

**PARKS CANADA AGENCY**  
**AUDIT OF KEY FINANCIAL PROCESSES IN ONTARIO**

**FINAL REPORT**

**PERFORMANCE, AUDIT AND REVIEW GROUP**  
**DECEMBER 2004**

*Report tabled and approved by the A&E Committee*

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*Report tabled and approved at the A&E Committee meeting on June 27, 2005*

## **EXECUTIVE SUMMARY**

### **Background**

Parks Canada Agency (PCA) is conducting a series of cyclical audits of key financial, administrative and management practices for all field units, service centres and the national office.

The audit of the Ontario Service Center (OSC) and the 4 Field Units in Ontario was conducted as part of this cyclical audit program. However, the decision was made to regroup them all under one report because the relationship between the SC and FUs is different than in other areas in the country, as well as to avoid duplication of work. Indeed, the service center acts as a paying agent for all FUs in the case of contracts, acquisition cards and travel expenditures. It also plays a role in the reconciliation of the revenues.

### **Objectives and scope**

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

The scope of the audit included the review of key financial process areas of revenue, contracting, use of acquisition cards; expenditures for travel; payments to suppliers; and, safeguarding of high-risk valuable small items.

The scope of the audit covered processes in place and transactions entered into between April 2003 and September 2004.

### **Methodology**

The methodology included visits to Point Pelee National Park, Canada Marine Discovery Center, Trent Severn Waterway and the Service Center in Cornwall and comprised interviews with the FU management and personnel involved in financial management; review of relevant documentation and examination of a sample of transactions for each of the key financial process areas, where applicable.

### **Statement of assurance**

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

### **Conclusions**

We found that due diligence is being exercised in some management processes and that systems and controls in place in regards to revenues, travel expenditures and payment to suppliers are adequate. However, in regards to acquisition cards, contracts and inventories, processes and controls must be strengthened to comply with policies. We found nothing to suggest that the conclusions we reached do not apply to all field units, therefore, all Ontario Field Unit Superintendents as well as the Ontario Service Centre Director should consider the following recommendations applicable. We outlined below these recommendations.

## Recommendations:

Revenue

1. To standardize the process and simplify the resolution process, Niagara Area Historic Sites should send their bank deposit slips directly to Cornwall.
2. To avoid duplication of work, reconciliations should be performed at only one level.
3. FUS should make sure that work processes are documented and can be performed by an alternate in order to avoid unnecessary delays.

Contracts

4. FUS should ensure that all contracting staff receive appropriate training. The training should emphasize:
  - Ensuring there is a signed contract prior to the commencement of work
  - Signing authorities
  - Contract splitting
  - Solicitation of bids where appropriate, records kept on file
  - Rules for using LPOA
5. FUS must enforce controls and ensure staff adherence to contracting policies.
6. Staff from accounts payable, when they become aware of an inappropriate use of a LPOA, should advise the contract officer so that they could remind the individual of the improper use.
7. Managers should consider establishing a cost rational when entering into an MOU.
8. Field Unit Superintendents and OSC Director should reach an agreement to standardize processes and methods for entering contracts in SAP across Ontario to both ensure that PCA meet TBS requirements with regards to reporting and also to avoid duplication of work.

Acquisition cards

9. The master list of acquisition cardholders, generated at the OSC, should be sent to the Field Units on a regular basis for verification. This verification will ensure that the list is current and will decrease the risk of inappropriate usage.
10. The Acquisition Card Coordinator should re-evaluate and review on a regular basis the need for all the current cardholders to retain a card.
11. The Acquisition Card Coordinator must establish a system that ensures acquisition cards are reclaimed and cancelled for individuals no longer employed by the Agency.
12. Except for the Northern Ontario Field Unit where MasterCard is not always accepted, the Acquisition Card Coordinator should seek to switch all acquisition cards from Visa to MasterCard to facilitate monitoring.
13. Update signature specimens for each Field Unit. Signature specimens should be updated on a regular basis and forwarded to the OSC.
14. FUS and OCS Director must ensure that acquisition card policies are adhered to and enforced throughout Ontario.

15. Training on FAA Section 34 authorization should be implemented for new employees. Current employees should also be reminded that they can not provide Section 34 authorization for their own purchases.
16. Training on the appropriate use of acquisition cards should be mandatory for all card holders and include:
  - Ensuring payments are made on time/ documentation must be forwarded to the OSC in a timely manner to ensure payment is made on time;
  - Ensure purchase register is being completed and signed;
  - Ensure acquisition cards are put on hold, cancelled or put in safe keeping for employees on long term leave;
  - Ensure acquisition cards are reclaimed during the exit process;
  - Review eligible purchases; and
  - Review who is authorized to use the acquisition card.
17. All receipts, or copies of receipts, should be forwarded to the OSC.
18. Ensure that hospitality expenses are valid, documented, and that hospitality guidelines are adhered to including having hospitality pre-approvals.
19. Inappropriate purchases made with the acquisition cards must stop. Random review of acquisition card statements should be made over the next period of 12 months to ensure the practice has stopped.
20. Review all employees who travel and ensure that those who need an American Express Card, for travel, have one.
21. Review and re-evaluate, on a regular basis, the need for all current acquisition cards to remain active.

#### Travel

22. A copy of the blanket authorization form must be sent to the OSC to be included in the traveler's file; where blanket authority is not in place, a copy of the approved TAA must be sent along with the travel expense claim form.
23. Annually provide frequent travellers with blanket authorization, limited to the frequented region of travel.

#### Inventory

24. Tracking systems should be reinforced to ensure that items purchased on acquisition cards are inventoried appropriately.
25. For the CMDC clearly defined responsibilities, for the tracking of inventory, should be implemented immediately.

## **BACKGROUND**

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

The service centres support the organization in a variety of professional and technical disciplines. Directors of the service centres and field units are responsible for ensuring that the policies, directives, and guidelines issued by the TBS and PCA are followed.

