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**AUDIT OF THE VANCOUVER ORGANIZING COMMITTEE (VANOC)  
FOR THE 2010 OLYMPIC AND PARALYMPIC WINTER GAMES  
CONTRIBUTIONS AGREEMENTS**

Assurance Services Directorate  
Corporate Review Branch

October 2007

Canada 

**VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC  
AND PARALYMPIC WINTER GAMES**

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# VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC AND PARALYMPIC WINTER GAMES

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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. The Committee'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 (BC), the City of Vancouver, the Resort Municipality of Whistler, the Canadian Olympic Committee, the Canadian Paralympic Committee and 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 a proud partner in delivering on the success of the 2010 Winter Games, the Government of Canada has made a major investment in this event. It is an opportunity to shine a light on Canada as an innovative, inclusive, and progressive nation that boasts one of the highest standards of living in the world.

There is a Multi-Party Agreement with the Government of Canada, the Government of British Columbia and other sport and public partners. As partners, both the Government of Canada and the Government of British Columbia have agreed to provide \$310 million in funding to cover infrastructure and legacy costs. In August 2006, both governments agreed to increase their respective contributions to the 2010 Winter Games Venue Development program (Capital Plan) by \$55 million. Further to this contribution, the Government of Canada will provide an additional \$187 million, directed primarily toward the provision of essential federal services (e.g. security, immigration, etc.) and federal coordination, for a total of \$552 million.

Of the above \$552 million, the primary focus of the federal investment to the 2010 Winter Games is the \$290 million contribution to the VANOC Capital Plan for Venue Development.

The Department of Canadian Heritage is the sole federal government investor in the venue development program and this amount has been matched by the Province of British Columbia.

The scope of the audit included VANOC's management practices (controls, risk management and governance) related to the 2010 Winter Games Venue Development Program (Capital Plan). The audit also included the venue development expenditures incurred by VANOC for the fiscal years starting April 1st, 2003 to March 31st, 2006 for which funds were awarded under three separate annual Contribution Agreements for \$4,400,000, \$3,700,000 and \$33,880,000 respectively. The specific venue projects covered by these agreements are also described in Annex A of the Contribution Agreements and in

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Annex L of the Multi-Party agreement and the funds provided through the Contribution Agreements.

This audit does not include any operating expenses relating to the VANOC's activities. Work was performed in Gatineau, Quebec, and in Vancouver, British Columbia (BC) at the recipient's premises.

### **Key findings**

In general, the audit noted that:

The Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) is well managed and has implemented good management practices and controls.

The VANOC has put in place a management control framework, a risk assessment process and several policies and procedures to provide guidance and ensure compliance to their agreement with PCH and good management practices.

Funds provided through contribution agreements were used for the purposes intended and expenditures reported in the final financial statements and submitted to PCH, for the period of September 30, 2003 to March 31, 2006, present eligible expenditures of VANOC that are fully supported and have appropriate supporting documentation, with minor exceptions in two disbursements as noted in section 6.4 and detailed in the adjustments listed in Appendixes B-1, B-2 and B-3.

VANOC has complied with the terms and conditions of the three contribution agreements, with minor exceptions with respect to reporting requirements and accounting for expenses in the proper accounting period as detailed in section 6.4 of the report.

### **Recommendations**

The recommendations below are provided to address the exceptions noted above and detailed in the observations included in the report.

It is recommended that:

1. For future agreements, VANOC should ensure that it adheres to the requirements in the agreements for transferring funds and that the authorization from the Minister is obtained prior of the execution of the transfers and the actual activities for which fund transfers are requested.
2. The reporting to PCH should be in compliance to the specifications in the Articles 8.2 and 8.3 of the Contribution Agreements.
3. For future agreements, VANOC should ensure that supporting documentation, such as invoices or an accounting of the expenditures incurred, are obtained and

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maintained in the files to support the expenses incurred with all financial contributions awarded.

4. Future agreements entered into by VANOC with outside third parties should ensure that terms and conditions for the use of these funds comply with Annex B of the Contribution Agreements.
5. Expenses should be accounted for in the proper government fiscal period to allow for appropriate funding of future activities. Clear cut off procedures should also be reviewed and communicated to appropriate resources within VANOC to minimize the risk of errors.

### **Management Responses to Executive Summary:**

#### **VANOC**

VANOC is very pleased with the overall audit findings that indicated that VANOC is well managed and has implemented good management practices and controls. We strive hard to ensure that funds used in our venue development program are carefully managed and expended in a fashion that brings the greatest benefit to the Olympic and Paralympic venue program. We were also satisfied with the positive findings with respect to the management control framework and risk assessment processes that have been put in place. We accept the recommendations provided and will make every effort to enhance our program by implementing the suggested changes.

#### **Federal Secretariat**

The 2010 Olympic and Paralympic Winter Games Federal Secretariat has reviewed the key findings and agrees with auditors that the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) is well managed and has implemented sound controls and management practices. The Federal Secretariat agrees with all of the recommendations and recognizes that these recommendations are the result of minor exceptions as noted in the audit report. The Secretariat will monitor and work with VANOC to ensure that each recommendation is implemented and that the Management Action Plan is put into effect.

## **1. Introduction**

### **1.1 Authority for the Project**

The 2006-2007 audit plan of the Department of Canadian Heritage (PCH) Assurance Services Directorate, Corporate Review Branch (CRB) identified the requirement to conduct an audit of VANOC Contribution Agreements. This requirement was established as a result of a department-wide program risk assessment conducted in 2005-2006.

The scope of this audit included the examination of the management of activities (controls, risk management and governance) and the funds provided through the Contribution Agreements. The audit included the expenditures incurred by VANOC for the fiscal years starting April 1st, 2003 to March 31st, 2006 for which funds were awarded under Contribution Agreements. Work was performed in Gatineau, Québec, and in Vancouver (BC) at the recipient's premises.

The audit objectives were intended to provide PCH senior management with:

- Assurance that management controls, risk management frameworks and overall governance structure are effective and adequate;
- Assurance that funds provided through the Contribution Agreements were used for the purpose intended; and
- Recommendations to PCH and VANOC that can be used to improve management and develop risk management frameworks where appropriate.

