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Recipient Compliance Audit of the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games: 2010 Winter Games Venue Development Program

Office of the Chief Audit and Evaluation Executive
Audit and Assurance Services Directorate

February 2010



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Executive Summary

Introduction

The Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) was established on September 30, 2003. VANOC's mandate is to support and promote the development of sport in Canada by planning, organizing, financing and staging the 2010 Olympic and Paralympic Winter Games. VANOC is guided by a 20 member board of directors nominated by the Government of Canada, the Province of British Columbia, the City of Vancouver, the Resort Municipality of Whistler, the Canadian Olympic Committee, the Canadian Paralympic Committee and the local First Nations. The Vancouver 2010 mission is to touch the soul of the Nation and inspire the world by creating and delivering an extraordinary Olympic and Paralympic experience with lasting legacies. The vision is to build a stronger Canada whose spirit is raised by its passion for sport, culture and sustainability.

A primary focus of the federal investment to the 2010 Winter Games is the \$290 million contribution to the 2010 Winter Games Venue Development Program (Capital Project). The Department of Canadian Heritage is the sole federal government contributor to the Capital Project; this amount has been matched by the Province of British Columbia.

Prior Recipient Audit

A prior recipient audit of VANOC Contribution Agreements for the Venue Development Program was presented to the Audit and Evaluation Committee in October 2007. The audit included a review of the expenditures incurred by VANOC for the fiscal years starting April 1st, 2003 and ending March 31st, 2006 for which funds were budgeted under three separate annual Contribution Agreements for \$4,400,000, \$3,700,000, and \$33,880,000, respectively.

Current Recipient Audit

The objectives of the current recipient audit were to provide Canadian Heritage senior management with assurance that:

- The funds disbursed to VANOC under the terms of the Capital Project Contribution Agreements have been used for the intended purpose;
- VANOC has complied with the reporting requirements and with other terms and conditions of the Contribution Agreements; and
- The recommendations from the previous recipient audit of October 2007 have been implemented.

The scope included the venue expenditures incurred by VANOC for the three fiscal years starting April 1st, 2006 and ending March 31st, 2009 for which funds were budgeted under three separate Contribution Agreements for \$106,910,000, \$108,210,000 and \$25,250,000 respectively.

The audit work was performed from May to October 2009 at the Department of Canadian Heritage Headquarters and at VANOC's premises in Vancouver, British Columbia.

Key Findings

The audit team confirmed that the funds provided through Contribution Agreements to VANOC were used for the intended purpose.

The audit team confirmed that VANOC has complied with the reporting requirements and the terms and conditions of the Contribution Agreements with minor exceptions.

VANOC has implemented the recommendations from the prior recipient audit.

Recommendation

No recommendation required.

Statement of Assurance

In my professional judgment as Chief Audit and Evaluation Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed to with management. The opinion is applicable only to the entity examined and within the scope described herein. The evidence was gathered in compliance with Treasury Board policy, directives, and standards on internal audit and the procedures used to meet the professional standards of the Institute of Internal Auditors. Sufficient evidence was gathered to provide senior management with the proof of the opinion derived from the recipient audit.

Audit Opinion

The audit team has audited the project expenses incurred by VANOC, with respect to the Contribution Agreements for the Venue Development Program for the Federal Government fiscal years 2006-07, 2007-08 and 2008-09 to ensure compliance with the terms and conditions of the Contribution Agreements and related amendments. The preparations of the project financial reports are the responsibility of the management of VANOC. The audit team's responsibility is to express an opinion on the financial information based on our audit.

The audit team conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that the audit team plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and financial information and evidence supporting compliance, and evaluating the overall compliance with the Agreements.

In my opinion, the audited amounts included in Appendixes B-1 to B-3, present fairly, in all material respects, the eligible expenses incurred and allowable for the Federal Government fiscal years 2006-07, 2007-08 and 2008-09 under the financial terms and conditions of the Contribution Agreements. Supporting information and related comments for possible adjustments are provided in Appendixes B and C.

