

FOLLOW-UP AUDIT

OF

12 LEASE AND CONCESSION AUDITS

CONDUCTED IN 1997 AND 1999

FINAL REPORT

Performance, Audit and Review Group

Follow-up Audit of 12 Lease and Concession Audits Conducted in 1997 and 1999

According to a five-year cyclical Concession & Lease Audit Plan established by the Corporate Review Branch of the Department of Canadian Heritage for Parks Canada, seven commercial lease and concession audits were conducted in 1997. After the transition to Parks Canada Agency, five more commercial lease and concession audits were conducted by Consulting and Audit Canada and the reports were tabled in 1999. The 12 auditees were:

- G. Willikers Ltd. in Prince Edward Island (1997);
- Fugerco Inc. at la Mauricie in Quebec (1997);
- Lobstick Golf Club Inc. at Prince Albert in Saskatchewan (1997);
- Lake Louise Holding Co. Ltd. at Lake Louise in Alberta (1997);
- Marmot Import Export Ltd. at Jasper in Alberta (1997);
- Rocky Mountain Skiing Inc. at Jasper in Alberta (1997);
- Maligne Tours Ltd. at Jasper in Alberta (1997);
- Twin Rivers Golf Incorporated at Terra Nova in Newfoundland (1999);
- Norrock Associates Limited at Gros Morne in Newfoundland (1999);
- Clear Lake Golf Foundation Incorporated at Riding Mountain in Manitoba (1999);
- Banff Lifts Ltd., at Banff in Alberta (1999); and
- Waterton Inter-Nation Shoreline Cruise Company Ltd. at Waterton Lakes in Alberta (1999).

Standard 2500.A1 of the Professional Practice of Internal Auditing requires the establishment of a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. The 2000-2001 Audit, Evaluation and Review Plan included “Follow-up on Past Audits of Lease and Concession Agreements”; however, for operational reasons, this project was carried forward to fiscal year 2001-2002.

In October 2001, an e-mail was sent by the Manager of Performance, Audit and Review Group to each of the Field Unit Superintendents accountable for the recommendations made in each of the 12 lease and concession audits. A customized template was attached to each e-mail, and Field Unit Superintendents were asked to fill in the current-status column and return the template by November 15, 2001.

All templates are accounted for by the end of October 2002. Following is an overview of the follow-up work done.

Auditee	Response Received	Reminder Sent	Local Issues Addressed	National Issues To Be Addressed
G. Willikers Ltd.	2001/11/08	N/A	Yes	1
Fugerco Inc.	2002/10/22	2002/05/01	Yes	3
Lobstick Golf Club Inc.	2002/05/16	2002/05/10	Yes	3
Lake Louise Holding Co. Ltd.	2001/11/28	N/A	Yes	3
Marmot Import Export Ltd.	2001/11/15	N/A	Yes	4
Rocky Mountain Skiing Inc.	2001/11/15	N/A	Yes	4
Maligne Tours Ltd.	2001/11/15	N/A	Yes	3
Twin Rivers Golf Incorporated	2002/05/23	2002/05/10 2002/10/08	No	0
Norock Associates Limited	2001/11/15	N/A	Yes	0
Clear Lake Golf Foundation	N/A	N/A	N/A	N/A
Banff Lifts Ltd.	N/A	N/A	N/A	N/A
Waterton Inter-Nation Shoreline Cruise Company Ltd	2002/05/10	2002/05/10	Yes	2

An analysis of the audit recommendations and their current status was made and the following was observed:

- Two of the 12 audits required neither action plan nor follow-up (Clear Lake Golf Foundation Incorporated and Banff Lifts Ltd.).
- Of all the recommendations made, six required a response from the National Office. One of these issues still require action.
Review of the billing/accounts receivable system may be required.

The use of SAP for accounts receivable beginning in April 2002 was a partial solution. The IM/IT group is looking into linkages between the National Realty Systems and other Parks Canada systems. It is expected that this issue will be resolved as part of the national standardization of IM/IT systems.

- Park-specific or local issues were addressed in all but one response received. Response from Terra Nova about *Twin Rivers Golf Incorporated* shows that nothing was put in place in order to solve the issues raised by the auditor. In fact, management has still not meet with the Lessee; and even if they plan to do so, no specific date is scheduled.

Michelle A. Demers, CGA
Internal Audit Project Leader

Follow-up Audit of 12 Lease and Concession Audits Conducted in 1997 and 1999

Templates for 10: (2 had no recommendations)
G. Willikers Ltd. in Prince Edward Island (1997);
Fugerco Inc. at la Mauricie in Quebec (1997);
Lobstick Golf Club Inc. at Prince Albert in Saskatchewan (1997);
Lake Louise Holding Co. Ltd. at Lake Louise in Alberta (1997);
Marmot Import Export Ltd. at Jasper in Alberta (1997);
Rocky Mountain Skiing Inc. at Jasper in Alberta (1997);
Maligne Tours Ltd. at Jasper in Alberta (1997);
Twin Rivers Golf Incorporated at Terra Nova in Newfoundland (1999);
Norock Associates Limited at Gros Morne in Newfoundland (1999);
and
Waterton Inter-Nation Shoreline Cruise Company Ltd. at Waterton Lakes in Alberta (1999).

Lease and Concession Audit/G. Willikers Ltd., Charlottetown, Prince Edward Island by The Corporate and Review Branch, October 3, 1997			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. Favourable Concession Contract Term and Relatively High Rental Rates Negotiated</p> <p>The latest lease agreement, as of March 7, 1997 was negotiated for a period of 4 years, for a sum of \$175,000 (minimum rent) or 42% of gross revenue, whichever is the greater. These contract terms and concession fees are considered outstanding in the present circumstances and considered as a model for other Parks Canada lease and concession agreements.</p>		<p>Concur observation that these are excellent terms.</p>	<p>Current agreement has expired and we are in the process of tendering this concession now for the 2002 operating season. Anticipate same or better for return to the Crown.</p>
<p>2. Submission of the Concessionaire's Audited Financial Statements</p> <p>The concession agreements require the Concessionaire to submit annual audited financial statements within 30 days following the end of its fiscal year. The Concessionaire did submit audited financial statements to the Parks's office for 1994, 1995 and 1996</p>			<p>Concessionaire has been diligent in submitting financial statements as outlined in the agreement.</p>
<p>3. Submission fo Evidence Regarding Liability Insurance/Environmental Protection</p> <p>We were able to locate on the Park files, evidence that the lessee had liability insurance in place for the three years audited and that, specifically, the cross liability insurance covering the Government, was in place as required by the concession agreements (see Article 10.01). The latest insurance certificates were reviewed by t he auditor during the course of the audit.</p> <p>Also, there was compliance with requirements of environmental and protection (see Article 15). There was a Canadian Environmental Screening Assessment Act, Screening Report on file, dated January 18, 1993. The Park should also make sure that the <i>Green Gable's current redevelopment project, and the reconstruction of the original GG House following the fire, will receive appropriate attention</i> with regards to environmental protection.</p>			<p>Was already in place as of the audit. Environmental protection first priority always.</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>4. Medical Certification of Restaurant, Snack Bar and Lounges Staff</p> <p>The concession agreements audited did contain a clause (see Article 6.01 (g)) requiring the Concessionaire to provide evidence that those staff working in the restaurant and snack bar undergo medical/physical examinations and obtain certification that they are able to perform the required work.</p> <p>Although the owner, Mr. Shawn McGee, submitted his medical certificate, as of February 17, 1995, the Park did not require certificates for the employees working in the restaurant/snack bar in 1994 and 1995. It should be noted that no food sales were recorded since 1996.</p> <p>We recommend that the <i>Park office ensure compliance with this requirement for lease and concession agreements having restaurant, snack bar or lounge operations.</i></p>		<p>This agreement no longer covers food service but only the gift shop and therefore this is no longer a requirement for this site.</p>	<p>Reply by National Office “This issue will be addressed at the September Realty Conference in Halifax, through the Master Document Committee. The legal requirements will also be discussed at that point in time and the individual who will be leading this matter will be selected.”</p> <p><i>Realty Conference took place in November 2001. - Decision was made that medical certification clause in a lease would be inappropriate and that issue should be covered in the business licence.</i></p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>5. Review of the Park’s Billing/Accounts Receivable System may be Required</p> <p>According to discussions with the Park’s Finance and the Realty & Municipal Services management and staff, it appears that the billing/accounts receivable system, used also for commercial (% of gross revenue based) lease and concession agreements, were primarily designed (around the mid-1980's) for townsite land customers’ billing (sewer, water, waste collection, etc.). According to the Park office, the system is outdated, has a limited memory capacity to handle historical data and is slow to process it. Also, the system has no tie to the main departmental financial system (Fincon).</p> <p>Due to the inappropriateness of the system for commercial agreements, Finance staff has to prepare most of the required documentation manually, including the lessee’s billing and updating of receivables upon receipt of payments.</p> <p>Since the new departmental financial system (SAP) is to be introduced in 1998-99, there was a suggestion from the Park office, that some provision be made during its development to <i>include a component for Parks revenue/billing /receivables</i>. Therefore, they did not see a need to modify the current system, and in the meantime, could continue processing on a manual basis.</p> <p>We recommend, in order to increase efficiency of the revenue process, that consideration be given by Parks Canada management to <i>develop, according to Parks Canada needs, in consultation with departmental finance/informatics, an adequate billing/receivable component</i> for all townsite land agreements, including commercial agreements. The system should be part of, or <i>compatible with the departmental financial system (SAP)</i>. The task force/committee working on the SAP development should be alerted to this issue.</p>		<p>This is an ongoing issue for the Parks system and we would welcome any changes which can be made nationally to improve performance in this area.</p>	<p>Reply by National Office “Currently working with the im/it group looking into linkages between the National Realty Systems and other Parks Canada common systems.</p> <p>Expect this issue will be resolved as part of the national standardization of im/it systems. All system connectivity will occur at the data base level within the national data warehouse”</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>6. Supplementary Information: Review of Key Financial Operating Indicators</p> <p>Upon request from Parks Canada, we have obtained additional financial information from the Lessees and established some relevant profitability/viability operating ratios. As indicated in the audit reports, the Park should <i>analyze these indicators and compare them to other lessees' performance, and/or other outside similar businesses available from Dunn and Bradstreet reports, etc.</i> This analysis presupposes that the Park obtain financial, preferably audited, statements, review them on a yearly basis and have responsible officers qualified to perform the required analysis.</p> <p>Although there are no alarming signs for business viability at this time, the <i>Park office should continue monitoring carefully yearly performance and obtain explanations for large variances, if any, in sales, cost of sales and profit margins.</i></p>		Concur	Analysis of financial statements occur annually and we do benchmark against industry standard for performance.