The audit included interviews, the review of relevant documentation and on-site examination of a sample of transactions in each of the fiscal years covered by the contribution agreements.

### **1.2 Background**

The Hosting Program is a key instrument in the Government of Canada's overall approach to sport development in Canada and aims to enhance the development of sport excellence and the international profile of sport organizations by assisting sport organizations to host the Canada Games and international sport events in Canada. These events are expected to produce significant sport, economic, social and cultural legacies. The program has four components: International Single Sport Events; International Strategic Focus Events; Canada Games and the International Major Multi-Sport Games.

On November 14, 2002, all parties involved in 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 of Municipality of Whistler, the Canadian Olympic Committee, the Canadian Paralympic Committee and the Vancouver 2010 Bid Corporation.

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

Canada's obligations under the Agreement are subject to the Federal Hosting Policy, and its financial obligations may be adjusted accordingly. The Hosting Policy is essentially a decision-making framework for determining federal involvement in the hosting of international sport events. The Policy clarifies the federal government's role in hosting and provides a transparent, decision-making tool for the government to assess proposals against strict criteria. The Policy links federal support to only those events which can bring significant net sport, economic, social and cultural benefits to Canadians.

As a key partner, PCH on behalf of the Government of Canada has several important responsibilities. These include contributing major federal funding and ensuring that the Games reflect Canadian priorities in areas such as environmental protection, sustainable development, official languages, cultural diversity and Aboriginal participation.

There is a Multi-Party Agreement with the Government of Canada, the Government of British Columbia and other sport and public partners. As partners, both the Government of Canada and the Government of British Columbia have agreed to provide \$310 million in funding to cover infrastructure and legacy costs. In August 2006, both governments agreed to increase their respective contributions to the 2010 Winter Games Venue Development program (Capital Plan) by \$55 million. Further to this contribution, the Government of Canada will provide an additional \$187 million, directed primarily toward the provision of essential federal services (e.g. security, immigration, etc.) and federal coordination, for a total of \$552 million.

Of the above \$552 million, the primary focus of the federal investment to the 2010 Winter Games is the \$290 million contribution to the VANOC Capital Plan for Venue Development.

The Department of Canadian Heritage is the sole federal government investor in the venue development program and this amount has been matched by the Province of BC.

Based on budgets presented in the Annexes B of the three agreements and their subsequent amendments covered by the audit, the maximum contribution of \$4,400,000, \$3,700,000 and \$33,880,000 respectively should be spent within the following budget items:

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| <b>Olympic Venues</b>              | <b>2003-04</b>     | <b>2004-05</b>     | <b>2005-06</b>      |
|------------------------------------|--------------------|--------------------|---------------------|
| UBC Winter Sport Centre            | \$58,200           | \$100,400          | \$0                 |
| Richmond Speed Skating Oval        | 48,500             | 127,100            | 4,380,000           |
| Cypress Freestyle and Snowboarding | 26,000             | 52,000             | 170,000             |
| Whistler Creekside Alpine          | 0                  | 30,000             | 400,000             |
| Whistler Nordic Center             | 201,100            | 2,200,000          | 12,500,000          |
| Whistler Sliding Center            | 120,000            | 857,700            | 12,440,000          |
| Hasting Park Skating Venue         | 0                  | 0                  | 3,510,000           |
| General Venue Program              | 121,200            | 332,800            | 140,000             |
| Whistler Media Center              | 3,000,000          | 0                  | 0                   |
| Whistler Paralympics Arena         | 825,000            | 0                  | 100,000             |
| Interest Adjustment                | 0                  | 0                  | 240,000             |
| <b>Total</b>                       | <b>\$4,400,000</b> | <b>\$3,700,000</b> | <b>\$33,880,000</b> |

## 2. Objectives

The purpose of the audit is to provide assurance to the Department that VANOC has complied with the terms and conditions of the Contribution Agreements by reviewing and confirming that:

- The management controls, risk management frameworks and overall governance structure pertaining to the Capital venues are effective and adequate;
- The funds provided through the Contribution Agreements between PCH and VANOC were used for the purpose intended; and
- Make recommendations to PCH and VANOC that can be used to improve management controls and develop risk management frameworks where appropriate.

## 3. Scope

The scope of the audit included VANOC's management practices (controls, risk management and governance) related to the 2010 Winter Games Venue Development Program (Capital Plan).

The audit also included the venue development expenditures incurred by VANOC for the fiscal years starting April 1st, 2003 to March 31st, 2006 for which funds were awarded under three separate annual Contribution Agreements for \$4,400,000, \$3,700,000 and \$33,880,000 respectively. The specific venue projects covered by these agreements are also described in Annex A of the Contribution Agreements and in Annex L of the Multi-Party agreement.



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This audit did not include any expenses relating to VANOC's operations (or operating costs) and other activities other than Venue Development. The specific tasks include:

- Assessment of the adequacy and effectiveness of the financial and non-financial management control framework including the organization governance, operations and information systems related to the Capital Venue projects funded by PCH.
- Assessment of the risk management and controls systems implemented by VANOC to assess and monitor its exposure to financial and operational risk (i.e. foreign exchange, inflation, project planning and deadlines, etc.).
- Assessment of the governance process.
- Audit of the funds provided to VANOC under the Contribution Agreements

### **4. Approach and Methodology**

The audit was conducted in accordance with the standards set out in the TB policy on internal audit and the Institute of Internal Audit Standards. These standards require that the audit be planned and performed in a manner that allows the audit team to provide assurance of the audit objectives. The audit team conclusions are based on the assessment of information provided by VANOC against the criteria defined in Appendix A of this report and reflect audit work conducted between December 11, 2006 and February 9, 2007. Sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this audit report.

#### Audit of the Expenses

In planning the audit of the VANOC's activities, the audit team gained an appreciation of the management, operations and control framework existing in VANOC. The information gathered enabled us to develop an Audit Engagement Plan specifying clear audit objectives and related criteria. We also communicated with the Canadian Heritage head office in order to obtain all relevant information and documentation to perform the audit. In order to facilitate the fieldwork, the audit team communicated with VANOC in advance to advise them of the audit objectives, the work plan, and to obtain a copy of the general ledger details.

