

**AUDIT OF KEY FINANCIAL PROCESSES  
AT THE SOUTHWESTERN ONTARIO FIELD UNIT AND  
THE GEORGIAN BAY FIELD UNIT**

**FINAL REPORT**

**Prepared by:**

**Office of Internal Audit and Evaluation**

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**Her Majesty the Queen of Canada, represented by  
the Chief Executive Officer of Parks Canada, 2011  
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Report presented to the Parks Canada Audit Committee meeting of September 14<sup>th</sup>, 2011  
and approved by the CEO on September 19<sup>th</sup>, 2011.

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## **EXECUTIVE SUMMARY**

Parks Canada Agency (PCA) is conducting a series of cyclical audits of field units, service centres and the various branches of 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 the Southwestern Ontario Field Unit was conducted as part of this cyclical audit program. Following an analysis of the operational situation of the Southwestern Ontario Field Unit (SWOFU), Parks Canada Agency decided to redo the grouping of sites and parks in Ontario. Recommendations are also addressed to the Georgian Bay field unit. However, the audited entity is referred to as “Southwestern Ontario Field Unit” (or “SWOFU”) to shorten the text.

The objectives of this audit were to determine whether due diligence is being exercised in key management processes and to assure senior management that the processes and controls in place at the SWOFU to mitigate the risks of non-compliance with TBS and PCA policies are appropriate.

The audit reviewed the management control framework (MCF) applied to financial management and covered the following key financial process areas: hospitality and food, telecommunications, travel expenditures, contracting, payments to suppliers, and financial coding. This audit only covered the period from April 1, 2010, to February 28, 2011.

The audit methodology consisted of a review of relevant documents, interviews with SWOFU staff and a sampling of transactions in the key financial areas. The visit to the field unit took place from April 18 to 21, 2011.

This audit was planned and conducted in accordance with Government of Canada Internal Audit Standards.

Overall, we found that, except for financial coding, financial and administrative functions require moderate improvements to ensure due diligence in the implementation of the management processes examined and to ensure senior management that the controls in place at the SWOFU to mitigate the risks of non-compliance with regard to TBS and PCA policies are adequate.

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Summary of audit results for the Southwestern Ontario Field Unit and the Georgian Bay Field Unit:

Ref.	Management processes	Rating
6.1	Management Control Framework	<b>YELLOW - Moderate Improvements Needed</b>
6.2	Hospitality and food	<b>BLUE – Minor Improvements Needed</b>
6.3	Telecommunications	<b>ORANGE – Significant Improvements Needed</b>
6.4	Travel expenses	<b>YELLOW - Moderate Improvements Needed</b>
6.5	Contracting	<b>YELLOW - Moderate Improvements Needed</b>
6.6	Payments to suppliers	<b>YELLOW - Moderate Improvements Needed</b>
6.7	Financial coding	<b>GREEN – Controlled</b>

The following list of recommendations formulated in the report is therefore presented to the superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit:

- 1- The superintendents must ensure that the roles and responsibilities of finance personnel are clearly established, documented and communicated.
- 2- The superintendents must ensure that deviations from financial policies and directives are communicated to the Manager, Finance and Administration.
- 3- The superintendents must ensure that the specimen signatures are up to date, authorized by the appropriate level of authority and reviewed at least once a year.
- 4- The superintendents must ensure that a physical inventory of low-value attractive assets is carried out and that the information is entered in the STAR financial system.
- 5- The superintendents must ensure that hospitality claim forms are duly completed and signed.
- 6- The superintendents must ensure that documented justification is submitted to the designated administrator for all wireless device procurement requests.

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- 7- The superintendents must implement a process to ensure that users acknowledge their obligations with respect to the Policy on the Use of Cellular and Other Mobile Wireless Devices.
  - 8- The superintendents must ensure that procedures are in place to reduce the risks of non-compliance regarding the use of wireless devices.
  - 9- The superintendents must ensure that travel is properly authorized using the specified forms.
  - 10- The superintendents must ensure that original documents support travel claims.
  - 11- The superintendents must ensure that the appropriate contracting method is used.
  - 12- The superintendents must ensure that contracts awarded through non-competitive sourcing contain appropriate justification.
  - 13- The superintendents must ensure that the information required to support the awarded contract is on file.
  - 14- The superintendents must ensure that:
    - invoices are dated upon receipt;
    - invoices have the appropriate section 34 *Financial Administration Act* (FAA) authorization;
    - payments for training expenses are accompanied by the proper authorization form;
    - purchase orders and other commitment or authorization documents are signed and attached to the supporting documentation for the payment.
  - 15- The superintendents must ensure that the use of Departmental Bank Account cheques is restricted to a minimum and that the transactions approved are adequately documented.

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## **1. BACKGROUND**

Parks Canada Agency (PCA) is conducting a series of cyclical audits of field units, service centres and the various branches of national and regional offices to review key financial, administrative and management practices. The audit of the Southwestern Ontario Field Unit (SWOFU) was conducted as part of this cyclical audit program.

Field units are groupings of national parks, national historic sites and national marine conservation areas that are geographically near one another. Their proximity allows them to share management and administrative resources. The service centres support the organization in a variety of professional and technical disciplines. It is the responsibility of service centre directors and field unit superintendents to ensure that the policies, directives and guidelines issued by the Treasury Board Secretariat (TBS) and PCA are followed.

