

**PARKS CANADA AGENCY**  
**AUDIT OF KEY FINANCIAL PROCESSES AT**  
**THE COMMUNICATIONS BRANCH**  
**NATIONAL OFFICE**

**FINAL REPORT**

**Performance, Audit and Review Group**

**March 2004**

## TABLE OF CONTENTS

### *EXECUTIVE SUMMARY*

1.	BACKGROUND .....	1
2.	OBJECTIVES AND SCOPE.....	1
3.	METHODOLOGY .....	2
4.	ASSURANCE STATEMENT .....	2
5.	CONCLUSION .....	2
6.	OBSERVATIONS AND RECOMMENDATIONS.....	3
6.1	Contracting.....	3
6.2	Use of Acquisition Cards .....	5
6.3	Expenditures for Travel.....	6
6.4	Payments to Suppliers .....	7
	<i>MANAGEMENT RESPONSE</i> .....	9

## **EXECUTIVE SUMMARY**

### **Background**

Parks Canada Agency (PCA) is conducting a series of cyclical audits of field units, service centres and the National Office to review key financial, administrative and management practices. The audits focus on compliance with Treasury Board (TB) and PCA policies and practices. The audit of the Communications Branch was conducted as part of this cyclical audit program.

### **Objectives and Scope**

The objectives of this audit were to confirm whether due diligence was being exercised in key management processes and to provide assurance to senior management that processes and controls in place at the Communications Branch are adequate to mitigate the risk of non-compliance with TB and PCA policies.

The scope of this engagement covered the following key financial process areas: Contracting; Use of Acquisition Cards; Expenditures for Travel; and Payments to Suppliers. The audit period was from April 2002 to January 31, 2004.

### **Methodology**

The audit methodology included a review of relevant background documentation, interviews with the National Director of Corporate Communications, the branch administrator, other members of PCA National Headquarters staff and the Department of Canadian Heritage (PCH) and transaction testing in key financial process areas. The audit work was carried out from February 23 to March 12, 2004.

### **Assurance Statement**

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

### **Conclusion**

In general, we found that due diligence was being exercised in key management processes at the Communications Branch and that systems and controls in place are adequate to mitigate the risk of non-compliance to TB and PCA policies in the following key financial process areas:

***Parks Canada Agency***  
***Audit of Key Financial Processes at the Communications Branch***

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- Contracting;
- Use of Acquisition Cards;
- Expenditures for Travel; and
- Payments to Suppliers.

We have identified opportunities to strengthen processes and controls in the key financial process areas examined to further mitigate the risk of non-compliance to TB and PCA policies. Outlined below are our recommendations to the National Director, Communications Branch.

**Recommendations**

1. Ensure that Communications Branch staff involved in the contracting process are fully familiar with and respect TB and PCA Contracting Policies, with particular emphasis on:
  - the signing of contracts prior to the commencement of work;
  - avoidance of the perception of contract splitting; and
  - sole source justifications.
2. Consult with the Acquisition Card Coordinator to ensure that there is adequate control over acquisition card use in the Communications Branch and that cardholders acknowledge their responsibilities in writing and receive appropriate training to ensure:
  - purchases are made only by the cardholder; and,
  - completion of acquisition card purchase registers.
3. Ensure that blanket travel authority is properly authorized on the appropriate form.
4. Ensure that training on TB Travel Directives is provided to administrative staff involved in account verification and processing of travel claims.
5. Ensure invoices are appropriately date-stamped upon receipt to ensure that payments can be properly scheduled for payment on the due date and any interest owing on late payments can be accurately calculated.
6. Ensure that payments are made (a) in accordance with the basis of payment as stipulated in the contract, and (b) on the basis of a proper invoice.

## **1. 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 audits focus on compliance with Treasury Board (TB) and PCA policies and practices. The audit of the Communications Branch was conducted as part of this cyclical audit program.

The Communications Branch provides leadership in the development and implementation of PCA's corporate and strategic communications plans and activities and provides strategic advice to the Chief Executive Officer and senior managers of PCA on communication issues. The Branch also develops communication products and services in support of PCA's mission and objectives, and manages national publicity contracts in support of PCA's programs.

The Communications Branch operates with a salary budget of \$769K (11 PYs) and a G&S A-base budget of \$292K. The Branch also controls a separate Strategic Initiatives budget of \$200K and a budget for the Engaging Canadians initiative, currently at over \$700K for fiscal year 2003-04.