Lease and Concession Audit/Fugerco Inc., La Mauricie National Park, Quebec by the Corporate Review Branch, September 1997			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. Negotiation of the Relatively High Rental Rate and of Conditions Supporting the Concession Agreement</p> <p>The last concession agreement was for a period of 2.5 years, renewable for two more years, for an amount of \$40,000 (minimum rent) and 18 p. 100 of gross revenues. Those agreement terms and the concession fees are considered as exceptional under present circumstances and constitute a model for the other lease and concession agreements at Parks Canada.</p>			<p>New concession agreement came into effect on May 1st, 2001 and will end on October 31st, 2003. It is renewable for 2 more years.</p> <p>Canoes concession minimum rent has gone from \$40,000 and 18% of gross revenue to \$44,000 and 37.12%.</p> <p>For convenience stores and snack bar, the annual rent is \$12,000 with fees of 12.12%.</p> <p>These fees are outstanding and the result of hard competition between companies involved in this line of business.</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>2. Submission of Concessionaire’s Audited Financial Statements</p> <p>Concession contracts require that the concessionaire submit yearly financial statements on November 30 for each of his financial years and, upon request that he submit audited statements to the Director. It was only in 1996 that the park managed to obtain financial statements for 1996, 1995 and 1994 from the concessionaire. The statements bore only a “Notice to the Reader” from the independent accountant who had drawn them up. This therefore carries a much lower degree of assurance than if there had been an audit or even a commitment review certificate.</p> <p>We recommend that in due time the Park office review all the concessionaire’s requirements to ensure that the concessionaire continues to comply with the clauses of the agreement. It is particularly important <i>to obtain the audited financial statements from the concessionaire to ensure that the business is solvent and will remain economically viable to continue to meet its obligations under the concession agreement. To audit in an effective manner the economic viability of the lessee or the concessionaire, the Park must have at its disposal all the competent resources necessary for the analysis of financial information.</i></p>			<p>The 2001 agreement stipulates that entrepreneur’s financial statements must be certified by a chartered accountant.</p> <p>At the end of the first year, statements were received and put into file.</p> <p>According to the agreement Park’s managers may require verified financial statements. Park’s management looks after all concession requirements to make sure the concessionaire respects all clauses (financial statements, guarantee, liability insurance)</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>3. Submission of Evidence of Liability Insurance</p> <p>The Park's records contain proof that the concessionaire had liability insurance for the three years under review and that, in particular, reciprocal liability insurance with the government was in force as required by the concession agreements. The auditor examined the last insurance certificates during the audit.</p> <p>The concessionaire had also complied with the guarantee requirement (That is a \$20,000 security deposit for each agreement).</p>			<p>Based on the contract, the entrepreneur must provide proof of liability insurance. Copy is on file.</p> <p>The entrepreneur must also comply with the guarantee requirements (i.e. \$20,000 security deposit for each agreement) Guarantees also on file.</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>4. Medical certification of Restaurant, Snack Bar and Lounges Staff</p> <p>We noted in other similar Parks Canada concession/lease agreements audited previously, that there was a contractual requirement for employees in the restaurant facilities to undergo a medical examination, as certified by a medical authority, to the satisfaction of the superintendent. Evidence of this certification, if required, is to be provided to the Park office. That requirement was not among the agreements audited in La Mauricie National Park.</p> <p>We recommend that an assessment be made on whether this requirement should be in the lease documentation. Park management indicated that it will <i>inquire about legal requirements, both under federal and provincial regulations and implement changes, if required.</i> It is also suggested that for both the liability insurance clause and an eventual medical certification clause, Parks Canada obtain legal advice on the implications of having (or not) and such clauses, in the event of an accident or other problem.</p>			<p>Reply by National Office: The issue will be addressed at the September Realty Conference in Halifax, through the Master Document Committee. The legal requirements will also be discussed at that point and the individual who will be leading this matter will be selected.</p> <p><i>Realty Conference took place in November 2001. Decision was made that: - medical certification clause in a lease would be inappropriate and such issue should be covered in the business licence.</i></p> <p>Reply by Park: This item is not included in the current agreement. Waiting for a national advice or approach.</p>
<p>5. Review of the Parks's Billing/Accounts Receivable System may be Required</p> <p>According to discussions with the Park's Finance and the Realty & Municipal Services management and staff, it appears that the billing/accounts receivable system, used also for commercial (% of gross revenue based) lease and concession agreements, were primarily designed (around the mid-1980's) for townsite land customers' billing (sewer, water, waste collection, etc.) According to the Park office, the system is outdated, has a limited memory capacity to</p>			<p>Reply by National Office: Currently working with the IM/IT group looking into linkages between the National Realty Systems and other Parks Canada common systems.</p> <p>Expect this issue will be</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>handle historical data and is slow to process it. Also, the system has no tie to the main departmental financial system (Fincon).</p> <p>Due to the inappropriateness of the system for commercial agreements, Finance staff has to prepare most of required documentation manually, including the lessee's billing and updating of receivables upon receipt of payments.</p> <p>Since the new departmental financial system (SAP) is to be introduced in 1998-99, there was a suggestion from the Park office, that some provision be made during its development to <i>include a component for Parks revenue/billing/receivables</i>. Therefore, they did not see a need to modify the current system, and in the meantime, could continue processing on a manual basis.</p> <p>We recommend, in order to increase efficiency of the revenue process, that consideration be given by Parks Canada management to <i>develop, according to Parks Canada needs, in consultation with departmental finance/informatics, an adequate billing/receivable component</i> for all townsite land agreements, including commercial agreements. The system should be part of, or <i>compatible with the departmental financial system (SAP)</i>. <i>The seconded group/committee assigned to the SAP development project should be aware of this concern.</i></p>			<p>resolved as part of the national standardization of IM/IT systems. All system connectivity will occur at the data base level within the national data warehouse.</p> <p>Reply by Park: The new financial system (SAP) put in place improved many components.</p>
<p>6. Important Clauses Not Found in the Concession Agreement</p> <p>While reviewing the agreements, we noted that those dealing with the snack bars and the convenience store (1994 et 1995) did not have a "Right of Audit Clause" for the verification of the books and records of the concessionaire, the lessee or the sub-lessee.</p> <p>Furthermore, the agreements did not have a clear definition of gross revenue, with an indication of what is included and what is not, and no indication of the type of account records and controls used to record daily revenues subject to concession fees.</p> <p>During the audit, we noted that control systems were inadequate (missing daily revenue records, missing</p>			<p>Reply by National Office: A review of the contractual requirements will be undertaken at the Fall Realty Conference through the Master Document review Committee.</p> <p><i>Realty Conference took place in November 2001. It was established that Parks Canada agreement is with Head lessee. They</i></p>

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<p>control “Z” cash register tapes, undeclared revenues from the renting of boats, etc.</p> <p>The agreements do not mention interest charged for late payments and interest was not charged for some late payments as required by Parks Canada regulations.</p> <p>We recommend to Parks Canada management, in order to avoid any problems with future audits and possible loss of revenue going undetected, to consider <i>reviewing those contractual requirements and specifically including the following:</i></p> <ul style="list-style-type: none"> -a “Right to Audit Clause” covering the concessionaire, the lessee or the sub-lessee. -a detailed definition of gross revenue subject to concession fees; -the type of account records and controls to keep for audit purposes; and -the imposition of monthly interest fees (1%) for late payments as required by Parks Canada regulations. 			<p><i>need to get Parks Canada approval before subletting.</i></p> <p>Reply by Park: Current agreement has indications for “right to audit”, definition of gross revenue and imposition of interest fees. Clauses indicate also that account records must be kept by the entrepreneur in order to declare exact revenue. However, the type of record is not indicated and depends on the operational procedures of the entrepreneur.</p>
<p>7. Supplementary Information: Review of Key Financial Operating Indicators</p> <p>Upon request from Parks Canada, we have obtained additional financial information from the concessionaire and established some relevant profitability/viability operating ratios. As indicated in the audit reports, the Parks should <i>analyse these indicators and compare them to other lessees’ performance, and/or other outside similar businesses available from Dunn and Brandstreet reports, etc.</i> This analysis presupposes that the Parks obtain financial, preferably audited, statements, review them on a yearly basis and have responsible officers qualified to perform the required analysis.</p> <p>The audit should include all trend studies and analyses of important and relevant ratios. It should not be forgotten, however, that <i>unless ratio and trend analyses can be linked to reliable and comparable industrial data, they are of limited value.</i></p> <p>Since the financial statements of Fugerco Inc. were not</p>			<p>Park does not have specialized resources to make all needed analysis. Furthermore, as indicated, these analyses would have limited value if they can’t be linked to reliable and comparable industrial data.</p>

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<p>audited on a yearly basis, it is difficult to draw preliminary conclusions from the concessionaire's financial operating indicators. He was granted a relatively large bank loan (\$108,145 on December 31, 1996) to finance equipment purchases for his new boat-renting business. It will be important to monitor his performance (sales and profits) in the years to come to determine if he will be in a position to meet his financial obligations and maintain his viability.</p>			

