

PARKS CANADA AGENCY

AUDIT OF KEY FINANCIAL PROCESSES

AT

THE GWAII HAANAS FIELD UNIT

Prepared by:
Interis Consulting Inc.

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the Chief Executive Officer of Parks Canada, 2006

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1 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 Gwaii Haanas 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 Gwaii Haanas 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.

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.

The following table illustrates the rating summary:

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

To address the minor weaknesses noted, it is recommended that:

1. The Manager, Finance & Administration ensure that the monthly staff housing rental revenue as recorded in the General Ledger is reconciled monthly to the internal Field Unit schedule.
2. The Manager, Finance and Administration ensure that advertisements are placed in the Observer, the local weekly newspaper, and on MERX, on a bi-annual basis, for vendors wishing to be pre-approved for specific types of work.
3. The Finance and Administrative Officer ensure that adjustments (additions or deletions) to the MasterCard Purchase Register Log and the total amount recorded on the log are initialled by the Section 34 authority to ensure each line item has been approved.

2 OVERVIEW

2.1 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 Gwaii Haanas Field Unit was established in 1997. Geographically, it covers Haida Gwaii (the Queen Charlotte Islands) the north and central coasts and much of the northern interior of British Columbia as shown in the map in Appendix A. The Field Unit is located approximately a three hour trip from Vancouver by plane, bus, ferry and bus.

The Field Unit includes:

- Gwaii Haanas National Park Reserve and Haida Heritage Site (Gwaii Haanas)
- Kitwanga Fort National Historic Site
- Eight (8) other declared National Historic Sites

Gwaii Haanas is on Haida Gwaii and the remaining sites are on the mainland of British Columbia. The Gwaii Haanas National Park Reserve is the highest profile site within the Gwaii Haanas Field Unit in terms of the environment, culture and tourism. The name Gwaii Haanas refers to a Haida heritage area in the south of Haida Gwaii comprising roughly one third of all Haida Gwaii.

Kitwanga Fort National Historic Site is a self-guided, non-revenue site; resources are dedicated to its maintenance and presentation, primarily for interpretive panels, signage, trails and staircases. The remaining eight Historic Sites receive only nominal resources

The Field Unit has 32 permanent employees and 2 seasonal employees who are dedicated primarily to the management and operation of Gwaii Haanas National Park Reserve and Haida Heritage Site. The Field Unit receives an average 1500 hours of service per annum by volunteers in the operation of Gwaii Haanas National Park Reserve and Haida Heritage Site. Most goods and services are spent within the area.

2.1.1 Management Goals

The management plan for the Gwaii Haanas National Park reserve identifies the following eight goals:

1. Protecting Natural Heritage
2. Respecting Cultural Heritage
3. Sustaining the Continuity of Haida Culture
4. Presenting Natural and Cultural Heritage
5. Managing Visitor Use

6. Providing Appropriate Tourism Opportunities
7. Demonstrating Environmental Responsibility
8. Managing Information for Integrated Decision-Making

2.1.2 Budget

The total annual budget for the Field Unit is \$3.6 million (\$2 million for salaries and wages and \$1.6 million for goods and services) with total annual revenue of \$150,000. Approximately \$60,000 of this revenue relates to Park fees, licences and retail operations. The remainder is primarily generated from rental revenues.

Annual spending for 2005/06 is shown in the table below.

In 2005-06, much of the variance between the budgeted and actual Goods and Services funds is attributable to the National Classification Review (NCR). The retroactive costs associated with the NCR, a project to align the salaries and wages of Parks Canada employees, was \$150,000 more than anticipated. The NCR will continue to impact the field unit's budget by \$100,000 annually. These expenses have required significant alteration of the Field Unit's original sustainability strategy.

Field Unit Goods and Services Funding 2005-06

	Budget 2005/06	Actual 2005/06	% of total G&S
Park Operations			
Watchmen Program (see Appendix A)	\$323,000	\$323,000	19%
Warden Operations	80,900	74,929	4%
Backcountry Management	88,000	76,567	5%
Gwaii Haanas II Ship	74,500	76,649	5%
Tech services	241,770	226,978	13%
Total Park Operations	\$808,170	\$778,123	46%
Ecosystem Management	\$300,375	\$228,380	13%
Visitor Experience			
Visitor Centres	104,900	102,043	6%
Communications and marketing	41,660	32,451	2%
Heritage Presentations	44,470	32,550	2%
Total Visitor Experience	\$191,030	\$167,044	10%
Finance and Administration			
Finance and Administration	299,200	289,439	17%
FUS projects excluding Qay Centre	193,000	180,181	11%
HR and Training	53,500	46,830	3%
Admin	1,500	2,717	
Total Finance and Administration	\$547,200	\$519,167	31%
Total Goods and Services	\$1,846,775	\$1,692,714	100%
Qay Centre (see Appendix A)	2,204,215	1,717,415	

NMCA	0	2,257	
Total	\$4,050,990	\$3,412,386	

2.1.3 Economic Impact

Approximately 2,000 visitors travel into Gwaii Haanas every year either independently or with licensed tour operators. Whenever possible, Gwaii Haanas uses local businesses and contractors.

The Field Unit also provides funding and support for the Haida Gwaii Watchmen Program, which in turn, provides employment opportunities. In addition, 28 licensed tour operator's work in Gwaii Haanas. The operation of the Visitor Information Centres in Queen Charlotte and Sandspit also provides opportunities for local employment.