The audit of the Communications Branch was conducted by Paragon Review and Consulting Inc. as part of this cyclical audit program.

## **2. OBJECTIVES AND SCOPE**

The objectives of this audit were to confirm whether due diligence is being exercised in key management processes and to provide assurance that systems and controls in place are adequate to mitigate the risk of non-compliance with TB and PCA policies in the following key financial process areas:

- Contracting;
- Use of Acquisition Cards;
- Expenditures for Travel; and
- Payments to Suppliers.

The audit period was from April 1, 2002 to January 31, 2004.

### **3. METHODOLOGY**

The methodology included the following activities:

- Interviews with Communications Branch staff, Finance and Materiel Management and Contracting staff in PCA and PCH responsible for the key financial and administration process areas;
- Review of relevant documentation including the Business Plan and work plans for the Communications Branch, organization charts; work descriptions of Communications Branch management and administrative support, PCA delegated signing authorities, and PCA and TB policies that address the above key financial process areas; and
- Examination of a sample of transactions in each of the key financial process areas.

After the field work was completed, a debriefing of our preliminary observations was provided to the National Director, Communications Branch.

### **4. ASSURANCE STATEMENT**

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

### **5. CONCLUSION**

In general, we found that due diligence is being exercised in key management processes at the Communications Branch and that systems and controls in place are adequate to mitigate the risk of non-compliance to TB and PCA policies in the following key financial process areas:

- Contracting;
- Use of Acquisition Cards;
- Expenditures for Travel; and
- Payments to Suppliers

We have identified opportunities to strengthen processes and controls in the key financial process areas examined to further mitigate the risk of non-compliance with TB and PCA policies. We have outlined in Section 6 our observations and recommendations to address these areas.

## **6. OBSERVATIONS AND RECOMMENDATIONS**

### **6.1 Contracting Observations**

The Communication Branch contracts for goods and services using a variety of instruments including services contracts, purchase orders, contracts for goods, call-ups on standing offers, supply arrangement agreements and acquisition cards.

The responsibility for contracting is split among three departments: PCA, PCH and PWGSC. Under the current authorities and arrangements, PCA can process contracts on its own for goods and services procurement up to \$5,000 (and up to \$25,000 for goods, provided that the prerequisite procurement training has been received). For procurement above \$5,000, PCH has the responsibility for the integrity of the contracting process and is required to process contracts on PCA's behalf for services, and also for goods up to \$25,000. Although PCH provides the contracting service, PCA is the contracting authority. PWGSC processes contracts for the procurement of goods over \$25,000.

Our audit sample comprised 19 contracts with a total value of \$399,737 representing: 13 service contracts (ten of which were done on a sole-source basis and three on standing offer call-ups); three goods contracts done through use of a purchase order; and, three temporary help contracts through standing offer call-ups). We selected nine contracts from FY 2002-03 with a value of \$250,504 and 10 contracts from FY 2003-04 with a value of \$149,233.

The extent of contracting done by the Communications Branch in FY2002-03 and FY 2003-04 to the end of January, 2004 was as follows:

	<u><b>2002-03</b></u>	<u><b>2003-04</b></u>
Purchase Orders	\$205,047	\$118,669
Professional Services over \$5K	355,877	49,560
Professional Services under \$5K	45,220	13,054
Call-ups Against Standing Offer	149,209	191,237
PWGSC 9200 Purchase Orders	278,096	263,648
Temporary Help	41,151	30,914
Acquisition Cards	9,109	15,901
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Totals:	\$1,083,709	\$682,983

***Parks Canada Agency***  
***Audit of Key Financial Processes at the Communications Branch***

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In our review of the three goods contracts, we found compliance with contracting policies.

In our review of 13 service contracts, we found the following separate instances of non-compliance with contracting policies:

- work was done without a contract in two instances;
- work began prior to a contract being signed in another instance;
- documentation for one sole-source contract included evidence that could be perceived as contract splitting; and,
- a sole-source contract was over \$25K with no sole-source justification.

Work done in the absence of a contract contravenes the Treasury Board Contracting Policy, and payments made to suppliers in situations where a written contract does not exist increases the risk that PCA cannot demonstrate value for money in the use of the funds.

