

**AUDIT OF KEY FINANCIAL PROCESSES
AT JASPER NATIONAL PARK FIELD UNIT**

FINAL REPORT

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
1. BACKGROUND	1
2. OBJECTIVES AND SCOPE	1
3. METHODOLOGY	2
4. CONCLUSIONS	2
5. OBSERVATIONS AND RECOMMENDATIONS	2
5.1 Revenues	2
5.2 Contracting	4
5.3 Use of Acquisition Cards	5
5.4 Expenditures for Travel	6
5.5 Payments to Suppliers	7
5.6 Stores Inventory and High Risk Valuable Small Items	8
6. MANAGEMENT RESPONSE	11

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 Secretariat (TBS) and PCA policies and practices. The audit of the Jasper Field Unit (JFU) was conducted as part of this cyclical audit program.

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 at the JFU are adequate to ensure compliance to TBS and PCA policies and practices.

The scope of this engagement covered the following key financial process areas: Revenues; Contracting; Use of Acquisition Cards; Expenditures for Travel; Payments to Suppliers; Inventory. The period from April 1, 2001 to September 30, 2002 was covered in this audit.

Methodology

The audit methodology included a review of relevant background documentation, interviews with JFU personnel and transaction testing in key financial process areas. The JFU was visited during the period October 28 to November 1, 2002.

Statement of Assurance

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

Overall, we found that processes and controls in place in the key financial process areas examined could be strengthened at the JFU to increase the level of due diligence and compliance to TBS and PCA policies. We have outlined below our recommendations for consideration by the JFU Superintendent and Manager, Finance and Administration:

Recommendations

1. Change the combination of the safe in the Revenue Office on a periodic basis and lock the safe when it is not in use.
2. Provide training and develop procedures to ensure that:
 - ' the delegation of authority is respected for all contracts;
 - ' contracts, including LPOAs and acquisition cards, are used for all purchases; and
 - ' a Call Up document for each time purchases are made against a Standing Offer Arrangement.
3. Ensure that acquisition cardholders do not have Section 34 authority for their acquisition card purchases, where practicable.
4. Ensure that a periodic review of acquisition card usage is conducted and that cards are cancelled for low volume users.
5. Ensure that acquisition card activity is periodically monitored using Mastercard reports.
6. Provide training to all acquisition cardholders to ensure that acquisition card

policies and guidelines are understood and respected.

7. Ensure that all managers are aware of the requirement to authorize travel in advance that is not covered by a blanket authorization.
8. Ensure that finance officers obtain all supporting contract documentation and Section 34 authorizations before payments are made.
9. Provide training to all personnel with Section 34 delegated authority as to the requirements of this certification to ensure policies are understood and respected in this area.
10. Ensure that the stores personnel have the appropriate delegated authorities to perform duties.
11. Ensure that access to stores inventory is restricted to authorized stores personnel during regular working hours.
12. Ensure that stores inventory is counted periodically and reconciled it with Stores Inventory System (SIS) data and the JFU financial accounting system general ledger accounts.
13. Develop and implement procedures to identify and control high risk high value small items.

1. BACKGROUND

PCA is conducting a series of cyclical audits of key financial, administrative and management practices for all field units, service centres and the national office. There are thirty two field units and four service centres in the PCA. 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 JFU 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 at the Jasper Field Unit (JFU) and to provide assurance that systems and controls in place are adequate to ensure compliance to TBS and PCA policies and practices.

The scope of this engagement covered the following key financial process areas:

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

Transactions incurred during the period from April 1, 2001 to September 30, 2002 were covered in this audit.

3. METHODOLOGY

The methodology included a visit to the JFU and included the following activities:

- Interviews with JFU management and personnel responsible for the key financial process areas;
- Review of relevant documentation including JFU Business Plan 2001-2003, Organization Chart, Business Plan Annual Report 2002, PCA Delegated Signing Authorities Chart, policies that deal with the above key financial process areas, and various financial reports prepared by the Manager, Finance and Administration; and
- Examination of a sample of transactions in each of the key financial process areas.