2.2 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;
- Use of Acquisition Cards;
- Expenditures for Travel;
- Financial Coding; and
- Payments to Suppliers.

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

2.3 METHODOLOGY

Our observations and recommendations have been made in accordance with the 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.

2.4 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.

2.5 CONCLUSION

The Key Financial Processes, as stated in TBS and PCA policies and procedures and generally accepted accounting practices, are well entrenched in the Gwaii Haanas Field Unit.

Financial and administrative functions operate effectively to ensure that due diligence is being exercised in key management processes and to provide assurance to senior management that processes and controls in place in Gwaii Haanas Field Unit are adequate to mitigate the risk of non-compliance to TBS and PCA policies and practices.

All recommendations are minor.

3 OBSERVATIONS AND RECOMMENDATIONS

3.1 Management Control Framework

GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.
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Current Practises

The Field Unit refers to PCA policies for financial management. Financial signing authorities are established for PCA staff with approval authority.

The Manager, Finance and Administration (F&A), keeps detailed binders of correspondence/direction received for dealing with a number of things including business plan binder, budget (decisions, balance, commitment status, adjustments, reasons for adjustments), management team meeting minutes, staff team minutes, staff team bulletins regarding financial matters, salary and wage reconciliations, specific financial matters (e.g. Qay Centre payments and contracts), legal issues. These binders contain a well documented audit trail for decisions made and actions taken.

Sufficient segregation of duties exists within the Field Unit and the F&A group. Roles and responsibilities for payments are clearly delineated under routine circumstances as well as to cover off absences, in particular the absence of the Accounting Assistant who processes payments. Expenditures are recorded by F&A, with spending authority exercised by the various individuals with Section 34 authority. Typically those with Section 32 also have Section 34, although some with Acquisition cards only have Section 32. Payment authority (Section 33) rests with the F&A Officer with the Manager, F&A providing backup during absences. When the Manager, F&A uses her Section 34 authority for payment runs, the Superintendent authorizes her related payments. It is clearly understood that the same individual cannot exercise both payment authority and spending authority.

Training in financial management has been given to all employees, including the following:

- General Financial Handbook and presentation - developed in 1998 and provided to all new employees;
- Financial Information Session and handbook created in 2004 – Finance Manager conducts one-on-one training session with all Section 34 employees;
- Parks Canada “Finance and Admin 101” mandatory training was taken with Gwaii Haanas receiving 100% compliance training online;
- Policies, local guidelines, forms and training material are documented and available for all staff on General drive;
- All employees have access to Parks Canada Intranet and the Western Canada Intranet for F&A queries; and

- Relevant F&A issues identified by F&A staff, typically the Accounting Assistant and Finance Manager, are discussed at each Management Meeting, All Staff Meetings and in Staff Newsletters.

The management committee meets weekly 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.

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 in the Field Unit, the Gwaii Haanas Field Unit informally considers risks in the development of its 3 year Sustainable Business Plan through the identification of priorities. When required, advice from the Justice Department, PWGSC and the Office of the Auditor General has been sought. This has been particularly relevant with the Qay Centre, Rose Harbour private land ownership issues, Moresby Explorer litigation and land claims.

Operational plans are developed with significant consultation and participation with local stakeholder groups. The Field Unit budget is established based on the Gwaii Haanas Field Unit 3 year Business Plan and the historical A-Base funding allocation.

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, F&A, 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, F&A and discussed with the managers and the Superintendent. Variance reports are prepared quarterly and submitted to the Corporate Development Office (the location of the Director General's office) in Calgary for consolidation.

Given the island location of the office, continued connectivity is an ongoing concern. The first cell phone towers were recently installed on the islands; however, service is not yet available in Queen Charlotte. The new office location will have cell phone connectivity.

Disaster recovery plans are in place for electronic information for the Gwaii Haanas Field Unit. Incremental backups are performed nightly (Monday-Thursday) and stored in a safe at the Field Unit Administration offices in Queen Charlotte. Full backup tapes are taken to the Field Unit Maintenance Compound located just outside Queen Charlotte on Mondays and stored in a safe. A contract is in place with the network service provider, Telus, which ensures connectivity and availability to the extent possible.

Facilities are safeguarded and locked. Bank reconciliations are performed by F&A Officer.

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

Observations

The management control framework in place at the Field Unit is adequate to ensure stewardship of resources (financial, human resources, facilities, information technology systems).

Staff interviewed are aware of their financial responsibilities including the details of Treasury Board policies. There has been no turnover in the finance staff for the last several years. The audit has found some minor weaknesses. The details of those weaknesses are discussed in the relevant sections below, with corresponding recommendations.

Recommendation

None.

3.2 Revenues

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.
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Current Practises

The target revenue of the Field Unit is \$150,000, comprised as follows:

Revenue Category	Annual Revenue Target
Staff Housing rental	\$ 55,000
Park Entry fees	53,000
Rental of a warehouse bay to Fisheries and Oceans Canada	15,000
Transportation of Watchmen and related supplies	17,000
Business licenses, permits, retail sales	10,000
Total	\$150,000

Staff housing rents are dependant upon the number of people in the house (i.e. occupancy) Rates are established based on CMHC guidelines including isolation pay allowances and are deducted at source from pay. Rental revenues are recorded by interdepartmental transfers at Parks Canada Head Office, outside the control of the Field Unit. Rents range from \$372/month to \$525/month.