Following an analysis of the situation of the SWOFU and the issues it was facing, the PCA decided to restructure the Ontario sites. The new Georgian Bay Field Unit was created on April 1, 2011. This unit groups together the Bruce Peninsula National Park and the Fathom Five National Marine Park, which were previously part of the SWOFU, as well as the Georgian Bay Islands National Park, which was previously part of the Central Ontario Field Unit. This audit covers transactions carried out during the 2010-2011 fiscal year, when the Bruce Peninsula National Park and the Fathom Five National Marine Park were still part of the SWOFU. Consequently, the findings of this audit apply to both the Southwestern Ontario Field Unit and the Georgian Bay Field Unit. Since the superintendents were appointed recently, the audit is arriving at an opportune time to provide them with an overall picture of compliance of their own field unit with current financial policy so they can concentrate their efforts on areas where opportunities for improvements have been observed. While the recommendations apply to both field units, we will designate the entity audited as the “Southwestern Ontario Field Unit” (SWOFU) to shorten the text.

## **2. OBJECTIVES AND SCOPE**

The objectives of this audit were to determine whether due diligence is being exercised in key management processes at the Southwestern Ontario Field Unit and to assure senior management that the processes and controls in place to ensure compliance with TBS and PCA policies and practices are appropriate.

The audit reviewed the management control framework (MCF) applied to financial management and covered the following key financial process areas:

- hospitality and food;
- telecommunications;
- travel expenditures;
- contracting;

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- payments to suppliers; and
  - financial coding.

Only transactions that occurred during the period from April 1, 2010, to February 28, 2011, were examined.

### 3. METHODOLOGY

The audit methodology included the following activities:

- Visit the Southwestern Ontario Field Unit office in Hamilton, Ontario;
- Visit the offices of the Bruce Peninsula National Park – Fathom Five National Marine Park in Tobermory, Ontario;
- Visit the Ontario Service Centre office in Cornwall;
- Conduct interviews with the managers and staff responsible for the main financial sectors of the Southwestern Ontario Field Unit;
- Examine the relevant supporting documentation, in particular the 2006 audit report, the organizational chart, the business plan, the PCA signing authority delegation chart, and the policies governing the key financial sectors; and
- Examine a sample of transactions for each key financial sector, where applicable.

The sample of transactions was established on the basis of data taken from the STAR financial system. The proportional selection of transactions in relation to the areas covered by the audit was based on the judgment of the auditors.

The visit to the Ontario Service Centre took place from March 21 to 24, 2011, while the visit to the Southwestern Ontario Field Unit took place from April 18 to 21, 2011. Once the field work was finished, a report on preliminary observations was presented to both Southwestern Ontario and Georgian Bay Field Unit Superintendents.

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

Audit Reporting Rating System		
<b>RED</b>	Unsatisfactory	The controls are either ineffective or non-existent. Immediate management actions need to be taken to correct the situation.
<b>ORANGE</b>	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.
<b>YELLOW</b>	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 of program/operational objectives.



<b>BLUE</b>	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.
<b>GREEN</b>	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

#### 4. STATEMENT OF ASSURANCE

This audit was planned and conducted in accordance with Government of Canada Internal Audit Standards.

#### 5. AUDIT OPINION

Overall, we found that, except for financial coding, financial and administrative functions require moderate improvements to ensure due diligence in the implementation of the management processes examined and to ensure senior management that the controls in place at the SWOFU to mitigate the risks of non-compliance with TBS and PCA policies are adequate.

#### 6. OBSERVATIONS AND RECOMMENDATIONS

##### 6.1 Management control framework

<b>YELLOW</b>	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 of program/operational objectives.
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A control framework is implemented by an organization to support its operations and ensure that employees carry out their duties efficiently and effectively. The key elements of an effective management control framework are, in particular, clear governance, properly defined roles and responsibilities, effective communication, and regular control measures.

To determine whether the management control framework is adequate to ensure compliance with financial policies, we applied the following audit criteria:

- C1- Information essential for achieving operational objectives is identified, collected, processed and quickly transmitted to those concerned.
- C2- Staff roles and responsibilities, specifically those relating to control, are clearly identified, documented and circulated.
- C3- Business and operational plans are prepared in cooperation with the parties concerned and set adequate budget parameters and needs in terms of human and material resources and security.

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| C4- | The control environment in place facilitates sound, effective management.  |
| C5- | The control activities exercised ensure early detection of anomalies and permit timely application of corrective measures. |
| C6- | The control activities exercised ensure proper management of finance staff.  |
| C7- | The finance group has sufficient competent staff to achieve operational objectives.  |
| C8- | Operations-related risks are formally assessed on a regular basis.   |

## **Observations**

### Governance

The Southwestern Ontario Field Unit falls under the responsibility of the Director General, Eastern Canada, and includes approximately 80 employees, 25 of whom work in the Bruce Peninsula National Park. The SWOFU annual operating budget for 2010-2011 was approximately 8 million. Its business plan covers a five-year period and is updated every year. The plan gives an overview of the size of the SWOFU at various levels: area, budget, site description, number of visitors, existing infrastructure, and challenges.

The Agency carried out a review of its risk profile that was approved by the Agency's CEO in April 2009. This revised risk profile envisions aligning integrated risk management with the planning and reporting cycle. The SWOFU's 2010-2011 to 2014-2015 business plan reflects this risk management approach. The business plan identifies specific targets and time frames that the field unit has committed to meeting in order to help PCA meet the performance expectations set for each program activity.

The business plan is developed by the management team in collaboration with the Manager, Finance and Administration. Once the plan is completed, it is presented to the executive management committee. The plan is also used by managers to develop objectives, including the annual personnel performance assessment. Throughout the year, the plan is available on the field unit's shared computer network to staff for consultation.