The audit of the Ontario Service Center (OSC) and the 4 Field Units in Ontario was conducted as part of this cyclical audit program. However, the decision was made to regroup them all under one report because the relationship between the SC and FUs is different than in other areas in the country, as well as to avoid duplication of work. Indeed, the service center acts as a paying agent for all FUs in the case of contracts, acquisition cards and travel expenditures. It also plays a role in the reconciliation of the revenues.

## **OBJECTIVE AND SCOPE**

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

The scope of the audit included the review of the following key financial process areas:

- Revenues;
- Contracting;
- Use of Acquisition Cards;
- Expenditures for Travel;
- Payments to Suppliers; and,
- Safeguarding of High Risk Valuable Small Items.

The scope of the audit covered processes in place and transactions entered into between April 2003 and September 2004.

## **METHODOLOGY**

The audit methodology included site visits to Point Pelee National Park, The Canada Marine Discovery Centre, The Trent Severn Waterway and the Service Centre in Cornwall. Specific activities include:

- Interviews with the FU management and personnel involved in financial management;
- Review of relevant documentation including the Sustainable Business Plan, Organization Chart, PCA delegated Signing Authorities Chart, policies that deal with the key financial process areas, and various financial reports prepared by the Manager, Finance and Administration; and,
- Examination of a sample of transactions for each of the key financial process areas, where applicable.

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

<b>Audit Reporting Rating System</b>		
<b>RED</b>	Unsatisfactory	Controls are not functioning and/or fraudulent activities have been detected which will or have a material impact on both the financial statements and operations of the Agency.
<b>ORANGE</b>	Significant Improvements Needed	The control environment is lacking and/or has degraded since the last audit and is a contributing factor to non-achievement of program/operational objectives. Immediate management actions need to be taken to address the control deficiencies noted.
<b>YELLOW</b>	Moderate Improvements Needed	Some controls are in place and functioning; however, several major issues were noted that could jeopardize the accomplishment of program/operational objectives.
<b>BLUE</b>	Minor Improvements Needed	Many of the controls are functioning as intended; however, some minor changes are necessary to make the control environment more effective and efficient.
<b>GREEN</b>	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

## **STATEMENT OF ASSURANCE**

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

## **CONCLUSIONS**

We choose to visit sites that we thought would be representative of the operations in the four Ontario field units. However, we do realize that some sites in Field Units may operate differently than what we were able to validate.

We found nothing to suggest that the conclusions we reached do not apply to all field units; therefore, Ontario Service Centre Director as well as all Ontario Field Unit Superintendents should consider the following recommendations applicable.

We found that due diligence is being exercised in some management processes and that systems and controls in place for managing revenues, travel expenditures and payment to suppliers are adequate. However with regard to acquisition cards, contracts and inventory management processes and controls must be strengthened to adequately safeguard assets. We outlined below the issues that should be addressed by all Ontario Field Unit Superintendents and the Ontario Service Centre Director.

### **Revenues**

BLUE	Minor Improvements Needed	Many of the controls are functioning as intended; however, some minor changes are necessary to make the control environment more effective and efficient.
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In Ontario, each site is responsible for collecting and depositing revenue. With the exception of the Trent Severn Waterway and the Rideau Canal, the Ontario Service Center is responsible for entering all revenue data into SAP as well as creation of the material number based on the PCA Revenue Reporting Framework. The bank reconciliation is also done in Cornwall with the bank deposit slips sent by the Field Units. However, we found that the Niagara area national historic sites are the only sites that do not send the deposit slips to the Service Centre. Instead the data is transmitted via Email. With deposit slips, OSC staff can usually locate a discrepancy and determine the course of action required to correct it quickly. When deposit slips are kept on-site, the site staff must be called upon to help determine the cause of the problem. Resolution then requires working with data from a distance and involves two people.

### **Recommendation:**

- 1. To standardize processes and simplify the resolution process Niagara Area NHS' should send their bank deposit slips to the Service Centre.**

As previously stated, each site is responsible for collecting revenue and making deposits. The audit examined in more detail the revenue processes in place in Point Pelee and the Trent Severn Waterway (TSW). The Canadian Marine Discovery Center (CMDCC) and HMCS Haïda National Historic Site do not collect revenue thus far, and revenues collected at the Ontario Service Centre are minimal, less than \$5K a year.

The auditors confirmed that revenue systems vary among the various sites in Ontario with each site having developed a system that they feel best suits their operations. The systems the audit reviewed range from automated to entirely manual.

The TSW has an automated revenue system that allows them to effectively control revenues. A procedures manual has recently been completed and will be available to all lock employees for the 05/06 season. Access to the database is limited to the computer team. Employees can only access the fields in relation to the sale of permits. Each permit is pre-numbered and the



master lock operator is responsible for the ones he/she receives at the beginning of the season. Deposits are made weekly by employees at each lock station. A sales report is sent to and checked at TSW Office. At the end of the season the overall reconciliation is performed and any discrepancy is then explained. At the time of the audit however, the final reconciliation was not yet complete due to lack of resources.

At Point Pelee National Park, the system is primarily manual. This system suits their operations as the park has only one entrance and the controls in place are considered to be adequate. In most cases, gate operators collect funds and deposits are made by another individual. Each transaction is entered under a specific code pre-programmed on the cash register. The finance officer in the Point Pelee office does the reconciliation, providing adequate segregation of duty and a suitable control over revenues. The finance officer does the SAP reconciliation, a duplication of tasks given that the same function is undertaken by a reconciliation officer at the Ontario Service Centre.

During the audit, it was noted that while job descriptions exist for the finance positions, there is no document detailing the day-to-day revenue-related tasks. The audit also noted the lack of designated alternates for the finance positions. In most situations when the employee is absent, the function is not performed until the absent employee returns.