This enabled us to adequately plan our on-site visit, develop audit programs and select a sample of transactions in advance by using a statistical sampling methodology using a 95% confidence level and prepare the audit approach and procedures.

#### Review of the Internal Control Framework

During the engagement, we performed a review of the internal controls implemented by VANOC through discussions and interviews with management and accounting personnel and through the review of documentation and policies provided by VANOC.

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## Review of Financial Transactions

During the on-site visit, we reviewed the financial transactions and the accounting records of VANOC for the periods covered by the Contribution Agreements under audit. The audit procedures have been planned and executed in accordance with Canadian generally accepted auditing standards, which includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. The audit work has relied on methodology and criteria's as part of the TBS Transfer Payment Policy and the Contributions and other Transfer Payment Guide.

## **5. Conclusion**

The audit found that VANOC is well managed and has implemented good management practices and controls.

The VANOC has put in place a management control framework, a risk assessment process and policies and procedures to provide guidance and ensure compliance with their agreements with PCH and good management practices.

Funds provided through contribution agreements were used for the purposes intended and expenditures reported in the final financial statements and submitted to PCH, for the period of September 30, 2003 to March 31, 2006, present eligible expenditures of VANOC that are fully supported and have appropriate supporting documentation, with two minor exceptions as noted in section 6.4 and detailed in the adjustments listed in Appendixes B-1, B-2 and B-3.

VANOC has complied with the terms and conditions of the three contribution agreements, with minor exceptions with respect to reporting requirements and accounting for expenses in the proper accounting period as detailed in section 6.4 of the report.

## **6. Observations and Recommendations**

Observations related to the internal control framework implemented by VANOC are based on documentation review and interviews with the management and financial staff of VANOC. Appendix A outlines the audit objectives and criteria that were used to assess VANOC's management controls, risk management and governance process and practices and the detailed audit findings by criteria.

### **6.1 Management Controls**

The audit findings demonstrate that the VANOC has met all of the criteria. Findings summarized below indicate that VANOC has:

- Established procedures to perform full backups of all financial and other systems on a regular basis. The multi module system used by the Recipient ensures minimal manipulation of data and therefore minimizes the risk or error and

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- permits timely reporting.
- Implemented the appropriate segregation of duties for the accounting and reporting of financial and operational information. Financial information such as financial statements, budgets and projects progress report are updated and reviewed on a regular basis by senior management. Disbursements of funds comply with the internal Delegation of authority and the reconciliation of the bank account.
  - Implemented procurement, contracting policies and procedures for all construction contracts allocated. A “Scheduling/Coordination” group is responsible to monitor/review contractors’ contracts and to integrate and monitor work schedules for venue construction on an ongoing basis.
  - There is proper monitoring of the venue projects by a Team of qualified professionals. VANOC has put in place a Legal Services Division and an Environmental group to assess approval and ensure compliance with all applicable laws and legislation.

There were no recommendations at this time.

### **6.2 Risk Management**

The audit findings demonstrate that the VANOC has met all of the criteria. Findings summarized below indicate that VANOC has:

- A comprehensive risk assessment process is in place for the Venue Program and has hired a Vice President of Risk Management and Assurance Services who is responsible for the Risk Management Strategic Plan and budget.
- Integrated risk management into the planning process. The risk assessment and proposed mitigating measures were a collective effort involving all levels within VANOC.
- Holds regular meetings with the “Scheduling/Coordination” group and the Venue Construction Team to discuss work progress and arising issues as well as to ensure that the risk levels and mitigation strategies are adequate and being implemented according to the plan. Records of decisions are maintained.

There were no recommendations at this time.

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### **6.3 Governance**

The audit findings demonstrate that VANOC has met all of the criteria. Findings summarized below indicate that VANOC has:

- Established a Board of Directors that meets on a regular basis,
- Established an independent and active Audit Committee,
- Developed a set of policies, procedures and practices that demonstrate their concern for transparency, ethics and conflict of interest.
- Regular reporting on the business and affairs of VANOC to the Board of Directors.
- Developed and implemented an “Ethics” Policy that states VANOC’s commitment to achieve its mission by engaging in relationships that are ethical and transparent and that will assure public confidence in the integrity of VANOC and the process by which it will achieve its mission.

There were no recommendations at this time.

### **6.4 Compliance with Contribution Agreements Terms and Conditions**

The audit team examined the financial controls implemented by VANOC, its accounting processes and the accounting records as they pertain to the Venue Development program and the three annual contribution agreements between PCH and VANOC covering the period of September 30, 2003 to March 31, 2006.

PCH funding is provided through annual contribution agreements and these were examined as part of the audit work conducted. The audit noted that these contribution agreements do not include any provision for instances where surpluses arise at the end of the term of each agreement. In 2005-06, VANOC asked for and received \$32,050,000 of the \$33,880,000 contribution agreement for that year. The audit was not able to conclude on the treatment of the overall difference at the end of March 31, 2006. Further details are provided in Appendices B-1, B-2 & B-3. Given that this is a multi-year project, PCH will have to discuss with VANOC the appropriateness of the cumulative difference noted below.