The Southwestern Ontario Field Unit has not established or documented a formal risk assessment process for all the financial processes. However, risk management is discussed during the development of the business plan. The team responsible for the business plan takes into account the risks identified in PCA's risk profile and examines how these risks can interact with the operations of the SWOFU. According to the SWOFU management team, the PCA's positioning in the Toronto market is a significant risk because it directly affects the achievement of the Agency's overall objectives. The capital needs for the maintenance and improvements of assets, collaborative relationships with Aboriginal communities as well as the risks associated with creating the new field unit are common risks to both field units.

### Roles and Responsibilities

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An organizational chart was available when the audit began and is updated on a regular basis. When employees are hired, they receive a generic job description or are informed that they have access to the description on the intranet. Although the development of work descriptions specific to positions is not a current practice at the SWOFU, a specific work description for seasonal student employees was implemented at the *HMCS Haida* National Historic Site to guide students in their daily tasks. Specific objectives may be developed at the time of hiring and reviewed during annual performance evaluations.

Recurring tasks of finance personnel, more specifically of the Manager, Finance and Administration, are not formally documented and communicated. However, for some topics, work instructions supporting financial policies are in place. An audit of the field unit carried out in 2006 had shown shortcomings in this regard, and management had committed to clearly defining these roles and responsibilities before March 31, 2007. These documents would facilitate the staff transition in the event of a sudden departure of finance staff.

### **Recommendation**

- 1- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that the roles and responsibilities of finance personnel are clearly established, documented and communicated.

### **Management Response**

Agree: The Field Units are coming to the end of the transition exercise, whereby the Georgian Bay Field Unit was created. As a result of this exercise, the financial function will experience some change, and it is management's intention to confirm and document the specific duties and roles of each position, and communicate them clearly within six months of the announcement to staff (June 2012).

### **Communication**

Meetings are not conducted in person, due to the geographical distances which would lead to unreasonable costs. Telephone and e-mail are the preferred communication channels for daily operations. The members of the management team discuss important issues and priorities during a weekly teleconference. Minutes of these telephone conferences are documented and saved on the field unit's shared drive. The holding and frequency of meetings help strengthen the accountability of the field unit managers with regard to the common objectives to be met. Working groups for specific projects are created to facilitate communication about projects. The field unit superintendent also ensures that he personally visits the sites when announcements or important communications must take place.

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The creation of the new field unit will facilitate communication in person, since the Bruce Peninsula National park, which is located far from the other SWOFU sites, will now be a part of the Georgian Bay Field Unit.

Management meetings are also held regularly at the Bruce Peninsula National Park. Minutes are kept and made available for consultation on the park's shared drive. The park superintendent also holds two general employee meetings per year, before and after the summer season. The meetings serve as a forum for the park superintendent to share the organization's vision, the strategy to be adopted to meet general objectives and a review the season's operations.

As mentioned in the 2006 audit, the Manager, Finance and Administration, is not kept informed of the deviations found by Ontario Service Centre personnel. Furthermore, the current Manager, Finance and Administration, works remotely from the National Office. When transactions submitted to the Ontario Service Centre are non-compliant with policies and directives, they are returned directly to site finance personnel. The Manager, Finance and Administration, is therefore not always up-to-date on non-compliant transactions. Consequently, the Manager, Finance and Administration, has difficulty assessing the efficiency and effectiveness of the control measures in place on site and can have difficulty implementing improvements in a timely manner.

### **Recommendation**

- 2- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that deviations from financial policies and directives are communicated to the Manager, Finance and Administration.

### **Management Response**

Agree: The superintendents will communicate with the Director of the Ontario Service Centre to ensure that the Manager, Finance & Administration is kept regularly informed of issues and deviations from financial policies & directives.

### **Control and monitoring measures**

Responsibility for compliance with financial policies lies with the person who holds spending authority under section 34 of the *Financial Administration Act* (FAA). The revised specimen signature forms allow for confirmation of the level of delegation of authority granted to an employee for a specific financial centre or cost centre. This form facilitates audits and eliminates ambiguities. As stipulated in the *Instrument of Delegation: Administrative and Financial Signing Authorities*, specimen signature forms must be examined and updated yearly. During the audit, the register of specimen signature forms was not up-to-date and the specimen signatures of three employees could not be located. Furthermore, a large number of delegations of authority were not granted

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by the management level set out in the Parks Canada Instrument of Delegation, which states that only a fund centre cardholder may delegate this authority. The managers with a valid delegation of authority had all passed the online course FA201 (Parks Canada financial management) required to have signing authority under the FAA.

Segregation of duties for payment processing is clearly defined by the assignment of tasks. Expenditures are initiated in various field unit groups and are approved by the delegated manager. Commitment documents such as purchase orders or contracts are submitted to the financial officer. When the invoice arrives at the field unit, it is date-stamped, attached to the corresponding commitment document and submitted to the manager for approval. Once the goods have been received or the services have been rendered, the manager signs the invoice to confirm receipt, authorizes the payment and returns all of the documents to the financial officer, who conducts the necessary verifications and enters the information in the STAR financial system. The Manager, Finance and Administration, with payment authority under section 33 of the FAA ensure that information is compliant and complete before issuing payment. Payments are released twice per week on average.

Finance personnel at the Ontario Service Centre conduct random checks at the time of payment based on the risk associated with the type of transaction under the *Account Verification and Sampling Policy*. Also, a statistical sampling is selected at the national level, and the selected transaction lists are sent to the Ontario Service Centre finance group every month for audit and compliance monitoring.

