

**AUDIT OF KEY FINANCIAL PROCESSES AT THE
PRINCE EDWARD ISLAND FIELD UNIT**

FINAL REPORT

**Prepared By
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TABLE OF CONTENTS

EXECUTIVE SUMMARY	iv
Background	iv
Objectives and Scope	iv
Methodology	iv
Assurance Statement	iv
Conclusion.....	iv
Recommendations	v
1 OVERVIEW	1
1.1 Background	1
1.2 Objectives and Scope	1
1.3 Methodology	2
1.4 Assurance Statement	2
1.5 Conclusion.....	2
2 OBSERVATIONS AND RECOMMENDATIONS	3
2.1 Revenue.....	3
Current Practices	3
Observations.....	4
Recommendations	5
2.2 Contracting	6
Current Practices	6
Observations.....	7
Recommendations	7
2.3 Use of Acquisition Cards	8
Current Practices	8
Observations.....	8
Recommendations	9
2.4 Payments to Suppliers	9
Current Practices	9
Observations.....	9
Recommendations	9

2.5	Travel Expenditures	10
	Current Practices	10
	Observations.....	10
	Recommendations	11
3	MANAGEMENT RESPONSE.....	12
	Revenue.....	12
	Contracting.....	13
	Acquisition Cards.....	14
	Payment to Suppliers.....	14
	Travel Expenditures	14

EXECUTIVE SUMMARY

BACKGROUND

Parks Canada Agency (PCA) is conducting a series of cyclical audits of field units, service centres and the national office to review key financial, administrative and management practices. The audits focus on compliance with Treasury Board of Canada Secretariat (TBS) and PCA policies and practices. The audit of the Prince Edward Island (PEI) Field Unit was conducted as part of this cyclical audit program.

OBJECTIVES AND SCOPE

The objective of this audit was to confirm that due diligence is being exercised in key management processes at the PEI Field Unit and that the processes and controls in place are adequate to ensure compliance with TBS and PCA policies and practices.

The scope of this engagement covered the following key financial process areas: Revenue, Contracting, Use of Acquisition Cards, Payments to Suppliers, and Travel Expenditures. The period from April 1, 2003 to March 31, 2004 was covered in this audit.

METHODOLOGY

The audit methodology included a review of relevant background documentation, interviews with PEI Field Unit personnel, observation of the entrance points and kiosks for taking in revenue, and transaction testing in the key financial process areas. The PEI Field Unit was visited during the period May 17 to 21, 2004.

ASSURANCE STATEMENT

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

CONCLUSION

Apart from the two key exceptions noted below, the controls in place to achieve compliance with TBS and PCA policies and practices are sufficient, and due diligence is being exercised in key management processes at the PEI Field Unit.

The first exception includes control weaknesses in the area of revenue which increases the risk of non-compliance with TBS and PCA policies and practices that could result in revenue being inaccurate or incomplete. The second exception relates to a breakdown of control in payments to suppliers which constitutes a breach of the Financial Administration Act (FAA) requirements that could result in unauthorized purchases and payments being made.

There also remain opportunities to strengthen processes and controls in the other key financial process areas. We have outlined below our recommendations for consideration by the PEI Field Unit Superintendent and the Manager of Business and Executive Services.

RECOMMENDATIONS

Revenue

In any organization where cash is being handled, the timeliness of the controls over cash is critical. The PEI Field Unit needs to improve the controls over the reconciliation of sales recorded in the financial system and cash deposited in the bank, as follows:

1. The PEI Field Unit Superintendent should consider hiring additional resources in Finance during the peak season (6 -8 weeks) to bring the workload to a more manageable level, thus reducing the risk of errors occurring. These extra resources can perform the matching of daily sales reports to Royal Bank deposit slips thereby freeing up the Revenue Coordinator's time to enter sales and reconcile the Bank of Canada in the Integrated Financial Management System (IFMS). This will allow discrepancies to be followed up on a more timely basis.
2. PCA should integrate the Point of Sale (POS) system and IFMS. Currently, the possibility of a National POS system is being investigated. As part of this investigation, the integration with IFMS should be examined. An integrated system will eliminate the double entry of sales into POS and IFMS, and reduce the number of manual processes that are required to reconcile the revenue, thereby increasing efficiency and reducing the opportunity for errors.
3. The PEI Field Unit should work with the Royal Bank to reduce the turnaround time for verification of deposits. This will help to reduce the amount of time it takes to reconcile sales with deposits and follow-up on discrepancies, thus providing more assurance over the accuracy and completeness of revenue.
4. The PEI Field Unit should improve the POS reporting to allow the reconciliation of POS sales with Bank of Canada deposits. Options include implementing a new system or upgrading the current system. As noted above, the possibility of a National POS system is being investigated. This will reduce the risk of errors occurring in the reporting of revenue and thus, increase the level of assurance over completeness and accuracy of revenue.
5. The end of season POS report should be run by station and employee, rather than by ticket type. That way, any differences between POS and the Bank of Canada deposits can be more easily traced back to daily supporting documentation (POS sales printouts and Royal Bank deposit slips). This will provide further assurance that the revenue recorded is complete and accurate.