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| <b>Period Covered by the Agreements</b>                | <b>Total Costs per accounting records</b> | <b>PCH Contribution Paid</b> | <b>Differences</b> |
|--|---|------------------------------|--------------------|
| September 2003 to March 2004                           | \$ 4,487,804                              |                              |                    |
| <b>Audit Adjustment:</b><br>Whistler Paralympics Arena | (825,000)                                 |                              |                    |
| <b>Revised total cost</b>                              | 3,662,804                                 | \$ 4,400,000                 |                    |
| <b>Annual Difference</b>                               |   |                              | <b>737,196</b>     |
| <hr/>  |   |                              |                    |
| <b>Period Covered by the Agreements</b>                | <b>Total Costs per accounting records</b> | <b>PCH Contribution Paid</b> | <b>Differences</b> |
| April 2004 to March 2005                               | \$ 4,385,672                              |                              |                    |
| <b>Audit Adjustments:</b><br>Whistler Nordic Centre    | 225,111                                   |                              |                    |
| <b>Revised total cost</b>                              | 4,610,783                                 | \$ 3,700,000                 |                    |
| <b>Annual Difference</b>                               |   |                              | <b>(910,783)</b>   |
| <hr/>  |   |                              |                    |
| April 2005 to March 2006                               | \$ 31,344,768                             |                              |                    |
| <b>Audit Adjustment:</b><br>Whistler Nordic Centre     | 878,929                                   |                              |                    |
| <b>Revised total cost</b>                              | 32,223,697                                | \$ 32,050,000                |                    |
| <b>Annual Difference</b>                               |   |                              | <b>(173,697)</b>   |
| <b>Cumulative Totals</b>                               | <b>\$ 40,497,284</b>                      | <b>\$ 40,150,000</b>         |                    |
| <b>Total Cumulative Difference</b>                     |   |                              | <b>(347,284)</b>   |

As per Appendix B of the three Contribution Agreements, the PCH funding is provided for the construction or renovation of specific sport installations. Instances of non compliance with terms and conditions are discussed below.

**Observation**

Article 14 of the Contribution Agreement, for each fiscal year, states that the Recipient may transfer funds amongst approved expenditures, under certain circumstances. If one of the expenditure categories involved in the transfer results in an increase or decrease exceeding 15% of the funds for that category, the transfer requires authorization from the Minister. Due to the nature and complexity of the activities related to the construction of the various venues, VANOC was not able to realize all activities as per the initial budget for the respective fiscal year and did transfer funds to different categories that exceeded

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the 15%.

We found that VANOC requested the authorization from the Minister for fund transfer only after year end and after the activities were executed and respective expenses incurred. The request for the 2004-05 and 2005-06 Contribution Agreement budget transfer were submitted on July 12, 2005 and October 2, 2006 respectively and approved by PCH at that time.

**Risk Assessment**

If the authorization request would have been denied, the reallocation of the fund to the original intended purposes would have been difficult to realize since the expenses were already incurred.

**Recommendation**

It is recommended that:

1. For future agreements, VANOC should ensure that it adheres to the requirements in the agreements for transferring funds and that the authorization from the Minister is obtained prior of the execution of the transfers and the actual activities for which fund transfers are requested.

**Management Responses**

**VANOC**

Agreed. For future agreements, VANOC will ensure that authorization from the Minister is obtained prior to transferring funds.

**Federal Secretariat**

The Federal Secretariat will continuously monitor and work with VANOC in a timely fashion to ensure that it adheres to the requirements in the agreements for transferring funds and that authorization from the Minister is obtained prior to the execution of such transfers.

- 6.4.1** There are practices in place to ensure all requirements in the Contribution Agreement are addressed.

**Observation**

- VANOC's financial information such as financial statements, budgets and projects progress report are updated and reviewed on a regular basis by upper management. Monitoring and reviews are also done at monthly management meeting.

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- In October 2003, VANOC's Audit and Finance Committee established interim policies and procedures such as Delegation of Financial Authorities and Interim Procurement Procedures which were inspired by the policies used by the Province of British Columbia until the Committee developed a full and detailed set of Policies. Most of the policies were finalized in 2006.
- Article 8.2 of the Contribution Agreements requires VANOC to submit a Final Audited Financial Report (FAFR), which report may be either a separate note or statement within the Annual Audited Financial Statements that clearly indicates all of VANOC's revenues and expenditures with regard to the project funded through the Agreements for the entire term of the Agreements. However, the requested FAFR was not provided with the Annual Audited Financial Statements for the 2003-2004 fiscal period. The audit also noted that the financial information included in the 2004-2005 FAFR did not agree with the total expenses found in VANOC's General Ledger and was unaudited. In 2005-2006, the FAFR provided to PCH agree with VANOC's General Ledger but was still unaudited.
- While we recognize the fact that improvement has been made in complying with the reporting requirements in Article 8.2, additional effort should be undertaken to meet this specific requirement.
- The Article 8.3 of Contribution Agreements (CA) requires VANOC to send Interim and Final Activity Reports of its activities in relation to the projects funded under the Annex B of the CA. It was noted that the financial information included in the Final Activity Reports did not agree with the total expenses found in VANOC's General Ledger.

### **Risk Assessment**

Not complying with the terms and conditions of contribution agreement may result in funding delays and ultimately compromise the realization of the various venues activities as scheduled.

### **Recommendation**

It is recommended that:

2. The reporting to PCH should be in compliance with the specifications in Articles 8.2 and 8.3 of the Contribution Agreements.

### **Management Responses**

#### **VANOC**

Agreed. We will ensure that future Contribution Agreements reflect the specific

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reporting requirements and that such conditions are met.

### **Federal Secretariat**

The Federal Secretariat will monitor and work with VANOC to ensure that improvements made to the reporting requirements specified in Articles 8.2 and 8.3 of the Contribution Agreement continue and that changes are made to ensure all are adhered to in the future.

**6.4.2** There are practices in place to ensure that reported expenditures are accurate, paid and eligible expenditure with respect to the Contribution Agreement.

- VANOC authorized only expenditures that are related to the Contribution Agreements and the expenses were captured under the appropriate distinct project codes except for the following:

### **Observation**

VANOC awarded a financial contribution of \$3M to Tourism Whistler (TW) to offset certain costs of improvements made by TW to a conference center in exchange for providing VANOC with exclusive use of and other rights relating to the conference center during the period before, during and after the games. This financial contribution was supported by a detailed Venue Contribution Agreement describing the roles and responsibilities of each party. Nevertheless, there was no backup information in the files of VANOC, such as invoices or any accounting of expenditures supporting the costs of the renovation made to the conference center by TW that would support the amount of the contribution.

During the process of validation of audit findings following completion of the audit field work, VANOC requested and obtained an analysis detailing the breakdown of costs, from TW, indicating how the \$3M was spent. Because there was no supporting documentation provided with this analysis, the audit team did not conduct any audit tests on the representations made by TW.