All Southwestern Ontario Field Unit employees have access to a computer and may consult the Parks Canada intranet site to obtain information on policies and/or directives. Explanatory documents and flow charts are also available on the field unit network. Furthermore, finance personnel keep the paper copies of financial policies, directives, work instructions and various forms and make them available for consultation.

Budget monitoring is performed using financial reports prepared by finance staff. The data is taken from the STAR financial system and presented according to the cost centres assigned to each manager. The reports are provided to managers regularly and upon request. The managers are responsible for validating the information, specifically the financial coding, and making any necessary corrections. The variance reports that must be completed monthly by the Manager, Finance and Administration, are expenditure planning tools for managers. The exercise enhances managers' accountability for their budgets. If managers wish to obtain other types of reports, these reports can be obtained from the Manager, Finance and Administration, or from other finance personnel.

The 2006 audit had shown shortcomings in terms of inventory management. At the time, management has decided to wait the implementation of the national directive and system for low dollar inventory, scheduled for April 2007 and committed to completing the inventory by March 31, 2008. At the time of the audit in April 2011, this exercise still had not been done. The inventory-taking is an important control measure to limit loss and

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theft of attractive assets and to thereby better control the costs associated with these assets.

### **Recommendations**

- 3- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that the specimen signatures are up to date, authorized by the appropriate level of authority and reviewed at least once a year.

### **Management Response**

Agree: The Field Units are currently awaiting the signing of the new delegation of authorities by the Minister, at which time the specimen signature template is expected to be updated and all existing specimen signature cards will be renewed. The Manager, Finance & Administration has already held discussions with both superintendents to confirm the level of delegation they wish to give, and is setting up an electronic logbook which will enable the monitoring, regular review and updating of all specimen signature cards.

- 4- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that a physical inventory of low-value attractive assets is carried out and that the information is entered in the STAR financial system.

### **Management Response**

Agree: An inventory of field unit wide low-value attractive assets had been started early in the 2011-2012 fiscal year, and the Manager, Finance & Administration is working with administration staff to have the information entered in the STAR financial system. The exercise should be done by March 31<sup>st</sup> 2013.

### **Conclusion**

Except for the inventory, which is not adequately monitored, the management framework analysis shows that the practices in place at the SWOFU ensure adequate management of the financial processes. However, particular attention should be paid to the documentation of roles and responsibilities and the delegation of financial authority in order to strengthen the controls in place.

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## 6.2 Hospitality and food

<b>BLUE</b>	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.
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The government has decided to strengthen financial controls to increase accountability and transparency in the management of public funds. Hospitality fees are one of the expenditure categories specifically targeted by these tighter controls.

The TBS *Hospitality Policy* stipulates that activities must be organized in an economical, consistent and appropriate way to facilitate government business or when considered desirable as a matter of courtesy. Requests for hospitality expenses must always be approved by the delegated officer in charge before the activity is held.

Where approval by the Minister (over \$5,000) or by the CEO (from \$1,500 to \$5,000) is required, hospitality requests must be submitted far enough in advance to ensure that approval is received before the activity is held.

In 2007, Parks Canada issued a new hospitality fee policy in line with the TBS policy. A memorandum to senior managers was also sent to support PCA's position in this regard. SWOFU also developed guidelines on the procedure to follow in order to obtain the authorization of the field unit superintendent for hospitality requests.

To determine whether due diligence is being exercised in the financial process for hospitality and food expenses and whether controls are adequate to ensure compliance with policies, we applied the following audit criteria:

- C1- Hospitality activities are conducted in appropriate venues.
- C2- Financial limitations placed on hospitality expenses are respected.
- C3- Hospitality activities are approved prior to the event up to the appropriate approval level.
- C4- Recipients of the hospitality activities are in compliance with Parks Canada Agency policy.
- C5- Payment for activities respects the provisions of the Parks Canada Agency.
- C6- Transactions recorded in the food account comply with the applicable policies and do not include any hospitality expenses.

### Observations

The audit team selected 20 organized events totalling \$3,581 for the 2010-2011 fiscal year. We also selected 25 transactions recorded in the food account with a total value of \$16,667 to ensure that these expenses were not hospitality fees.

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A review of the documents revealed the following instances of non-compliance with the Hospitality Policy:

- 16 audited transactions showed that part C of the hospitality claim form (final authorization) had not been duly completed and signed after the event;
- 2 events were pre- approved by the event organizer, which is non-compliant with policy;
- 1 transaction over \$1,500 was not approved under section 34 of the FAA by the appropriate level of authority according to the provisions of the policy;
- 1 hospitality event was not pre-authorized. A local purchase order was completed after the event took place.

Furthermore, the supporting documentation for two payment transactions could not be provided to the members of the audit team.

It should be noted that one of the audited hospitality activities had a list of participants attached to the supporting documentation for the payment. Attaching such a list to the hospitality form is a good practice because it can confirm the number of people present, as well as where they are coming from. This practice is also used to confirm that the person who authorized the hospitality expenses did not personally benefit from the event.

The analysis of 25 transactions in the food account revealed no irregularities.

## **Conclusion**

Overall, the controls in place to manage and process hospitality fees are adequate. However, the importance of having final approval for the hospitality claim form must be reinforced.

## **Recommendation**

- 5- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that hospitality claim forms are duly completed and signed.