There are approximately 2,000 visitors to the 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 and the cultural sites. Visitors must complete a mandatory orientation course which is delivered either by Tour Operators or by correspondence for independent travellers to complete their registration. Rates range from approximately \$15/day for individuals to \$225/season for a group. Visitors usually either fly in to specific cultural sites for a day or boat/kayak for several days.

Most visitors to the Park visit at least one Watchmen Station due to the cultural interest (Haida abandoned villages, totem poles, hot springs). Watchmen request that visitors complete a visitor's log to track attendance.

The majority (97%) of Park entry fees are collected by the following third party administrators:

- SuperNatural BC, a reservation system operated by the province of British Columbia, which is typically used by independent travellers. Daily, monthly and end-of season reports are provided to the Field Unit. Fees are remitted at the end of the summer season. They are reconciled to the reports received. While records are kept of the receivables, revenue is only recorded as received from SuperNatural. As these fees are typically received in advance of the actual visit, although in the correct fiscal year, this is seen to be the most efficient manner given adjustments due to cancellation and charges based on the number of transactions rather than dollars collected.
- Tour Operators who are licensed to operate in the protected area (there is a \$60 annual fee). This service is used for organized groups and is collected at the time of reservation. Tour operators are provided an allotment of visits which is based on their usage history. Licenses can be removed if fees collected from visitors are not remitted to PCA and they are difficult to regain once lost. It is therefore to their benefit to submit all fees collected by visitors. Depending on volume, monthly or end-of-season reports and payments are submitted.

Observations

There is appropriate segregation of duties.

Given the nature of the Gwaii Haanas National Park Reserve, with no gated entry and several hundred kilometres of shoreline, there is a risk of independent visitors entering the park without paying the required registration fees, or taking the mandatory orientation session. However, there is no cost effective manner to further control this potential problem.

The Field Unit endeavoured to have SuperNatural BC deposit revenues monthly in the summer of 2006, but they were not able to have the bank account set-up by PWGSC on time. This will be explored for next season.

In reconciling the rental revenue for staff housing to the General Ledger (G/L), the audit found two errors:

1. Revenue from a former employee was not recorded in the G/L
2. Revenue from a new employee was not recorded in the G/L

Following identification of this error, the F&A Officer contacted the payroll department to correct the items in the G/L. These errors were a result of the rental revenue spreadsheet prepared by the F&A Officer not being reconciled to the G/L account on a regular basis to ensure that all interdepartmental transfers are accurate and complete.

One staff house has been deemed surplus and procedures are underway to sell the property. The Field Unit is proposing to retain these revenues and expend them in the “establishment of new protected areas” within the Field Unit. A related business case has been drafted and the intention is for the Field Unit to receive approval at the Parks Canada Finance Committee meeting in October. Assuming the property is sold, the resultant will be nine properties (including one duplex) and ten rental units.

Recommendation

It is recommended that:

1. The Manager, Finance & Administration ensure that the monthly staff housing rental revenue as recorded in the General Ledger is reconciled monthly to the internal Field Unit schedule.

Management Response

Agree. Manager has instituted change in field unit process. In correcting current errors, the manager found that this might be an issue for other field units as well and has, in turn, provided this advisement through an email to her colleagues.

2.3 Contracting

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.
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Current Practises

Contracts are used primarily for services. Contracting (along with all purchasing) is decentralized to the various business units. Some managers with spending authority have received formal training in contracting regulations and advice can be sought from a contracting specialist in the Field Unit. The F&A Officer is the Field Unit’s Contracting Specialist and has the following responsibilities:

- reviews all procurement activities over \$5,000 (Field Unit practice) unless a standing offer is used;
- issues all contract numbers regardless of value;
- enters all procurement over \$1,000 into financial system as commitments under S.32;
- processes requests for goods and/or services above delegated authorities through PWGSC;

- provides advice/training to staff in undertaking activities in this area, seeks clarifications and additional advice from service centre experts in Calgary;
- prepares contract documents, including requests for bid invitations, participating in review of bids and awarding contracts on behalf of the Field Unit
- maintains logs and compiles reports on contracts issued, i.e. NAFTA, annually or as requested
- maintains all original contracts and supporting documentation for all contracting activities; and
- raises issues directly with employees/managers and provides additional training where required and/or forwards reoccurring issues to Finance Manager.

In addition, the Finance Manager holds the following responsibilities related to contract management:

- delivers a Financial Information Session to new employees (which includes procurement and contracting guidelines),
- oversees the contracting function, i.e. addresses issues, communicates changes in policy/procedures,
- undertakes the F&A Officer's and other managers' performance appraisals specific to the contracting function.

Contract files are stored separately from payable files to ensure completeness of all documentation. Delegation of Authority signature specimens are reviewed and updated annually and stored in a binder in the F&A section.

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, photocopier rentals.

Observations

Routine Contracts

Based on information supplied by Finance, there were 45 contracts issued in the previous fiscal year (2005-06). The Audit reviewed all contracts for supporting documentation. All but two were issued as sole sourced contracts. The two contracts that appeared to have been issued as a competitive process were not advertised, but distributed to known suppliers on the island. No contracts issued were greater than \$13,000 and most were less than \$3,000.