Original signed by:

Vincent DaLuz, CA
Chief Audit and Evaluation Executive
Department of Canadian Heritage

Audit Team Members

Director – Rachel Bergeron, CA
Claude Bélisle
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With the assistance of external resources

1. Introduction and Context

1.1 Authority for the Project

The authority for this recipient audit is derived from the 2009-10 to 2013-14 Risk-Based Multi-Year Audit Plan of the Department of Canadian Heritage which was reviewed by the Departmental Audit Committee in May 2009 and approved by the Deputy Minister.

1.2 Background

On November 14, 2002, all parties involved in the bid for the 2010 Winter Games signed a Multi-Party Agreement outlining the parties' roles and responsibilities. These parties were the Minister of Canadian Heritage, the Province of British Columbia, the City of Vancouver, the Resort Municipality of Whistler, the Canadian Olympic Committee, the Canadian Paralympic Committee and the Vancouver 2010 Bid Corporation.

On July 2, 2003, members of the International Olympic Committee at their 115th Session in Prague selected Vancouver as the Host City of the 2010 Winter Games.

The Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) was established on September 30, 2003. VANOC's mandate is to support and promote the development of sport in Canada by planning, organizing, financing and staging the 2010 Olympic and Paralympic Winter Games. VANOC is guided by a 20 member board of directors nominated by the Government of Canada, the Province of British Columbia, the City of Vancouver, the Resort Municipality of Whistler, the Canadian Olympic Committee, the Canadian Paralympic Committee and the local First Nations. The Vancouver 2010 mission is to touch the soul of the Nation and inspire the world by creating and delivering an extraordinary Olympic and Paralympic experience with lasting legacies. The vision is to build a stronger Canada whose spirit is raised by its passion for sport, culture and sustainability.

As partners of the Multi-Party Agreement, both the Government of Canada and the Government of British Columbia agreed to provide funding to cover infrastructure and legacy costs.

A primary focus of the federal investment to the 2010 Winter Games is the \$290 million contribution to the 2010 Winter Games Venue Development Program (Capital Project). The Department of Canadian Heritage is the sole federal government contributor to the Capital Project; this amount has been matched by the Province of British Columbia.

The 2010 Olympic and Paralympic Winter Games Federal Secretariat of Canadian Heritage manages the Capital Projects Contribution Agreements between the Department and VANOC.

Prior Recipient Audit

A prior recipient audit of VANOC Contribution Agreements for the Venue Development Program was presented to the Audit and Evaluation Committee in October 2007. The audit included a review of the expenditures incurred by VANOC for the fiscal years starting April 1st, 2003 and ending March 31st, 2006 for which funds were budgeted under three separate annual Contribution Agreements for \$4,400,00, \$3,700,00, and \$33,880,000, respectively. The audit found that VANOC was well managed and had implemented good management practices. It was also found that funds provided through Contribution Agreements were used for the intended purposes. There were minor issues with respect to supporting documentation for eligible expenses, reporting requirements and the accounting for expenses in the proper fiscal period.

Current Recipient Audit

The current recipient audit included the venue expenditures incurred by VANOC for the three fiscal years starting April 1st, 2006 and ending March 31st, 2009 for which funds were budgeted under three separate Contribution Agreements for \$106,910,000, \$108,210,000 and \$25,250,000 respectively.

After the current audit, the remaining balance of the \$290 million under the Contribution Agreements will be paid to VANOC for completion of the final preparation of the venues.

The audit team excluded any member of the Audit and Assurance Services Directorate that had prior work experience with the 2010 Olympic and Paralympic Winter Games Federal Secretariat of Canadian Heritage or with VANOC.

2. Objectives

The objectives of the recipient audit were to provide Canadian Heritage senior management with assurance that:

- The funds disbursed to VANOC under the terms of thee Capital Project Contribution Agreements have been used for the intended purpose;
- VANOC has complied with the reporting requirements and with other terms and conditions of the Contribution Agreements; and
- The recommendations from the previous audit of October 2007 have been implemented.

3. Scope

The scope of the recipient audit included the venue expenditures incurred by VANOC for the three fiscal years starting April 1st, 2006 and ending March 31st, 2009 for which funds were budgeted under three separate Contribution Agreements for the specific venue projects described in Table 1. The audit team also examined if VANOC complied with the terms and conditions established in the Contribution Agreements.