Lease and Concession Audit/Lobstick Golf Club Inc., Prince Albert National Park by The Corporate Review Branch, October 1997			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. Submission of the Lessee's Audited Financial Statements</p> <p>The Lessee did submit audited financial statements and gross revenue statements, as required by the lease agreement, to the Park office for the fiscal years we audited.</p>		The lessee continues to provide audited statements as required by their lease.	Status Quo - Lessee is in compliance
<p>2. Submission of Evidence Regarding Liability Insurance</p> <p>The Lessee had submitted evidence to the Park office for cross liability insurance covering the Government, as well as for a performance bond, as required by the lease agreement (see sections 12 and 27).</p>		The lessee continues to provide adequate insurance with Her Majesty as a named insured - as per the lease requirements.	Status Quo - Lessee is in compliance
<p>3. Important Clauses with Regards to Medical Certification of Restaurant Staff, and Right of Audit of Sub-Let Facilities</p> <p>The lease agreement audited did not contain a clause requiring the lessee to provide evidence that those staff working in the restaurant and snack bar operations undergo medical/physical examinations and obtain certification that they are able to perform the required work. We noted such requirements in similar lease agreements. In those cases, medical certificates are to be submitted to the Superintendent on demand.</p> <p>We noted that the Lessee did not require such certification for staff working in the restaurant of the clubhouse. However, management agreed that it will be an important consideration for 1998 when a sub-lease will be negotiated with a third party to operate the clubhouse.</p> <p>We recommend that, in consultation with the Lessee, an assessment be made on whether this requirement should be included in the amended lease agreement. Park management indicated that they will <i>inquire about legal requirements, both under federal and provincial regulations and implement changes, if required.</i> It is also suggested that both the liability insurance clause and an eventual medical certification</p>		Legal requirements/ Master documentation committee has not to this point resolved this issue. Lessee is aware of this recommendation and, through lease negotiation, will implement in future.	<p>Reply by National Office "This issue will be addressed at the September Realty Conference in Halifax, through the Master Document Committee. The legal requirements will also be discussed at that point in time and the individual who will be leading this matter will be selected."</p> <p><i>Realty Conference took place in November 2001. - Decision was made that medical certification clause in a lease would be inappropriate and that issue should be covered in the business licence.</i></p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>clause, Parks Canada obtain legal advice on the implications of having (or not) and enforcing (or not) such clauses, in the event of an accident or other problem.</p>			
<p>It is also recommended, that the Park ascertain that the Lessee’s sub-lease (clubhouse) and the amended lease agreement have an adequate provision for the following:</p> <ul style="list-style-type: none"> • right of audit clause to permit a Parks Canada representative to perform an <i>audit of the books and records of the sub-lease</i>, with regards to the adequacy of gross revenue to be reported, and • requirement for the <i>sub-lessee to maintain adequate accounting/control records</i> of gross revenue (i.e.; serialized cash registers/control tapes/daily cash summaries, etc.), and retain those for audit purposes. 		<p>As the sub-lessee is tied to the head lease, the right to audit would be permitted by Parks Canada.</p> <p>Maintenance of adequate accounting/control records is monitored by the lessee and appears satisfactory</p>	<p>The sub-lessee has continued to provide adequate accounting procedures. Gross revenue reported is deemed adequate.</p>
<p>4. Review of the Parks’s Billing/Accounts Receivable System may be Required</p> <p>According to discussions with the Parks Canada Finance and the Realty & Municipal Services management and staff, it appears that the billing/accounts receivable system, used also for commercial (% of gross revenue based) lease and concession agreements, were primarily designed (around the mid-1980’s) for townsite land customers’ billing (sewer, water, waste collection, etc.). According to the Park office, the system is outdated, has a limited memory capacity to handle historical data and is slow to process it. Also, the system has no tie to the main departmental financial system (Fincon).</p> <p>Due to the inappropriateness of the system for commercial agreements, Finance staff has to prepare most of the required documentation manually, including the lessee’s billing and updating of receivables upon receipt of payments.</p> <p>Since the new departmental financial system (SAP) is to be introduced in 1998-99, there was a suggestion from the Park office, that some provision be made</p>		<p>PANP has fully implemented IFMS (SAP) for all Land Rent Billings, etc. For this situation, once Audited Financial Statements are received by PANP Finance they are then reviewed to ensure that the percentage of gross paid is accurate. Only issue outstanding is that the arrival of the percentage of gross payment and the financial statements are usually at the same time therefore not allowing for any accrual of the revenue. But when looking at the materiality of this percentage of gross received on a National Level the timing of any accrual or input of the</p>	<p>Reply by National Office “Currently working with the im/it group looking into linkages between the National Realty Systems and other Parks Canada common systems.</p> <p>Expect this issue will be resolved as part of the national standardization of im/it systems. All system connectivity will occur at the data base level within the national data warehouse.”</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>during its development to <i>include a component for Parks revenue/billing/receivables</i>. Therefore, they did not see a need to modify the current system, and in the meantime, could continue processing on a manual basis.</p> <p>We recommend, in order to increase efficiency of the revenue process, that consideration be given by Parks Canada management to <i>develop, according to Parks Canada needs, in consultation with departmental finance/informatics, an adequate billing/receivable component</i> for all townsite land agreements, including commercial agreements. The system should be part of, or <i>compatible with the departmental financial system (SAP)</i>. The task force/committee working on the SAP development project should be alerted to this issue.</p>		<p>cash received would not significantly affect Parks Canada Agency Financial Statements for a Fiscal Year.</p>	
<p>5. Environmental Protection Clauses are not part of the Agreement</p> <p>The lease agreement signed as of August 28, 1985 and reviewed in 1989 and 1993 for a term of 25 years, does not contain a provision for environmental protection and conducting an environmental impact assessment, when required.</p> <p>We noted in some other more recent Parks Canada concession and lease agreements such clauses, which usually include provision for:</p> <ul style="list-style-type: none"> • Conducting activities in compliance with legislation covering environmental protection; • Conducting environmental impact assessments, when required, for development on the premises, according to the Canadian Environmental Assessment Act and Guidelines; • Constructing, operating, maintaining and decommissioning structures, fixtures, buildings and other improvements, in compliance with environmental standards, and • Not using, emitting, discharging, storing or disposing of any contaminants, pollutants, toxic, dangerous, hazardous materials, as defined in applicable legislation. <p>We recommend to Parks Canada management, in order to avoid any future environmental problems and</p>		<p>Parks Canada is currently in negotiations with the Lobstick Golf Club for a replacement lease. Environmental Protection Clauses will form part of the replacement agreement as with all new lease and licence agreements.</p>	<p>Reply by National Office “Completed - All new lease and licence agreements have environmental clauses.”</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
possible violations going undetected, to <i>consider reviewing these particular contractual requirements for their specific inclusion in the lease agreements.</i>			
<p>6. Supplementary Information: Review of Key Financial Operating Indicators</p> <p>Upon request from Parks Canada, we have obtained additional financial information from the Lessees and established some relevant profitability/viability operating ratios. As indicated in the audit reports, the Park should <i>analyze these indicators and compare them to other lessees' performance, and/or other outside similar businesses available from Dunn and Bradstreet reports, etc.</i> This analysis presupposes that the Park obtain financial, preferably audited, statements, review them on a yearly basis and have responsible officers qualified to perform the required analysis.....</p> <p>Therefore, overall, the financial viability of this golf club appears to be adequate. The Park should, however, continue carefully monitoring financial statements and gross revenue statement figures to ascertain that there are <i>no signs of deterioration in the overall financial performance (profit/loss) and the financial situation (assets/liabilities)</i> of the corporation.</p>		<p>The Lobstick Golf Club is the only large %gross agreement in PANP - although we continue to obtain annual audited statements from the Golf Club, comparables within our Park are not possible. The overall financial viability of the club is more than adequate and ongoing monitoring will occur to ensure that no signs of deterioration in the financial performance and the financial situation occurs.</p>	

Lease and Concession Audit/Lake Louise Holding Co. Ltd., Lake Louise, Alberta by The Corporate Review Branch, October 1997			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK FIELD UNIT (FU)	CURRENT STATUS
<p>1. Parks Canada Should Review the Numerous Sub-Lease Agreements Issued without Prior Approval</p> <p>1. During the audit, we have been alerted by both the Head-Lessee (Larch Valley Holdings Company Ltd.) And officials of Banff National Park that over the years, several sub-sub-agreements may have been negotiated by the Sub-Lessee (Lake Louise Holding Co. Ltd.) with third parties for the restaurant and the service station facilities, without prior written consent obtained from Parks Canada (see section 14 of the lease)</p> <p>2. Also, according to information obtained from both the Head-Lessee and the Sub-Lessee, the ownership and control of the business (service station, restaurant and gift shop) have apparently been changed since the original agreements were negotiated in 1984 (see section 19 of the sub-leases, and 15 of the lease).</p> <p>It is recommended, that in consultation with the Head-Lessee, <i>legal services of the Department/Parks Canada be approached to obtain a legal opinion on the subject. The change in ownership/control should also be examined with Legal Counsel</i> and the Sub-Lessee's independent accountants, to determine what effect those changes have on the financial statements/reporting and the rental fees due to Parks Canada.</p> <p>3. Also, particularly in this case, for a more reliable financial reporting to Parks Canada via the Head-Lessee, the Park <i>Superintendent should require financial statements</i>, instead of accepting statements accompanied only by a Review Engagement Report (see section 4.(b) of the lease).</p>		<p>1. Sub-sublease for the restaurant was terminated October 30, 1998 and the sublessee has taken over responsibility for the operation of the restaurant. The Head Lessee has been advised that Parks Canada will not consent to any sub-subleasing arrangement for this operation and that a management contract would be more appropriate. DOJ has advised that the "sub-sublease" between the sub-lessee and Imperial Oil is in fact a Dealer Sales Agreement and not a sub-sublease and therefor does not require Parks Canada consent.</p> <p>2. On March 25, 1986 the Numbered Co 317141 became Lake Louise Holding Co. Ltd.</p> <p>3. The field unit will request financial statements from the head-lessee.</p>	
<p>2. Adequacy of Insurance Coverage</p> <p>We were able to locate on Park office files, evidence</p>		<p>Proof of Comprehensive</p>	