### **Recommendations**

2. **To avoid duplication of work, reconciliations with regards to SAP should be performed at only one level.**
3. **FUS should ensure that processes are described and an alternate can perform work in order to avoid unnecessary delays.**

### ***Contracts***

ORANGE	Significant Improvements Needed	The control environment is lacking and/or has degraded since the last audit and is a contributing factor to non-achievement of program/operational objectives. Immediate management actions need to be taken to address the control deficiencies noted.
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Since January 2004, it is a requirement that all contracts be entered into the Material Management (MM) Module of SAP. Prior to that date a contract log was maintained at the OSC to monitor all contracts. Despite the Agency's Finance Committee having approved the recommendation that field units should be entering their contracts into SAP, many do not. The two recurring reasons offered by the field units are: SAP is not user friendly; and, the field units do not have the resources to do the data entry. Instead, the field units prefer to transmit their contract information to the OSC requiring the procurement and contract officers (who should fulfill more of an advisory function) to prepare, sign and enter contracts into SAP on behalf of FUs. While the OSC procurement and contract officers have blanket signing authority, responsibility for contracts still rests with the responsible managers.

Based on a list provided by the OSC, the audit reviewed 48 (19%) contracts out of the 252 entered into SAP. The 48 contracts we reviewed were valued at over \$3 million accounting for 14% of the \$23 million total of contracts entered into SAP.

Out of these 48 contracts, we found 15 instances of non-compliance, representing 31% of our sample. Described below are our findings:

- Seven cases (5 contracts and 2 amendments) involved contract documentation approved after work was started or even completed. This includes one contract that was modified when it became obvious that the original deadline would not be met. While verbal contracts are considered as binding as those written, this should be avoided. It could lead to a dispute if the terms of the contract are not clear or well defined. Also, a written contract will serve as evidence for the parties if the obligations are not met.
- Two cases where contract amendments were made without any justification on file.
- Five cases of sole source contracts without justification on file. Without complete documentation, it is impossible to assess compliance with government policies of best value and open access to contracting opportunities.
- One MOU did not have an indemnity clause or signature from the partnering federal department.

In the Central Ontario Field Unit the audit identified approximately 14 contracts (seven valued over \$15K) with a total value of approximately \$350,000 that were not entered into SAP and therefore not included as part of the audit's original sample. While the audit determined that at Point Pelee NP and the sites in Hamilton, all contracts were entered into SAP, the situation at the other Ontario sites remains unknown. Now that the Agency must report to TBS on all contracts valued over \$10,000, the inability to rely on SAP to generate a complete list of contracts is not only inefficient but also a failure to fully realize the benefits in the acquisition and implementation of the IFMS.

It should be noted that with one exception, all 14 contracts were in compliance with contracting policies. The one exception was a file containing two copies of the contract citing different dollar amounts. One contract was signed by an Agency representative while the other was signed by the contractor. The field unit was unable to provide an explanation for the discrepancy during our on site visit.

The audit also found cases where field units used LPOA's to enter into contracts. In most cases the LPOAs were used in an appropriate manner, however some exceptions were noted including:

- Two cases where the amount exceeded the \$5K signing authority.
- Two cases where an LPOA was used to obtain professional services.
- One case where 12 different LPOAs were used to obtain the services of one contractor for a total of approximately \$25,000. Instead, a tendering process should have been employed.

- One case where three separate LPOAs were used to avoid exceeding the \$5K signing authority.

The audit also reviewed a sample of Memorandums of Understanding (MOUs). In Ontario, field units have seven ongoing MOUs with universities of which three were examined accounting for \$185,000 of the \$230,000 total. We noted that MOU agreement documents are crafted with less rigour than contracts. Specifically MOU terms of reference are often weaker and detailed cost rationales non-existent. Moreover, it is our understanding that the use of MOUs in contracting arrangements with universities is not appropriate giving the fact that the latter are not considered governmental organizations, which should be the only entity eligible to enter into a MOU with.

### **Recommendations:**

- 4. Field Unit Superintendents should ensure that all staff involved with contracting receives appropriate training. The training should put emphasis on:**
  - Obtaining signed contracts prior to the commencement of work
  - Signing authorities
  - Contract splitting
  - Solicitation of bids where appropriate and supporting documentation
  - Directives for using LPOAs
- 5. Field Unit Superintendents must enforce controls and ensure staff adherence to contracting policies.**
- 6. Staff from accounts payable, when they become aware of an inappropriate use of a LPOA, should advise the contract officer of the improper use.**
- 7. Managers should review the process currently in place with regards to MOUs entered into with universities.**
- 8. Field Unit Superintendents and OSC Director should reach an agreement to standardize processes and methods for entering contracts in SAP across Ontario to both ensure that PCA meets TBS requirements with regards to reporting and also to avoid duplication of work.**

### ***Acquisition Cards***

<b>RED</b>	Unsatisfactory	Controls are not functioning and/or fraudulent activities have been detected which will or have a material impact on both the financial statements and operations of the Agency.
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There are 408 acquisition cards issued throughout Ontario (135 Visa and 274 MasterCard) with varying spending limits. At the time of the audit, 118 acquisition cards had spending limits exceeding \$15,000. Management of acquisition cards has been centralized at the OSC. One Acquisition Card Coordinator is responsible for managing all acquisition cards in the province. The function includes reviewing transactions, providing guidance on acquisition

card procedures and policies, providing section 33 authorization for payments and maintaining a master list of cardholders.

The Ontario field units are responsible for ensuring that cardholders maintain a purchase register that is reconciled to monthly statements. Cardholders are also responsible for sending the OSC the signed purchase registers and the monthly statements with the supporting receipts and invoices.

The acquisition card portion of the audit was conducted at the OSC, as all files are located there due to centralization. The audit findings have not been identified as specific to MasterCard or Visa, instead findings been grouped together to represent acquisition cards findings as an entirety.