After the field work was complete, a debriefing of our preliminary observations was made to the JFU Superintendent and Manager of Finance and Administration.

4. CONCLUSIONS

Overall, we found that processes and controls in place in the key financial process areas examined could be strengthened at the JFU to increase the level of due diligence and compliance to TBS and PCA policies. We have outlined below in Section 5 our observations and recommendations to address these areas.

5. OBSERVATIONS AND RECOMMENDATIONS

5.1 Revenues

Observations

The JFU revenues are derived from a variety of sources and are grouped into four main components:

- Revenue collected from activities within and associated with the town site and related town sites of Jasper National Park;

- Revenue collected from businesses operating within the park;
- Revenue collected from the three park entrance gates; and,
- Revenue collected from campsites.

The central revenue office at the JFU handles the revenue collection relating to the town site operations and businesses operating within the park. In addition, the central revenue office staff (2) prepare invoices, collect accounts, prepare bank deposits for revenue taken in at the office, review and check daily sales reports and deposit information received from gates and campgrounds, reconcile the bank account monthly to daily sales reports, and record information into the financial system. Revenues from the park gates and campgrounds are deposited to the bank by the Gate Supervisor or campground staff.

Interviews were conducted with the Revenue Office Staff and with the Gate Supervisor. Detailed descriptions of the revenue processes and verification procedures followed were provided to the audit team. In addition, a sample of transactions were tested to ensure funds received were deposited to the Bank of Canada and to verify processes and controls operated during the audit period.

In general, the audit team found that the processes and controls related to revenue were adequate and personnel conducted their work with a high level of diligence. We did however identify the following practice which is not compliant with PCA policy. The Revenue Office safe which is used to safeguard funds has not had its combination changed in several years and it is left unlocked during working hours. Changing the combination of a safe on a periodic basis and locking it when it is not in actual use reduces the risk of unauthorized access and potential loss.

Recommendation

1. The Manager, Finance and Administration should have the combination of the safe in the Revenue Office changed on a periodic basis and ensure that the safe is locked when it is not in actual use.

5.2 Contracting

Observations

The JFU enters into contracts for goods, services or real property/construction related services using one of the following methods:

- Service Contract;
- Call Up Against a Standing Offer Arrangement;
- Local Purchase Order Authority (LPOA); or
- Acquisition Card (this is discussed in Section 5.3 below).

During the period of audit, the JFU entered into 12 services or real property/construction related contracts all of which were greater than \$ 5,000 with a total value of \$ 317,951. We examined 100% of these contracts and generally found that the contracting rules were respected with the exception that two contracts out of the 12 contracts examined representing \$ 93,153 or 29.3 % of the contract dollars audited were not signed by the appropriate authority.

We also examined a sample of 15 other low dollar value purchases that were made during the period of audit. The total value of the sample amounted to \$ 22,437. Four out of the 15 items representing \$5,860 or 26.1 % of the total value of the sample examined were purchases made without a contract or LPOA. We also found that a call up document was not prepared for a purchase under \$5,000 using a Standing Offer. The audit team was told that call up documents are not always prepared when purchases are made using standing offers.

The preparation of a contract or a "Call Up Against a Standing Offer" document is standard procedure for all purchases across all organizations in the Government of Canada. These documents ensure that the requirements for goods and services along with the terms and conditions, including pricing, are understood by and agreed to by all parties in advance of the goods or services being provided.

Recommendation

2. The Manager, Finance and Administration should provide training and develop procedures to ensure that:
- T** the delegation of authority is respected for all contracts;
 - T** contracts forms, including LPOAs and acquisition cards, are used appropriately for all purchases; and
 - T** a Call Up document is prepared each time a purchase is made against a Standing Offer Arrangement.

5.3 Use of Acquisition Cards

Observations

Currently, there are approximately 80 cardholders in the JFU. We reviewed cardholder files and found that almost all cardholders have authorization to certify invoices under Section 34 under the Financial Administration Act. The Section 34 Certification by an individual other than the cardholders is an important financial control that is required by TBS Acquisition Card Policy and that minimizes the risk of an unauthorized or ineligible purchase. We note that certain exceptions may have to be considered due to the remote location of some of the cardholders.