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6. The PEI Field Unit should institute a process to capture volume discounts at source, which might be solved by implementing a new POS system or upgrading the current system. This will improve the reconciliation process between sales and deposits.

Contracting

7. The PEI Field Unit Superintendent should ensure that justification for sole sourcing a contract is clearly documented in the contract file. Without documented evidence in the file to support the decision to direct the contract to one supplier, there is the risk that the contracting process will be perceived as being unfair and inequitable.
8. The PEI Field Unit Superintendent ensure a Request for Contracting Services form is in the contract file with the appropriate signing authority approval. Without written approval for the contract in the file, there is no evidence that the PEI Field Unit is complying with TBS and PCA Contracting policies and practices.

Acquisition Cards

9. The PEI Field Unit Superintendent should ensure, on a periodic and regular basis, that the Acquisition Card Coordinator at the Halifax Service Centre sends the master list of cardholders to the Business Services Coordinator in the PEI Field Unit office for verification. Without this verification, there is a risk that the master list of cardholders is incomplete and/or invalid, thus increasing the risk of fraud or inappropriate usage of the card.

Payments to Suppliers

10. The PEI Field Unit Superintendent should ensure the Section 34 sign-off is obtained on all invoices prior to approval for payment under Section 33. By complying with the FAA requirements under Section 34 and 33, the risk of unauthorized purchases and payments being made is reduced. Starting in Fiscal Year 2005, the Section 34 signing authority has been restricted to the manager level resulting in a decrease in the number of remote signing authorities, which should make the approval process more manageable and timely.

Travel Expenditures

11. The PEI Field Unit Superintendent should ensure, on a periodic and regular basis, that the Travel Card Coordinator at the Halifax Service Centre sends the master list of cardholders to the Business Services Coordinator in the PEI Field Unit office for verification. Without this verification, there is a risk that the master list of cardholders is incomplete and/or invalid, thus increasing the risk of fraud or inappropriate usage of the card.
12. The PEI Field Unit Superintendent should delegate the travel budget for employees to the Manager level so that Managers are responsible for travel expenditures within their

control. This should include the Section 34 sign off on their employees' travel claims. This will reduce the risk of unauthorized travel occurring and help to keep travel expenditures within budget.

1 OVERVIEW

1.1 BACKGROUND

Parks Canada Agency (PCA) is conducting a series of cyclical audits of key financial, administrative and management practices for all field units, services centres and the national office. There are 32 field units and four service centres in the PCA. Field units are groups of national parks, national historic sites and national marine conservation areas that are usually in proximity to one another. Their proximity allows them to share management and administrative resources. The service centres support the organization in a variety of professional and technical disciplines. Directors of the service centres and field units are responsible for ensuring that the policies, directives and guidelines issued by the Treasury Board of Canada Secretariat (TBS) and PCA are followed.

Interis Consulting Inc. (Interis) conducted the audit of the Prince Edward Island (PEI) Field Unit as part of this cyclical audit program.

The PEI Field Unit is responsible for the Prince Edward Island National Park, which was established in 1937 and stretches 40 kilometres along the province's north shore. In 1998, six kilometres of the Greenwich Peninsula were added to the National Park. The park also includes Green Gables, a heritage site that commemorates the life of Lucy Maud Montgomery, author of *Anne of Green Gables*. In addition to the National Park, the PEI Field Unit is responsible for several National Historic Sites including Province House, Ardgowan, Dalvay-by-the-Sea and Port-la-Joye-Fort Amherst.

1.2 OBJECTIVES AND SCOPE

The objective of this audit was to confirm that due diligence is being exercised in key management processes at the PEI Field Unit and that the processes and controls in place are adequate to ensure compliance with TBS and PCA policies and practices.