Table 1: Olympic Venues Budgeted Funding

| Olympic Venues | 2006-07 | 2007-08 | 2008-09 |
|---|----------------------|----------------------|---------------------|
| Richmond Speed Skating Oval | \$4,720,000 | \$14,240,000 | \$12,640,000 |
| Whistler Sliding Center | 41,880,000 | 44,000,000 | 3,710,000 |
| Whistler Nordic Center | 42,660,000 | 54,060,000 | 8,850,000 |
| Olympic Stadium (BC Place) | 0 | 0 | 300,000 |
| Cypress Freestyle and Snowboarding | 3,450,000 | 0 | 0 |
| Whistler Athlete Centre | 4,870,000 | 0 | 0 |
| Whistler Creekside Alpine | 7,850,000 | 0 | 0 |
| Hasting Park Skating Venue | 2,800,000 | 0 | 0 |
| General Venue Program | 200,000 | 0 | 0 |
| Less Value in Kind | -1,520,000 | -3,160,000 | -250,000 |
| Less Legacy Equipment Unfunded | 0 | -560,000 | 0 |
| Less Value in Kind Adjustment 2006-2007 | 0 | -370,000 | 0 |
| Total | \$106,910,000 | \$108,210,000 | \$25,250,000 |

In summary, the budgeted amount of federal funding for the Capital Project covered by the current recipient audit is \$240.4 million.

The audit team did not review compliance with the Official Languages requirements of the Contribution Agreements as it was examined and reported on by the Government of Canada's Official Languages Commissioner.

The audit work was performed from May to October 2009 at the Department of Canadian Heritage Headquarters and at VANOC's premises in Vancouver, British Columbia.

4. Approach and Methodology

The recipient audit of VANOC for the Capital Projects was conducted in accordance with the Standards for the Professional Practice of Internal Auditing as per the Institute of Internal Auditors and the standards and requirements set out in the Treasury Board Policy on Internal Audit.

The work performed included:

- substantive testing of expenses selected by using both judgmental and statistical samplings of expenses from the general ledger;
- a review of accounting transactions;
- a review of VANOC's documentation to ensure that all material items and expenditures are eligible;
- gathering audit evidence through discussions and interviews with management and personnel and through the review of documentation and policies provided by VANOC to examine processes, procedures and practices in place;
- a review of one pay period for each financial period included in the scope of the audit;
- a review of travel and hospitality expense entries for reasonableness; and
- a review of minutes of meetings, risk registers and reports.

The main body of audit work consisted of the examination of expenses recorded in the venues accounts which were funded by the federal government. For purposes of the examination of expenses, the statistical sampling method used was the systematic dollar unit sampling approach with a random start. This statistical sampling methodology was designed to cover the total period under review from April 2006 to March 2009 in order to achieve a 95 percent confidence level in the results. A resultant total of 319 expenses were selected from the general ledger, which represented 37.4 percent of the total project dollars funded for the 2006-2007, 2007-2008 and 2008-2009 fiscal years.

5. Observations

5.1 The funds disbursed to VANOC have been used for the intended purposes

Based on a combination of the evidence gathered through testing, documentation review, examination, analysis and interviews, the audit criteria were assessed by the audit team and a conclusion for each of the audit criteria was determined. These are summarized in Appendix A.

The audit team confirmed that the funds provided through the Contribution Agreements were used for the intended purpose.

Analysis

The audit team examined VANOC's accounting processes and the accounting records as they pertain to the Capital Project and the three Contribution Agreements between Canadian Heritage and VANOC covering the period of April 2006 to March 2009.

The results of the systematic dollar unit sampling were the audit of 319 expenses for a total sampled amount of \$94,316,229. Minor exceptions were noted in the approvals for Capital Expenses and in cut-off regarding Contribution Agreements dates in Cut-off and Accruals as described below. The audit team is 95 percent certain that the error rate for the amounts audited does not exceed the materiality established for the audit.

The table below summarizes the expenditures that were audited for each respective year of the Contribution Agreements, along with the corresponding payments made by Canadian Heritage. Further details are provided in Appendices B-1, B-2 and B-3. It should be noted that, for the period under review, the cumulative expenditures exceed the cumulative amounts funded by Canadian Heritage.