Justification for the vast majority of contracts which were sole sourced were specified as either the only qualified person of the approximately 5,000 people living on the islands (gas fitter, marine welder) or proximity to an isolated location. All contracts which were sole sourced were supported with appropriate justification. Services to re-roof staff housing were tendered. A few items were noted as follow-up to environmental/wildlife studies conducted in the past (typically monitored for several years). In one case, a mould remediation expert who had been flown in from Victoria to do work for the

Skidegate Band Council was retained at the last minute to examine mould in staff housing to take advantage of his being in the area. In some instances, the Band Council was retained due to the nature of the work and unique relationship between the Band Council and the Park. In 2005-06, the extent of this type of contract was not significant; specifically, Gitwagak Band Council received a sole source contract for garbage and grounds keeping at the Kitwanga site for \$1,975 and Landscaping at Kitwanga site for \$1,500; Skidegate Haida Language Program received a contract for Haida Place names for \$500. In all cases, sound arguments appear to support the sole source justification. However, the Field Unit could be exposed to criticism, if they are not aware of all qualified persons or firms. This could be avoided by an annual or bi-annual process to pre-approve vendors for specific services. This would establish fair and equitable rates as well as transparency without the excessive costs of tendering each contract.

Observations on specific contracts are noted below.

Gwaii Haanas Watchmen Contract

The Field Unit also has a unique annual contract with an arm of the local Band Council to provide watchmen for the Haida Gwaii Watchmen Program. Refer to Appendix A for details. This sole source contract amounts to \$323,000 annually. A requirement of the contract is to have only Haida staff, supporting the rationale for sole source contracts with the local Band Council.

Qay Centre Contract

Parks Canada Agency has a contract with the Gwaalagaa Naay Corporation, a corporate body that represents the members of the Skidegate Band a part of the Haida Nation and is responsible for the construction and management of the Qay'linaagaay Heritage Centre, where the PCA has agreed to pay a total of \$6M for the following:

- \$3 million for a 30 year prepaid lease for 8,763 square feet of office space.
- \$1.45 million for a 30 year license of occupation for 4,235 square foot of interpretive/orientation space. This consists of non-exclusive use of 5 spaces – exhibit, welcome centre, orientation classroom, archive/conservation lab and a national connections centre for visitors.
- \$1.55 million towards the development and installation of mutually supportive exhibits within the Centre.

The total projected costs for the project are \$22 million of which Parks Canada will contribute \$6 million.

All payments made to August 2006 were reviewed during the audit. Payments in prior years were \$400,000 and payments during the fiscal period 2005-06 totalled \$1,687,750. The balance of \$2,362,500 is expected to be paid before December 31, 2006, following certifications for mechanical and electrical rough in and certifications of completion. Most rough in work was near completion during the auditor's site visit in August 2006. There will be a 5% holdback, as per industry standard, at the time of occupancy. No unusual items were noted.

The auditor (also an Architectural Technologist) reviewed documents from Legal, Architectural and Project Managers approving the release of funds to ensure appropriate procedures were followed. In one case, it was noted that the Field Unit properly retained cheques which had been prepared in advance (due to value) and held until certification by the Architects was achieved (certification was denied during the first inspection following issues with the concrete foundation not meeting structural performance specifications and corrective action was required).

Approximately, \$433,000 of the \$1.55 million contribution for the design and construction of interpretive space was appropriately paid at the time of the audit.

Recommendation

It is recommended that:

2. The Manager, Finance and Administration ensure that advertisements are placed in the Observer the local weekly newspaper and on MERX, on a bi-annual basis, for vendors wishing to be pre-approved for specific types of work.

Management Response

Agree. The recommendation to advertise locally and on MERX is fully supported and will be implemented for each fiscal year’s requirements. Due to the small pool of locally qualified vendors, an annual solicitation, as opposed to bi-annual, is considered sufficient. This is not to imply that the field unit would not undertake additional solicitations throughout the year when additional needs arise.

2.4 Payments to Suppliers

GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.
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Current Practises

Most purchases by managers are through the acquisition card process. The majority of other purchases are for routine or standing offer items such as rent, transportation (helicopter or plane into the Park Reserve), phone, BMO MasterCard, hydro, office supplies, etc.

Invoices are received and date stamped by the F&A Administrative Assistant and then forwarded to the F&A Accounting Assistant. She matches them with the expenditure initiation document (except MasterCard invoices), stamps for Section 34 approval, and codes according to the supporting documentation. These are then forwarded to managers for Section 34 signature approving both the expenditure and the coding. These are then returned to the F&A Accounting Assistant who enters the expenditure for payment in the departmental financial system, IFMS.

Commitments are typically set up for expenditures greater than \$1,000, including those purchased with acquisition cards. Purchase authorizations (e.g., purchase orders) are maintained by the business units and are returned with the invoice. The Manager, F&A

will match the information on the Purchase Order to ensure consistency. Problems in coding and supporting documentation will be challenged if they are encountered.

Finance ensures that spending authorization (Section 34) has been signed off by an authorized person for every payment. The F&A Officer, with Section 33 authority, reviews the payments and electronically releases payment within IFMS. The original invoices are attached to the payment run for the Officer to review and reference. The F&A Manager also has Section 33 authority, as backup to the F&A Officer. Typically, however, the Manager, F&A will request that the superintendent provide the spending authorization (Section 34) for those purchases authorized by the Manager, F&A.