### **Risk Assessment**

The absence of adequate backup documentation and information supporting the expenses covered under this agreement, make it difficult to ensure that funds were used for the purposes intended.

### **Recommendation**

It is recommended that:

3. For future agreements, VANOC should ensure that supporting documentation, such as invoices or an accounting of the expenditures incurred, are obtained and maintained in the files to support the expenses incurred with all financial



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contributions awarded.

**Management Responses**

**VANOC**

Agreed. The supporting documentation will be maintained in the accounting files to support expenses for all financial contributions awarded.

**Observation**

In 2003-04, VANOC awarded a financial contribution of \$825,000 to the Resort Municipality of Whistler (RMOW) for the Sledge Hockey Arena Project or for Future Legacy Projects if VANOC elected not to proceed with the options proposed by RMOW. The Contribution Agreement for 2003-04 only provided funding for the Whistler Paralympic Arena Project and did not provide options regarding the decision of VANOC not proceeding with RMOW's propositions. In August 2006, VANOC elected not to proceed with RMOW's option and moved the Paralympic Arena Project to another site.

Following this decision, the \$825,000 payment made by VANOC to RMOW was recorded as a payment for future legacy projects under venue development costs funded by the Province of British Columbia.

Subsequent to the audit, VANOC reimbursed the \$825,000 originally earmarked for venue development to PCH.

**Risk Assessment**

The provision included in the agreement between VANOC and RMOW to redirect funds from Venue development to legacy projects could result in funding being used for other than purposes intended.

**Recommendation**

It is recommended that:

4. Future agreements entered into by VANOC with outside third parties should ensure that terms and conditions for the use of these funds comply with Annex B of the Contribution Agreements.

**Management Responses**

**VANOC**

Agreed. For future agreements with outside third parties, VANOC will ensure that terms and conditions for use of the funds comply with the Contribution Agreement.

# VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC AND PARALYMPIC WINTER GAMES

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## **Federal Secretariat**

The Federal Secretariat is aware that while this was a noted exception, it will monitor and work with VANOC to ensure that future agreements between VANOC and outside third parties comply with the terms and conditions of the use of funds found in Annex B of Contribution Agreements.

### **Observation**

Some of the expenses reviewed were not accounted for in the proper government fiscal period. An amount of \$225,111 for the design of the Whistler Nordic Center incurred in the 2004-05 government fiscal period was included by error in the 2005-06 government fiscal period. There was also an expense of \$1,104,040 for engineering services for the same project that was incurred in the 2005-06 government fiscal period but included in the 2006-07 period.

These amounts are shown as audit adjustments 2, 3 and 4 to the total costs reported by year for venue development in annexes B and C. These adjustments do not affect the total costs incurred to date for venue development for the period from September 2003 to March 31, 2006.

### **Risk Assessment**

Not complying with the contribution agreements specifications may result in funding delays and ultimately compromise the realization of the various venues activities as scheduled.

### **Recommendation**

It is recommended that:

5. Expenses should be accounted for in the proper government fiscal period to allow for appropriate funding of future activities. Clear cut off procedures should also be reviewed and communicated to appropriate resources within VANOC to minimize the risk of errors.

### **Management Responses**

#### **VANOC**

Agreed. VANOC has established processes and procedures to ensure appropriate cut-off of expenditures for the government fiscal period.

## **Federal Secretariat**

The Federal Secretariat will ensure the necessary information is communicated to VANOC and review procedures already implemented by VANOC to ensure expenses are accounted for in the proper government fiscal periods.

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**Appendix A:  
Audit Criteria**

The following criteria were established to address the audit objectives.

| <b>Objective 1 – Management Controls, Risk Management Frameworks and Governance Structure are adequate and effective.</b> |  |   |           |
|---|--|---|-----------|
| <b>Management Controls</b>  |  |   |           |
| <b>Criteria</b>   | <b>Audit Findings</b>  | <b>Definition (*)<br/>Current<br/>Policy</b>  |           |
| <b>Criterion 1</b>  | The information system used to capture and report the financial and operational records ensures minimal manipulation of data.  | The multi module system used by VANOC ensures minimal manipulation of data and therefore minimizes the risk of error and permits timely reporting.  | <b>CM</b> |
| <b>Criterion 2</b>  | The organization has implemented appropriate internal controls to ensure proper segregation of duties for the accounting and reporting of financial and operational information.   | VANOC implemented appropriate segregation of duties since the functions of record keeping, asset custody; authorization and reconciliation are performed by different individuals in the organization.  | <b>CM</b> |
| <b>Criterion 3</b>  | The information reported is being reviewed regularly by appropriate financial personnel and communicated to the upper management for review and approval.                          | VANOC's financial information such as financial statements, budgets and projects progress report are updated and reviewed on a regular basis by upper management. Monitoring and reviews are also done at monthly management meeting  | <b>CM</b> |
| <b>Criterion 4</b>  | Contingency plans are developed for critical systems, and back-up and disaster recovery procedures are in place.   | VANOC established procedures to perform full backups of all systems on a regular basis.   | <b>CM</b> |
| <b>Criterion 5</b>  | The organization has implemented adequate tendering procedures and proposal evaluation procedures for all construction contracts allocated.  | - VANOC has implemented procurement and contracting policies and procedures that include topics such as Procurement, Request for Proposals and Sole Source or Direct Award Procedures.<br>- All direct award contract over \$ 50,000 and competitive contracts over \$1,000,000 must be approved by the Finance Committee. Contracts over \$2.5M have to be approved by the Board of Director on the recommendation of the Finance Committee. | <b>CM</b> |
| <b>Criterion 6</b>  | The organization has implemented proper procedures to monitor proper construction activities and ensure that venues constructions are being executed within the planned timeframe. | A "Scheduling/Coordination" group is responsible to monitor/review contractors' contracts and to integrate and monitor work schedules for venue construction on an on-going basis.  | <b>CM</b> |
| <b>Criterion 7</b>  | Qualified personnel or consultants regarding contracting activities have been hired by the organization to ensure proper monitoring of the venue projects.                         | The Team of professionals put together by VANOC includes employees and consultants who are professionals and/or experts in construction projects of similar nature or in their field of expertise.  | <b>CM</b> |