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<p>that the lessee had liability insurance in place for the three years audited and that, specifically, the cross liability insurance covering the Government, was in place as required by the lease agreement. The latest insurance certificates were reviewed by the auditor during the course of these agreement audits, and it was noted that the comprehensive liability insurance coverage was below the level set by the agreements (i.e.; section 13 of the lease and section 24 of the sub-lease agreements).</p> <p>According to the sub-leases, “protection to the limit of not less than \$5 million in respect of any one occurrence” is required, though the current coverage is limited to \$2 million for each accident or occurrence.</p> <p>It is recommended, that Parks Canada examine, in consultation with the Head-Lessee, whether <i>compliance with the agreements should be enforced, or whether coverage is considered adequate</i> under the present circumstances. In this regard, consideration should be given to determine to what extent handling of petroleum fuel products in the service station operations are considered dangerous (i.e.; fire/explosion hazard).</p>		<p>General Liability in the amount of \$5M was submitted for the period May 22, 1998 to May 1, 1999. The lessee will be requested to provide proof that this coverage has been continued.</p>	
<p>3. Medical Certification of Restaurant Staff</p> <p>Although the lease agreement audited did not include a clause requiring the lessee to provide evidence that those staff working in the restaurant undergo medical/physical examinations and obtain certification that they are able to perform the required work, we consider this issue an important one.</p> <p>We noted in other similar Parks Canada concession/lease agreements audited previously, that there was a contractual requirement for employees in the restaurant facilities to undergo a medical examination, as certified by a medical authority, to the satisfaction of the superintendent . Evidence of this certification, if required, is to be provided to the Park office.</p> <p>We recommend that an assessment be made on whether this requirement should be in the lease</p>		<p>The FU will wait for direction from National Office.</p>	<p>Reply by National Office “This issue will be addressed at the September Realty Conference in Halifax, through the Master Document Committee. The legal requirements will also be discussed at that point in time and the individual who will be leading this matter will be selected.”</p> <p><i>Realty Conference took place in November 2001. Decisions were made that:</i></p>

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<p>documentation. If the Park office feels that this medical certification is necessary, the new lease agreement should ensure that it is included as a requirement. Park management indicated that they will <i>inquire about legal requirements, both under federal and provincial regulations and implement changes, if required.</i> It is also suggested that for both the liability insurance clause and an eventual medical certification clause, Parks Canada obtain legal advice on the implications of having (or not) and enforcing (or not) such clauses, in the event of an accident for other problem.</p>			<p><i>- medical certification clause in a lease would be inappropriate and that issue should be covered in the business licence.</i> <i>- New agreements will include a liability insurance clause.</i></p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK FIELD UNIT (FU)	CURRENT STATUS
<p>4. Review of the Parks’s Billing/Accounts Receivable System may be Required</p> <p>According to discussions with the Park’s Finance and the Realty & Municipal Services management and staff, it appears that the billing/accounts receivable system, used also for commercial (% of gross revenue based) lease and concession agreements, were primarily designed (around the mid-1980’s) for townsite land customers’ billing (sewer, water, waste collection, etc.). According to the Park office, the system is outdated, has a limited memory capacity to handle historical data and is slow to process it. Also, the system has no tie to the main departmental financial system (Fincon).</p> <p>Due to the inappropriateness of the system for commercial agreements, Finance staff has to prepare most of required documentation manually, including the lessee’s billing and updating of receivables upon receipt of payments.</p> <p>Since the new departmental financial system (SAP) is to be introduced the 1998-99, there was a suggestion from the Park office, that some provision be made during its development to <i>include a component for Parks revenue/receivables</i>. Therefore, they did not see a need to modify the current system, and in the meantime, could continue processing on a manual basis.</p> <p>We recommend, in order to increase efficiency of the revenue process, that consideration be given by Parks Canada management to <i>develop, according to Parks Canada needs, in consultation with departmental finance/informatics, an adequate billing/receivable component</i> for all townsite land agreements, including commercial agreements. The system should be part of, or <i>compatible with the departmental financial system (SAP)</i>. The task force/committee working on the SAP development project should be alerted to this issue.</p>		<p>The SAP system has been implemented for revenue reporting and recording and the billing/receivable component is in the process of being implemented. Account historical information has been loaded and invoicing from the system will commence with the next billing run. There is not yet any integration with the realty system. The FU will wait for direction from National Office.</p>	<p>Reply by National Office “Currently working with the im/it group looking into linkages between the National Realty Systems and other Parks Canada common systems.</p> <p>Expect this issue will be resolved as part of the national standardization of im/it systems. All system connectivity will occur at the data base level within the national data warehouse.”</p>
<p>6. Supplementary Information: Review of Key Financial Operating Indicators</p>			

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK FIELD UNIT (FU)	CURRENT STATUS
<p>Upon request from Parks Canada, we have additional financial information from the Sub-Lessee and established some relevant profitability/viability operating ratios. As indicated in the audit report, the Park should <i>analyze these indicators and compare them to other lessees' performance, and/or outside businesses available from Dunn and Bradstreet reports, etc.</i> This analysis presupposes that the Park obtain financial, preferably audited, statements, review them on a yearly basis and have responsible officers qualified to perform the required analysis.</p> <p>The valuation analysis should include all important and relevant ratio analysis and trends studies. It must be remembered, however, that <i>unless the ratio and trend analyses can be related to reliable and comparable industry data, they be of limited value.</i></p> <p>Regarding the Sub-Lessee's financial operating indicators, it is difficult to draw preliminary conclusions.</p> <p>T For the Sub-Lessee's operations we were able to obtain most of required information, however, the figures were based on unaudited financial statements, therefore less reliance can be placed on them. Also, comparison of the three sets of annual figures (i.e.; gross profit ratio, net profit, etc.) Was distorted due to a change in fiscal year 1996, when part of the business (restaurant) was sub-sub-let to a third party; therefore, only the annual rent (13% of gross revenue) was included for that year.</p> <p>T Gross Margins fluctuate between the three years (i.e.; 30.9% 1994; 34.22% 1995; 26.78% 1996). Also, although sales decreased 40% in 1996 (restaurant rental), the corresponding cost of sales only decreased by 14% compared to 1995. The Park should, if possible, compare Gross Profit % with similar businesses (e.g.; gas bar/restaurant/gift shop) in the same geographical location (Banff, Lake Louise), for its reasonableness and to check on the possibility of distortion.</p> <p>T According to the unaudited financial statement, the Sub-Lessee has an important</p>		<p>In the past, statements of revenue upon which to base the calculation of lease payments were our only concern. We will endeavor to obtain financial statements for those companies that regularly produce audited financial statements. The field unit does have on strength the qualified resources to review and analyse financial statements.</p>	

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long term debt (\$1,028,950 - 1994; \$597,591 - 1995; \$817,834 - 1996), composed of 37% mortgages payable, and 63% demand bank loan. The park should monitor carefully yearly financial performance of the business, in order to ascertain that its revenues will be sufficient to cover its debts.			

Lease and Concession Audit/Marmot Import Export Ltd., and the Rocky Mountain Skiing Inc., Jasper National Park by the Corporate Review Branch, March 1997			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. Review of the Extensive Lease Contract Term and Relatively Low Rental Rate may be required</p> <p>Both lease agreements were negotiated for a period of forty-two (42) years (i.e. Marmot Import Export Ltd., starting on July 1, 1973, and for Rocky Mountain Skiing Ltd., starting on August 1, 1979). In the case of the Marmot lease, there is an escalation of rental fee rates from 5% (up to \$200K gross revenue) to 6% (exc. \$200K, up to \$300K) and to 7% (exc. \$300K), but for the Rocky Mountain lease, there is a fixed rate of 2% on gross revenue as of the May 25, 1989 contract amendment. This is a departure from the contract signed June 12, 1986 which allowed 5.25% rental fees for gross revenue on lift tickets, ski school, ski rental sales, 2.25% on sale of food, 5% on sale of liquor and alcoholic beverages and 3% on all other retail sales.</p> <p>According to information obtained from both Parks Canada and the lessee, the rate was reduced following negotiation between Parks Canada and all the Mountain Parks ski hill operators.</p> <p>We understand that there may have been a comparative business analysis at the time of the negotiation which led to the decision to allow the extensive terms (i.e.; 42 years) and the relatively low return to Parks Canada. Also, the Park had to take into consideration when establishing the term for the agreements, the capital investments, sometimes significant, made by the Lessee to prepare and maintain its facilities.</p> <p>However, given Parks Canada's growing dependence on revenue generation/cost recovery, it appears to be appropriate for Parks Canada to <i>review the terms and rates of such agreements</i>, compare them to similar agreements negotiated in other jurisdictions/countries, and determine whether there is a need and any flexibility to reopen or amend the lease agreements. It was indicated by the Director, Investment Portfolio Management, that Parks Canada is contemplating an independent review of its land rental agreements. Consideration should be given to including in such a review, commercial (percentage of gross revenue</p>			
		<p>Direction to manage leases as now occurs resulted from a political decision in the 1980s. We are in full agreement with the need to revisit the provisions of the agreement and support inclusion in Parks Canada's national review of land rent agreements.</p>	<p>Reply by National Office "Ski area rents are fixed for the term of the lease and not subject to review.</p> <p>All other rents have been reviewed as part of the 2000 decennial rent review.</p> <p>A study was commissioned to determine appropriate market rates for % of gross revenue rents."</p> <p><i>Mountain parks are treated as a block - if one gets adjustment in percentage, they all do.</i></p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
based) agreements as well.			
<p>2. Submission of Lessee’s Audited Financial Statements</p> <p>The lease agreements require the lessee to submit annual financial statements within 90 days of the close of its fiscal year (Articles 4 of the Rocky Mountain and 12 of the Marmot lease agreements). The lessees did not submit financial statements to the Park office for any of the fiscal years we audited. We also noted that the financial statements prepared for Rocky Mountain Skiing Inc., were audited but the revenue within its division the Marmot Ski Shop Ltd., were subject of Review Engagement Certificates only. Statements for Marmot Import Export Ltd., were also subject only to a Review Engagement Certificate, which constitutes significantly less assurance than an audit. The lessees submitted their financial statements to the Park only after the request was received from the auditor for the subject lease agreement audits.</p> <p>We recommend that the Park office monitor all article requirements of the lease on a timely basis to ensure that a lessee remains in compliance with the agreement. It is especially important that the Park office <i>obtain and review a lessee’s audited financial statements in order to ensure that the lessee is solvent and will remain viable to continue to meet its obligations</i> under the lease agreement. In order to monitor effectively the viability of the lessees/concessionaires’ business, the park must have the qualified resources to analyze the financial information.</p>		<p>In the past, Jasper has requested statements of revenue upon which to base the calculation of lease payments. Steps will be taken to ensure that financial statements will be obtained, in a timely manner, for those companies that regularly produce audited financial statements. Jasper National Park does have on strength the qualified resources to review financial statements.</p>	<p>Lessee still providing statement of revenue.</p>