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

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

Transactions incurred during the period from April 1, 2003, to March 31, 2004 were covered in this audit.

1.3 METHODOLOGY

The methodology used in conducting this audit included a visit to the PEI Field Unit and the execution of the following activities:

- ◆ Review of relevant documentation including PEI Field Unit Sustainable Business Plan 2003-08, Organization Chart, PCA Financial Resource Management Principles, PCA Delegated Signing Authorities Chart, Visitor Information on the PCA website, Minutes of the Management Team Meetings, Finance and Administration training materials, policies that deal with the above key financial process areas, and financial reports prepared by the Manager, Business and Executive Services;
- ◆ Interviews with PEI Field Unit management and personnel responsible for the key financial processes;
- ◆ Tour of the PEI National Park to observe the entrance points and kiosks for taking in the revenue;
- ◆ Examination of a sample of transactions in each of the key financial process areas.

Upon completion of the fieldwork, a debriefing of our preliminary observations was held with the PEI Field Unit Superintendent and the Manager of Business and Executive Services.

1.4 ASSURANCE STATEMENT

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

1.5 CONCLUSION

Apart from the two key exceptions noted below, the controls in place to achieve compliance with TBS and PCA policies and practices are sufficient, and due diligence is being exercised in key management processes at the PEI Field Unit.

The first exception includes control weaknesses in the area of Revenue which increases the risk of non-compliance with TBS and PCA policies and practices that could result in revenue being inaccurate or incomplete. The second exception relates to a breakdown of control in Payments to Suppliers which constitutes a breach of the Financial Administration Act (FAA) requirements that could result in unauthorized purchases and payments being made.

There also remain opportunities to strengthen processes and controls in the other key financial process areas. Our observations and recommendations are outlined in Section 2 below.

2 OBSERVATIONS AND RECOMMENDATIONS

2.1 REVENUE

CURRENT PRACTICES

The PEI Field Unit has a number of different revenue streams:

- ◆ Entrance Fees (61%)
- ◆ Campground Reservations (11%)
- ◆ Bus Tours (1%)
- ◆ Concessions and Licences (22%)
- ◆ Other (5%)

PEI National Park is among the top revenue producers (\$2.6M in Fiscal Year 2004) of all the National Parks across Canada. The majority of this revenue is earned in a very short 6 to 8 week time frame, during the summer months. What sets the PEI National Park apart from other national parks is the number of entrance points into the park where entrance fees are collected. There are 7 entrance points into the park including one at Greenwich, each with 1 to 2 selling kiosks. In addition, there are entrance points at 3 campground locations with a total of 5 selling kiosks. And finally, there are entrance fees at Green Gables (4 selling kiosks) and Port-la-Joye-Fort Amherst (1 kiosk). Early Bird Seasonal passes are also sold at Ardgowan. In total there are 19 selling points operated by approximately 67 staff, which increases the inherent risk of errors and losses occurring.

Students are hired for the season to operate the selling kiosks. Approximately 50% of the students are new each year and 50% are returning students. There have been no major problems with the students and they appear to be conscientious, cooperative and security oriented, all of which compensates for the fact that they are hired for a very short period of time with little training. The selling process appears to be tightly controlled by well understood procedures. Sales are entered into the Point of Sale (POS) system and POS sales reports are picked up from the sites on a weekly basis by Finance. The pick up of cash from the sites is contracted out to Brinks. The students drop their daily deposits into a double drop safe (deposits are dropped into the top of the safe and Brinks picks up from the bottom part of the safe). Only Brinks has the combination to the bottom half of the safe. The deposits are delivered to the Royal Bank in Halifax the following day as the Charlottetown branch does not have sufficient resources to handle the volume of deposits locally. As a result, the

verification of the deposits is not received until a week later. The reconciliation of Royal Bank deposit slips against POS sales reports is performed by the Revenue Coordinator on a daily basis. The Royal Bank deposits the money directly into the Bank of Canada and the PEI Field Unit gets a download of this information in the Integrated Financial Management System (IFMS). The reconciliation of sales reports to deposit slips from the Royal Bank and then to the Bank of Canada is an enormous exercise given the high volume of transactions. Based on our observations and transaction testing performed during the Field Unit visit, there is adequate segregation of duties between POS, deposits and the reconciliation of sales and deposits.

Campground reservations can be booked through a reservation company and the fees are collected in advance. The PEI Field Unit invoices the reservation company for the fees.