On-line summary reports are available from MasterCard, however a similar report from Visa is not available. By accessing the MasterCard website, on-line summary reports allow for the Coordinator to view transactions for individual cardholders. This is a particularly useful tool when approving purchases and approving payment. Because Visa does not offer the same on-line service, some field units across the Agency have opted to adopt MasterCard as their acquisition card provider. While this practice has been considered in Ontario, the Northern Ontario Field Unit requires Visa cards since many vendors in the area do not accept MasterCard.

Delinquency reports are run every month at National Office. The National Coordinator notifies the OSC coordinator of delinquent accounts. If after three months the account remains delinquent MasterCard or Visa suspend the card. Only the National Acquisition Card Coordinator can reactivate a suspended account. The Acquisition Card Coordinator at the OSC has the authority to cancel acquisition cards if misuse is suspected. However, this measure is not usually undertaken without prior consultations with the Field Unit Superintendent and the National Coordinator. These consultations are often aimed at finding an alternative solution to the cancellation of the card. The OSC Coordinator is also responsible for running inactivity reports. These reports are run on an irregular basis; the last report was run in February 2004.

We identified two different types of findings that we present below.

Findings related to key process:

- Maintaining an accurate master list of cardholders is problematic. The master list is not reconciled with the Field Units on a regular basis to confirm its accuracy. A recurring problem is individuals leaving the Agency, the OSC not being notified and the card remaining active. In one instance the audit documented an acquisition card continuing to be used by an individual who is no longer employed by Parks Canada.
- From a sample of 79 cardholders, 15 had not used their acquisition card in fiscal year 2003-04.

- For the six months prior to the audit 51 of the 274 MasterCard were inactive. With such a large number of inactive cards there is an increased risk that these cards will be misused, stolen or misplaced.
- According to the OSC coordinator some individuals continue to provide section 34 authorization for their own purchases. This is against Treasury Board policy and increases the probability of unauthorized purchases.
- The signature specimens were not updated or accurate at the time of the audit. At the OSC there were no signatures on file for Bellevue House in the Eastern Ontario Field Unit. It was also noted that the Northern Field Unit was behind in submitting their signature specimens. A telephone call was required to ensure that an individual had section 34 authority. Without updated signatures it becomes difficult to ensure that the proper authority has been given under section 34.
- Acquisition cards are often used to pay cellular telephone invoices. The Parks Canada Information Guide for Procurement of Goods less than \$5,000, lists acquiring telecommunication services (line charges) with the acquisition card as prohibited. However, cellular phones, purchases, rentals etc. are acceptable. These guidelines are unclear in regards to monthly cell phone invoices. It is our understanding that it is acceptable to charge the cellular invoice to the acquisition card only if the charge is consistent every month. Cellular telephones should also be registered to a PCA site. There was one incident where the cellular telephone was registered to a home address which received invoices for different amounts every month.
- It was noted that several field units prefer to keep their invoices on site and not forward them as supporting documentation to the OSC. This makes it impossible to ensure that the purchases are legitimate. Some purchases listed on the statements were questionable and could not be verified since invoices were not included in the file.

### **Recommendations**

9. **The master list of cardholders, generated at the OSC, should be sent to the field units on a regular basis for verification. This verification will ensure that the list is up to date and will therefore decrease the risk of inappropriate usage.**
10. **The Acquisition Card Coordinator should re-evaluate and review on a regular basis the need for all the current cardholders to retain a card.**
11. **The Acquisition Card Coordinator must establish a system that ensures acquisition cards are reclaimed and cancelled for individuals no longer employed by the Agency.**
12. **Except for the Northern Ontario Field Unit where MasterCard is not always accepted, the Acquisition Card Coordinator should seek to switch all acquisition cards from Visa to MasterCard to ease the monitoring.**
13. **Update signature specimens for each Field Unit. These signature specimens should be updated on a regular basis and forwarded to the OSC.**

Findings Acquisition Cards:

In 28 instances, 43% of our sample, across all four Ontario field units, individuals provided section 34 for their own purchases. This contravenes Treasury Board Policy and increases the risk that unauthorized purchases will be approved. However, we noted some improvement during the year:

- In 7 instances individuals changed their practice and had another individual provide section 34 authorization for their purchases.
- The Financial Advisor from the Northern Ontario Field Unit distributed an email advising employees that they were not permitted to provide section 34 authorization for their own purchases. A change was noted for 3 out of 5 cardholders from the Northern Field Unit.

In 28 instances, 43% of our sample, the audit noted ineligible purchases being made with acquisition cards across all four Ontario field units. In all field units we found non-compliance with the acquisition card policies:

- The acquisition card was often used for travel expenses. Travel expenses should be made using a travel card, advance or reimbursement. Using the acquisition card for travel expenses increases the risk of double claiming some expenses.
- The acquisition cards were used for numerous automobile expenses. Treasury Board policy states that acquisition cards are not to be used for expenses related to fleet vehicles. Fleet vehicle expenses should be paid for using the ARI Canada card. The ARI card allows the sites to monitor the cost of maintaining, repairing and operating fleet vehicles. Using the ARI card will also help reduce the cost of operating fleet vehicles as a discount is given with fuel purchases.
- In two instances, one in the Northern and one in the Central field units, the acquisition card was used to make personal purchases. A stale dated check, for the amount of one of the purchases, was discovered in one of these files.
- In three field units, Northern, Southwestern and Eastern Ontario, there were questionable purchases found in the acquisition card files. These purchases were for non-essential food items as well as restaurant meals. One file stated 'staff day' as reasoning for an \$80 meal charge. Another file had a charge for a \$1,323.50 retirement dinner party. Some of these charges may fall under the rules for hospitality, however we did not find sufficient information to support this possibility. There were no hospitality forms signed on file.
- Cellular telephone invoices are often paid for using the acquisition card. Copies of the monthly bill, listing the monthly phone calls, are not always included in the file. This makes it impossible to verify that the phone was used for work purposes.