Table 2: Summary of the audited eligible expenditures and the contributions paid by Canadian Heritage to date

| Period Covered by the Contribution Agreements | Eligible Expenditures Audited | Canadian Heritage Contribution Paid |
|--|--------------------------------------|--|
| April 2003 to March 2006 ¹ | \$40,497,284 | \$39,325,000 ² |
| April 2006 to March 2007 | \$106,881,078 | \$106,910,000 |
| April 2007 to March 2008 | \$108,344,983 | \$108,210,000 |
| April 2008 to March 2009 | \$24,654,016 | \$24,763,000 |
| Cumulative Totals | \$280,377,361 | \$279,208,000 |

In summary, the audit team confirmed that the expenditures incurred by VANOC met the eligibility requirements under the Contribution Agreements.

The General Ledger was reconciled to VANOC's Audited Financial Statements as reported by their external auditors, and to the Final Financial Reports sent to Canadian Heritage. The financial reports provided to Canadian Heritage were also compared with the approved detailed budgets for the year. No material adjustments were identified. (Please refer to Appendices B-1, B-2 and B-3).

Capital Expenses

The audit team reviewed the supporting documentation for the expenses selected in the statistical sample and concluded that the funding provided by Canadian Heritage had been used for the intended purposes as described in the Contribution Agreements. It was also noted that adequate supporting documentation was kept for all selected expenditures. Supporting documentation such as purchase orders, invoices and proof of payment were traced to contracts, where applicable, for validation. However, six minor exceptions were noted with regards to the controls in place for approvals:

- Two original invoices could not be located. It is the practice at VANOC to scan invoices and have a copy available for on-line retrieval; these system copies were provided to the audit team. However, as the latter did not contain evidence of approval, the audit team validated the expenses by tracing to approved contract files with no exceptions noted.

¹ Previous audit report dated October 2007.

² \$825,000 has been reduced from the amount in the previous audit report dated October 2007 due to an audit adjustment in 2003-2004.

- Four contracts were missing at least one of the approvals, according to VANOC's Contract Approval and Signing Authority Policy.

Cut-off and Accruals

VANOC has implemented a process to ensure that costs are allocated to the appropriate fiscal year and for recording accrued expenses. They continue to monitor this process on an ongoing basis.

VANOC's year-end is July 31; therefore accrual processes are more specific to meet their year-end financial statement requirements. During the expense testing it was noted that funds were disbursed and allocated to eligible expenses within the time frame of each specific Contribution Agreement with three minor exceptions. Three expenses were not accounted for in the proper Contribution Agreement fiscal year (recorded in May to July for work done prior to March 31, 2008). The three exceptions noted totalled \$141,918 of eligible expenses which should have been recorded in a prior period. These items are identified in Appendix B as possible adjustments. These possible adjustments net themselves out over the subsequent period.

Given the above results, the audit team reviewed all expenses for March and April 2009 cut off for recurring transactions, unusual transactions and accruals at the contribution agreement year end. No material items were noted.

Salaries

Salary costs claimed were reviewed and deemed to be reasonable. No material adjustments were identified.

Travel and Hospitality

Travel expenses were also reviewed for reasonableness. The total amounts claimed are below audit materiality.

Value in Kind

Corporate partners can provide financial support to the Games either through cash or by supplying goods and services recorded as "value in kind" in VANOC's books and treated as non-cash activities. The audit team examined the recording of value in kind expenses to ensure that they were not included in the eligible expenses funded through the Contribution Agreements. It was found that the amounts reported as value in kind did not fully reconcile with the supporting documentation sent by the various corporate partners due to cut-off issues. The audit team performed additional analysis in order to determine that the value in kind amounts reported were reasonable and that these amounts were not included in the eligible expenses funded through the Contribution Agreements.

Risk Management

VANOC has a formal risk management and comprehensive risk assessment process to identify, assess and mitigate risk for its functions, including the Capital Project.

The audit team reviewed VANOC's processes and ensured that VANOC has appropriate liability insurance coverage to meet the requirements in the Contribution Agreements.