Bus tour companies are set up in Accounts Receivable and when they bring a tour group through the National Park or Historic Site, they are invoiced for the Commercial Group fee. This represents less than 2% of the entrance fee revenue.

There are a number of Licences of Occupation and Concession Agreements in place which provide a return to the Agency. Under these agreements, facilities such as a golf course, gift shop, hotel and canteens, are operated by different contractors and the PEI Field Unit receives a base amount plus a percentage of gross sales. The PEI Field Unit invoices the contractors based on the revenue reported in their audited financial statements. In addition, there are agriculture licences in place which bring in an annual fee from farmers for use of the land.

Other miscellaneous revenue includes fees for interpretive programs, staff housing rentals and proceeds from the sale of assets (mainly vehicles).

There is little turnover of personnel in the Business and Executive Services group which includes the Finance area. The majority of the personnel have many years of experience, not only in their current position but in other areas of the operation, which represents a strong compensating control.

OBSERVATIONS

Based on our review of the revenue processes, interviews conducted with the Finance staff, and sample transaction testing, a number of control weaknesses were noted which increase the risk of errors occurring and going undetected or uncorrected. As a result, there is a risk that revenue may not be accurate or complete. These control weaknesses are outlined as follows:

- ◆ Although daily reconciliations of POS reports with Royal Bank deposit slips are done, sales are not entered into IFMS and reconciled with the Bank of Canada deposits until four months after the season closes. The workload is excessive for one person to reconcile and record the revenue in IFMS given the large volume of transactions that occur in such a short period of time. Because of this time lag, it is difficult to investigate and resolve differences. Exacerbating this, the students who entered the sales into POS and counted the cash are no longer employed by PCA at this point.

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- ◆ Contributing to the lengthy reconciliation process is the fact that the POS system and IFMS are not integrated. This results in the double entry of sales and the execution of manual processes to track the high volume of transactions.
 - ◆ Stamped bank deposit slips are not received from the Royal Bank until a week after the deposits are made (longer when foreign exchange is involved). This also delays the reconciliation process. If any differences occur, it is more difficult to investigate and follow-up.
 - ◆ When performing an overall reconciliation of Bank of Canada deposits against Gate sales (entrance fees) reported from the POS system at the end of the season, there was a negative difference of \$33,278.57. According to the Systems/Information Support Specialist, the POS system will sometimes duplicate sales, which may explain this discrepancy. POS appears to be an adequate system on the front-end for entering sales but is not a reliable system on the back-end for reporting. The difference cannot be tied back to supporting documents because the end of season POS report is run by ticket type, while the daily reports that are reconciled to daily deposit slips are by station and employee.
 - ◆ A compensating control is the reconciliation of daily POS reports with daily deposit slips stamped by the Royal Bank. However, there is no assurance that the Royal Bank deposits balance with the Bank of Canada deposits reported through IFMS.
 - ◆ Some bus tour companies are given volume discounts based on the number of people they bring into the park. However, these discounts cannot be entered into the POS system. Therefore, the amount invoiced to bus tour companies for commercial group fees does not always equal the POS sales receipts. Although bus tour revenue represents less than 2% of the entrance fee revenue, this is another contributing factor to the difference between POS sales and Bank of Canada deposits. It also represents another item that has to be manually tracked for billing purposes which takes time and increases the opportunity for error.

RECOMMENDATIONS

In any organization where cash is being handled, the timeliness of the controls over cash is critical. The PEI Field Unit needs to improve the controls over the reconciliation of sales recorded in the financial system and cash deposited in the bank, as follows:

1. The PEI Field Unit Superintendent should consider the possibility of hiring additional resources in Finance during the peak season (6 -8 weeks) to bring the workload to a more manageable level, thus reducing the risk of errors occurring. These extra resources can perform the matching of daily sales reports to Royal Bank deposit slips thereby freeing up the Revenue Coordinator's time to enter sales and reconcile the Bank of Canada in IFMS. This will allow discrepancies to be followed up on a more timely basis.