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<p>3. Submission of Evidence Regarding Liability Insurance</p> <p>We were unable to locate on any of the Park office files, evidence that the lessee had liability insurance in place for the three years audited and that, specifically, the cross liability insurance covering the Government, was in place as required by the lease agreement. The latest insurance certificates were reviewed by the auditor during the course of these lease agreement audits at the lessee's premises.</p> <p>We recommend that the Park office ensure that the lessee comply with the lease agreement by annually <i>providing evidence of the liability insurance.</i></p>		<p>I fully concur with this recommendation.</p>	<p>We will make request for evidence of liability insurance.</p>
<p>4. Medical Certification of Restaurant, Snack Bar and Lounges Staff</p> <p>Although the lease agreements audited did not include a clause requiring the lessee to provide evidence that those staff working in the restaurant, snack bar and lounges undergo medical/physical examinations and obtain certification that they are able to perform the required work, we consider this issue an important one.</p> <p>We noted in other similar Parks Canada concession/lease agreements audited previously, that there was a contractual requirement for employees in the restaurant facilities to undergo a medical examination, as certified by a medical authority, to the satisfaction of the superintendent. Evidence of this certification, if required, is to be provided to the Park office.</p> <p>We recommend that an assessment be made on whether this requirement should be in the lease documentation. If the Park office feels that this medical certification is necessary, the new lease agreement should ensure that it is being included as a requirement. Park management indicated that they will <i>inquire about legal requirements, both under federal and provincial regulations and implement changes, if required.</i> It is also suggested that for both the liability insurance clause and an eventual medical certification</p>		<p>Discussion at a national level may be warranted to deal with consistent and reasonable requirements for medical certification that are in compliance with national and differing provincial regulations.</p>	<p>Reply by National Office "The issue will be addressed at the September Realty Conference in Halifax, through the Master Document Committee. The legal requirements will also be discussed at that point and the individual who will be leading this matter will be selected."</p> <p><i>Realty Conference took place in November 2001. Decisions were made that:</i></p> <ul style="list-style-type: none"> - <i>medical certification clause in a lease would be inappropriate and that issue should be covered in the business licence.</i> - <i>New agreements will include a liability insurance clause.</i>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>clause, Parks Canada obtain legal advice on the implications of having (or not) and such clauses, in the event of an accident or other problem.</p>			
<p>5. Review of the Parks’s Billing/Accounts Receivable System may be Required</p> <p>According to discussions with the Park’s Finance and the Realty & Municipal Services management and staff, it appears that the billing/accounts receivable system, used also for commercial (% of gross revenue based) lease and concession agreements, were primarily designed (around the mid-1980’s) for townsite land customers’ billing (sewer, water, waste collection, etc.) According to the Park office, the system is outdated, has a limited memory capacity to handle historical data and is slow to process it. Also, the system has no tie to the main departmental financial system (Fincon).</p> <p>Due to the inappropriateness of the system for commercial agreements, Finance staff has to prepare most of required documentation manually, including the lessee’s billing and updating of receivables upon receipt of payments.</p> <p>Since the new departmental financial system (SAP) is to be introduced in 1998-99, there was a suggestion from the Park office, that some provision be made during its development to <i>include a component for Parks revenue/billing/receivables</i>. Therefore, they did not see a need to modify the current system, and in the meantime, could continue processing on a manual basis.</p> <p>We recommend, in order to increase efficiency of the revenue process, that consideration be given by Parks Canada management to <i>develop, according to Parks Canada needs, in consultation with departmental finance/informatics, and adequate billing/receivable component</i> for all townsite land agreements, including commercial agreements. The system should be part of, or <i>compatible with the departmental financial system (SAP)</i>.</p>		<p>Comments in this section were provided by Jasper representatives and do not warrant additional comment.</p>	<p>Reply by National Office “Currently working with the im/it group looking into linkages between the National Realty Systems and other Parks Canada common systems.</p> <p>Expect this issue will be resolved as part of the national standardization of im/it systems. All system connectivity will occur at the data base level within the national data warehouse.”</p> <p>Jasper Park will utilize SAP for accounts receivable effected April 2002.</p>
<p>6. Right of Audit Clause in the Agreement Should Include a Provision for Sub-</p>			

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>Lessees/Concessionaires</p> <p>During our consultations with Realty & Municipal Services of the Park, we have been informed that apparently the “Right of Audit Clause” in the commercial agreements of Parks Canada does not contain a provision for verification of the books and records of the sub-lessee or concessionaires other than the main lessee/concessionaire.</p> <p>Although the agreement audited contained a specific contract provision for “gross revenue” upon which rental fees are established, which included “sales made by any sublessee, concessionaire or licensee on or from the land.....”, the right to audit provision does not include reference with regard to the auditor’s access to the accounting books and records of the latter.</p> <p>Park management indicated that, in some cases, this situation may present a problem, when a good portion of the lessee’s business is sublet (e.g. Petro Canada agreement in Jasper) and it would be necessary to audit the records of the sublessee.</p> <p>We recommend to Parks Canada management, in order to avoid any problems with future audits and possible loss of revenue going undetected, to <i>consider reviewing this particular contractual requirement, and include it with the “Right of Audit Clause”</i> in the master agreement for percentage (%) of gross revenue based commercial agreements.</p> <p>It should be noted, that this particular issue did not represent a problem for the two lease agreement audits since the lessees’ business was not sublet.</p>		<p>A decision to include the suggested “right of audit clause” can be included in future lease pending legal advice on its efficacy.</p>	<p>Reply by National Office “A review of the contractual requirements will be undertaken at the Fall Realty Conference through the Master Document review Committee.”</p> <p><i>Realty Conference took place in November 2001. It was established that Parks Canada agreement is with Head lessee. They need to get Parks Canada approval before subletting.</i></p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>7. Supplementary Information: Review of Key Financial Operating Indicators</p> <p>Upon request from Parks Canada, we have obtained additional financial information from the Lessees and established some relevant profitability/viability operating ratios. As indicated in the audit reports, the Park should <i>analyze these indicators and compare them to other lessees' performance, and/or other outside similar businesses available from Dunn and Bradstreet reports, etc.</i> This analysis presupposes that the Park obtain financial, preferably audited, statements, review them on a yearly basis and have responsible officers qualified to perform the required analysis.....</p> <p>Regarding the two lessees' financial operating indicators, it is difficult to draw preliminary conclusions.</p> <p>For Marmot Import Export Ltd., we were able to obtain most of required information, however, the figures were based on unaudited financial statements, therefore less reliance can be placed on them. Also, comparison of the three years is distorted due to a change of the fiscal year end in 1996, when the amalgamation of the business resulted in a distribution fo owners' equity to the shareholders in the form of dividends.</p> <p>For Rocky Mountain Skiing Inc., we were not able to obtain from management most of the required information, since they considered this audit as basically a revenue audit. The only meaningful analysis done was for 1996, which however, included a combination of audited (Rocky Mountain portion) and unaudited statements (Marmot Ski Shop Ltd., portion). The financial periods prior to 1996 included consolidated figures for Marmot Basin operations and the Nakiska operations (the latter was discontinued, and was not subject to the Park lease agreement). Therefore, meaningful comparison was difficult to make.</p>		<p>There is no substantive concern with the standard accounting parameters outlined.</p>	<p>There is no substantive concern with the standard accounting parameters outlined.</p>

Lease and Concession Audit/Maligne Tours Ltd., Jasper National Park by The Corporate Review Branch, October 1997			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. Submission of the Lessee's Audited Financial Statements</p> <p>The lease agreement requires the lessee to submit annual audited financial statements, at April 1 for each of its fiscal year (see Article 2.1) of the lease agreement. The lessee did not submit audited financial statements to the Park office for any of the fiscal years we audited. We also noted that the year-end dates for financial statements submitted to Parks Canada have changed from September 30 to April 30. The financial statements obtained from the Lessee were only accompanied by a Review Engagement Certificate, which constitutes significantly less assurance than an audit. The Lessee submitted their gross revenue statements to the Park accompanied by the final payment, with considerable delay, therefore, incurred interest charges.</p> <p>We recommend that the Park office monitor all article requirements of the lease on a timely basis to ensure that a lessee remains in compliance with the agreement. It is especially important that the Park office <i>obtain and review a lessee's audited financial statements in order to ensure that the lessee is solvent and will remain viable to continue to meet its obligations</i> under the lease agreement In order to monitor effectively the viability of the lessees/concessionaires' business, the park must have the qualified resources to analyze the financial information. It is also recommended, that the article dealing with the financial statements/record keeping be modified, to take into account the change for year-end of the lessee. Accordingly, a reasonable time period (e.g.; 30-60 days) should be allowed for submission of statements/final payment after April 30.</p>			<p>Lessee did not provide statements for last four years. Audit done by Consulting and Audit Canada Sept 2001 identified same observation. Maligne Tours has now settled back rent based on CAAC audit.</p>
<p>2. Submission of Evidence Regarding Liability Insurance</p> <p>We were unable to locate on any of the Park office files, evidence that the lessee had liability insurance in place for the three years audited and that, specifically, the cross liability insurance covering the Government, was in place as required by the lease agreement. The</p>			<p>Will verify with realty staff week of Nov 19.</p> <p><i>See next item.</i></p>