Archiving

Adequate archiving procedures are in place to ensure that all pertinent records and accounting information are readily available for future recipient audit in accordance with the Contribution Agreements. The City of Vancouver will use its policy for the retention of VANOC's records. They will be retained until the end of seven years following July 31, 2010.

The audit team noted delays in the retrieval of files which had been sent to archive, some of which were due to their subsequent use in the numerous audits, past and present, performed at the behest of the parties to the multi-party agreement.

Recommendation

No recommendation required.

5.2 Compliance with the Reporting Requirements and with other Terms and Conditions of the Contribution Agreements

The audit team confirmed that VANOC has complied with the reporting requirements and the terms and conditions of the Contribution Agreements with minor exceptions.

Analysis

The audit team reviewed the timing and nature of the reports which are required in the Contribution Agreements and which were submitted by VANOC to Canadian Heritage.

As required in the Contribution Agreements, the Final Financial Reports, which are certified by Management and the Board of Directors of VANOC, were reconciled to VANOC's yearly Audited Financial Statement as reported by their external auditors. VANOC also provided a statement of reconciliation performed by their external auditors. The Final Financial Reports were submitted by VANOC in compliance with the payment conditions in the Contribution Agreements.

The Contribution Agreements also require VANOC to submit Final Activity Reports of its activities in relation to the projects funded. Two of the three annual Final Activity

Reports provided to Canadian Heritage were not submitted in accordance with the payment conditions in the Contribution Agreements and the reports did not include a statement to the effect that all of the obligations of the Recipient under the Contribution Agreements have been met; however they did include summaries of the activities in relation to the projects funded. These were accepted by the 2010 Olympic and Paralympic Winter Games Federal Secretariat of Canadian Heritage.

All reports were properly signed off by a person duly authorized by VANOC.

Recommendation

No recommendation is required.

5.3 Prior Audit Recommendations

VANOC has implemented the five recommendations from the prior recipient audit that was presented and approved by the Audit and Evaluation Committee of Canadian Heritage in October 2007.

Appendix A – Audit Criteria

The conclusions reached for each of the audit criteria used in the audit were developed according to the following definitions.

| Numerical Categorization | Conclusion on Audit Criteria | Definition of Conclusion |
|--------------------------|-----------------------------------|--|
| 1 | Well Controlled | <ul style="list-style-type: none"> • well managed, no material weaknesses noted. |
| 2 | Controlled | <ul style="list-style-type: none"> • well managed, but minor improvements are needed. |
| 3 | Moderate Issues | <p>Has moderate issues requiring management focus (at least one of the following two criteria need to be met):</p> <ul style="list-style-type: none"> • control weaknesses, but exposure is limited because likelihood of risk occurring is not high; • control weaknesses, but exposure is limited because impact of the risk is not high. |
| 4 | Significant Improvements Required | <p>Requires significant improvements (at least one of the following three criteria need to be met):</p> <ul style="list-style-type: none"> • financial adjustments material to line item or area or to the department; or • control deficiencies represent serious exposure; or • major deficiencies in overall control structure. <p>Note: Every audit criteria that is categorized as a “4” must be immediately disclosed to the CAEE and the subjects matter’s Director General or higher level for corrective action.</p> |

The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn. In cases where significant improvements (4) and/or moderate issues (3) were observed, they would be reported in the audit report.

There were no observations of situations of moderate issues or requiring significant improvements.

| Audit Criteria | Conclusion on Audit Criteria | Examples of Key Evidence / Observation |
|--|-------------------------------------|---|
| FUNDS DISBURSED ARE IN ACCORDANCE WITH THE CONTRIBUTION AGREEMENTS TERMS AND CONDITIONS AND TREASURY BOARD POLICY ON TRANSFER PAYMENTS. | | |
| <p>1. Adequate supporting documentation is kept for all expenditures. (objective is to determine reliability of G/L)</p> | <p>2</p> | <ul style="list-style-type: none"> • Reconciliation of General Ledger to Audited Financial Statements and to reports sent to the Department of Canadian Heritage. Immaterial differences. • VANOC tracks Venues through Work Authorization codes. • Statistical sampling of 129 expenses for 2006/2007; 111 for 2007/2008; and 79 for 2008/2009. <ul style="list-style-type: none"> ▪ Missing two original invoices with approvals for which copies were provided; however there was no evidence of approvals. Validation was done against approved contracts. ▪ Four contracts did not have evidence of approval from all required positions. Validation was done against invoices and payments. • The amounts reported as value in kind did not fully reconcile with the supporting documentation sent by the various corporate partners due to cut-off issues. The value in kind amounts reported were deemed reasonable and these amounts were not included in the eligible expenses funded through the Contribution Agreements. |