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2. PCA should integrate the POS system and IFMS. Currently, the possibility of a National POS system is being investigated. As part of this investigation, the integration with IFMS should be examined. An integrated system will eliminate the double entry of sales into POS and IFMS, and reduce the number of manual processes that are required to reconcile the revenue, thereby increasing efficiency and reducing the opportunity for errors.
 3. The PEI Field Unit should work with the Royal Bank to reduce the turnaround time for verification of deposits. This will help to reduce the amount of time it takes to reconcile sales with deposits and follow-up on discrepancies, thus providing more assurance over the accuracy and completeness of revenue.
 4. The PEI Field Unit should improve the POS reporting to allow the reconciliation of POS sales with Bank of Canada deposits. Options include implementing a new system or upgrading the current system. As noted above, the possibility of a National POS system is being investigated. This will reduce the risk of errors occurring in the reporting of revenue and thus, increase the level of assurance over completeness and accuracy of revenue.
 5. The end of season POS report should be run by station and employee, rather than by ticket type. That way, any differences between POS and the Bank of Canada deposits can be more easily traced back to daily supporting documentation (POS sales printouts and Royal Bank deposit slips). This will provide further assurance that the revenue recorded is complete and accurate.
 6. The PEI Field Unit should institute a process to capture volume discounts at source, which might be solved by implementing a new POS system or upgrading the current system. This will improve the reconciliation process between sales and deposits.

2.2 CONTRACTING

CURRENT PRACTICES

The PEI Field Unit uses the following contracting methods for the procurement of goods and services:

- ◆ National Master Standing Offer (NMSO) through PWGSC is used for fuel, oil and gasoline, office supplies and computers. No local standing offers are used.
- ◆ Competitive:
 - For all service contracts, a competitive process is used with a minimum of two bids received for contracts < \$5,000.
 - For the purchase of goods > \$5,000, three to four written bids are obtained. For goods > \$25,000 or complex purchases, the contract is done through PWGSC.

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- ◆ Sole Source contracts are only used in emergency situations or when there is only one contractor that can do the work. Justification must be provided.
 - ◆ Acquisition Cards and Purchase Orders (PO) are used for the purchase of goods < \$5,000. For the majority of these purchases, verbal quotes are obtained.

Contracts over \$10,000 must be entered into IFMS. The goal of the PEI Field Unit is to enter all contracts into IFMS so manual reporting to the National office is no longer required. For the purchase of goods, a purchase order (PO) must be issued in IFMS by the Purchasing Specialist who has Section 32 signing authority.

The PEI Field Unit has a Contracting Specialist who looks after contracts, realty and legal services. All contracts over \$5,000 are funnelled through the Contracting Specialist. Because the Contracting Specialist is related to the Manager of Business and Executive Services, this position reports directly to the Field Unit Superintendent.

Signing authorities below the manager level have been restricted to expenditure initiation only (no longer have Section 34 approval). The level of knowledge and experience below the manager level is not sufficient to exercise proper signing authority. The manager must sign off under Section 34.

OBSERVATIONS

The PEI Field Unit entered into 18 contracts during the period April 1, 2003 to March 31, 2004, totalling approximately \$279,000. Of the 18 contracts, only one contract was a sole source contract in the amount of \$18,000. Interis examined four contracts and determined that the contracting rules were respected with one exception as follows:

- ◆ Even though the sole source contract was well within the \$25,000 limit, there was no justification in the file for using this method of contract. In addition, there was no "Request for Contracting Services" form in the file with the appropriate signing authority approval.

RECOMMENDATIONS

1. The Field Unit Superintendent should put a practice in place to ensure that justification for sole sourcing a contract is clearly documented in the contract file. Without documented evidence in the file to support the decision to direct the contract to one supplier, there is the risk that the contracting process will be perceived as being unfair and inequitable.
2. The Field Unit Superintendent should implement a process to ensure a Request for Contracting Services form is in the file with the appropriate signing authority approval.

Without written approval for the contract in the file, there is no evidence that the PEI Field Unit is complying with TBS and PCA Contracting policies and practices.

2.3 USE OF ACQUISITION CARDS

CURRENT PRACTICES

Currently, there are 24 acquisition cardholders in the PEI Field Unit. The standard limit on the cards is \$15,000. In some cases, there is little use of the acquisition card during the off season. For other cardholders, like the garage mechanic, their use is consistent throughout the year.

When an employee makes a purchase with their acquisition card the receipt is immediately sent to the Purchasing Specialist, who will review the appropriateness of each purchase and then open a PO in IFMS so the funds are committed against the budget as soon as possible. When the credit card statements are received, she checks each statement against the receipts, matches up the PO and then signs off the Section 34 approval for all employees except managers. Starting in Fiscal Year 2005, the employee's manager now signs the Section 34 approval. The Manager of Business and Executive Services will continue to approve the managers' purchases. The statements, with the receipts and PO attached, are sent to the Accounts Payable Specialist, for processing in IFMS. The Business Services Coordinator authorizes payment electronically under Section 33 and then the file is sent to PWGSC to process the cheques. The statements are filed in Accounts Payable under the vendor and then alphabetically by employee.