The TB policy requirements include work descriptions defined in terms of clear outputs or performance requirements and the timeframe in which the work is to be completed. The TB policy states that terms and conditions should be in writing. Verbal contracts should not be entered into as:

- they subject both the agency and the contractor to risk in terms of contract performance;
- they are difficult to defend in terms of fairness in the spending of public funds and compliance to international agreements; and,
- they do not stand the test of public scrutiny in matters of prudence, probity and accessibility.

The TB Contracting policy states that contracting authorities must not split contracts or contract amendments to avoid appropriate management approval within the department or agency. Contracting authorities should be cognizant of, and avoid the perception of, contract splitting.

It should be noted that the work of the Communications Branch is often very reactive, with little advance notice of upcoming ministerial events requiring communication products and services. Time is often of the essence in preparation for these events, many of which involve the preparation of speeches for internal or external audiences, the release of news releases, etc. Given the responsive and urgent nature of the work of the Communications Branch and the difficulty in arranging competitive contracts



***Parks Canada Agency  
Audit of Key Financial Processes at the Communications Branch***

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within very short timeframes, PCA has recently entered into a number of Supply Arrangement Agreements with contractors for the provision of strategic communications counsel including communications product development and delivery, as well as capacity building to the Agency. The Communications Branch intends to pursue the same type of supply arrangements for planning and organizing ministerial events for PCA. These arrangements will help alleviate the time pressures with respect to contracting and will facilitate compliance with contracting rules. It is encouraging to note that our audit test results indicated a marked improvement in compliance with contracting policy in fiscal year 2003-04 over fiscal year 2002-03.

In our review of the three temporary help contracts, we found no instances of non-compliance.

**Recommendations**

1. The National Director, Communications Branch should ensure that Communications Branch staff involved in the contracting process are fully familiar with and respect TB and PCA Contracting Policies, with particular emphasis on:
  - the signing of contracts prior to the commencement of work;
  - avoidance of the perception of contract splitting; and
  - sole-source justifications.

**6.2 Use of Acquisition Cards**

**Observations**

The administrative assistant is the only employee in the Communications Branch issued an acquisition card. The cardholder advised that she has held the card for over two years but has not been asked to sign a written acknowledgement of responsibilities and obligations relating to acquisition card use. A written acknowledgment prior to acquisition card issuance is required by TB policy. We were advised by the National Acquisition Card Coordinator that only new cardholders were being asked to sign the written acknowledgements.

The cardholder stated that she had received no training relating to acquisition card use.

**Parks Canada Agency**  
**Audit of Key Financial Processes at the Communications Branch**

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We performed a review of acquisition card purchases during 2002-03 and 2003-04. We found that acquisition card policies were respected during the audit period with the following exceptions:

- in a number of instances, documentation on file reflected a perception that acquisition card purchases were made by individuals other than the cardholder. We were advised that in most of these instances, the order for goods was made by the cardholder over the telephone but the invoice or receiving slip was signed by another staff member upon delivery giving the perception of use of the acquisition card by someone other than the cardholder. Our sample did reflect one instance where an e-mail order was made by a staff member, who was not the cardholder, instructing the supplier to charge the cardholder's MasterCard and providing the card number. TB Policy requires that in order to reduce the risk of unauthorized and/or ineligible purchases, acquisition card purchases are to be made by the cardholder only.
- purchase registers were not being completed and used for reconciliation of MasterCard statements. Use of purchase registers are required by TB policy and their use improves control over acquisition card use. It was noted that the average number of purchases per month as well as the value of purchases in the Communications Branch were relatively low. However, use of a purchase register would facilitate the monthly reconciliation and lessen the perception of use of the acquisition card by others.

**Recommendations**

2. The National Director, Communications Branch should consult with the Acquisition Card Coordinator to ensure that there is adequate control over acquisition card use in the Communications Branch and that the cardholder acknowledges her responsibilities in writing and receives appropriate training to ensure:
  - C purchases are made only by the cardholder; and,
  - C completion of acquisition card purchase registers.

### **6.3 Expenditures for Travel**

#### **Observations**

We selected a sample of 13 travel claims representing travel by six different staff members. From our testing, we found four trips made by one person that were not authorized in advance. We were advised that this person had blanket travel authority, but no blanket authority form was completed. Rather, the first trip only for each year was authorized and we were advised that this initial authorization served as the blanket authority for the remainder of the year for the person's travel, although there was no specific wording on the authorization to that effect.