In 32 instances, 49% of the sample, there were no receipts or invoices on file to support the purchases. In all field units there was non-compliance of this directive.

- Certain sites within the Central, Eastern and Southwestern Ontario Field Units made the decision to retain receipts and invoices in the field unit. Since copies of the receipts or invoices are not forwarded to the OSC we cannot reconcile the purchases since the audit trail has been broken.

In 12 instances, 18% of the sample, there were late payments.

- These late payments occurred at the OSC and the Eastern, Northern and Southwestern Field Units.
- Five of these late payments resulted in interest charges.

In 11 instances, representing 17% of the sample, individuals other than the cardholder made purchases using an acquisition card. These incidences occurred in the OSC and the Eastern and Southern Ontario field units.

- One of these cases involved a cardholder paying for another individual's satellite phone bill, on top of his own monthly bill. The manager at the OSC stated that the one individual was believed to be on long term sick leave, however another individual may be using the telephone in his absence. This individual, believed to be on long-term sick leave, still has an active MasterCard.

In four instances, 6% of the sample, the purchase register was not being reconciled to the monthly statement.

- One file contained a receipt signed by an individual other than the cardholder. This charge appeared on the Visa statement but did not appear on the purchase register.
- In some cases there was no purchase register present. Therefore this reconciliation could not have taken place.

In two instances, individuals had outstanding balances on their acquisition cards that had been closed. These two incidences occurred in the Northern and Southwestern Field Units.

- It was also noted that two active cards at the Ontario Service Center were assigned to staff no longer working at the OSC, and remained in the possession of these individuals. In one of these cases the card was used after the individual had left Parks Canada. In the other case, the card was cancelled during the course of the audit.

In one instance, in the Southwestern FU, an individual made a purchase exceeding the \$5K limit and appears to be a split purchase in order to circumvent the purchase limit. The two purchases were related and came from the same company; the invoices were dated only days apart. Together the purchases totaled \$7,771.58

### **Recommendations:**

- 14. Field Unit Superintendents and the OCS Director must ensure that acquisition card policies are adhered to and enforced throughout Ontario.**
- 15. Training on Section 34 should be implemented for new employees. Current employees should also be reminded that they can not provide the section 34 authorization for their own purchases.**



16. Training on the appropriate use of the acquisition card made mandatory for all new cardholders. Training should include:
  - Ensuring payments are made on time/supporting documents must be forwarded to the OSC in a timely manner to ensure payment is made on time;
  - Ensure a purchase register is being maintained and signed;
  - Ensure acquisition cards are suspended, cancelled or properly secured for employees on long term leave;
  - Ensure acquisition cards are reclaimed when employees leave the Agency;
  - A review of eligible purchases; and
  - A review of who is authorized to use the acquisition card.
17. All receipts, or copies of receipts, should be forwarded to the OSC.
18. Ensure that hospitality expenses are valid, documented, and that hospitality guidelines are adhered to including having hospitality pre-approvals.
19. Inappropriate purchases made with the acquisition cards must stop. Random review of acquisition card statements should be made over the next period of 12 months to ensure the practice has stopped.
20. Where warranted, ensure that all travelers have an American Express travel card.
21. Review on a regular basis the need for all current acquisition cards to remain active.

### *Travel*

<b>BLUE</b>	Minor Improvements Needed	Many of the controls are functioning as intended; however, some minor changes are necessary to make the control environment more effective and efficient.
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The 4 field units and the OSC jointly manage the travel of Agency employees in Ontario. Field Unit managers are responsible for approving the traveler's Travel Authority Advance (TAA) and providing section 34 authorization on the travel expense claim submitted by the employee following the trip. The expense claim and accompanying receipts are then to be sent to the OSC for electronic section 33 authorization and the processing of any reimbursement.

At the OSC, it is the responsibility of the Travel Card Coordinator to oversee both the processing of travel claims and the management of the travel cards. While travelers are entitled to a travel advance, it is strongly encouraged that frequent travelers have a Government of Canada American Express (AMEX) Travel card. Files for each traveler are maintained at the OSC and include approved travel claim forms and supporting receipts. The Coordinator oversees the issuing of travel cards for all Ontario-based staff, provides on-going



guidance on appropriate use of the travel card and interpretation of travel policies and guidelines. It should be noted that the role of the OSC is to provide an advisory and support function, consequently it is ultimately up to the discretion of the Field Unit Superintendent to ensure that travel cards are used appropriately by Field Unit staff and travel practices are compliant with PCA and TBS policies.

#### Findings for Travel Expenditures:

Overall the audit noted near complete compliance with travel policies with the exception of a travel authority on file for each trip or a blanket authorization. The audit indicates that travelers are claiming for only eligible expenses, expense reports are accurately calculated and where an error was made it was corrected by OSC staff.

In 124 instances, 71% of the sample, a Travel Authority Advance (TAA) or blanket authority document was not on file. In the absence of a signed TAA or proof of blanket authority accompanying a travel expense claim, the OSC accounts payable staff rely on the Section 34 certification as a means of confirming that the travel was authorized by the traveller's manager. This can be problematic as the audit documented one instance where the traveler provided section 34 authorization for their own travel. In addition to providing evidence that travel has been pre-approved, completing a TAA prior travel or having a blanket authority document ensures that travellers are considered on travel status and consequently insured in the event of an accident.

#### Recommendations for Field Units and Service Center:

22. **A copy of the blanket authorization form must be sent to the OSC to be included in the traveler's file; where blanket authority is not in place, a copy of the approved TAA must be sent along with the travel expense claim form.**
23. **Have repeat travellers complete a blanket authorization document, limited to the province of travel, once a year.**

#### *Payment to suppliers*

GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.
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In Ontario, purchases of goods and services are carried out with contracts or acquisition cards (both detailed elsewhere in this report), or through the PO / LPOA process. The generally accepted guideline is purchases should be made with acquisition cards unless the supplier does not accept credit cards. We were told that especially in remote areas, this is often the case.