OBSERVATIONS

Based on our review of the acquisition card and accounts payable processes, discussions with the Finance staff and sample testing of four acquisition card transactions, the processes and controls related to the use of acquisition cards appear to be adequate and effective. However, one control weakness was identified as follows:

- ◆ The Acquisition Card (A-Card) Coordinator is located at the Service Centre in Halifax. The A-Card Coordinator position was centralized so there is one point of contact with the credit card company. The A-Card Coordinator has maintained a master list of cardholders since she started in the position a year ago. However, she does not send the list to the PEI Field Unit office on a periodic basis for validation. Given that the A-card Coordinator works at another Centre and is not familiar with the employees of the PEI Field Unit, there is a risk that the master list of cardholders is incomplete and/or invalid. Specifically, there is no process in place to verify that the master list includes all employees who have an acquisition card (completeness). As well, there is no process by which to verify that employees who have left PCA have been removed from the list and have had their cards cancelled (validity).

RECOMMENDATIONS

1. The PEI Field Unit Superintendent should ensure, on a periodic and regular basis, that the Acquisition Card Coordinator at the Halifax Service Centre sends her master list of cardholders to the Business Services Coordinator in the PEI Field Unit office for verification. Without this verification, there is a risk that the master list of cardholders is incomplete and/or invalid, thus increasing the risk of fraud or inappropriate usage of the card.

2.4 PAYMENTS TO SUPPLIERS

CURRENT PRACTICES

Invoices for goods received are sent to the Purchasing Specialist, who matches the invoice to the PO with the Section 32 approval, and then passes it on to the Accounts Payable Specialist for processing. Invoices for ongoing services, like utilities, go directly to Accounts Payable. The Section 32 commitment is initiated at the beginning of the fiscal year by the Manager of Business and Executive Services or the Business Services Coordinator through a manual funds commitment in IFMS. The Accounts Payable Specialist also meets with the managers at the beginning of the year or whenever a new account is opened, to get clarification on coding and records this in a log book. The invoice is sent to the appropriate manager for review and approval under Section 34 prior to processing in IFMS. As the invoices come due for payment, the Business Services Coordinator performs the Section 33 approval on-line. Once approved, the file goes to PWGSC for processing of the payments.

OBSERVATIONS

Based on our review of the accounts payable process, discussions with the Purchasing and Accounts Payable personnel, and sample testing of five transactions, the processes and controls related to supplier payments appear to be adequate with the following exception:

- ♦ Due to the distance and time involved in sending invoices to supervisors and managers in remote locations for approval, the Section 34 sign-off is not always obtained before the invoice is processed and paid because it may result in late charges. Although this situation only occurs when it involves a routine purchase, a packing slip has been received by Purchasing, the PO matches up and the amount is not significant, resulting in a low level of risk, it does represent a breach of the FAA requirements.

RECOMMENDATIONS

1. The PEI Field Unit Superintendent should ensure the Section 34 sign-off is obtained on all invoices prior to approval for payment under Section 33. By complying with the FAA requirements under Section 34 and 33, the risk of unauthorized purchases and payments

being made is reduced. Starting in Fiscal Year 2005, the Section 34 signing authority has been restricted to the manager level resulting in a decrease in the number of remote signing authorities, which should make the approval process more manageable and timely.

2.5 TRAVEL EXPENDITURES

CURRENT PRACTICES

Currently, there are 18 travel cardholders. The standard credit limit is set at \$3,000. The card is only to be used for business travel – hotel, meals, incidentals, car rental. Generally airfare is arranged and paid for directly by PCA. The travel card statements are mailed directly to the employees at home and they are responsible for full payment of the balance owing. Starting in April 2004, if there is a balance on the credit card after 90 days, PCA is required to pay the balance and then collect from the employee.