## **Management Response**

Agree: The superintendents have both decided to retain the signing authority for hospitality under \$1,500 for their respective field units, which will be reflected in the renewed specimen signature cards, when completed. The process for acquiring sign-off on hospitality will be communicated to employees by December 31<sup>st</sup> 2011, and is being documented electronically for employee reference. Therefore no hospitality under \$1,500 will be able to take place without the authorization of the superintendent, who will ensure all forms are duly completed.



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**6.3 Telecommunications**

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<b>ORANGE</b>	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.
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Parks Canada's *Policy on the Use of Cellular and Other Mobile Wireless Devices* came into effect on October 1, 2008. The goal is to foster more cost-effective and more appropriate use of wireless devices. To that end, Public Works and Government Services Canada (PWGSC) has implemented a new procurement process and new acquisition agreement. In the past, cellular phones and other devices were purchased from a large number of suppliers offering a wide range of functions and plan options. The new agreement is intended to reduce PCA's usage costs. The policy establishes guidelines and official procedures for purchasing, managing, and safely and appropriately using cellular phones and other mobile wireless devices. The policy has two components: procurement and use.

To determine whether due diligence is exercised in the financial process for telecommunications fees and whether controls are adequate to ensure compliance with policies, we applied the following audit criteria:

- C1- The manager or designated administrator must document user requirements in terms of wireless devices and wireless telecommunications services.
- C2- All requests for procurement, cancellation or changes in services are co-ordinated by the designated administrative authority.
- C3- The procurement process for devices is consistent with guidelines.
- C4- Non-standard requests are submitted to the Chief Information Officer (CIO) for approval, subject to the manager's recommendation.
- C5- Attribution of the communication device was authorized by a Level A manager or higher and meets current criteria.
- C6- Managers ensure that the users who report to them are familiar with the policy on the use of wireless devices and agree to comply with the policy before being granted the device.
- C7- Use of the device complies with the terms of the policy and current guidelines.
- C8- Personal calls are identified, calculated and reimbursed by the user where applicable under the policy's terms.
- C9- The administrative authorities responsible for managing wireless services at field units and service centres have developed internal processes for this policy.
- C10- Managers and designated administrators regularly examine the staff's usage records.

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**Observations**Procurement

In accordance with the policy, an administrative authority has been designated for the Southwestern Ontario Field Unit: the Manager, Finance and Administration. When necessary, an e-mail is sent to the Manager to request the procurement of a device. The designated administrator does not dispute the decision to acquire the device and orders it through the procurement system in place. In accordance with the policy, user needs must be documented in order to allow the designated administrator to recommend an appropriate and adequate service, which is not done. No non-standard purchases have been made since the policy came into effect.

As certain employees have left the SWOFU in the past two years, the wireless devices provided to them were recovered and are kept in inventory to be reused.

Interviews with the staff have shown a limited level of knowledge of telecommunications obligations. As a good practice, users could sign a form acknowledging the policies in force with respect to the use of wireless devices, similar to the form for procurement cards, before taking possession of the device. This formality would encourage the user and manager to meet their respective responsibilities and obligations.

Use

The Agency reserves cellular telephones and other wireless devices for professional use. When circumstances require, employees are authorized to use these devices for personal purposes in a reasonable and limited manner. Employees are allowed a yearly maximum of \$30 worth of personal calls. In cases in which use exceeds this amount, employees are required to reimburse the expenses incurred.

The policy clearly states that users are responsible for identifying personal calls on a monthly basis. The total amount must be identified and calculated to ensure that the user does not exceed the annual amount that is allocated for personal use. Lastly, the delegated managers are responsible for monitoring the use of wireless devices for employees who report to them. The interviews conducted revealed that there is no uniform process for monitoring personal calls at the SWOFU.

There are 29 wireless device users in the Southwestern Ontario Field Unit. The examination of 13 monthly statements showed the following:

- 10 statements had no information on personal calls;
- 1 statement contained unidentified personal calling fees;
- 1 statement contained data transfer fees for outside the country. This use is unauthorized and was not reimbursed by the employee; and

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- None of the statements contained identification confirming that the delegated manager is carrying out appropriate surveillance.

We also analyzed nine personal call reimbursement transactions. It was noted that some employees reimburse their personal use expenses on a monthly basis, sometimes for small amounts (< \$10). The policy states that cheques must be sent twice a year, in April and September. This measure keeps administrative expenses associated with cashing the cheques to a minimum. Furthermore, the cheques are not always accompanied by clear information identifying the period covered by the reimbursement.

## **Conclusion**

Special attention must be paid to the procurement and use of cellular and other mobile wireless devices in the following fields: documentation of communication needs, identification of personal calls by users and usage monitoring by managers. Processes will have to be put in place by the Southwestern Ontario Field Unit in order to reduce the risk of non-compliance with the policy and ensure that the monitoring activities are being used the way they were intended.

## **Recommendations**

- 6- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that documented justification is submitted to the designated administrator for all wireless device procurement requests.

## **Management Response**

Agree: All wireless procurement requests will be required to be made by email to the Manager, Finance & Administration, with justification. The superintendents, in conjunction with their management teams, will document working situations which require the use of a wireless device. All devices in use in the field units will be logged electronically for both inventory and reference purposes.

- 7- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must implement a process to ensure that users acknowledge their obligations with respect to the Policy on the Use of Cellular and Other Mobile Wireless Devices.

## **Management Response**

Agree: New users will be directed to review the Policy, and a one-page agreement indicating their understanding of the obligations and responsibilities under the Policy will be signed and documented prior to issuing a device.

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- 8- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that procedures are in place to reduce the risks of non-compliance regarding the use of wireless devices.