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|                        |  |  |  |
|------------------------|--|--|--|
| <b>Criterion 8</b>     | The organization has implemented proper procedures to ensure adequate monitoring of the budget for activities covered by the contribution agreements.                | Monthly financial progress reports are prepared by the Finance Manager, Venues and are reviewed monthly by the Venue Management Team who is responsible to monitor the Venue budgets.  | <b>CM</b>                                    |
| <b>Criterion 9</b>     | Bank reconciliations are performed monthly and un-reconciled items are appropriately followed-up with.   | Financial personnel perform the monthly bank reconciliation and un-reconciled items are followed up promptly with the Finance Manager to resolve the issue.  | <b>CM</b>                                    |
| <b>Criterion 10</b>    | Disbursements of funds were controlled by more than one individual (ideally two signing authorities).  | Two signatures are required on each cheque as per the internal Delegation of authority and the reconciliation of the bank account is performed by an employee who has no signing authority.  | <b>CM</b>                                    |
| <b>Criterion 11</b>    | The organization has a methodology to identify compliance requirement and ensure process and procedures are put in place to address these requirements.              | VANOC has put in place a Legal Services Division responsible for ensuring compliance with all applicable laws and legislations. As well, an Environmental group was created to lead all environmental assessment approvals. Monitors have been identified on every construction site and report back regularly to the Environmental Group. | <b>CM</b>                                    |
| <b>Risk Management</b> |  |  |  |
| <b>Criteria</b>        |  | <b>Audit Findings</b>  | <b>Definition (*)<br/>Current<br/>Policy</b> |
| <b>Criterion 1</b>     | A risk assessment initiative has been performed and is documented by the organization.   | - A comprehensive risk assessment process is in place for the Venue Program. A complete risk assessment of all venues was carried out in 2006, using Enterprise Risk Management Program, to produce a Risk Register.<br>- The Register is reviewed and updated every six months.   | <b>CM</b>                                    |
| <b>Criterion 2</b>     | Risk management is a key consideration in strategic, business, and operational planning and is integrated into the planning process.                                 | - VANOC hired a Vice President of Risk Management and Assurance Services who is responsible for the Risk Management Strategic Plan and the risk management budget.<br>- VANOC's Internal Audit Plan was developed using a risk based approach, in conjunction with the Risk Assessment and Risk Register.                                  | <b>CM</b>                                    |
| <b>Criterion 3</b>     | Contingency Plans are developed for all Venue projects to ensure their timely completion in the event of construction delays or problems with a specific contractor. | -In the Risk Register, each risk was rated in terms of probability of occurrence and of impact on scheduling and costs, delay duration, and expected cost of delay.<br>-The Risk Register Corrective includes actions/measures and pro-active steps, were identified to address each risk.   | <b>CM</b>                                    |
| <b>Criterion 4</b>     | The risk assessment has involved all levels within the organization in order to have appropriate   | - A key element of the risk assessment process was the involvement of all Venue Managers who participated to round tables  | <b>CM</b>                                    |

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|                    |   |  |  |
|--------------------|---|--|--|
|                    | acceptance of risk levels and ensure accomplishment of the strategic plan.  | to discuss and identify possible risks that they may face with each Venue, as well as mitigating measures for each risk.<br>- The risk assessment was a collective effort involving venue managers/employees and was presented and discussed at senior management meetings to ensure enterprise-wide knowledge and awareness of the potential risks associated with the venue construction projects.   |  |
| <b>Criterion 5</b> | A detailed plan has been elaborated to ensure that risk mitigation strategies were defined and “owners” have been determined to implement the activities. | The Risk Register contains proposed mitigation strategies and activities for each identified risk, as well as an estimated costs associated with the risk. It also identifies each risk owner.   | <b>CM</b>                                |
| <b>Criterion 6</b> | There are regular meetings to ensure that the risk levels and mitigating strategies are adequate and being implemented according to the plan.             | - A Scheduling/Coordination group is responsible to monitor/review contractors’ contracts and to integrate and monitor work schedules for venue construction on an on-going basis. The group also provides assistance when contract delays are identified or are expected.<br>- The group meets weekly with the Venues management team to discuss work progress and arising issues.  | <b>CM</b>                                |
| <b>Criterion 7</b> | The monitoring meetings are attended by the staffs that are responsible for the risk assessment and the implementation of the mitigating strategies.      | Weekly meetings are held by the Venue Construction Team with all the key players, including the risk owners who are responsible for the risk assessment and the implementation of the mitigating strategies. A record of decisions is maintained.  | <b>CM</b>                                |
| <b>Governance</b>  |   |  |  |
| <b>Criteria</b>    |   | <b>Audit Findings</b>  | <b>Definition (*)<br/>Current Policy</b> |
| <b>Criterion 1</b> | The organization has met its objectives during the course of the audit.   | -Established a Board of Directors that meets on a regular basis.<br>-Established independent Audit Committee<br>-Developed a set of policies, procedures and practices that demonstrate their concern for transparency, ethics and conflict of interest.<br>-VANOC has developed and implemented an “Ethics” Policy that states VANOC’s commitment to achieve its mission by engaging in relationship that are ethical and transparent and that will assure public confidence in the integrity of VANOC and the process by which it will achieve its mission.<br>-Directors, staff and volunteers working with VANOC are responsible to read and understand the policy and to comply with it | <b>CM</b>                                |

**VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC  
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|  |  |   |            |
|--|--|---|------------|
|  |  | in both letter and spirit.  |            |
| <b>Criterion 2</b>   | The organization publicizes its financial and operational results.                                       | - VANOC has developed a set of policies, procedures and practices that demonstrate their concern for transparency, ethics and conflict of interest. Key policies and procedures impacting the Venues include: <ul style="list-style-type: none"> <li>○ Ethics Policy, which also deals with conflict of interest;</li> <li>○ Policy on Reporting Wrongdoing;</li> <li>○ Procedures for Disclosure of Contract Award Decisions;</li> <li>○ Request for Proposal Procedures;</li> <li>○ Sole Source or Direct Award Procedures.</li> </ul>    | <b>CM</b>  |
| <b>Criterion 3</b>   | The organization has an independent and active Audit Committee.  | VANOC has established an Audit Committee. The Committee members are appointed by the Board of Directors. The Committee meets four times each year or as deemed necessary. The Finance Committee will also attend one of the meetings.   | <b>CM</b>  |
| <b>Criterion 4</b>   | The organization reports regularly to its Board of Directors.  | - The Board of Directors meets 6 times each year and meetings are documented in minutes kept by VANOC's Corporate Secretariat.<br>- At each Board meeting, the Board is appraised by VANOC's executive management team and committee chairs on the business and affairs of VANOC.   | <b>CM</b>  |
| <b>Criterion 5</b>   | The organization has policies, procedures and practices that demonstrate their concern for transparency. | - Quarterly and annual financial and operational results are posted on VANOC's internet site.<br>- Contract award decisions are posted on VANOC's web site.   | <b>CM</b>  |
| <b>Criterion 6</b>   | The organization has met its objectives during the course of the audit.                                  | VANOC has developed and implemented an "Ethics" Policy that states VANOC's commitment to achieve its mission by engaging in relationship that are ethical and transparent and that will assure public confidence in the integrity of VANOC and the process by which it will achieve its mission. The policy is designed to guide conduct, but can not address every circumstance. All Directors, staff and volunteers working with VANOC are responsible to read and understand the policy and to comply with it in both letter and spirit. | <b>CM</b>  |
| <b>Objective 2 – Funds should be disbursed in accordance with the Contribution Agreement Terms and Conditions and Treasury Board Policy on Transfer Payment.</b> |  |   |            |
| <b>Criterion 1</b>   | There are practices in place to ensure all requirements in the Contribution Agreement are addressed.     | - VANOC's financial information such as financial statements, budgets and projects progress report are updated and reviewed on a regular basis by upper management.   | <b>CME</b> |

**VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC  
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|                    |   |  |            |
|--------------------|---|--|------------|
|                    |   | <p>Monitoring and reviews are also done at monthly management meeting.</p> <p>In October 2003, VANOC's Audit and Finance Committee established interim policies and procedures such as Delegation of Financial Authorities and Interim Procurement Procedures which were inspired by the policies used by the Province of British Columbia until the Committee developed a full and detailed set of Policies. Most of the policies were finalized in 2006.</p> <p>- The Article 8.2 of the Contribution Agreements requires VANOC to submit a Final Audited Financial Report (FAFR), which report may be either a separate note or statement within the Annual Audited Financial Statements that clearly indicates all of VANOC's revenues and expenditures with regard to the project funded through the Agreements for the entire term of the Agreements.</p> <p>- The Article 8.3 of Contribution Agreements (CA) requires VANOC to send Interim and Final Activity Reports of its activities in relation to the projects funded under the Annex B of the CA.</p> |            |
| <b>Criterion 2</b> | There are practices in place to ensure that reported expenditures are accurate, paid and eligible expenditure with respect to the Contribution Agreement. | VANOC authorized only expenditures that are related to the contribution agreements and the expenses were captured under the appropriate distinct project codes with the exceptions described in the report.  | <b>CME</b> |

\* CM – Criterion Met, CNM - Criterion Not Met, CME – Criterion Met with Exception

**VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC  
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**Appendix B-1:**

**Summary of Reported and Audited Amounts for the period from September 2003 to March 31, 2004**

| Budget Line                            | Budgeted<br>Amounts | Reported<br>Amounts | Difference<br>between<br>Reported<br>amounts<br>And<br>Accounting<br>records | Amounts<br>As per<br>Accounting<br>Records | Reclassific<br>ations | Adjustments      | Audited<br>Amount |
|--|---------------------|---------------------|--|--|-----------------------|------------------|-------------------|
|  | \$                  | \$                  | \$   | \$   | \$                    | \$               | \$                |
| UBC Winter Sport Center                | 58,200              | 35,123              | 0  | 35,123                                     | 0                     | 0                | 35,123            |
| Richmond Speed Skating Oval            | 48,500              | 14,655              | 12   | 14,667                                     | 0                     | 0                | 14,667            |
| Cypress Freestyle and Snowboarding     | 26,000              | 23,736              | (1,304)  | 22,432                                     | 0                     | 0                | 22,432            |
| Whistler Nordic Center                 | 201,100             | 350,055             | (18,605)   | 331,450                                    | 0                     | 0                | 331,450           |
| Whistler Sliding Center                | 120,000             | 126,400             | (172)  | 126,228                                    | 0                     | 0                | 126,228           |
| General Venue Program                  | 121,200             | 113,296             | 12,735   | 126,031                                    | 0                     | 0                | 126,031           |
| Whistler Media Center                  | 3,000,000           | 3,000,000           | 0  | 3,000,000                                  | 0                     | 0                | 3,000,000         |
| Whistler Paralympics Arena             | 825,000             | 825,000             | 0  | 825,000                                    | 0                     | 1 (825,000)      | 0                 |
| Whistler Alpine                        | 0                   | 0                   | 6,873  | 6,873                                      | 0                     | 0                | 6,873             |
| <b>Total</b>                           | <b>4,400,000</b>    | <b>4,488,265</b>    | <b>(461)</b>   | <b>4,487,804</b>                           | <b>0</b>              | <b>(825,000)</b> | <b>3,662,804</b>  |
| Contribution Paid by Canadian Heritage |                     |                     |  |  |                       |                  | 4,400,000         |
| Difference                             |                     |                     |  |  |                       |                  | 737,196           |