A primary review is always conducted by the Accounting Assistant to ensure proper supporting documentation, coding and approvals. A secondary review is also conducted by the F&A Officer for all travel claims and all high dollar items. In the cases of the Qay Centre payments, these have all been verified by numerous authorities including the Superintendent and the Parks Canada legal advisors.

All invoices for the current fiscal year are filed with supporting approvals in the office of the Accounting Assistant. Invoices for the preceding year are filed in an adjacent office.

As needed, managers request financial reports from IFMS on their expenditures to date. Managers submit forecasts of revenues and expenses on a quarterly basis for comparison against the Business Plan. The Manager, F&A consolidates the information, identifies significant variances, obtains explanations as required and discusses variances with the superintendent.

Observations

During the audit, a sample of 17 payments to suppliers were tested for completeness of documentation, appropriate signatures/authorities and proper financial coding. In addition, all helicopter and plane charges were reviewed to determine if more effective use of these services could be found. All payments and supporting documentation for the Qay Centre were reviewed. No errors or questionable items were noted.

Recommendation

None.

2.5 Acquisition Cards

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.
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Current Practises

The acquisition card is the preferred method of procurement in the Gwaii Haanas Field Unit. It allows for streamlining of payments and filing. 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 Coordinator for Acquisition cards is the Administrative Assistant for F&A. She orients new employees, retrieves cards from departing employees, maintains a list of cardholders and monitors the website for activity and arrears. At the time of the audit, 25 individuals possessed acquisition cards with annual spending of approximately \$170,000.

Applications are sent to the Bank of Montreal 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. The list of cardholders for the Unit is available through a secure login to the Bank of Montreal website. The listing on the bank website is always considered current and shows the history of all cards issued.

The F&A Administrative Assistant receives statements on-line at the end of each payment period and emails them to each cardholder for supporting logs, receipts and required approvals. She also reminds employees to submit a "MasterCard Purchase Register Log" prior to leaving on vacation or for extended absences. When the monthly statements are received in the mail, they are matched to the supporting documents received from the cardholders, reviewed for appropriate authorization and processed for payments to ensure prompt payment.

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 F&A Officer, or in her absence, the Manager, F&A. Clarifications of procedures regarding Acquisition Cards are available online and in staff newsletters.

When an employee leaves the Gwaii Haanas Field Unit, an employee clearance report is completed by the F&A Administrative Assistant to ensure employees return items such as keys, credit cards, and other equipment before departure.

Observations

Audit tests included a review of at least one monthly payment for each employee with annual expenditures greater than \$5,000.

Acquisition card payments are made as cardholders submit a "MasterCard Purchase Register Log", complete with supporting documentation. The audit noted three instances of interest charges and one case where a card was cancelled as it was several months in arrears. These charges and arrears resulted from the cardholder not submitting receipts and forms in a timely fashion. Approximately \$20 in interest charges were incurred. Following cancellation of the card, the cardholder promptly submitted the supporting documentation and the F&A Manager has subsequently noted a dramatic improvement in

receiving invoices and forms on time from all cardholders. This is an indication that the threat of suspension of cards is a very effective way to ensure that supporting documentation is submitted. The refusal to pay the acquisition card statements with the potential of the suspension of the card is a very effective compensating control to ensure that only substantiated purchases are authorized for payment. The related interest costs resulting from delayed payments are nominal and should continue as they help to highlight outstanding items for which no supporting evidence has been provided. The costs incurred are justified given the value of the internal control for tracking and highlighting missing invoices as well as the point made to the card holder when the card is cancelled.

The auditor noted two instances where items were added to the purchase log without the total of the log being adjusted and two cases where the amounts were not supported by original invoices. In all cases, the items were related to cut-off. For example, it appeared that the cardholder had prepared the log in advance and the final statement item been excluded either as the transaction had occurred after the log was prepared or the cardholder had assumed that the item would be on the next statement. However, in these cases the line items had been adjusted and it was not clear if the Section 34 sign off included the additional items. In the future, adjustments (additions or deletions) and the total amount should be initialled by the Section 34 authority to ensure each line item has been approved.

Acquisition cards are not to be used for fuel purchases. One charge of approximately \$5,000 for fuel for the Gwaii Haanas ship was noted. The employee had noted that the fuel supplier in Prince Rupert (on the mainland and not a regular supplier for fuel) refused to invoice the Park Reserve and insisted on payment. While normally this would be paid as part of a standing offer, the reason and supporting documentation was appropriate.

Travel expenses are not to be charged to the acquisition cards. Several books of ferry tickets (\$130/booklet) were purchased for the local ferry connecting the two primary islands. Given the small routine nature of these purchases the charges to the acquisition card were considered appropriate.

Recommendation

It is recommended that:

3. The Finance and Administrative Officer ensure that adjustments (additions or deletions) to the MasterCard Purchase Register Log and the total amount recorded on the log are initialled by the Section 34 authority to ensure each line item has been approved.

Management Response

Agree. The recommendation has been implemented and responsibility assigned to both the F&A Accounting Assistant, who is responsible for accounts payable and the F&A Officer, who has Section 33 authority.

2.6 Travel

GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.
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Current Practises

A Financial Information Session was provided to all staff that presented an overview of travel policies and guidelines which are also available electronically. Staff newsletters also remind staff about any items which have been unclear or not properly undertaken in the recent past.