The audit included interviews with field unit and OSC staff and a sample 18 payments for detailed examination. Nine of the payments were previously examined as part of the contracts, acquisition cards or travel portions of the audit. The remaining nine were new selections. For all selections, the audit confirmed that appropriate authorizations were

obtained, the funds had been committed in SAP, the invoice was date stamped, and the invoice complied with the related contract or LPOA (where relevant.) We found only one instance where a purchase order was missing from the file.

Overall policies and procedures are well understood by all parties.

### **Recommendation**

*None deemed necessary.*

### ***Inventory of Small, Attractive, Valuable Items***

YELLOW	Moderate Improvements Needed	Some controls are in place and functioning; however, several major issues were noted that could jeopardize the accomplishment of program/operational objectives.
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There is no longer a national inventory system in place at Parks Canada. Field Units are now establishing their own inventory systems. We reviewed the inventory processes in place with the responsible individuals at the OSC, Point Pelee, the CMDC and Trent Severn. Below are the descriptions of the existing inventory systems.

#### **Cornwall**

The Ontario Service Center (OSC) in Cornwall has traditionally relied on inventory systems to track their inventory. They have used such systems as ADA and most recently MIU. The MIU system is no longer supported meaning they cannot run inventory reports. At the time of the audit the OSC was waiting for a new inventory system to be put in place. The IT branch at the OSC tracks computer and high tech inventory.

The last inventory count at the OSC was conducted in 2001. Discrepancies between the inventory and the physical count was investigated and an attempt was made to find the item. If the item could not be found it was written off.

One specific control weakness identified at the OSC is employees can purchase items with their acquisition cards without the item being inventoried. Another recurring issue is which items should be included in inventory.

#### **Point Pelee**

Point Pelee's Financial and Material Management Coordinator is responsible for managing inventory. The coordinator has established an excel spreadsheet that records all the necessary information.

When a new item is purchased it is given a numbered inventory sticker. The employees are instructed to complete an inventory form with the coordinator. The inventory form includes the custodian's number, the inventory number, the coding for the site, the financial coding, the date, a description of the item, how the item was purchased, the cost, the manufacturer, the

model and serial numbers and the vendor. This form is then placed in the filing cabinet, as a hard copy. The sticker number is entered into the excel spreadsheet along with the information recorded on the inventory form. The excel spreadsheet records the method of disposal for previously inventoried items. At present, there are approximately 12,000 items entered into the inventory system. These items are movable items including office furniture, electronics and scientific equipment. The items are grouped by job category, for example all the items for electricians are grouped together.

The coordinator instructs all staff receiving an acquisition card or PO book on how to complete the inventory forms. On top of this, the coordinator quickly checks over the purchase registers for the acquisition cards to ensure items purchased have been inventoried.

The last full inventory count at Point Pelee occurred in the year 2003. The coordinator aims to have a full count every 3 years. The inventory list is also sent out for verification on a random basis. This is done approximately once every three years. Should a discrepancy be found an attempt is made to find the item and if not located, the item is marked not found in the inventory system. Often times the item has simply moved to a new location.

The system that has been established for Point Pelee is an excellent inventory system; this system could prove to be useful at other sites.

#### Trent-Severn Waterway (Peterborough)

The Materiel Management officer has the responsibility of recording the inventory for the TSW. The officer has established an excel spreadsheet that tracks the inventory for each custodian. The inventory spreadsheet tracks items such as equipment, trailers, vehicles and boats. The excel spreadsheet tracking the inventory records the model and serial numbers along with a general description of the item. The IT branch inventories all the IT equipment for the Trent-Severn.

A partial count at the Trent-Severn occurred in the summer of 2004. The officer aims to have a complete count every two to three years. Should a discrepancy be found the responsible custodian must look for the missing item. Usually the item is found as it has been moved to another lock station. If the item cannot be found it is written off. When an item is disposed of a hard copy of the inventory log is made, including the method of disposal. The hard copy is then filed in the filing cabinet in the warehouse at headquarters.

The Materiel Management officer is also responsible for purchasing. Therefore items are not released to the custodians before they have been entered into the inventory system. Should an item be purchased using an acquisition card it is up to that individual to have the item inventoried. Staff with acquisition cards should be aware that it is their responsibility to have the item inventoried.

Canadian Marine Discovery Center (CMDC) and HMCS Haida National Historic Site (Hamilton)

The Discovery Centre and the HMCS Haida are brand new locations for Parks. The CMDC opened in the summer of 2004. The computer specialist for these two locations has been given the responsibility of creating an IT inventory system.

The specialist has created an excel spreadsheet that tracks the make, model and serial numbers for the office IT items. The items recorded include computer, laptops, cell phones and cameras. All IT purchasing is made through the IT specialist; therefore all items are inventoried when they are received. If an IT purchase was made on an acquisition card the specialist would eventually become aware of the item as they are only a staff of 13.

In February 2005 the inventory for the galleries (exhibit room) is expected to be complete. They are presently working on setting up the inventory system. Contractors who worked in or provided items for the galleries will send in their list of items. The inventory list will be established from the contractors' lists. The IT specialist will be responsible for recording all the IT equipment in the galleries.

The maintenance supervisor has been given the responsibility of tracking the maintenance inventory. This inventory would include grounds equipment and materials as well as machinery. As of right now no system has been established.

No national inventory system exists, therefore the supervisor intends to create an excel spreadsheet to track the inventory. It is expected to be similar to the IT system listed above. The target is to give all equipment over \$100 an identification number. From these identification numbers the inventory list will be established. The identification numbers have not yet been adhered to the items however Parks Canada identifiers have been attached to some of the equipment.