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<p>latest insurance certificates were reviewed by the auditor during the course of these lease agreement audits at the lessee’s premises.</p> <p>We recommend that the Park office ensure that the lessee comply with the lease agreement (see article 12) by annually <i>providing evidence of the liability insurance.</i></p>			
<p>3. Medical Certification of Boat Rental/Tour, Restaurant Staff</p> <p>The lease agreement audited contained a clause (see article 10.a) and b)) requiring the lessee to provide evidence that those staff working in the boating and restaurant operations undergo medical/physical examinations and obtain certification that they are able to perform the required work. The medical certificates are to be submitted to the Superintendent on demand.</p> <p>We noted that the Park did not require such certification for staff working in boat rental/tours, cafeteria and the dining room.</p> <p>We recommend that an assessment be made on whether this requirement should be enforced by the Park. If the Park office feels that this medical certification is necessary, and since the lease agreement includes this requirement, it should be obtained and kept on file for verification purposes. Park management indicated that they will <i>inquire about legal requirements, both under federal and provincial regulations and implement changes, if required.</i> It is also suggested that for both the liability insurance clause and an eventual medical certification clause, Parks Canada obtain legal advice on the implications of having (or not) and enforcing (or not) such clauses, in the event of an accident or other problem.</p>			<p>Reply by National Office “This issue will be addressed at the September Realty Conference in Halifax, through the Master Document Committee. The legal requirements will also be discussed at that point in time and the individual who will be leading this matter will be selected.”</p> <p><i>Realty Conference took place in November 2001. Decisions were made that:</i> - <i>medical certification clause in a lease would be inappropriate and that issue should be covered in the business licence.</i> - <i>New agreements will include a liability insurance clause.</i></p>
<p>4. Review of the Park’s Billing/Accounts Receivable System may be Required</p> <p>According to discussions with the Park’s Finance and the Realth & Municipal Services management and staff, it appears that the billing/accounts receivable system, used also for commercial (% of gross revenue based) lease and concession agreements, were</p>			<p>Reply by National Office “Currently working with the im/it group looking into linkages between the National Realty Systems</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>primarily designed (around the mid - 1980's) for townsite land customers' billing (sewer, water, waste collection, etc.) According to the Park office, the system is outdated, has a limited memory capacity to handle historical data and is slow to process it. Also, the system has no tie to the main departmental financial system (Fincon).</p> <p>Due to the inappropriateness of the system for commercial agreements, Finance staff has to prepare most of required documentation manually, including the lessee's billing and updating of receivables upon receipt of payments.</p> <p>Since the new departmental financial system (SAP) is to be introduced in 1998-99, there was a suggestion from the Park office, that some provision be made during its development to <i>include a component for Parks revenue/billing/receivables</i>. Therefore, they did not see a need to modify the current system, and in the meantime, could continue processing on a manual basis.</p> <p>We recommend, in order to increase efficiency of the revenue process, that consideration be given by Parks Canada management to <i>develop, according to Parks Canada needs, in consultation with departmental finance/informatics, an adequate billing/receivable component</i> for all townsite land agreements, including commercial agreements. The system should be part of, or <i>compatible with the departmental financial system (SAP)</i>. The task force/committee working on the SAP development project should be alerted to this issue.</p>			<p>and other Parks Canada common systems.</p> <p>Expect this issue will be resolved as part of the national standardization of im/it systems. All system connectivity will occur at the data base level within the national data warehouse.”</p> <p>Jasper Park will be utilizing SAP for accounts receivable effected April 2002.</p>
<p>5. Environmental Protection Clauses are not Part of the Agreement</p> <p>The lease agreement signed as of January 20, 1975 and reviewed as of October 8, 1980 for an additional term of 35 years, does not contain a provision for environmental protection and conducting an environmental impact assessment, when required.</p> <p>We noted in some other more recent Parks Canada concession and lease agreements such clauses, which usually include provision for:</p> <ul style="list-style-type: none"> • Conducting activities in compliance with legislation covering environmental protection; 			<p>Reply by National Office “Completed - All new lease and licence agreements have environmental clauses.”</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<ul style="list-style-type: none"> • Conducting environmental impact assessments, when required, for development on the premises, according to the Canadian Environmental Assessment Act and Guidelines; • Constructing, operating, maintaining and decommissioning structures, fixtures, buildings and other improvements, in compliance with environmental standards, and • Not using, emitting, discharging, storing or disposing any contaminants, pollutants, toxic, dangerous materials, as defined in applicable legislation <p>We recommend to Parks Canada management, in order to avoid any future environmental problems and possible violations going undetected, to <i>consider reviewing these particular contractual requirements, and be specific for their inclusion in the lease agreements.</i></p>			

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>6. -Supplementary Information: Review of Key Financial Operating Indicators</p> <p>Upon request from Parks Canada, we have obtained additional financial information from the Lessees and established some relevant profitability/viability operating ratios. As indicated in the audit reports, the Park should <i>analyze these indicators and compare them to other lessees' performance, and/or other outside similar businesses available from Dunn and Bradstreet reports, etc.</i> This analysis presupposes that the Park obtain financial, preferably audited, statements, review them on a yearly basis and have responsible officers qualified to perform the required analysis.</p> <p>Therefore, overall, the financial viability of this business appears to be adequate, based, however, on unaudited figures that were supplied by management. Since the parent company, Sunrise International Inc., is a public company (on the stock market), there is more financial security for the future. The Park should, however, carefully <i>monitor financial statements and gross revenue (more detailed) statements' figures to ascertain that all revenue categories are included and no internal transfers are practised, as was the case in 1995-96-97, to avoid required rental payments.</i></p>			<p>This was done via Consulting and Audit Canada Audit Sept 2001.</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. File Administration</p> <p>The lessee is required to submit semi-annual revenue reports, as well as specific items such as insurance endorsements, proof of insurance premium payment, assignment agreements and financial statements. The Terra Nova National Park files did not contain this information. Although financial statements for the fiscal periods ending October 31 1997 and 1998 were on file, statements for all of the preceding periods covered by the Lease were not available at the Park offices. While documentation on file clearly indicates that repeated verbal and written requests were made to the Lessee for specific information such requests were not met by the Lessee. The lack of required documentation on Park files has clearly lead to a situation where proper administration of the Lease was difficult. This situation has resulted in the Department being underpaid \$26,840 in annual rents and provided for the potential payment of compensatory damages for personal injury and property damages.</p> <p>Our analysis of the Lessees gross revenues for the 1996, 1997 and 1998 operating seasons has shown that the Lessee has underpaid the 1997 annual rent by \$9,231 and has underpaid the 1998 annual rent by \$17,609. This situation has resulted from the failure of the Park administration to obtain the semi-annual gross revenue reports required to be provided by the Lessee.</p> <p>Our examination of the current insurance policy covering the period October 30, 1998 to October 30, 1999 failed to show Her Majesty as a named insured. Subsequent discussions with the Lessee and the Lessee's Insurance Agent has led to action being taken to correct this situation. Given that Her Majesty was not clearly named as an insured it must be questioned what liability would have been incurred by the Department had an accident occurred during the period October 30, 1998 until this situation was recognized and corrected.</p> <p>While Park administration has made efforts to have the Lessee comply with the terms of the Lease, these efforts have, in most cases, been disregarded by the Lessee. Despite such actions on the part of the Lessee, the Park administration needs to continue its efforts and to ensure that these efforts are documented in writing to the Lessee. Failure to advise the Lessee of its noncompliance with the terms and conditions of the Lease could result in an interpretation by the Lessee that compliance is not required.</p>		<p>The Lessee has not provided reports on a semi-annual bases. The report is submitted annually at this time.</p> <p>The past two years the insurance has shown Her Majesty as a named insured.</p> <p>A letter has been sent requesting a copy of the insurance for the period up to and including October 2002.</p> <p>Written correspondence will be provided to the Lessee outlining any non-compliance with the terms and conditions.</p>	<p>The Field Unit has met with the Lessee to discuss these requirements and has addressed them in writing as well.</p> <p>The Field Unit Superintendent ensures that the terms of the Lease are strictly enforced.</p> <p>All missing documentation has been recovered from the Lessee and has been placed on the file.</p> <p>All past annual rent owing to Her Majesty (1997,1998) has been recovered from the Lessee.</p> <p>Lessee submits insurance requirements in accordance with the lease. Insurance policies list Her Majesty as a named insured.</p> <p>The Field Unit has met with the Lessee to discuss compliance issues. Minutes of these meetings have been placed on file.</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>It is recommended that Park administration</p> <p>(a) establish a checklist of the various obligations of the Lessee under the Lease and that the checklist be used to ensure timely identification of noncompliance;</p> <p>(b) notify the Lessee in writing of each instance of noncompliance with the Lease, both as a means of ensuring that these obligations are met and of documenting the Lessee's performance in this regard;</p> <p>(c) remind the Lessee of the terms of Clause 18 of the Lease which allows for the termination of the Lease where the Lessee does not remedy any item of default to the satisfaction of the Department; and</p> <p>(d) remind the Lessee of the Letter of Undertaking dated February 13, 1998 and issued by the Department to Textron Financial Corporation (Canada) and of the cover letter dated February 16, 1998 which confirms that the Crown will notify Textron should the Lessee default under the terms of the Lease.</p>		<p>(a) A checklist has been now been established.</p> <p>(b) All communication with the Lessee is done in writing.</p> <p>(c) A meeting was held with the Lessee, and minutes were kept.</p>	<p>Completed.</p> <p>Ongoing.</p> <p>The Field Unit has followed up on this matter with the Lessee.</p> <p>The Lessee is aware that Parks Canada must notify Textron Financial Corporation if the Lessee defaults.</p>
<p>2. Potential Loss of Revenue</p> <p>Entry fees are charged at all national parks and most national historic sites. Most of the money raised through such admission fees remains in the particular park or site where it has been collected. It is intended that the money raised at a particular park will then be used to further enhance the park's facilities. During our review of the Lessee's operation, the Lessee was questioned regarding the monitoring of park passes and the collection of fees from individuals who did not have a valid pass for use of Park facilities. In response to our enquiry, we were advised that the Lessee does not monitor whether or not individuals using the facilities of the golf course, tee house and related driving range do in fact have a valid park user pass and that the Lessee does not, therefore, collect on behalf of Parks Canada the appropriate entry fee in those cases where a pass was not previously issued.</p> <p>Documentation obtained from Park files relating to the assignment of the Lease from Coopers and Lybrand Limited, Receiver and Manager of St. Christopher's Resort Inc. to Twin Rivers Golf Inc. states, under the specified fee structure that, in addition to the green fees, a National Park entry fee is required for all visitors and golfers to Terra Nova National Park who use park facilities, including the golf course. We have seen no subsequent documentation or legislation which would specifically exclude the Lessee from meeting this requirement.</p>			