If an employee has a requirement to travel, they must submit a Travel Authority and Advance form. It must be signed by the traveler, recommended by their manager and approved by the Field Unit Superintendent for Managers and by the Manager of Business and Executive Services for all other staff. If a travel advance is required, the Business Services Coordinator issues travellers' cheques, kept in the safe. When the employee returns, they must submit a Travel Expense Claim. A standard form must be used, which is now available electronically, or it will not be accepted. If a travel advance has been given, the travel claim must be submitted within 10 days. Claims are processed and paid as received. The employee must sign the claim. The signature of the manager is encouraged but not required. The Business Services Coordinator audits every travel claim (checks rates, calculations, eligibility, etc.). The Field Unit Superintendent signs off on the Section 34 approval for managers and the Manager of Business and Executive Services signs off for all other staff. The Business Services Coordinator performs the Section 33 approval on-line and then sends the file to PWGSC for processing of the payments.

OBSERVATIONS

Based on our review of the travel card and accounts payable processes, discussions with the Finance staff, and sample testing of three travel claims, overall the processes and controls related to travel expenditures appear to be adequate and effective. However, the following control weaknesses were noted:

- ◆ The Travel Card Coordinator for the PEI Field Unit is located at the Service Centre in Halifax. The master list of cardholders is not verified by the PEI Field Unit office on a regular basis. Given that the Travel Card Coordinator works at another Centre and is not familiar with the employees of the PEI Field Unit, there is no assurance that the master list of cardholders is complete and valid. Like the acquisition card master list, there is no process in place to verify that the master list includes all employees who have an

acquisition card (completeness). As well, there is no process by which to verify that employees who have left PCA have been removed from the list and have had their cards cancelled (validity).

- ◆ The travel budget is maintained at the corporate level and is not delegated to the manager level. Currently, managers are given a blanket travel authority with no dollar value limit. The only restriction is geographical – the Eastern region of Canada. Some travel is mandated by the National office (i.e. must attend specific conferences, etc.) however, most employee travel is related to attending training courses. Managers are not responsible for travel expenditures related to their own staff including the Section 34 approval on travel claims. This could result in unnecessary expenditures on travel particularly when it comes to approving travel for more than one staff member to attend a training session out-of-town.

RECOMMENDATIONS

1. The PEI Field Unit Superintendent should ensure, on a periodic and regular basis, that the Travel Card Coordinator at the Halifax Service Centre sends her master list of cardholders to the Business Services Coordinator in the PEI Field Unit office for verification. Without this verification, there is a risk that the master list of cardholders is incomplete and/or invalid, thus increasing the risk of fraud or inappropriate usage of the card.
2. The PEI Field Unit Superintendent should delegate the travel budget for employees to the Manager level so that Managers are responsible for travel expenditures within their control. This should include the Section 34 sign off on their employees' travel claims. This will reduce the risk of unauthorized travel occurring and help to keep travel expenditures within budget.

3 MANAGEMENT RESPONSE

REVENUE

1. The PEI Field Unit Superintendent should consider hiring additional resources in Finance during the peak season (6 -8 weeks) to bring the workload to a more manageable level, thus reducing the risk of errors occurring. These extra resources can perform the matching of daily sales reports to Royal Bank deposit slips thereby freeing up the Revenue Coordinator's time to enter sales and reconcile the Bank of Canada in the Integrated Financial Management System (IFMS). This will allow discrepancies to be followed up on a more timely basis.

Agree. The field unit recognizes that they are under resourced in the revenue section for the peak season and identified resources to hire a student for 12 weeks to assist in processing the massive amount of paper work generated by the large number of sales locations and attendants. The salary cap this year restricted the field unit from hiring two students as recommended by the auditor but this will be assessed in future years.

2. PCA should integrate the Point of Sale (POS) system and IFMS. Currently, the possibility of a National POS system is being investigated. As part of this investigation, the integration with IFMS should be examined. An integrated system will eliminate the double entry of sales into POS and IFMS, and reduce the number of manual processes that are required to reconcile the revenue, thereby increasing efficiency and reducing the opportunity for errors.

Agree. consistent with the direction of the finance committee of the parks canada executive board (feb. 2004) pei will convert to the nationally recommended point of sale system in 2004-2005 fiscal year. the system will provide an interface to the agency's sap financial system.

3. The PEI Field Unit should work with the Royal Bank to reduce the turnaround time for verification of deposits. This will help to reduce the amount of time it takes to reconcile sales with deposits and follow-up on discrepancies, thus providing more assurance over the accuracy and completeness of revenue.

Agree. Contact will be made with the Royal Bank to determine if there is anything, which can be done on their part to reduce the turnaround time of the deposit verification information. At present it is the policy of the bank to have all of their night deposits and Interacc deposits forwarded to Halifax for

verification. It is not done on site here on Prince Edward Island. This is the routine of the majority of financial institutions on the Island.