The responsibility for the inventory of the galleries is still being sorted out. There are many different people who will be responsible for tracking the galleries inventory. At this point, the supervisor does not have any responsibilities with the inventory in the galleries.

**Recommendations:**

- 24. Tracking systems should be reinforced to ensure that items purchased with acquisition cards are inventoried appropriately.**
- 25. For CMDC, clearly defined responsibilities for the tracking of inventory should be implemented immediately.**

## **MANAGEMENT RESPONSE**

### **Revenue**

#### **Recommendation 1**

To standardize the process and simplify the resolution process, Niagara Area Historic Sites should send their bank deposit slips directly to Cornwall.

**Agree.** Niagara National Historic Sites will send deposit slips with the revenue input to the Transaction Centre commencing with the 2005/06 deposits.

#### **Recommendation 2**

To avoid duplication of work, reconciliations should be performed at only one level.

**Agree.** Effective immediately reconciliation of bank and electronic deposits to deposit data in STAR will be performed at the point of data input (Trent-Severn Waterway and Rideau Canal for their own input, Ontario Service Centre for the rest of Ontario).

#### **Recommendation 3**

FUS should make sure that work processes are documented and can be performed by an alternate in order to avoid unnecessary delays.

**Partially agree.** We agree with the recommendation to document work processes. The Trent-Severn Waterway has developed a procedures manual which has been distributed to staff. Revenue procedures at the Rideau Canal are covered by the Rideau Canal Operating Directive. They will also review the Trent-Severn manual to consider amending it for their own use. The Field Unit Financial Advisor in all field units and the Reconciliation & Control Officer in the Service Centre will develop or update work processes for all other locations by December 2005. Although we agree with the recommendation that in the absence of the finance employee, work should be performed by an alternate, this is not always possible in sites where a back-up person no longer exists. As part of the review of work processes, we will ensure that critical tasks are performed.

### **Contracts**

#### **Recommendation 4**

FUS should ensure that all contracting staff receive appropriate training. The training should emphasize:

- Ensuring there is a signed contract prior to the commencement of work
- Signing authorities
- Contract splitting
- Solicitation of bids where appropriate, records kept on file
- Rules for using LPOA

**Agree.** OSC Contracts/Procurement staff have been working with Field Units to determine training requirements and have been providing training to all staff involved in the contracting process. National Office is preparing online training for managers which will be mandatory. The OSC will develop a reference manual for managers to supplement this training.

Recommendation 5

FUS must enforce controls and ensure staff adherence to contracting policies.

**Agree.** Training for all staff involved in the contracting process is being provided by the OSC Contracts/Procurement staff. Consultation will take place among the Field Unit and OSC Accounts Payable and Contracts/Procurement staff by November 2005 to develop a process of identifying and reporting problem areas.

Recommendation 6

Staff from accounts payable, when they become aware of an inappropriate use of a LPOA, should advise the contract officer so that they could remind the individual of the improper use.

**Agree.** OSC Accounts Payable staff will identify instances of inappropriate use of an LPOA, as well as non-use of an LPOA and inform the Contracts Officer or Field Unit Financial Officer as appropriate. Consultation will take place among the Field Unit and OSC Accounts Payable and Contracts/Procurement staff by November 2005 to develop a process of identifying and reporting problem areas.

Recommendation 7

Managers should consider establishing a cost rational when entering into an MOU.

**Agree.** A comprehensive review of the use and documentation of MOU's will be undertaken by the OSC Contracts/Procurement staff by November 2005.

Recommendation 8

Field unit Superintendents and OSC Director should reach an agreement to standardize processes and methods for entering contracts in SAP across Ontario to both ensure that PCA meet TBS requirements with regards to reporting and also to avoid duplication of work.

**Agree.** Input is temporarily being done by OSC Accounts Payable and Contracts/Procurement staff. Central and Southwest Ontario Field Units received training in May and are determining the most effective way to meet SAP and TBS reporting requirements. Further study is on-going for Ontario East, Ontario North and the OSC to determine a solution by July 2005.

**Acquisition Cards**Recommendation 9

The master list of acquisition cardholders, generated at the OSC, should be sent to the Field Units on a regular basis for verification. This verification will ensure that the list is current and will decrease the risk of inappropriate usage.

**Agree.** The master list of acquisition cards will be sent by the Credit Card Co-ordinator to Field Units annually commencing in June 2005 to determine whether the list is current.

Recommendation 10

The Acquisition Card Coordinator should re-evaluate and review on a regular basis the need for all the current cardholders to retain a card.

**Agree.** Annually, as part of the process described in the response to Recommendation 9, the Credit Card Coordinator will flag those cards not used during the past year.

#### Recommendation 11

The Acquisition Card Coordinator must establish a system that ensures that acquisition cards are reclaimed and cancelled for individuals no longer employed by the Agency.

**Agree.** The Acquisition Card Coordinator will confirm with the Field Unit Financial Advisors that acquisition cards are cancelled as part of the clearance process as employees leave the Agency. This will also be covered by the annual review of cards outlined in the response to recommendation 9.

#### Recommendation 12

Except for the Northern Ontario Field unit where Master Card is not always accepted, the Acquisition Card Coordinator should seek to switch all acquisition cards from VISA to Master Card to facilitate monitoring.

**Disagree.** The on-line reports available from Mastercard are a useful tool in monitoring credit card usage. However, there are other locations outside of the Ontario North Field Unit who have found Visa to be more readily accepted than Mastercard. (The Ontario North Field Unit does not have an issue with Mastercard being accepted.). The Acquisition Card Coordinator will contact the National Credit Card Co-ordinator by July 2005 to determine what type of reports are available from Visa for monitoring purposes. There is no national policy requiring us to use only Mastercard.

#### Recommendation 13

Update signature specimens for each Field Unit. Signature specimens should be updated on a regular basis and forwarded to the OSC.