### Management Response

Disagree: Following the completion of this audit, a revised PCA Wireless Policy was approved by EMC and released to field units. The major revision is that personal calls are no longer required to be tracked and reimbursed, and therefore the management action will be limited to ensuring that supervisors are regularly reviewing employee personal usage for “reasonableness” at the time of Sec 34 authorization on the invoices.

### 6.4 Travel expenses

<b>YELLOW</b>	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 of program/operational objectives.
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The Parks Canada Travel Directive provides a framework for travel on government business required of PCA employees or other travellers travelling on behalf of PCA. It provides for reimbursement of reasonable expenses that had to be incurred during travel on government business.

To carry out reimbursements, a reimbursement claim must be submitted to the manager, who reviews it to ensure that the expenses claimed are legitimate and were incurred in accordance with the *Travel Policy* before approving the reimbursement under section 34 of the FAA. The claim is then forwarded to the Ontario Service Centre, which issues payment.

To determine whether due diligence is exercised in the financial process for travel expenses and whether controls are adequate to ensure compliance with policies, we applied the following audit criteria:

- C1- Guidelines and procedures governing travel expenses exist in the field unit/service centre and are in compliance with TB and PCA policies and directives.
- C2- Adequate training and directives are provided to all levels to ensure that travel policies and procedures are known and understood.
- C3- Compliance with the policies and procedures governing travel is monitored.
- C4- Travel and travel advances are properly authorized prior to the travel (general or individual authorization) with the certification according to section 34 of the FAA.
- C5- Travel advances are reasonable and not given to travel cardholders, and payment is approved by a person authorized under section 33 of the FAA.

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C6- Travel claims are in compliance with the TBS travel directives, and expenditures are verified for accuracy and eligibility.

C7- Reimbursement claims include the certification required under section 34 of the FAA.

### **Observations**

The interviews showed that the process of authorizing and claiming travel expenses is clearly understood by users and managers. Roles and responsibilities are clearly defined and understood.

The SWOFU has established guidelines to instruct employees who wish to obtain the superintendent's approval for travel expenses. These guidelines are communicated to managers in the form of a reminder at least once a year and are kept on the shared network drive for consultation purposes.

A blanket travel authority was approved for employees who travel regularly within the limits of the field unit. However, the copies of the blanket travel authority in the Ontario Service Centre payment files are not kept up-to-date.

The review of 30 travel claims also showed the following:

- 12 travel expense claims were not pre-approved;
- 2 reimbursement claims contained calculation errors that were not corrected at the time of payment.

We also noted that several travel claims were supported by copies instead of original documents. To allow financial officers to conduct an adequate audit of the documents supporting the reimbursement claim and to avoid double claims, only the original documents should be used to support paying a travel claim.

### **Conclusion**

In general, the controls in place to manage travel expenses are adequate. However, opportunities for improvement should be considered, such as the following: updating the blanket travel authorities, prior authorization to travel and travel claim documentation.

### **Recommendations**

- 9- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that travel is properly authorized using the specified forms.

### **Management Response**

Agree: The Agency has mandated that all travel will now be authorized and approved via the Expense Management Tool (EMT) provided through the travel portal. This process is intended, in part, to limit the hard copy forms. Employees will be provided with web-based training on this tool when it is offered and once fully implemented all approvals will be made electronically. Blanket travel authorities will be recorded in EMT, but will also be logged internally on the common drive. Until full implementation of this tool is complete, all the current forms are available on the common drive, and management will be held responsible to ensure all approvals are obtained prior to travel and that any blanket travel authorities are on file at the Ontario Service Centre.

10- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that original documents support travel claims.

### Management Response

Agree: Under the Expense Management Tool (EMT), travel claims will be submitted electronically for approval and payment. At this time, the Field Units are awaiting further direction related to original documents.

## 6.5 Contracting

<b>YELLOW</b>	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 of program/operational objectives.
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Managers have access to a variety of contracting methods depending on requirements. Managers can rely on contracting officers and specific usage rules. To allow the Agency to exercise tighter control of the contracting process and promote usage that is more uniform and complies more with policies and directives, the delegation of authority applied limits managers in their actions.

To determine whether due diligence is exercised in the financial process for contracting and whether controls are adequate to ensure compliance with policies, we applied the following audit criteria:

- C1- Guidelines and procedures relating to contracting exist in the field unit/service centre and are in compliance with TB and PCA policies and directives.
- C2- Appropriate training/instruction is provided at all levels to ensure knowledge and understanding of contracting policies and procedures.
- C3- Compliance with contracting policies and procedures is monitored.
- C4- Management reports relating to contracting activities are produced and used to monitor and supervise those activities.
- C5- A need to award a contract has been identified.

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- C6- The appropriate contracting mechanism is used.
  - C7- Contracts are awarded fairly, bearing in mind the economy principle.
  - C8- The nature of the work to be performed or article to be delivered is specified in the contracts.
  - C9- The contracts include conditions to mitigate the risk of non-performance.
  - C10- The contracts are approved by persons with the required authorization.

### Observations

The SWOFU used the following contracting methods: standing offers, purchase orders, local purchase orders (LPOs), competitive sourcing and non-competitive sourcing. The current directive requires managers to go through the Contracts Administration and Procurement Officer at the Ontario Service Centre for all contracts and purchases over \$5,000. The officers are also available to provide training, advice and opinions in relation to contracting.

The SWOFU managers have attended training sessions on the contracting process presented by the Contracts Administration and Procurement Officers of the Ontario Service Centre. A binder of information distributed during these training sessions is a useful tool for these managers in the conduct of their contracting-related tasks.