Several employees at the Gwaii Haanas Field Unit have American Express Travel Cards. New travel cards are requested by the F&A 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. The F&A Administrative Assistant has access to all these accounts on-line and they are reviewed monthly by her to ensure they are current. Any delinquent accounts are followed up with the employee first, then their managers are involved. The Field Unit is diligent in this regard as they become responsible for both payments to American Express and recovery from the employee for any accounts that are more than 90 days overdue.

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. In the case of the management team, a Blanket Travel Authorization has been prepared for their travel for the year. These are stored in binders in the F&A section.

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 F&A Officer prior to Section 34 authorization.

The Gwaii Haanas Field Unit qualifies for Isolation Post travel for both vacations and medical requirements. Employees receive either 100% of the travel allowance at the time the travel is booked (airfare) or used (other) or 80% of the travel allowance is deposited to their bank accounts with their salary.

Observations

Nine travel claims were reviewed. No errors were found. All travel claims processed had evidence of a rigorous review and challenge by the F&A Officer. Some amounts were adjusted to evidence their review. The travel advance clearing account was reviewed. Four amounts were in the account; one was for travel currently ongoing (no claim submitted yet) and the remaining three were for travel which had been booked for the fall.

Recommendation

None.

3.7 Financial Coding

GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.
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Current Practises

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 (MasterCard is done when the logs are completed). Prior to routing the invoices to the appropriate manager for Section 34 signature, the financial coding based on the supporting documentation is manually written on to the invoice by the F&A Accounting Assistant. If the F&A Accounting Assistant has any concerns about the coding it will be raised to the Section 34 authority's attention at that time. Managers have been provided with a filtered list of the financial coding that is most relevant to their activities. The Section 34 signatory confirms the coding prior to signing.

The F&A Officer performs a detailed review of the financial coding for those payments selected where detailed account verification is conducted, i.e., for payments selected through statistical sampling. The F&A Accounting Assistant monitors the Chart of Accounts on a regular basis. The Manager, F&A conducts monthly variance analyses where errors in financial coding can also be detected.

Observations

During the audit, the financial coding for all transactions selected for testing was reviewed. This included payments to suppliers, Qay Centre contracts, travel, Isolated Post travel, Isolated Post medical travel and revenue. No errors were found.

Recommendation

None.

APPENDIX A – OVERVIEW OF GWAII HAANAS FIELD UNIT

The Gwaii Haanas Field Unit includes:

- Gwaii Haanas National Park Reserve and Haida Heritage Site
- Kitwanga Fort National Historic Site
- Eight other declared National Historic Sites.

They are described below.

Gwaii Haanas National Park Reserve and Haida Heritage Site

This remote archipelago, representing the Pacific Coast Mountains Natural Region, is located in the southern part of Haida Gwaii. It is located approximately 100 kilometres from the mainland of British Columbia and is accessible only by boat or aircraft. It encompasses 138 islands, 1475 km² of land, and more than 1746 kilometres of shoreline, as shown in the map in Appendix B. Gwaii Haanas is known for its relatively intact ecosystems, distinct flora and fauna and outstanding examples of Haida heritage.

National Historic Sites and the World Heritage Site within Gwaii Haanas

Gwaii Haanas National Park Reserve and Haida Heritage Site (Gwaii Haanas) includes five key historical sites:

1. SGang Gwaay World Heritage Site (island within Gwaii Haanas) and Nan Sdins National Historic Site (abandoned Haida village located within SGang Gwaay)
2. Tanu (abandoned Haida Village)
3. Windy Bay (old growth forest with walking trails)
4. Hotspring Island (historical Haida sites in Gwaii Haanas)
5. Skedans (abandoned Haida village located outside Gwaii Haanas)

In the Gwaii Haanas area, there are three national historic sites—Skedans¹, Tanu and Nan Sdins. All three are traditional Haida village sites with parts of the villages still recognizable through house pits, longhouse posts and beams, fallen poles and in some cases, standing poles. Nan Sdins is probably the best known and is located on the World Heritage Site of SGang Gwaay. Following tradition, the poles of SGang Gwaay are returning to the earth, but many are still standing. This is considered to be the best example in the world of a northwest coast village site.

History

In 1974, the dispute over the future of South Moresby Island began with the advent of logging plans and a public proposal to protect the “South Moresby Wilderness Area”. In 1985, the Haida Nation designated the area a “Haida Heritage Site”. Logging continued

¹ Actually outside the National Park Reserve

in the area in the face of legal and political controversy until July 1987, when Canada and British Columbia signed the South Moresby Memorandum of Understanding. One year later, the *South Moresby Agreement* was signed, providing Canada's designation of a "National Park Reserve".

While negotiations between Canada and the Haida Nation progressed, temporary measures were put in place to facilitate co-operative management. In January 1993, the *Gwaii Haanas Agreement* was signed. The agreement expresses respect for both Canadian and Haida interests and designations, and includes a mutual commitment to the protection of Gwaii Haanas.

Management

The Government of Canada and the Council of the Haida Nation have agreed to share the management of Gwaii Haanas through the Archipelago Management Board (AMB). The board consists of two representatives from the Government of Canada, including the Gwaii Haanas Field Unit Superintendent and two representatives from the local band Council. The mandate of the AMB is defined by commitments in the Gwaii Haanas Agreement and the existing laws and policies of the parties. The AMB examines all initiatives and undertakings relating to the planning, management and operation of Gwaii Haanas. This relationship results in a unique management style as compared to all other national parks.

