlement and medical travel entitlement as well as the IPA travel processed. Current thorough explanations of adjustments and corrections with a clear audit trail should be maintained on file such that anyone could review the records and understand the activity and status of the transactions.

The current status of travel claims for all types of travel (business and IPA) is not summarized and tracked on an ongoing basis.

³ Accountable travel is allowable travel which is actually taken. Non-accountable travel is the equivalent cost of accountable travel.

Recommendations

It is recommended that:

4. The Finance and Administration Officer in Fort Simpson/Nahanni should ensure that business and IPA travel can be easily tracked and monitored by each employee by year.

MANAGEMENT RESPONSE

Agree: The Finance Officer in Fort Simpson/Nahanni will develop a filing system which will facilitate tracking of transactions, by having separate files for each employee for both duty and IPA travel, as well as for acquisition cards. This will be set up immediately in preparation for the new fiscal year.

5. The Finance and Administration Officer in Fort Simpson/Nahanni should ensure that the current status of travel claims for all types of travel (business and IPA) are monitored and reviewed monthly by the Nahanni Superintendent and the Manager Finance and Administration.

MANAGEMENT RESPONSE

Agree: The Finance and Administration Officer in Fort Simpson/Nahanni will forward to the Manager, Finance and Administration a payment log, along with backup (TAA, Expense Claim and receipt) for all travel related payments, starting immediately.

2.7 Financial Coding

Wood Buffalo National Park		
YELLOW	Moderate Improvements Needed	Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement or not of program/operational objectives.

Nahanni National Park		
YELLOW	Moderate Improvements Needed	Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement or not of program/operational objectives.

Current Practices

Financial coding summary sheets are reviewed and updated on a regular basis. They are available electronically to all staff requiring the information. The Financial Information Session delivered to all new employees provides an overview to coding within the Field Unit and indicates that the coding is directly tied to all budget allotments. At the beginning of each fiscal year, changes are communicated to all staff.

Financial coding is assigned by the managers with spending authority or their assistants at the time of the expenditure initiation. Prior to routing the invoices to the appropriate manager for Section 34 signature, the financial coding based on the supporting documentation is written on the invoice by the initial purchaser. Invoices are forwarded to Finance and Administration, who review the invoice and raise any concerns to the Section 34 authority.

The Manager Finance and Administration performs a detailed review of the financial coding for those payments selected through statistical sampling for detailed account verification. The Finance and Administration Accounting Assistant monitors the Chart of Accounts on a regular basis. The Finance and Administration group also conduct monthly variance analyses where errors in financial coding can also be detected.

In Fort Smith/Wood Buffalo a large part of the budget is for Fire Management. Coding of Fire Management expenses is particularly important as expenses which meet certain criteria are eligible for reimbursement from Treasury Board.

The Finance and Administration staff, depend on the Fire Management staff to code expenditures to the proper fire. Understandably, coding of expenditures is not a top priority at the time of the fire. Expenditures are typically coded immediately to the Fire Pre - suppression budget. As information is received, the expenditures are reallocated to the specific fires. Fire management staff may be either "imported" or "exported". That is, skilled PCA fire crews are permanently located in various Parks. As required, they are transported to the fires. Other fire crews are also hired as required. Fire crews moved into the Park are "imported". Costs for the imported staff are charged to the Field Unit through journal voucher transfers from the originating Parks. Similarly, when staff is exported, the Field Unit prepares journal vouchers to recover the costs from other Parks.

Observations

During the audit, the financial coding for all transactions selected for testing was reviewed. The Auditor reviewed the Fire Management summary sheets of costs per fire and found that they could not be reconciled to the general ledger accounts. Costs in the general ledger were accurate based on the information provided. However, our review of sampled transactions indicated that the Fire Management "Fire Costing Summary" records often contained estimates determined at the time of the fire which were not subsequently adjusted to actual costs. Significant discrepancies were related to the cost of staffing (labour rates, meals, accommodations, etc.). The Fire Management staff use their "Fire Costing Summary" for decision making purposes. Since these records are not accurate, improper decisions (e.g., incorrect labour rates for imports from various locations or incorrect fuel rates) could be made using incorrect information.

Amounts not cleared from the Finance and Administration clearing account are left in the account as routine pre-suppression expenses from the goods and services budget. Since there is not an analysis of the remaining amounts, there is no monitoring to ensure that all items eligible for reimbursement from Treasury Board are allocated to specific fire accounts for reimbursement. As well, because there is no attempt to reconcile the Fire Costing Summaries to the general ledger, errors in the general ledger such as improper allocation of reimbursable fire expenses could go undetected. There is a risk that full reimbursement is not being received.

The Auditor worked on site with the Manager Finance and Administration to commence the development of more efficient forms/spreadsheets for completion by the Fire Management staff to provide faster and more accurate information for decision making and coding. As the in-house financial expertise, Finance and Administration should play a key role in ensuring that financial coding and financial records used by Fire Management for decision making are accurate and prepared with an efficient use of resources to meet the needs of both groups.

In Fort Simpson/Nahanni there were instances of expenditures being charged to the incorrect line item. More diligence should be applied to ensuring that coding is correct and funds transferred between budgetary line items if appropriate.

Recommendations

It is recommended that:

6. The Manager Finance and Administration should continue to refine the Fire Management spreadsheet to streamline the financial coding and fire management reports.

MANAGEMENT RESPONSE

Agree: The Manager Finance and Administration has finalized together with the Fire Management personnel a spreadsheet, which will highlight variances between estimates and actuals. It will ensure correct information is used for decision making and that all fire related expenses are coded directly to the fire.

7. The Manager Finance and Administration should conduct increased reviews of financial coding of transactions to ensure accuracy in coding.

MANAGEMENT RESPONSE

Agree: The Manager Finance and Administration will randomly sample transactions monthly (10-20 items) and review the coding to ensure accuracy. Based on results, issues will be addressed via training.