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>Lease Clause 10(a) and Schedule A, Item (I) both require that the Lessee obtain all licenses required by the National Parks Business Regulations. Article 3 of these Regulations states that no person shall carry on, in a park, any business unless that person is the holder of a license to carry on that business. Neither the Park administration nor the Lessee were able to provide evidence to show that the required Licence has been issued and the appropriate fees collected for any of the operating periods since 1993 when the current Lessee took over the operation of the Terra Nova golf course facility.</p> <p>It is recommended that the Park Superintendent</p> <p>(a) review and apply the National Park regulations relating to the collection of users fees and the application of these Regulations in relation to the Terra Nova golf course;</p> <p>(b) inform the Lessee of its obligations regarding the collection of user fees and ensure that the Lessee is given appropriate direction and instruction in this regard;</p> <p>(c) initiate a system of monitoring or spot checks to ensure that the Lessee is complying with earlier directions; and</p> <p>(d) review the National Parks Business Regulations in relation to the issuance of licenses and to establish a monitoring system that will in future ensure that all appropriate licenses are issued and the applicable fees collected.</p>		<p>(a) Park Entry Permits have been issued to the Twin Rivers Golf Course in addition to provision of a sign “Park Entry Permits sold here”.</p> <p>(b) The Lessee has been advised of its obligation regarding the collection of user fees with appropriate direction and instruction.</p> <p>(c) An audit will be done mid-way through the season.</p> <p>(d) This will be monitored by check list.</p>	<p>The Lessee is now issued an annual business licence.</p> <p>The Field Unit Superintendent has a meeting scheduled with the Lessee on November 12, 2002 to discuss the collection of user fees.</p> <p>Meeting took place as scheduled. Minutes of it are in file.</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>3. Audited Gross Revenue</p> <p>During the period of the Lease from April 1, 1993 to October 31, 1998 the Lessee has not submitted the reports of gross revenue required under the terms of the Lease. Our audit of the rents payable, calculated on the basis of the gross revenues as defined by the Lease, has identified that the Lessee, in calculating its annual golf course lease expense, has not included revenue from the sale of food and beverages in relation to the operation of the Tee House. In 1997, food and beverage sales at the Tee House totaled \$100,793 while in 1998 total sales were \$90,456. The Lessee reported these sales on its financial statements for the year ended October 31, 1998 under Note 9. The Lessee has subcontracted the full operation of the Tee House Restaurant and Driving Range for the period April 1, 1998 to October 31, 1999, by an Indenture dated March 31, 1998. This agreement provides that for the period April 1, 1998 to October 31, 1998 the operator of the Tee House will pay an occupancy fee of 20% of gross food and beverage sales and 5% of gross driving range sales. The balance of the gross sales have been identified by the Lessee as contract payments and have been deducted from the total gross sales amounts. Only that portion of the gross sales representing the occupancy fee has been reflected by the Lessee under its audited statement of net income. Clearly the provisions of Lease Clause 15(b) provide that the gross revenues of any sublease will be deemed to be gross revenue of the Lessee for the purpose of calculating the rent payable.</p>		<p>This has been taken into account for future audit.</p>	
<p>4. Financial Analysis</p> <p>Our audit report, Schedule 2, Supplementary Information, Item 9 contains reference to specific financial information which shows recent trends in relation to the operation of the Lessee's business generally and to the Lease activity in particular.</p> <p>The Lessee's working capital position at October 31, 1998 showed significant improvement over the prior two years due largely to the refinancing of the company's long term debt position. As a result of the refinancing the company's long term debt has increased by \$1.5 million.</p> <p>While revenues for the combined operation have shown marginal growth over the past three years, revenues relating to the Lease operation declined 8% in 1998 from those in 1996. This decline may be accounted for partly by the opening of a driving range by the lessee on non-park lands adjacent to the hotel, which resulted in a significant decline in revenues from the operation of the driving range on Park land. In addition, the following seasonal factors may have</p>		<p>We will continue to work closely with Twin Rivers Golf Course to monitor improvements.</p> <p>Revenues for the upcoming year should remain consistent as there are no major celebrations or tourist events planned for this year.</p>	

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>contributed to the small decline in revenues. During the 1996 operating season the Hibernia Offshore Project at nearby Bullarm was in full operation and many of the non-local workers on this project were resident in nearby communities. 1997 saw the historical re-enactment of the arrival of the Matthew which drew many visitors to the Province. During 1998 no major tourist attraction, celebration or other cultural event was held in Newfoundland.</p> <p>The Lessee has continued to make improvements to its resort operation in an effort to attract repeat corporate business and to make the resort a destination of choice for families. In addition to the construction of the driving range, the Lessee is currently developing a nine hole golf course on property adjacent to the resort. What impact this development will have on the revenues of the Park's eighteen hole course cannot adequately be assessed at this time. While the option for playing nine hole golf is currently available to patrons of the resort, the current configuration of the eighteen hole course and restrictions on playing times limits its availability.</p> <p>During the three operating periods covered by the current audit, the Lessee has reported after tax net income of more than \$285,000 for the combined operation.</p>			

Lease and Concession Audit/Norock Associates Limited, Western Brook Pond, Gros Morne National Park by The Corporate Review Branch, January 1999			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. File Administration</p> <p>The Licensee is required to submit various documents on a monthly basis, as well as specific items such as insurance endorsements and annual financial statements which include an audited balance sheet and a statement of revenue and expenditure. The Gros Morne National Park file does not contain this information in an easy reference format. Although the information required is in the file, a checklist (with suitable due dates expected) is not affixed to the file jacket that would be a catalyst to make inquiries of the Licensee if items are not received on a timely basis. Failure to advise the Concessionaire of its noncompliance with the terms and conditions fo the Agreement could result in an interpretation that compliance is not required. We do note, however, that the Licensee has complies with all submission requirements.</p> <p>Recommendation: It is recommended that:</p> <ul style="list-style-type: none"> • a checklist of the various obligations of the Licensee under the Agreement be established and used to ensure the timely identification of noncompliance; and, • the Licensee be notified of each instance of default with the Agreement, both as a means of ensuring that the obligations are met and of documenting the Licensee’s performance in this regard. 		<p>A checklist of the various obligations is now attached to the file folder.</p> <p>The List is keep current and reflects the status of the obligations. If the obligations are not being meet the concessionaire is contacted either verbally or in writing and asked to provide promptly.</p>	<p>There has been no problem with the concessionaire not meeting his obligations.</p> <p>All Concession Agreements will have attached to there folder this checklist for easy reference.</p>
<p>2. Monitoring by the Gros Morne National Park</p> <p>We were advised by the Park Management that Park staff regularly visit the site of operations for this License. The visit includes observing operations, embarking on the boat tour, and making inquiries of visitors of their impression of the tour itself. In addition, the Park utilizes the standard comment form that all Park visitors can complete.</p> <p>Our review of the Park’s file regarding this License indicates that staff are not placing on file any comments regarding their observations. Consequently, there is no documentation to support the monitoring conducted by the Park staff. Any issues raised and follow-up action required is not documented.</p>		<p>Appropriate staff have been verbally asked to observe any compliance issues when visiting the site and document. There have been comments placed on file by some staff who have visited noting their observations, both positive and negative. Others who find no problems have not been placing memo’s to file.</p>	<p>A memo will be sent to more staff identifying things to look for as non compliance and direction issued to note by memo their visits to the site.</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>Recommendation: It is recommended that an instruction be issued by the Superintendent to require staff to document their visits to this Licensee's operations inciating the daate, conditions, observations, and follow-up issues, and that this report be placed on the Park administrative file.</p>			
<p>3. Audit Adjustments</p> <p>Our audit of fees payable by the Licensee identified tickets sold but not redeemed by the purchasers embarking on the boat tour. The Licensee had based its calculation of revenue on the redeemed tickets. We have added to the revenue reported the amount of \$3,823 for the three years subject to audit, for the tickets identified by the Licensee as "missing". This amount has not been accounted for as gross revenue from operations on the Licensee's audited statements of gross revenue. It is probable that fee calculations of prior years excluded revenues such as this.</p>		<p>The Concessionaire issued a cheque made payable to the Receiver General for Canada in the Amount of \$1,294 to cover the % due Her Majesty.</p>	<p>Concessionaire has assured Parks Canada that the problem is corrected and the revenue is reflected in the gross amounts or refund of fees are verified by the purchaser.</p>
<p>4. Financial Analysis</p> <p>Our audit report contains reference to specific areas that we believe to indicate the financial strength of the operation of the enterprise generally and to the License activity in particular. The Licensee's working capital is such that it exceeds the requirements to meet current obligations and is almost 2 : 1 ratio. The trend exhibited for revenue both for the full enterprise and for the License operation is one of growth. The revenue of the current 1998-99 fiscal year is approximately 140% of the initial year subject to this audit. Although the net income from all operations of the Licensee's declined in 1997, the net income rebounded in 1998 to exceed the 1996 operational period. The percentage of overhead versus revenues for the Licensee's operation is less than the 1996 year, indicating that the Licensee is managing this operation closely and successfully maintaining overhead costs while expanding revenue. During the three operating periods included in this audit, the Licensee has achieved before taxes net income of more than \$160,000 for the Western Brook Pond operation.</p> <p>The long-term debt of the enterprise has been reduced each year and now is \$46,190, or 38% of the outstanding balance as at April 30, 1996. The equity base has increased from the April 30, 1996 balance to in excess of \$425,000, an increase of 209%.</p>		<p>The Current contract expires in October 2001 and tenders have been received for a new agreement for a 10 year period.</p> <p>The current concessionaire was the successful bidder and will be offered the concession.</p> <p>The Concessionaire will be replacing one of the vessels hence increasing his long term debt. The return to the crown will increase significantly from current agreement and be major contributor to our revenue target.</p>	<p>The revenues received have increased minimally but should improve in the next fiscal year under the new agreement.</p>