Contracts Administration and Procurement Officers also collaborate with operations managers in preparing statements of work. They help create assessment criteria, and terms and conditions for contracting for goods and services to ensure a rigorous and fair awarding process. In this way, the risk of non-compliance with the contracting policy is considerably reduced. Note that FA201, a training course that is mandatory in order to obtain delegation of authority, also covers the *Contracting Policy*. There is no up-to-date registry of active contracts for each site. Such a registry would make it possible to monitor the progress of work as well as payments made.

Public contracts must be organized prudently and with integrity in order to withstand public scrutiny, facilitate access and encourage competition. PCA requests that its field units maintain a ratio of 80% competitive sourcing to 20% non-competitive sourcing. Approximately 30% of contracts at the SWOFU for the 2010-2011 fiscal year were competitive.

The sampling of contracts reviewed was established according to the level of risk that the contract awarding process could result in. In general, contracts awarded through standing offers or purchase orders present a low risk because most of these purchases are made in collaboration with a contract administration and procurement officer. However, it was noted that SWOFU managers frequently use local purchase orders. As this type of contract awarding carries a higher risk of non-compliance, several low-value transactions were selected.

The summary of the selected contracts is as follows:

	<b>2010-2011</b>	
	No.	Value
Local purchase orders	10	\$24,664.19
Standing offers	1	\$13,883.81
Contracts via PWGSC	7	\$1,562,343.33
Construction contracts	8	\$1,901,196.18
Competitive sourcing	6	\$713,630.65
Non-competitive sourcing	7	\$63,161.70
<b>Total</b>	<b>39</b>	<b>\$4,278,879.86</b>

The following instances of non-compliance were identified in the review of the selected contracts:

- 8 non-competitive sourced contracts for which the contracting method used was inappropriate. Of these eight cases, seven mistakenly used a local purchase order to award service contracts and one contract was implemented for a scientific research agreement when a contribution would have been the appropriate method;
- 6 contracts for which the documents supporting the choice of supplier were missing from the file;
- 5 non-competitive contracts that did not include appropriate justification;
- 6 local purchase orders used to award contracts were issued after the receipt of work and of the invoice;
- 1 contract for which the amount paid to the supplier was higher than the amount established in the contract, with no amendments to the file.

The following table gives a summary of the instances of non-compliance identified during the analysis of the transactions:

Number of instances of non-compliance identified	
Documents were compliant	22
Documents contained 1 instance of non-compliance	10
Documents contained 2 instances of non-compliance	1
Documents contained 3 instances of non-compliance	4
Documents contained 4 instances of non-compliance	0
File unavailable	2
<b>Total</b>	<b>39</b>

## Conclusion



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The process in place to comply with Treasury Board's *Contracting Policy* is generally adequate with respect to contracts valued at more than \$5,000. However, management of the awarding of contracts valued at less than \$5,000 requires improvement. Measures must be implemented to ensure that contracts awarded through non-competitive sourcing are properly justified, that local purchase orders are not used to award service contracts and that the files supporting the contract authorization process contain the necessary information.

### **Recommendations**

- 11- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that managers use the appropriate contracting method.

### **Management Response**

Agree:

- a) All employees with signing authority are required to have completed and passed the Finance 201 training, which includes an understanding of key contracting authorities. However, managers will be expected to review the different contracting methods with their staff, and direct them to consult with finance when undertaking any contracting less than \$5,000.
- b) The Manager, Finance & Administration will work with contracting officers at the Ontario Service Centre to ensure that training and reference materials are made available, as required, to employees.
- c) Where they deem it warranted, the superintendents may choose to revoke contracting authority from an individual found to be consistently non-compliant with the policy.

- 12- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that contracts awarded through non-competitive sourcing contain appropriate justification.

### **Management Response**

Agree:

The superintendents will be temporarily retaining sole-source contracting authority in their respective field units, as a result of the audit observations. This will allow for time to make further information and training available to employees, in order to ensure they are aware of alternative contracting methods such as the Advance Contract Award Notice (ACAN), which may better suit their needs.

- 13- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that the information required to support the awarded contract is on file.

### **Management Response**

Agree: The superintendents will communicate that all contracts should have supporting files maintained on-site, including all justifications and documentation, regardless of value by December 31<sup>st</sup> 2011.

## 6.6 Payments to suppliers

<b>YELLOW</b>	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 of program/operational objectives.
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The audit of payments to suppliers consists of ensuring that payments were made on time and for the amount of goods or services received, and that people with the proper delegated authority authorized the purchases. Claims for conferences, professional dues and training expenses were included in the selection. A selection was also made among minor expenses to ensure fair and representative coverage of expenditures.

Furthermore, transactions that were paid from departmental bank accounts were selected for review. These charges come from different types of accounts.

To determine whether due diligence is exercised in the financial process for payments to suppliers and whether controls are adequate to ensure compliance with policies, we applied the following audit criteria:

- C1- Policies, guidelines and procedures regarding the purchase of and payment for goods and services from suppliers exist at the field unit/service centre and comply with TBS and PCA policies.
- C2- Adequate training/instruction is provided to employees at all levels to ensure awareness and understanding of the policies and procedures.
- C3- Adherence to the policies and procedures is monitored.
- C4- Procurement of goods and services is appropriately initiated and authorized, and funds are properly committed in the financial system.
- C5- Goods and services on suppliers' invoices match those in purchase orders/contract specifications.
- C6- Price and quantities on invoices match those in purchase orders/contract specifications.
- C7- A person with the appropriate delegated authority signs the certification required under section 34 of the FAA.
- C8- Advances and progress payments are made in accordance with the terms of the contract.