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**Appendix B-2:  
Summary of Reported and Audited Amounts for the fiscal year April 1, 2004 to March 31, 2005**

| Budget                                 | Budgeted<br>Amounts | Reported<br>Amounts | Difference<br>between<br>Reported<br>amounts<br>And<br>Accounting<br>records | Amounts<br>As per<br>Accounting<br>Records | Reclassific<br>ations | Adjustments    | Audited<br>Amount |
|--|---------------------|---------------------|--|--|-----------------------|----------------|-------------------|
|  | \$                  | \$                  | \$   | \$   | \$                    | \$             | \$                |
| UBC Winter Sport Center                | 100,400             | 30,101              | 0  | 30,101                                     | 0                     | 0              | 30,101            |
| Richmond Speed Skating Oval            | 127,100             | 142,058             | (12)   | 142,046                                    | 0                     | 0              | 142,046           |
| Cypress Freestyle and Snowboarding     | 52,000              | 45,819              | 1,304  | 47,123                                     | 0                     | 0              | 47,123            |
| Whistler Creekside Alpine              | 30,000              | 22,476              | (6,873)  | 15,603                                     | 0                     | 0              | 15,603            |
| Whistler Nordic Center                 | 2,200,000           | 2,116,801           | 18,604   | 2,135,405                                  | 0                     | 225,111        | 2,360,516         |
| Whistler Sliding Center                | 857,700             | 1,616,356           | 172  | 1,616,528                                  | 0                     | 0              | 1,616,528         |
| General Venue Program                  | 332,800             | 398,059             | (12,736)   | 385,323                                    | 0                     | 0              | 385,323           |
| Hasting Park Skating Venue             | 0                   | 0                   | 13,543   | 13,543                                     | 0                     | 0              | 13,543            |
| <b>Total</b>                           | <b>3,700,000</b>    | <b>4,371,670</b>    | <b>14,002</b>  | <b>4,385,672</b>                           | <b>0</b>              | <b>225,111</b> | <b>4,610,783</b>  |
| Contribution Paid by Canadian Heritage |                     |                     |  |  |                       |                | 3,700,000         |
| Difference                             |                     |                     |  |  |                       |                | (910,783)         |

**VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC  
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**Appendix B-3:  
Summary of Reported and Audited Amounts for the fiscal year April 1, 2005 to March 31, 2006**

| Budget Line                            | Budgeted<br>Amounts | Reported<br>Amounts | Difference<br>between<br>Reported<br>amounts<br>And<br>Accounting<br>records | Amounts<br>As per<br>Accounting<br>Records | Reclassifi<br>cations | Adjustments    | Audited<br>Amount |
|--|---------------------|---------------------|--|--|-----------------------|----------------|-------------------|
|  | \$                  | \$                  | \$   | \$   | \$                    | \$             | \$                |
| Richmond Speed Skating Oval            | 4,380,000           | 2,846,742           | (844,329)  | 2,002,413                                  | 0                     | \$0            | 2,002,413         |
| Cypress Freestyle and Snowboarding     | 170,000             | 220,285             | 0  | 220,285                                    | 0                     | 0              | 220,285           |
| Whistler Creekside Alpine              | 400,000             | 487,715             | 0  | 487,715                                    | 0                     | 0              | 487,715           |
| Whistler Nordic Center                 | 12,500,000          | 12,446,138          | 0  | 12,446,138                                 | 0                     | 3,4 878,929    | 13,325,067        |
| Whistler Sliding Center                | 12,440,000          | 12,414,896          | 0  | 12,414,896                                 | 0                     | 0              | 12,414,896        |
| Hasting Park Skating Venue             | 3,510,000           | 3,324,488           | 0  | 3,324,488                                  | 0                     | 0              | 3,324,488         |
| General Venue Program                  | 140,000             | 101,911             | (174)  | 101,737                                    | 0                     | 0              | 101,737           |
| Whistler Paralympics Arena             | 100,000             | 0                   | 0  | 0  | 0                     | 0              | 0                 |
| UBC Sport Center                       | 0                   | 0                   | 87   | 87   | 0                     | 0              | 87                |
| Interest Adjustment                    | 240,000             | 347,009             | 0  | 347,009                                    | 0                     | 0              | 347,009           |
| <b>Total</b>                           | <b>33,880,000</b>   | <b>32,189,184</b>   | <b>(844,416)</b>   | <b>31,344,768</b>                          | <b>0</b>              | <b>878,929</b> | <b>32,223,697</b> |
| Contribution Paid by Canadian Heritage |                     |                     |  |  |                       |                | <b>32,050,000</b> |
| Difference                             |                     |                     |  |  |                       |                | <b>(173,697)</b>  |

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**Appendix C:  
Audit Adjustments**

**2003-2004 Fiscal Period**

**1. Whistler Paralympics Arena**

In 2003-04, VANOC awarded a financial contribution of \$825,000 to the Resort Municipality of Whistler (RMOW) for the Sledge Hockey Arena Project or for Future Legacy Projects if VANOC elected not to proceed with the options proposed by RMOW. The 2003-04 Contribution Agreement only provided funding for the Whistler Paralympic Arena Project and did not provide options regarding the decision of VANOC not proceeding with RMOW's propositions. In August 2006, VANOC elected not to proceed with RMOW's option and moved the Paralympic Arena Project to another site. Following this decision, the \$825,000 payment made by VANOC to RMOW was recorded as a payment for future legacy projects under venue development costs funded by the Province of British Columbia. Subsequent to the audit, VANOC reimbursed the \$825,000 originally earmarked for venue development to PCH. Entry number 49139: \$825,000

**2004-2005 Fiscal Period**

**2. Whistler Nordic Center**

An amount of \$225,111 for the design of the Whistler Nordic Center incurred in the 2004-05 government fiscal period was included by error in the 2005-06 government fiscal period. Entry number 60653: \$225,111

**2005-2006 Fiscal Period**

**3. Whistler Nordic Center**

An amount of \$1,104,040 for engineering services for the Whistler Nordic Center was incurred in the 2005-06 government fiscal period but included in the 2006-07 period by error. Entry number 135366: \$1,104,040

**4. Whistler Nordic Center**

An amount of \$225,111 for the design of the Whistler Nordic Center incurred in the 2004-05 government fiscal period was included by error in the 2005-06 government fiscal period. Entry number 60653: (\$225,111)