Watchmen Program

The Field Unit also has a unique annual contract with an arm of the local Band Council to provide "Watchmen" for the Haida Gwaii Watchmen Program. This sole source contract amounts to \$323,000 annually or 20% of the Field Unit's Goods and Services Budget. During the summer, 2-3 Haida "watchmen" live at each of five key historical sites (Nan Sdins, Tanu, Windy Bay, Hotspring Island and Skedans) as shown in the map in Appendix B. The primary intent is to safeguard the three abandoned Haida villages, an old growth forest (Windy Bay) and a natural hot spring pool by accompanying visitors. This need is based on historical damage and arson incidents at some of the sites. A secondary objective is to promote the "visitor experience" through explanations of the various sites, although the Watchmen are not required to provide tours. A requirement of the Gwaii Haanas Agreement is to have only Haida staff.

Infrastructure

Within Gwaii Haanas National Park Reserve and Haida Heritage Site, there are two operation stations and five cabins for the Haida Gwaii Watchmen but there are no paved roads, maintained hiking trails or established campgrounds. Other contemporary structures owned by the Field Unit include one visitor information centre, ten houses and a maintenance compound.

Proposed Gwaii Haanas National Marine Conservation Area Reserve

The waters surrounding Gwaii Haanas National Park Reserve and Haida Heritage Site are proposed for a National Marine Conservation Area Reserve (NMCAR). The proposed NMCAR includes Hecate Strait and the Queen Charlotte Shelf natural marine regions and covers approximately 3,400 square kilometres.

Kitwanga National Historic Site:

Kitwanga Fort is situated near an important aboriginal trade route between the Skeena and Nass Rivers on the mainland in northern British Columbia. It is a site rich with the history of the Gitwangak people, their relations with other First Nations and the activities of their ancestors. The site consists of a large steep-sided mound, known as Ta'awdzep or Battle Hill, on which once stood a fortified village with five cedar plank longhouses surrounded by a palisade. Archaeological research suggests the fort was occupied for at least a hundred years before it burned to the ground around 1835. Kitwanga Fort was declared a National Historic Site in 1971. Kitwanga National Historic Site includes a trail, a stairway and a fence.

Other National Historic Sites:

Other declared national historic sites within the Field Unit jurisdiction include:

- Kiusta Village*
- Metlakatla Pass Area Indian Site*
- New Gold Harbour Area (Haina) *
- Kitwanga Totem Poles*
- Kitwankul*
- Yan Village Site*
- Kitselas Canyon Area
- North Pacific Cannery – Village of Port Edward

* denotes Aboriginal Reserve

Field Unit Office Relocation to Qay'lnagaay Heritage Centre

The Field Unit is scheduled to relocate to the Qay'lnagaay Heritage Centre (Qay Centre) in Skidegate, approximately five kilometres from the present offices in Queen Charlotte in November 2006. The \$22 million, 50,000 square foot Qay Centre will be a museum, teaching centre, carving (totem poles) house, café and Haida heritage/cultural centre. The Centre is being built and managed by the Skidegate Band Council with the endorsement of Parks Canada and several other federal agencies. The Centre is located on the reserve and will result in an influx of revenue to the local economy.

Parks Canada has contributed a total of \$6 million towards the Qay Centre, including \$4.45 million in exchange for a 30 year lease and licence for shared space. Another \$1.55 million has been contributed for exhibits.

A business case prepared in 2001 showed participation in the Qay Centre as the most cost-effective and program-enhancing option for Parks Canada operations on Haida Gwaii (the Queen Charlotte Islands). This was due to two primary factors:

- The very high cost of visiting the park by float plane or boat, the only method of access