We reviewed the accounts payables files for all cardholders and found that many of these cardholders are low volume users. Having an excessive number of cardholders increases the risk of the loss or misuse of cards.

We performed a detailed review of acquisition card purchases for 20 cardholders.

We found examples where:

- Acquisition card registers were not completed;
- Supporting receipts were missing;
- Section 34 Certification of the acquisition card register was not obtained; and
- Ineligible purchases were being made (these included airline tickets, relocation expenses, hotel/hospitality charges to attend events/conferences, and meals).

From our discussions with the Acquisition Card Coordinator and review of existing processes, we found that acquisition card usage is not being monitored. Reports that describe acquisition card purchases by cardholder and by expenditure category (eg. hospitality, accommodations, vehicle gas and maintenance) are available electronically by Mastercard and have not been used to monitor the purchases. Monitoring of acquisition card usage by an independent party using Mastercard reports is an important control that minimizes the risk of an unauthorized or ineligible purchase.

Recommendations

3. The Manager, Finance and Administration should ensure that cardholders do not have Section 34 authority for their acquisition card purchases, where feasible
4. The Manager, Finance and Administration should ensure that a periodic review of acquisition card usage is conducted and that cards are cancelled for low volume users.
5. The Manager, Finance and Administration should ensure that acquisition card activity is periodically monitored using Mastercard reports.
6. The Manager, Finance and Administration should provide training to all acquisition cardholders to ensure that acquisition card policies and guidelines are understood and respected.

5.4 Expenditures for Travel

Observations

We found that processes for the preparation and review of travel expenditures are generally understood and adhered to. The travel claim form used at the JFU has been automated to provide up to date rates and reduce mathematical errors.

TBS travel policy requires authorization of travel in advance in accordance with the delegation of authorities. From our review of processes, examination of a sample of

transactions and discussions with Finance officers, we found that there are instances where travel is undertaken outside of Alberta and British Columbia without the completion of the travel authorization form in advance. We note that blanket travel authorizations are provided for travel within Alberta and British Columbia and for travel outside this area for a limited number of employees.

Recommendation

7. The Manager, Finance and Administration should ensure that all managers are aware of the requirement to authorize travel in advance that is not covered by a blanket authorization.

5.5 Payments to Suppliers

Observations

We conducted interviews with finance personnel and performed testing of a sample of 20 supplier payment files for expenditures made using the different types of contracts identified in Section 5.2 above. More specifically for our testing of files, we examined payments for five out of the 12 services or real property/construction related contracts identified in Section 5.2 and the other 15 low dollar value purchases also identified in Section 5.2.

We found that payments made are properly recorded in the financial accounting system and that invoice verification and approval procedures could be strengthened. More specifically, we found:

- Four out of the 15 low dollar value purchases examined, representing \$5,860 or 26.1 % of the total value of the sample, were paid without a contract or LPOA;
- One payment identified in our examination of the five services or real property/construction related contracts was made without a contract amendment. The original value of the contract was \$43,297 and the total amount paid out was \$ 44,015. No contract amendment was prepared to authorize the additional payment of \$718.

- Three out of 15 low dollar value purchases examined were paid without having been approved pursuant to Section 34 by the PCA manager with delegated authority; and
- Invoice pricing was not verified by the PCA manager with Section 34 authorization or by Finance officers for one purchase examined in our total sample of 20 purchases. In this instance, a standing offer was used to purchase an item and no price verification was performed. Copies of Standing Offers are not kept on file in Finance to allow for verification of invoices to the terms and conditions of the Standing Offer.

Recommendations

8. The Manager, Finance and Administration should ensure that finance officers obtain all supporting contract documentation and Section 34 authorizations before payments are made.
9. The Manager, Finance and Administration should provide training to all personnel with Section 34 delegated authority as to the requirements of this certification to ensure policies are understood and respected in this area.

5.6 Stores Inventory and High Risk Valuable Small Items

Observations

Stores inventory

There is approximately \$ 100,000 of stores inventory on hand at the JFU. This inventory is made up of a variety of items such as automotive parts and supplies, cleaning supplies, batteries, and safety supplies. The inventory is located at the vehicle and equipment compound in Jasper and it is maintained by the Contract/Materiel Manager and a store person.