Lease and Concession Audit/Waterton Inter-Nation Shoreline Cruise Company, Waterton by Consulting and Audit Canada, March 1999			
OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>1. Submission of Gross Revenue Reports and Lessee's Financial Statements</p> <p>The lease agreement requires the Lessee to submit semi-annual gross revenue reports by April 30th and October 30th of each year and, in accordance with Article 7, to submit the annual financial statements within 90 days of its year end of October 31. The gross revenue reports were not submitted as required while the financial statements were not submitted on a timely basis. We also noted that, once gross revenues exceeded \$500,000, the Lessee's financial statements should be audited. This revenue level was achieved in 1997, however the financial statements submitted were not audited as required by the lease agreement.</p> <p>As the gross revenue reports are to accompany the additional rent due as a percentage of gross revenues, the failure to submit these results in the inability of Park staff to review the reasonability and timeliness of the lease payments made, particularly given the lack of detail in the financial statements provided by the Lessee. In addition, as the Lessee consistently delays payment of the percentage amount due under the agreement until submission of the financial statements, failure to submit these gross revenue reports prevents the Park office from identifying the appropriateness of assessing interest as provided for in the lease agreement for such late payments.</p> <p>We recommend that the Park office monitor the due dates of all payments required and assess interest charges to ensure payments and report submissions are made on a timely basis.</p> <p>As it is now expected that the gross revenues from this operation will consistently exceed the \$500,000 level at which audited financial statements are required, we also recommend Park management obtain and review the Lessee's audited financial statements and the related audit opinion. Review of the audit opinion should provide reasonable assurance that the Lessee has the appropriate internal controls in place to ensure revenues reported are not materially understated such that the lease payments made are correct and that the Lessee is solvent and will remain viable to continue to meet its obligations under the lease agreement.</p>		<p>The park will be invoicing the leasehold for a portion of the percentage of gross amount based on the earning of the previous year. The invoice will be issued in November of each year and will accumulate compound interest until paid in full. Any adjustments will be made after the receipt of the percentage of gross is submitted by the Leaseholder.</p> <p>See above.</p> <p>There is some hesitation to force the issue of the requirement for "audited financial statement" as this clause is not consistently applied across Parks Canada and the phrase "should submit" rather than "must submit" could easily be challenged. Once the definition is clear, we will implement the clauses and request the records required to satisfy the Crown's requirements.</p>	<p>Invoice of the remainder of the 2001/2002 season will be issued in November 2002.</p> <p>National Office, Finance are investigating the clause and will provide park will clear requirements before the 2002/03 operating season.</p>
<p>2. Maintenance of Financial Records</p>			

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>Article 7.01 (a) of the lease agreement requires the Lessee to maintain cash registers containing a cumulative total, sealed or locked and keep or cause to be kept in accordance with accepted principles of accounting, records of gross revenue while Article 7.01 (d) gives the Superintendent the right to prescribe or approve revenue gathering and cash control procedures and related equipment.</p> <p>The Lessee has no independent source data which can be utilized to adequately confirm the reported revenue. In addition, the Lessee records revenues in the books of account based upon cash deposits, except at year end when invoices for outstanding charter revenues are prepared and recorded, rather than upon the sales records which are available. These two practices increase the risk to the Crown that all revenues are not accurately and completely recorded. Accordingly, we recommend the Park office take steps to ensure the cash control and revenue gathering procedures of the Lessee are maintained to the satisfaction of the Superintendent.</p>		<p>The Leaseholder has been looking for a "suitable" machine for their operation.</p>	<p>Before a business licence for the 2002/2003 is issued to the Leaseholder, this and any other outstanding audit issues will need to be addressed and complied with to the satisfaction of the Park Finance Manager.</p>
<p>3. Approval of Rates Charged and Operating Season</p> <p>Article 3.13 of the lease agreement indicates that the Lessee shall not charge higher rates for tour boat and mooring than those rates approved by the Minister. Our audit indicated that this approval was not being provided to the Lessee and that the Lessee was setting rates and merely communicating these rates to the Park office.</p> <p>We recommend that should Canadian Heritage believe that this approval function is no longer necessary, or can be delegated to personnel other than the Minister, the lease agreement be appropriately amended.</p> <p>Similarly, Article 3.01 indicates services are to commence May 15th and end September 30th of each year, although the operating season is defined in Article 1.01 (e) as commencing on April 1st and ending on October 31st in each year. In addition, we noted during our audit that the Lessee's services often commenced prior to May 15th and extended beyond September 30th. We have presumed that the Park office has no objection to the Lessee commencing his operations prior to May 15th or extending beyond September 30th provided the Lessee's operations, including required site maintenance, did not extend beyond the defined operating season. Accordingly, we</p>		<p>As per National Office direction, this lease clause is no longer applicable, as such no further action is required. When the lease is "opened" for other any other reason, we will amend the clause to read the Field Unit Superintendent or his/her named representative.</p> <p>If and when the lease is "opened" for any other reason, we will amend this clause to allow for a longer season being approved by the Field Unit Superintendent on a year to year basis at the a request of the leaseholder.</p>	<p>Reply by National Office "The duties of the Minister referenced in the lease are discharged by the Field Unit Superintendents.</p> <p>Appropriate delegations are in place.</p> <p>No further action required."</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>recommend that the Park office give consideration to amending Article 3.01 of the lease agreement in order to be consistent with the actual activities or to enforce the actual commencement and shut down of tour boat and water taxi services.</p>			
<p>4. Submission of Operating, Maintenance and Capital Plans</p> <p>The lease agreement requires the Lessee to submit an annual Operating Plan, Maintenance Plan and Capital Redevelopment Plan on or before March 1st of each year of the lease. We were unable to locate evidence that any such plans had been submitted and note the Parks office's inability, given its limited manpower, to adequately review all such plans relative to all lease agreements in force within the Park boundaries. Accordingly, we recommend a review of the necessity for such plans to be submitted.</p> <p>This will enable staff to identify and ensure key articles of the lease agreement, which relate to issues such as the accuracy of the lease payments made, the visitor's perception of the Park and the Lessee's perceptions of fair treatment between Lessees be monitored throughout the operating season. In this respect, we recommend that staff monitor:</p> <ul style="list-style-type: none"> • maintenance of adequate financial records and controls, including the appropriate use of cash registers and posting of foreign exchange rates; • maintenance of appropriate levels of insurance; and • maintenance and condition, including safety, of the marina and grounds. This latter issue could require the Park office identify and communicate the minimum standards expected. 		<p>When the opportunity arises to amend the lease for other clause, we will negotiate for this recommendation.</p> <p>-see 2 above</p> <p>- see 5 below</p> <p>An annual inspection will be undertaken each spring with the leaseholder. A capital and maintenance plan will then formulated. Priority will be on public safety related investments.</p>	<p>No further action required at this time.</p> <p>-see 2 above</p> <p>- see 5 below</p> <p>- Inspections will now form part of a overall Asset Management Program starting in 2002/03.</p>
<p>5. Submission of Evidence Regarding Liability Insurance</p> <p>We were unable to locate evidence in the Park office files that the Lessee had liability insurance in place for the three years audited and specifically that the cross liability insurance covering the Crown was in place as</p>		<p>Leaseholder is providing copies of liability insurance annually as part of the Business License</p>	<p>Proof of insurance submitted for the 2001/2002 operating season. Will be monitored</p>

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
<p>required by the lease agreement. Insurance policies were subsequently provided by the Lessee for review by Consulting and Audit Canada which indicated that the required insurance, including the cross liability, was in place.</p> <p>In order to ensure Her Majesty is adequately protected, we recommend that the Park office ensure that the Lessee comply with the lease agreement by providing evidence of the liability, including cross liability insurance.</p>		renewal process.	annually as part of the business licence process.
<p>6. Medical Certification of Snack Bar Staff</p> <p>Subsequent to the initial lease date, the Lessee began operating a snack bar as part of the marina. There is no provision in the existing agreement to ensure staff working at the snack bar are required to undergo medical examinations. We are aware that lease agreements in other National Parks have required the Lessee to provide evidence that staff working in the snack bar undergo medical examinations.</p> <p>To ensure consistency of operations within all National Parks, and presuming this clause continues to exist in other lease agreements, we recommend that the Park office consider amending the lease agreement to provide for medical certification similar to that existing in other lease agreements.</p>		No longer a concern. Hot and cold food services are no longer provided. Only packaged foods are sold from the snack bar. The medical certification is not required for the sale of packaged food.	<p>Reply by National Office “This issue will be addressed at the September Realty Conference in Halifax, through the Master Document Committee. The legal requirements will also be discussed at that point in time and the individual who will be leading this matter will be selected.”</p> <p><i>Realty Conference took place in November 2001. - Decision was made that medical certification clause in a lease would be inappropriate and that issue should be covered in the business licence</i></p> <p>- Park reply- no further action required.</p>
<p>7. Credit Cards</p> <p>The corporation now accepts the VISA credit card. To ensure consistency of operations within all National Parks and fair treatment to all lessees, we recommend that the Park office consider amending the lease agreement to provide for the acceptance of credit cards as may exist in similar lease agreements.</p>		When the opportunity arises to amend the lease for other clause, we will negotiate for this recommendation.	No further action required at this time.

OBSERVATION	RECOMMENDATION	COMMENTS FROM PARK	CURRENT STATUS
8. Use of Sub Contractors The corporation hires a related company to provide the staffing on the ferry. We suggest the National Park review the necessity to amend the agreement to ensure such subcontractors are bound by the terms of this agreement.		Sub contractors are no longer used by the Leaseholder. Staffing of ferry is done by leaseholder.	No further action required.