In our interview with the administrative assistant responsible for the verification and processing of the travel claims, we learned that she had received no training with respect to the travel directive. Lack of training increases the risk of errors in the verification and processing of travel claims.

#### **Recommendations**

- 3 The National Director, Communications Branch, should ensure that a blanket travel authority is properly authorized on the appropriate form.
4. The National Director, Communications Branch, should ensure that training on TB Travel Directives is provided to administrative staff involved in account verification and processing of travel claims.

### **6.4 Payments to Suppliers**

#### **Observations**

We conducted interviews with finance and administration staff and performed testing of 18 payments related to the various contract types that we reviewed including service contracts, standing offer call ups including temporary help call-ups, and purchase orders. We found that there was compliance with the FAA and account verification policies, with the following exceptions:

- six invoices were not date-stamped when received. Invoices should be date-stamped when received by the project authority to ensure that payment can be made in accordance with the TB Policy on Payment Requisitioning and Payment

on Due Date and the proper amount of interest can be calculated on late payments to suppliers.

- C one service contract invoice paid included an amount for “standby-day” although no such provision was articulated in either the contract or the proposal. It is important that work to be performed as described in the Statement of Work and that the basis of payment is included in the contract. Where the basis of payment is stated based on the number of days worked, it would not be appropriate to pay for time on the basis of being available and waiting for work (standby) but not actually having worked, unless the latter basis was specifically stipulated in the contract.
- C one service contract was paid based upon copies of documents marked “Estimate & Reservation Agreement” rather than on the contractor’s invoices. The administrative assistant explained that this was an oversight and the risk of duplicate payments was low as the system would not allow payments to exceed the commitment. However, until the full commitment is liquidated, it is possible to make duplicate payments.

### **Recommendation**

- 5. The National Director, Communications Branch, should ensure invoices are appropriately date-stamped upon receipt to ensure that payments can be properly scheduled for payment on the due date and any interest owing on late payments can be accurately calculated.
- 6. The National Director, Communications Branch, should ensure that payments are made (a) in accordance with the basis of payment as stipulated in the contract, and (b) on the basis of a proper invoice.

## **MANAGEMENT RESPONSE**

1. Ensure that Communications Branch staff involved in the contracting process are fully familiar with and respect TB and PCA Contracting Policies, with particular emphasis on:
  - the signing of contracts prior to the commencement of work;
  - avoidance of the perception of contract spilling; and
  - sole-source justifications.

### **Partially agree**

The Director ensured that staff involved in the contracting process receive or resume appropriate training.

However, the nature of the Branch's work requires us to use a sole source occasionally. In our opinion, this practice is acceptable as long as the contract does not exceed the Director's financial delegation and that the exception does not become the rule.

2. Consult with the Acquisition Card Coordinator to ensure that there is adequate control over acquisition card usage in the Communications Branch and that cardholders acknowledge their responsibilities in writing and receive appropriate training to ensure:
  - purchases are made only by the cardholder; and,
  - completion of acquisition card purchase registers.

### **Partially agree**

To prevent people other than the cardholder from using the Branch's acquisition card to order office supplies, even with prior approval, the Director obtained a second card in a different name from the first card.

This audit showed that the National Director has ensured that acquisition card purchases are properly monitored. Through research, we discovered that there were no official card registers at Parks Canada despite what the consultant said. During training by the federal government, we also consulted on our approach in terms of procurement/payment control. The approach met expectations.

3. Ensure that blanket travel authority is properly authorized on the appropriate form.

**Agree**

**The Director ensured that blanket travel authority was duly completed. However, in the interest of fairness, it should be added that the audit showed that expense claims were processed in full compliance with policy.**

4. Ensure that training on TB Travel Directives is provided to administrative staff involved in account verification and processing of travel claims.

**Agree**

**The Director ensured that administrative staff involved in account verification received or resumed appropriate training.**

5. Ensure invoices are appropriately date-stamped upon receipt to ensure that payments can be properly scheduled for payment on the due date and any interest owing on late payments can be accurately calculated.

**Agree**

**Although this is an exception, the Director ensured that staff involved in date-stamping invoices follow the process at all times.**

6. Ensure that payments are made (a) in accordance with the basis of payment as stipulated in the contract, and (b) on the basis of a proper invoice.

**Agree**

**Although this is an exception, the Director ensured that staff involved in making payments follow the process at all times.**