The inventory quantities are tracked using a computerized inventory system called the Stores Inventory System (SIS). Goods purchased and received are entered into the system and items used in operations are removed from the SIS inventory by the

stores personnel. In addition, the inventory is shelved with an inventory card for each item. These cards are updated for additions and disposals each time activity in a part is made.

Inventory is ordered and entered into SIS system once received. Both the Contract /Materiel Manager and the Storeman order items to replenish inventory and approve invoices for payment. We found that the Storeman does not have the required delegated authority to perform these tasks under Section 32 and 34 of the Financial Administration Act.

An Internal Requisitions for Supplies Form is completed by the stores personnel and/or operations personnel to obtain an item out of inventory. Operations personnel have physical access to inventories and can pick inventory items themselves. This is a control weakness; however, we were told that operational requirements necessitate that mechanics have access to inventory after hours when stores personnel are not working.

Monthly stores personnel charge out items used during the month to the appropriate Responsibility Centre Manager (RCM) and forward a copy of all requisitions and a diskette of this information to Finance for recording. Monthly Finance prepares a journal entry to charge out inventory to RCM's.

The following additional control weaknesses related to stores inventory were identified in our review:

- No reconciliations of the SIS system data and the financial accounting system are completed by Finance;
- No periodic physical inventory counts are performed and reconciled to the SIS data.

High Risk Valuable Small Items

We interviewed the Asset Officer to review practises and controls related to high risk valuable items such as laptops and photographic equipment.

We were told that these items are the responsibility of the RCM's and are not tracked in any central asset management system. The audit team found that no inventory of these items is conducted or maintained by the Finance and Administration unit and no labelling of assets is performed by the Asset Officer. We believe that the controls and/or processes for high risk valuable items could be strengthened.

Recommendations

10. The Manager, Finance and Administration should ensure that the stores personnel have the appropriate delegated authorities to perform duties.
11. The Manager, Finance and Administration should ensure that access to stores inventory is restricted to authorized stores personnel during regular working hours.
12. The Manager, Finance and Administration should ensure that stores inventory is counted periodically and reconciled it SIS data and the JFU financial accounting system general ledger accounts.
13. The Manager, Finance and Administration should develop and implement procedures to identify and control high risk high value small items.

Management Response

Recommendations and Responses

1. Change the combination of the safe in the Revenue Office on a periodic basis and lock the safe when it is not in use.
 - < The combination of the safe in the Revenue Office was changed immediately following the internal audit, November 1, 2002. The combination is to be changed when there is a change in staffing in the Revenue Office, such as when a seasonal employee is struck off strength, Manager, Finance and Administration has set up a schedule to ensure regular intermittent change of the combination.
 - < Institute a change in practice to ensure that the safe is locked when not in use, Manager, Finance and Administration conducts periodic inspection to ensure compliance.
2. Provide training and develop procedures to ensure that:
 - ' the delegation of authority is respected for all contracts;
 - ' contracts, including LPOAs and acquisition cards, are used for all purchases; and
 - ' a Call Up document for each time purchases are made against a Standing Offer Arrangement.
 - < Manager, Finance and Administration sponsored a two day workshop on Contracting and Purchasing of Goods under \$25,000 on November 27 and 28, 2002. Training was provided by the Head, Contracts and Material Management, Western Canada Service Centre. This workshop was attended by approximately 30 people, including 3 managers and represented all departments at the park. The workshop included information on
 - the delegation of authority,
 - review of the requirements of Section 34 delegated authority,
 - the need for a contract, a LPOA, a call up on Standing offer or an acquisition card for all purchases,
 - explanation of a Call Up document against a Standing Offer Agreement,