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**Observations**

Supplier invoices are received and dated upon receipt, a process overseen by finance staff. The invoices are then matched up with their purchase orders or contracts and submitted to managers for authorization. The managers must certify invoice compliance under section 34 of the FAA, including the financial coding. Once all supporting documents have been collected, the documentation is returned to Finance, which releases the payment. Finance officers are responsible for ensuring that all of the required information is on hand and that the appropriate signatures have been obtained before making a payment.

The following is an overview of the transactions audited in the selected accounts:

Account Name	Number of Audited Transactions	Amount \$	% of Audited Expenses / Total Expenses Under the Account
Training expenses	11	\$8,985.62	40.4%
Conference fees	2	\$1,325.00	6%
Professional dues	5	\$2,022.31	9.1%
Various accounts	15	\$9,908.41	44.5%
Total	33	\$22,241.34	100%

The review of the 33 selected transactions revealed the following irregularities:

- 23 processed invoices that were not date-stamped when they were received;
- 6 transactions for which spending authority under section 34 of the FAA was inadequate;
- 1 transaction for which the amount paid did not correspond to the purchase order, with no accompanying explanation in the file;
- 8 transactions for training payment that did not have the form authorizing the employee to take the training;
- 4 transactions for which no documents signed under section 32 of the FAA authorizing initiation of the expense accompanied the invoice;
- 2 transactions for which only copies of the invoices were submitted;
- 2 transactions for which no documentation was provided.

The field units have chequebooks for the departmental bank accounts, allowing them to carry out certain specific payments in shorter time frames than those required for the usual cheque issuing process. Management of these cheques is governed by the TBS *Directive on Departmental Bank Accounts* and by the *Cheque Issue Regulations* of the Justice Department. Since the controls around issuing these cheques are less rigorous and the administrative expenses associated with them are higher, it is essential that their use be minimized.

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All of the payment transactions by cheques of the departmental bank account (28) issued by the SWOFU were reviewed. The examination of these transactions showed that:

- 17 departmental bank account cheques were issued for payments of a nature that is ineligible as described in the *Cheque Issue Regulations*;
- 8 payment transactions by departmental bank account did not include adequate supporting documentation; and
- 1 cheque was issued when no invoice was submitted.

It should be noted that all of the departmental bank account cheques had two signatures authorized as stipulated under section 33 of the FAA and as required by the *Cheque Issue Regulations*.

### **Conclusion**

Overall, the supplier payment process at the SWOFU must be strengthened, specifically with respect to the documentation in files and thoroughness in obtaining spending authorization. Controls must be implemented regarding departmental bank account cheques in order to ensure proper use.

### **Recommendations**

14- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that:

- invoices are dated upon receipt;
- invoices have the appropriate section 34 *Financial Administration Act* (FAA) authorization;
- payments for training expenses are accompanied by the proper authorization form;
- purchase orders and other commitment or authorization documents are signed and attached to the supporting documentation for the payment.

### **Management Response**

Agree: Proper procedure for receipt and payment of invoices will be documented and made available to employees on the common drive. In conjunction with the reports issued by the Ontario Service Centre as a result of Recommendation 2, the Manager, Finance & Administration will follow up with the sites that are found to be deviating from policies and directives, and measures including revoking signing authority may be implemented in certain situations, if the superintendent deems it warranted.

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15- The superintendents of the Southwestern Ontario Field Unit and the Georgian Bay Field Unit must ensure that the use of Departmental Bank Account cheques is restricted to a minimum and that the transactions approved are adequately documented.

### Management Response

Agree: Departmental Bank Account (DBA) cheques are being phased out within the Agency, and although a site in each field unit has been successful in retaining their account, managers will be informed that the use of DBA cheques should be discouraged. The limited allowable uses will be documented and shared with employees.

### 6.7 Financial coding

<b>GREEN</b>	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.
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The quality of financial coding has a direct impact on the accuracy of the reports produced by the system. Furthermore, the Office of the Auditor General of Canada carries out an annual audit of PCA's financial statements. These statements are audited to ensure the accuracy of the data produced by the financial system.

To determine whether due diligence is exercised in the financial process for coding and whether controls are adequate to ensure compliance with policies, we applied the following audit criteria:

- C1- Coding guidelines and procedures have been developed for the field unit or service centre.
- C2- Appropriate training/instruction is provided at all levels to ensure knowledge and understanding of coding policies and procedures.
- C3- Compliance with the chart of accounts is monitored.
- C4- Coding is handled by individuals with the appropriate knowledge.
- C5- Coding is validated when entered into the SAP system (financial system).

### Observations

Managers with spending authority are responsible for financial coding. Invoices are stamped upon receipt, and the financial code is recorded by hand or identified on the purchase orders. The chart of accounts and all of the information needed to select the

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correct financial coding are available on PCA's intranet site under Financial Policies. Furthermore, a guide on financial coding is available in hard copy from the Manager, Finance and Administration. Quick references were provided to managers to assist them with coding frequently encountered types of transactions.

Finance officers are not responsible for reviewing financial coding before making payments. Financial coding is part of the verification performed by FAA section 34 authorities. Finance staff may occasionally find and correct coding errors. Furthermore, managers are asked to confirm their expenses when they receive their monthly financial reports. They can request changes to the financial coding as they deem appropriate.

The coding audit was performed using the sampling selected for the various financial processes, and covered 161 transactions. No errors were found.

### **Conclusion**

Overall, the use of financial coding is adequate.

### **No recommendation**