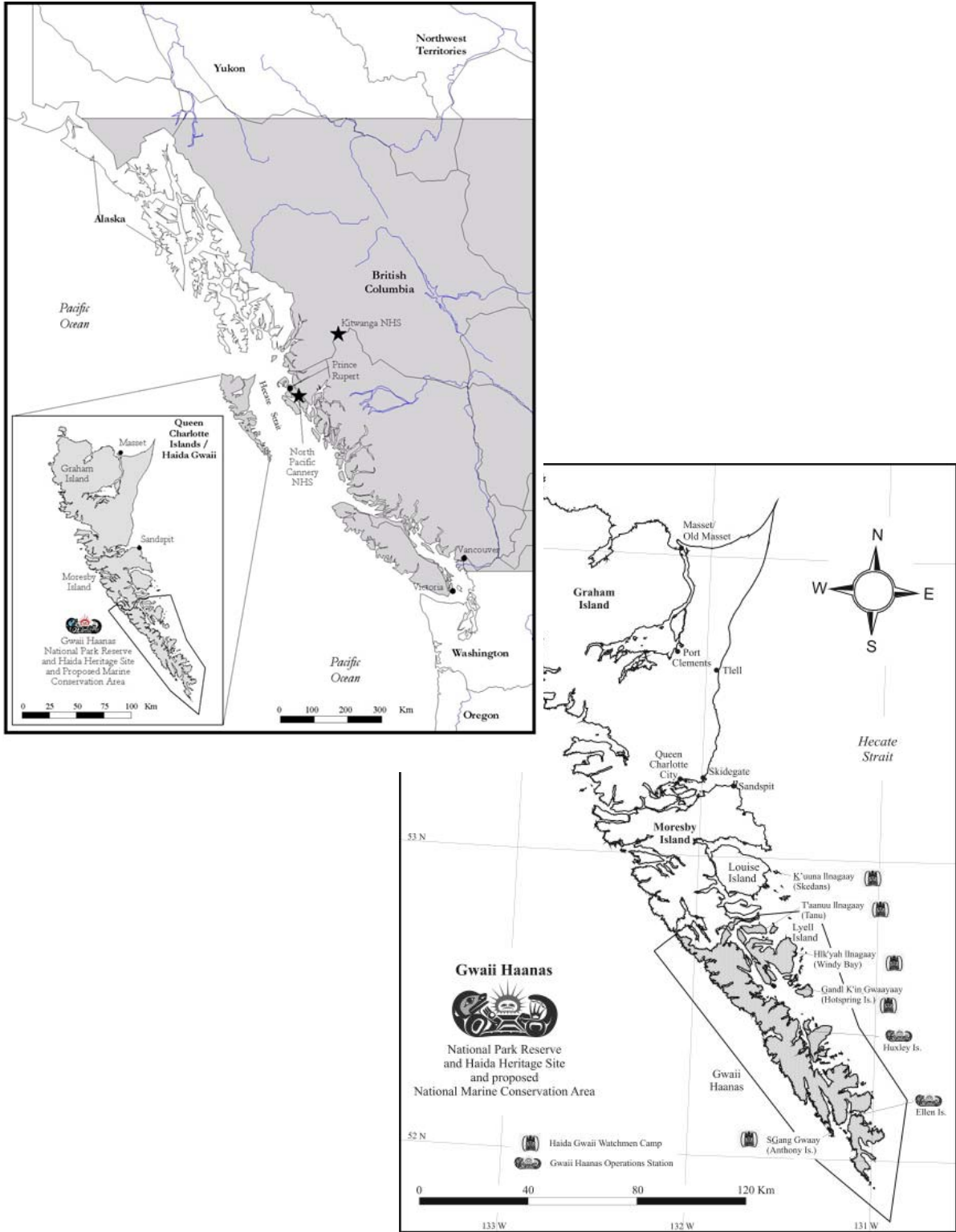
- The discouragement of high volume traffic due to the sensitive cultural and environmental impact as evidenced by the policy, implemented by the Aboriginal Management Board (AMB), restricting tour operators to a maximum of 23 visitors in the entire park at any one time.

The rationale behind this significant investment was to promote “virtual” visits to Gwaii Haanas through the interpretive displays at the Qay Centre. The decision to relocate the Parks Canada office to shared space within the Qay Centre was largely a political decision made at senior government levels, where PCA would contribute to the capital construction in the form of a 30 year pre-paid lease.

Financial details are shown in section 1.1.5 of this report. Additional details may be found at <http://www.haidaheritagecentre.com>



APPENDIX B – MAPS OF GWAII HAANAS FIELD UNIT



English	Français
Maps of Gwaii Haanas Field Unit	Cartes de l'unité de gestion de Gwaii Haanas
Yukon	Yukon
Northwest Territories	Territoires du Nord-Ouest
Alaska	Alaska
Pacific Ocean	Océan Pacifique
British Columbia	Colombie-Britannique
Kitwanga NHS	LHN Kitwanga
Prince Rupert	Prince Rupert
Hecate Strait	Détroit d'Hécate
North Pacific Cannery NHS	LHN de la Conserverie-North Pacific
Vancouver	Vancouver
Victoria	Victoria
Washington	Washington
Oregon	Oregon
Queen Charlotte Islands / Haida Gwaii	Îles de la Reine-Charlotte / Gwaii Haanas
Masset	Masset
Graham Island	Île Graham
Sandspit	Sandspit
Moresby Island	Île Moresby
Gwaii Haanas National Park Reserve and Haida Heritage Site and Proposed National Marine Conservation Area	Réserve de parc national et site du patrimoine haïda Gwaii Haanas et réserve d'aire marine nationale de conservation Gwaii Haanas (projet)
Masset	Masset
Old Masset	Old Masset
Graham Island	Île Graham
Port Clements	Port Clements
Tlell	Tlell
Hecate Strait	Détroit d'Hécate
Queen Charlotte City	Queen Charlotte
Skidegate	Skidegate
Sandspit	Sandspit
Moresby Island	Île Moresby
Louise Island	Île Louise
<u>K'uuna</u> llnagaay (Skedans)	<u>K'uuna</u> llnagaay (Skedans)
T'aanuu llnagaay (Tanu)	T'aanuu llnagaay (Tanu)
Lyell Island	Île Lyell
Hlk'yah <u>GaawGa</u> (Windy Bay)	Hlk'yah <u>GaawGa</u> (Baie Windy)
Gandll K'in Gwaayaay (Hot spring Is.)	<u>Gandll</u> K'in Gwaayaay (Île Hot spring)

Huxley Is.	Île Huxley
Gwaii Haanas National Park Reserve and Haida Heritage Site and proposed National Marine Conservation Area	Réserve de parc national et site du patrimoine haïda Gwaii Haanas et réserve d'aire marine nationale de conservation Gwaii Haanas (projet)
Gwaii Haanas	Gwaii Haanas
Ellen Is.	Île Ellen
Haida Gwaii Watchmen Camp	Camp de gardiens de Haïda Gwaii
Gwaii Haanas Operation Station	Poste d'exploitation de Gwaii Haanas
SGang Gwaay (Anthony Is.)	SGang Gwaay (Île Anthony)