- acquisition card policies and guidelines
 - a review of travel policies and the coverage of the blanket travel authorization.
3. Ensure that acquisition cardholders do not have Section 34 authority for their acquisition card purchases, where practicable.
- < Manager, Finance and Administration instituted a change of practice at Jasper Field Unit, all acquisition cardholders now must complete a requisition form with the details of purchases then section 34 is signed by the cardholder's supervisor.
4. Ensure that a periodic review of acquisition card usage is conducted and that cards are cancelled for low volume users.
- < Following the internal audit, a complete review of the acquisition card usage was conducted. All cardholders names and usage was forwarded to the manager of the department for their review. On the manager's recommendation, some users had their cards cancelled. Manager, Finance and Administration has set up a schedule to ensure periodic review of acquisition cards
5. Ensure that acquisition card activity is periodically monitored using Mastercard reports.
- < There is a change in practice, acquisition card activity is now periodically monitored using Mastercard reports.
6. Provide training to all acquisition cardholders to ensure that acquisition card policies and guidelines are understood and respected.
- < Training was provided at the Contracts and Purchasing Workshop to all attendees and request for the managers and supervisors to ensure that the information regarding the policies and guidelines of the acquisition cards were understood and complied with by all cardholders. Finance officers to ensure that requisition forms completed and Section 34 signed by supervisor before payment. If non-compliance then finance officer would review policies, guidelines, and requirements with cardholder prior to payment.

7. Ensure that all managers are aware of the requirement to authorize travel in advance that is not covered by a blanket authorization.

< Manager, Finance and Administration reviewed the travel policies of Parks Canada with all the manager at a management meeting to ensure that the managers understood what was covered by the blanket authorization, that is, only travel in Alberta and British Columbia, and the requirement of authorized travel in advance. The blanket travel authorization and the requirement for authorized travel in advance was also reviewed at the Contracts and Purchasing workshop.

8. Ensure that finance officers obtain all supporting contract documentation and Section 34 authorizations before payments are made.

< Due to the training provided in the Contracts and Purchasing workshop, finance officers are receiving higher compliance of supporting documentation and Section 34 authorization. Manager, Finance and Administration has instructed finance officers not to make any payments if they do not have appropriate documentation and authorization, they have been instructed to returned any request for payment to the originator until full compliance is received.

9. Provide training to all personnel with Section 34 delegated authority as to the requirements of this certification to ensure policies are understood and respected in this area.

< Manager, Finance and Administration reviewed requirements of Section 34 with all managers at a management meeting, Section 34 requirements reviewed at the Contracts and Purchasing workshop and finance officers review Section 34 requirements with all personnel to ensure that policies are understood and complied with.

10. Ensure that the stores personnel have the appropriate delegated authorities to perform duties.

- < Manager, Finance and Administration reviewed with the stores personnel the requirements of their positions. The appropriate delegated authorities were instituted in November 2002.
- 11.** Ensure that access to stores inventory is restricted to authorized stores personnel during regular working hours.
- < There is approximately \$100,000 of stores inventory on hand at Jasper National Park. This inventory is made up of a variety of items such as automotive parts and supplies, cleaning supplies, batteries, safety supplies, office supplies and a variety of brochures as well as propane, diesel and gasoline. Approximately half of the stores inventory, \$50,000, is in propane, diesel and gasoline which have their own inventory control inherent in their dispensing apparatus. The remaining \$50,000 is in an open area. This area is supervised by authorized stores personnel during regular working hours..
- 12.** Ensure that stores inventory is counted periodically and reconciled it SIS data and the JFU financial accounting system general ledger accounts.
- < Manager, Finance and Administration will require a complete counted inventory and reconciled with SIS data and the Jasper Field Unit financial accounting system general ledger accounts annually at year end for inclusion in Parks Canada Agency financial statements as well as periodically for inventory control.
- 13.** Develop and implement procedures to identify and control high risk high value small items.
- < Manager, Finance and Administration has requested the Informatics specialists to expand a current data base used for the identification and control of computer equipment or develop a similar data base for the identification and control of high risk high value small items. All high risk, high value small items, such as cameras, GIS equipment will be added to the data base. All managers have been requested to ensure that all high risk, high value small items be identified and the information to be forwarded to the stores department for cataloguing. All purchases of such goods are to have copies of invoices and where the item is to be stored forwarded to stores for identification and control.