**Agree.** Field Units and the OSC will send specimen signature cards to the OSC Accounts Payable Unit on an on-going basis as signing authority is delegated to managers. The OSC Accounts Payable staff will contact the site finance staff in cases where a signature is not recognized. Annually, the OSC Accounts Payable staff will forward a list of specimen signatures to the Field Unit finance contacts and to Managers in the OSC to confirm their validity and to determine whether any are missing. The first review will take place by the end of August 2005.

#### Recommendation 14

FUS and OSC Director must ensure that acquisition card policies are adhered to and enforced throughout Ontario.

**Agree.** The Acquisition Card Coordinator will develop a training package for new and existing users outlining their responsibilities by November 2005. This package will be incorporated into a Financial Reference Manual. She will also notify the card holder and the Field Unit Financial Adviser of any misuse.



Recommendation 15

Training and FAA Section 34 authorization should be implemented for new employees. Current employees should also be reminded that they cannot provide Section 34 authorization for their own purchases.

**Agree.** A training package on signing authority, including FAA Section 34, will be developed by the OSC Reconciliation & Control Officer by December 2005 and incorporated will be incorporated into the Financial Reference Manual. There is also a proposal in National Office that a 3-hour web-based training program be developed to address this and other issues. This would be mandatory for all new managers before signing authority is delegated to them. Existing managers would have to complete it within 12 months of it being available. No time frame is known for this endeavour.

**Agree.** Cardholders will not provide Section 34 authorization for their own purchases.

Recommendation 16

Training on the appropriate use of acquisition cards should be mandatory for all cardholders and include:

- Ensuring payments are made on time/documentation must be forwarded to the OSC in a timely manner to ensure payment is made on time;
- Ensuring purchase register is being completed and signed;
- Ensure acquisition cards are put on hold, cancelled or put in safe keeping for employees on long term leave;
- Ensure acquisition cards are reclaimed during the exit process;
- Review eligible purchases; and
- Review who is authorized to use the acquisition card.

**Agree.** The Acquisition Card Coordinator will develop a training package for new and existing users outlining their responsibilities by November 2005. This package will be incorporated into a Financial Reference Manual.

Recommendation 17

All receipts, or copies of receipts, should be forwarded to the OSC.

**Agree.** The Credit Card Coordinator must see receipts in order to determine if the purchase was allowable under the acquisition card policy. Cardholders can obtain copies of receipts from the OSC Accounts Payable unit when necessary.

Recommendation 18

Ensure that hospitality expenses are valid, documented, and that hospitality guidelines are adhered to including having hospitality pre-approvals.

**Agree.** This is also an issue beyond credit card use. Hospitality procedures will be incorporated into the Financial Reference Manual by the OSC Reconciliation & Control Officer by November 2005. An emphasis will be placed on obtaining pre-approval and blanket approval will be used by Field Units and the OSC when it is deemed appropriate. When hospitality expenditures have been incurred and have not been properly documented, the Accounts Payable Supervisor will inform the Field Unit Financial Advisor.



Recommendation 19

Inappropriate purchases made with the acquisition cards must stop. Random review of acquisition card statements should be made over the next period of 12 months to ensure the practice has stopped.

**Agree.** As indicated in the responses to previous recommendations, the Acquisition Card Coordinator will develop a training package for new and existing users outlining their responsibilities by November 2005. This package will be incorporated into a Financial Reference Manual. She will also notify the card holder and the Field Unit Financial Advisor of any misuse.

Recommendation 20

Review all employees who travel and ensure that those who need an American Express Card, for travel, have one.

**Partially agree.** This has already been done. However, it should be noted that we cannot force employees to accept an Amex card.

Recommendation 21

Review and re-evaluate, on a regular basis, the need for all current acquisition cards to remain active.

**Agree.** The master list of acquisition cards will be sent by the Credit Card Coordinator to the Field Units Financial Advisers annually commencing in June, 2005 to determine whether the list is current and whether the cards should remain active.

**Travel**Recommendation 22

A copy of the blanket authorization form must be sent to the OSC to be included in the traveller's file; where blanket authority is not in place, a copy of the approved TAA must be sent along with the travel expense claim form.

**Agree.** Managers in the Field Units and the OSC will ensure that blanket authority is given to employees where appropriate and that a copy of the approval is sent to the OSC Accounts Payable Unit annually at the beginning of the fiscal year to be retained on the employee's travel file. Where travel is not covered by the blanket approval a TAA will be prepared and attached to the claim. The OSC Accounts Payable staff will monitor travel claims to ensure travel is covered by the blanket approval or is approved separately and will advise the Field Units Financial Advisers in cases of non-compliance. The OSC and Field Unit Financial Advisors will discuss the feasibility of having employees indicate on travel claim whether the travel is covered by blanket approval.

Recommendation 23

Annually provide frequent travellers with blanket authorization, limited to the frequented region of travel.

**Agree.** Managers in the Field Units and the OSC will ensure that blanket authority is given to employees where appropriate. A form has been developed which allows approval for several employees by one manager.

### **Inventory**

#### **Recommendation 24**

Tracking systems should be reinforced to ensure that items purchased on acquisition cards are inventoried appropriately.

**Agree.** This problem also exists with purchases beyond acquisition cards. The use of the Material-in-Use (MIU) system was discontinued because it was no longer being supported and no national system took its place. The OSC Transaction Centre Manager is investigating a tracking system and will communicate his findings to the Field Unit Financial Advisors. The capacity to implement a tracking system will be a major challenge because of limited resources. This is not something that can be implemented immediately.

#### **Recommendation 25**

For the CMDC clearly defined responsibilities, for the tracking of inventory, should be implemented immediately.

**Agree.** This recommendation is applicable to all locations in Ontario. A solution is being sought. As indicated in our response to recommendation 24, the capacity to implement a tracking system will be a major challenge because of limited resources. This is not something that can be implemented immediately.