| | | |
|---|----------|---|
| <p>2. Funding provided by the Department of Canadian Heritage has been applied to the eligible expenditures described in Annex B of the Contribution Agreements and in accordance with the definition of “Eligible Costs” set out in the Contribution Agreements.</p> | <p>1</p> | <ul style="list-style-type: none"> • The capital expenditures funded are for eligible costs. • The payroll process is adequate. • The VANOC Travel policy is sufficiently detailed, covers all major travel expenses and reasonable when compared to the Treasury Board of Canada Secretariat directive. • VANOC policy covering Business Entertainment and Hospitality provides proper controls and sufficient guidelines. |
| <p>3. Funds were disbursed and allocated to eligible expenses within the time frame of each specific Contribution Agreements.</p> | <p>2</p> | <ul style="list-style-type: none"> • Three expenses were not accounted for in the proper government fiscal year (reported in 2008-09 for work done in 2007-08). Refer to Appendix B. • No questionable recurring expenses or any unusual expenses were observed. • VANOC has implemented a process to ensure that costs are allocated to the correct fiscal year and for recording accrued expenditures. |
| <p>4. Other sources of funding received by VANOC have been properly disclosed in the financial reports provided to the Department of Canadian Heritage, in accordance with Article 8, Annex B of the Contribution Agreements.</p> | <p>1</p> | <ul style="list-style-type: none"> • Other sources of funding received by VANOC have been properly disclosed in the financial reports provided to Canadian Heritage. |

| | | |
|--|----------|--|
| <p>5. The accounting records of VANOC are readily available for audit by the Department of Canadian Heritage. Adequate archiving procedures are in place to ensure that all pertinent records and accounting information will be readily available for future audit in accordance with Article 15, Annex B of the Contribution Agreements.</p> | <p>2</p> | <ul style="list-style-type: none"> • Delays experienced in the retrieving of documents from archives and for misplaced documents. • VANOC will transfer all its records to the City of Vancouver. The city will use its policy for the retention of all financial records. They will be retained for seven years after the fiscal year ending July 31, 2010. |
| <p>6. Funds transfers between categories of expenses, if applicable, are performed in accordance with Article 14, Annex B of the Contribution Agreements.</p> | <p>1</p> | <ul style="list-style-type: none"> • VANOC did not exceed the budget in any category by 15 percent or more. There were no official requests for transfers between categories. |
| <p>7. The terms and conditions of the Agreements entered into by VANOC with outside third parties comply with Annex B of the Contribution Agreements.</p> | <p>1</p> | <ul style="list-style-type: none"> • Agreements with outside third parties were in compliance. |
| <p>THE RECIPIENT HAS COMPLIED WITH THE REPORTING REQUIREMENTS AND WITH THE OTHER TERMS AND CONDITIONS OF THE CONTRIBUTION AGREEMENTS.</p> | | |
| <p>8. Project financial reports provided to the Department of Canadian Heritage are prepared in accordance with Article 8, Annex B of the Contribution Agreements.</p> | <p>1</p> | <ul style="list-style-type: none"> • The Final Financial Reports were submitted according to the timelines. • Refer to criteria 4 for additional comments. |