4. The PEI Field Unit should improve the POS reporting to allow the reconciliation of POS sales with Bank of Canada deposits. Options include implementing a new system or upgrading the current system. As noted above, the possibility of a National POS system is being investigated. This will reduce the risk of errors occurring in the reporting of revenue and thus, increase the level of assurance over completeness and accuracy of revenue.

Agree. The implementation of the national point of sale system in 2004-2005 (see response to recommendation 2 above) including connecting the POS system with SAP will address this issue.

5. The end of season POS report should be run by station and employee, rather than by ticket type. That way, any differences between POS and the Bank of Canada deposits can be more easily traced back to daily supporting documentation (POS sales printouts and Royal Bank deposit slips). This will provide further assurance that the revenue recorded is complete and accurate.

Agree. The field unit will reconcile sales/deposits by station and employee this year to ensure differences are identified and reconciled prior to year- end.

6. The PEI Field Unit should institute a process to capture volume discounts at source, which might be solved by implementing a new POS system or upgrading the current system. This will improve the reconciliation process between sales and deposits.

Reservation. The volume discounts are unique to each group tour company based on their previous year volume at each Field Unit. Therefore, the discounts are too complex to be effectively applied through POS at the gate. The Park will continue to apply appropriate volume discounts when invoices are created under the Accounts Receivable function within SAP.

CONTRACTING

7. The PEI Field Unit Superintendent should ensure that justification for sole sourcing a contract is clearly documented in the contract file. Without documented evidence in the file to support the decision to direct the contract to one supplier, there is the risk that the contracting process will be perceived as being unfair and inequitable.
8. The PEI Field Unit Superintendent ensure a Request for Contracting Services form is in the contract file with the appropriate signing authority approval. Without written

approval for the contract in the file, there is no evidence that the PEI Field Unit is complying with TBS and PCA Contracting policies and practices.

Agree. Both recommendations will be implemented in the field unit and a quarterly review of the contracting files by the Manager, Business & Executive Services will be in place to ensure compliance with Treasury Board and Parks Canada Contracting policies.

ACQUISITION CARDS

9. The PEI Field Unit Superintendent should ensure, on a periodic and regular basis, that the Acquisition Card Coordinator at the Halifax Service Centre sends the master list of cardholders to the Business Services Coordinator in the PEI Field Unit office for verification. Without this verification, there is a risk that the master list of cardholders is incomplete and/or invalid, thus increasing the risk of fraud or inappropriate usage of the card.

Agree. A request will be made to the Atlantic Service Center requesting a master list of all acquisition cards in use in the Prince Edward Island Field Unit. It is the intent of the field unit to make this request twice annually. Upon receipt of the master list, it will be cross-referenced in the Field Unit.

PAYMENT TO SUPPLIERS

10. The PEI Field Unit Superintendent should ensure the Section 34 sign-off is obtained on all invoices prior to approval for payment under Section 33. By complying with the FAA requirements under Section 34 and 33, the risk of unauthorized purchases and payments being made is reduced. Starting in Fiscal Year 2005, the Section 34 signing authority has been restricted to the manager level resulting in a decrease in the number of remote signing authorities, which should make the approval process more manageable and timely.

Agree. A system has been put in place whereby managers come into the Finance Office and sign their invoices on site prior to inputting the payments in the financial system.

TRAVEL EXPENDITURES

11. The PEI Field Unit Superintendent should ensure, on a periodic and regular basis, that the Travel Card Coordinator at the Halifax Service Centre sends the master list of

cardholders to the Business Services Coordinator in the PEI Field Unit office for verification. Without this verification, there is a risk that the master list of cardholders is incomplete and/or invalid, thus increasing the risk of fraud or inappropriate usage of the card.

Agree. As in No. 9 above, the Prince Edward Island Field Unit will request a master list of all travel cards and cross reference the list with our own records here. Any differences will be investigated and resolved.

12. The PEI Field Unit Superintendent should delegate the travel budget for employees to the Manager level so that Managers are responsible for travel expenditures within their control. This should include the Section 34 sign off on their employees' travel claims. This will reduce the risk of unauthorized travel occurring and help to keep travel expenditures within budget.

Agree. The PEI Field Unit Superintendent has delegated travel budgets to the individual managers for the 2004/05 fiscal year.