| | | |
|--|-----------------|--|
| <p>9. The final Financial Report provided each year to the Department of Canadian Heritage is consistent with the requirement of Article 7.1, Annex B of the Contribution Agreements and reconciled to the yearly audited financial statements of VANOC.</p> | <p>1</p> | <ul style="list-style-type: none"> • The reports have been signed off by someone duly authorized by VANOC. • The reports do show all revenues and expenses. • The reports are reconciled to the yearly audited financial statements of VANOC. |
| <p>10. Interim and Final Activity Reports provided to the Department of Canadian Heritage are prepared in accordance with Article 7, Annex B of the Agreements.</p> | <p>1</p> | <ul style="list-style-type: none"> • There is no statement in the Final Activity Reports to the effect that all of the obligations of VANOC under the Contribution Agreements have been met. However the reports were accepted by the 2010 Olympic and Paralympic Winter Games Federal Secretariat. • Two of three Final Activity Reports were not submitted according to the timelines (2006-2007 and 2007-2008), however they were accepted by the 2010 Olympic and Paralympic Winter Games Federal Secretariat. |
| <p>11. VANOC has appropriate liability insurance coverage.</p> | <p>1</p> | <ul style="list-style-type: none"> • The insurance policy does cover errors and omissions. • No plans to change the coverage for 2009. |
| <p>12. VANOC's procurement policy and practices for goods and services are in compliance with the requirements of the Contribution Agreements.</p> | <p>1</p> | <ul style="list-style-type: none"> • No procurement requirements in the Contribution Agreements. VANOC has implemented its own policies. |
| <p>13. VANOC has updated its Financial Management Policy and Procedures.</p> | <p>1</p> | <ul style="list-style-type: none"> • The Financial Management Policy and Procedures have been updated. |
| <p>14. VANOC is formally reviewing its risks on a regular basis.</p> | <p>1</p> | <ul style="list-style-type: none"> • Generally, every function has a formal risk review every six months, and a risk register is prepared and/or updated. • The risks are assessed for likelihood of occurrence and impact of occurrence. |

THE RECOMMENDATIONS FROM THE PREVIOUS RECIPIENT AUDIT OF OCTOBER 2007 WITH REGARDS TO COMPLIANCE WITH CONTRIBUTION AGREEMENTS TERMS AND CONDITIONS HAVE BEEN IMPLEMENTED.

| | | |
|--|----------|--|
| 15. The recommendations from the October 2007 audit have been implemented. | 1 | <ul style="list-style-type: none">• The recommendations have been addressed. |
|--|----------|--|

Appendix B – 1

Summary of Requested and Audited Amounts for the period from April 1 2006 to March 31, 2007

| Expense accounts (\$) | Budgeted Amounts as per Contribution Agreements | Contribution Requested | Difference between Accounting Records and Requested Amounts | Amounts as per Accounting Records | Possible Adjustments | Audited Amounts |
|---|--|-----------------------------------|--|--|---------------------------------|----------------------------|
| Richmond Speed Skating Oval | 4,720,000 | 4,720,000 | 2,038 | 4,722,038 | 0 | 4,722,038 |
| Whistler Sliding Center | 41,880,000 | 41,880,000 | -5 | 41,879,995 | 0 | 41,879,995 |
| Whistler Nordic Center | 42,660,000 | 42,660,000 | -14,948 | 42,645,052 | 0 | 42,645,052 |
| Whistler Athlete Centre | 4,870,000 | 4,870,000 | 1,465 | 4,871,465 | 0 | 4,871,465 |
| Whistler Creekside Alpine | 7,850,000 | 7,850,000 | -5,274 | 7,844,726 | 0 | 7,844,726 |
| Hasting Park Skating Venue | 2,800,000 | 2,800,000 | -4,384 | 2,795,616 | 0 | 2,795,616 |
| General | 200,000 | 200,000 | -11,599 | 188,401 | 0 | 188,401 |
| Cypress Freestyle and Snowboarding | 3,450,000 | 3,450,000 | 3,786 | 3,453,786 | 0 | 3,453,786 |
| Values in kind | -1,520,000 | -1,520,000 | 0 | -1,520,000 | 0 | -1,520,000 |
| Total | 106,910,000 | 106,910,000 | -28,922 | 106,881,078 | | 106,881,078 |
| Contribution Paid by Canadian Heritage | | | | | | 106,910,000 |
| Difference | | | | | | 28,922 |

Appendix B – 2 Summary of Requested and Audited Amounts for 2007-08

Summary of Requested and Audited Amounts for the period from April 1 2007 to March 31, 2008

| Expense accounts (\$) | Budgeted Amounts as per Contribution Agreements | Contribution Requested | Difference between Accounting Records and Requested Amounts | Amounts as per Accounting Records | Possible Adjustments | Audited Amounts |
|---|--|-----------------------------------|--|--|---------------------------------|----------------------------|
| Richmond Speed Skating Oval | 14,240,000 | 14,240,000 | 1,395 | 14,241,395 | 0 | 14,241,395 |
| Whistler Sliding Center | 44,000,000 | 44,000,000 | 17,926 | 44,017,926 | 4,819 ³ | 44,022,745 |
| Whistler Nordic Center | 54,060,000 | 54,060,000 | -26,256 | 54,033,744 | 137,099 ⁴ | 54,170,843 |
| Value in kind | -3,160,000 | -3,530,000 | 0 | -3,530,000 | 0 | -3,530,000 |
| Legacy Equipment unfunded | -560,000 | -560,000 | 0 | -560,000 | 0 | -560,000 |
| Value in kind adjustment 2006-2007 | -370,000 | | 0 | 0 | 0 | 0 |
| Total | 108,210,000 | 108,210,000 | -6,935 | 108,203,065 | 141,918 | 108,344,983 |
| Contribution Paid by Canadian Heritage | | | | | | 108,210,000 |
| Difference | | | | | | (134,983) |

³ Cut off adjustment. Refer to Section 5.1.

⁴ Ibid.

Appendix B – 3

Summary of Requested and Audited Amounts for the period from April 1 2008 to March 31, 2009

| Expense accounts (\$) | Budgeted Amounts as per Contribution Agreements | Contribution Requested | Difference between Accounting Records and Requested Amounts | Amounts as per Accounting Records | Possible Adjustments | Audited Amounts |
|---|--|-----------------------------------|--|--|---------------------------------|----------------------------|
| Richmond Speed Skating Oval | 12,640,000 | 12,360,000 | 3,726 | 12,363,726 | 0 | 12,363,726 |
| Whistler Sliding Center | 3,710,000 | 3,240,000 | 22,735 | 3,262,735 | -4,819 ⁵ | 3,257,916 |
| Whistler Nordic Center | 8,850,000 | 8,899,000 | 6,473 | 8,905,473 | -137,099 ⁶ | 8,768,374 |
| Olympic Stadium (BC Place) | 300,000 | 300,000 | 0 | 300,000 | 0 | 300,000 |
| Value in kind | -250,000 | -36,000 | 0 | -36,000 | 0 | -36,000 |
| Total | 25,250,000 | 24,763,000 | 32,934 | 24,795,934 | -141,918 | 24,654,016 |
| Contribution Paid by Canadian Heritage | | | | | | 24,763,000 |
| Difference | | | | | | 108,984 |

⁵ Ibid.

⁶ Ibid.

Appendix C – Possible Audit Adjustments

Cut-off Entries

2007-2008 Fiscal Period

1. Whistler Sliding Center

An amount of \$4,819 for the Whistler Sliding Center incurred in the 2007-2008 government fiscal period was included in the 2008-2009 government fiscal period.
Entry number 789166: \$4,819

2. Whistler Nordic Center

An amount of \$2,910 for the Whistler Nordic Center incurred in the 2007-2008 government fiscal period was included in the 2008-2009 government fiscal period.
Entry number 744841: \$2,910

3. Whistler Nordic Center

An amount of \$134,189 for the Whistler Nordic Center incurred in the 2007-2008 government fiscal period was included in the 2008-2009 government fiscal period.
Entry number 760125: \$134,189

2008-2009 Fiscal Period

1. Whistler Sliding Center

An amount of \$4,819 for the Whistler Sliding Center incurred in the 2007-2008 government fiscal period was included in the 2008-2009 government fiscal period.
Entry number 789166: (\$4,819)

2. Whistler Nordic Center

An amount of \$2,910 for the Whistler Nordic Center incurred in the 2007-2008 government fiscal period was included in the 2008-2009 government fiscal period.
Entry number 744841: (\$2,910)

3. Whistler Nordic Center

An amount of \$134,189 for the Whistler Nordic Center incurred in the 2007-2008 government fiscal period was included in the 2008-2009 government fiscal period.
Entry number 760125: (\$134,189)