

**AUDIT OF FINANCIAL, ADMINISTRATIVE AND
MANAGEMENT PRACTICES:**

SERVICE CENTRE - QUEBEC

FINAL REPORT

**Drafted by:
Parks Canada Internal Audit**

December 1, 2001

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SUMMARY

Background

Parks Canada Agency conducts periodic audits to ensure consistency between information and the main financial, administrative and management practices for all field units, service centres and the national office. The audit should also confirm whether due diligence is exercised in key management processes. The audit of the Quebec Service Centre was one of these compliance audits.

Objective and scope

The objective of this audit was to provide senior management with an independent assessment in order to determine whether existing policies, directives and guidelines were adequately applied with regard to:

- < travel costs
- < awarding of contracts
- < inventory maintenance
- < payment of accounts payable

This audit covered the period from April 1, 2000, to September 30, 2001. The work was carried out at the Quebec Service Centre in Quebec City.

Methodology

The methodology included interviews with management and key employees and a review of the relevant documentation.

Conclusions

T The audit revealed that, on the whole, policies, directives and guidelines were followed. Cases of non-compliance were minor.

1. BACKGROUND

The Parks Canada Agency (the Agency) conducts periodic audits to ensure consistency between information and the main financial, administrative and management practices for all field units, service centres and the national office. The audit should also confirm whether due diligence is exercised in key management processes. The audit of the Quebec Field Unit was one of these compliance audits.

There are 32 field units and 4 service centres in the entire Agency. Field units are groupings of national parks, national historic sites and national marine conservation areas that are usually in proximity to one another. Their proximity allows them to share management and administrative resources. The service centres support the organization in a variety of professional and technical disciplines.

Directors of the service centres and field units are responsible for ensuring that the policies, directives and guidelines issued by Treasury Board and the Agency are followed.

2. OBJECTIVE AND SCOPE

The objective of this audit was to provide senior management with an independent assessment in order to determine whether existing policies, directives and guidelines were adequately applied with regard to:

- < travel costs
- < awarding of contracts
- < inventory maintenance
- < payment of accounts payable

This audit covered the period from April 1, 2000, to September 30, 2001. The work was carried out at the Quebec Service Centre. The audit was led by Irene McEniry of the Performance, Audit and Review Group.

3. METHODOLOGY

The methodology included:

Interviews with managers and key employees

- < At the Quebec Service Centre, conducting interviews with managers and employees responsible for various audit-related operations in order to obtain their task description and comments;
- < Debriefing at the Quebec Service Centre.

Review of the relevant documentation

- < Reading Treasury Board and Agency policies;
 - Financial Administration Act
 - Travel Directive
 - Policy on Acquisition Cards
 - Materiel Management Policy
 - Contracting Policy
 - Accounts payable
- < Preparing audit programs;
- < Choosing what must be audited using data provided by the financial system - on a sampling basis;
- < Reviewing the various related documents;

4. OBSERVATIONS AND CONCLUSIONS

4.1 Travel costs

Description

This compliance audit was conducted to assure management that the Agency's travel policy is followed.

Given the large number of transactions in service centres, sampling of travel accounts was used. Twelve accounts were selected at random from lists generated by the SAP financial system, in order to obtain a representation of various individuals and cost centres. All of the claims in the selected files were reviewed, representing 24% of the total value of travel claims.

The audit made it possible to ensure that:

- < the amounts claimed were accurate
- < the claims were supported by source documents
- < the rates used were in line with the existing policy at the time of the claim
- < if advances were received, they were processed accordingly throughout the claim
- < the various authorities were given by employees with the appropriate delegated signing authority.

Observation

In all cases reviewed, only minor deviations were found. However, most of the travel authority and advance documents were not dated, which prevented us from confirming that authorization was obtained before travel was made, as stipulated in the existing policy.

Recommendation

T Ensure that all documents are dated in order to allow for improved transaction follow-up.

4.2 Awarding of contracts

Description

Ensure that awarding of contracts made during the period complied with policies and directives. In order to do so, following items were reviewed:

- < contracts valued over or under \$5,000;
- < temporary help contracts;
- < local purchases;
- < call ups against standing offers.

Observation

Twenty-two out of 90 contracts over and under \$ 5,000 were examined, representing 42% of the total value of the contracts awarded. Seven out of 17 temporary help files, representing 41% of that group were also reviewed.

The various contracts examined were complete and complied with the existing policy.

However, for certain purchases valued under \$5,000,- local purchases, call ups against standing offers - information supporting the selection was missing from some files. The comparison of companies is normally done over the telephone, and the information is not added to the file. Nonetheless, the relevant employees had already been informed before the audit that they should keep this type of information on file.

Conclusion

T Policies and contract follow-up were adequately applied.

4.3 Inventory maintenance

Description

Ensure that there is an inventory tracking system and that an inventory is taken regularly, in accordance with Treasury Board policy. The system was not tested; only a familiarization with and description of the system was obtained.

Observations

Controls are in place for assets valued between \$1,000 and \$10,000 and for assets of a lesser value that are deemed attractive. When an item is purchased, it is recorded in the inventory, a bar code is attached and the manager/user signs a proof-of-possession document. The inventory is divided into three groups to facilitate follow-up. Each year, one third of the inventory is physically counted and for the other two thirds, possession is confirmed. No significant problems have been encountered in recent years. The current system of inventory-taking provides for asset control. Moreover, taking inventory on a rotating basis ensures that a complete inventory is taken every three years, in accordance with the existing policy.

Conclusion

T The current system is adequate.

4.6 Payment of accounts payable

Description

Ensure that accounts payable are paid within the prescribed period and the amounts paid match the amounts of the goods and services received and that the purchases are approved by authorized employees.

Observations

There was no specific selection of accounts for this part of the audit. The review of payment of accounts payable was done within the review of contracts.

All accounts examined were paid within the prescribed periods, thus avoiding interest charges. Audit trails are indicated on the invoices, and the appropriate signatures were obtained.

Conclusion

T Good follow-up of accounts

REPLY FROM MANAGEMENT REGARDING THE COMPLIANCE AUDIT OF THE QUEBEC SERVICE CENTRE

As a follow up to the audit report mentioned above, I am very pleased to note the positive results of the accountability of our managers as well as the excellent support provided by the administrative personnel, working as a team in our Service Centre.

The year-end financial statements, without reserve, for Parks Canada have already at least partly confirmed that situation, but since this audit was more closely adapted to our Service Centre, we are more than satisfied with the results. As for the actions undertaken since your audit, here is an up-to-date summary:

Week of 01.10.01	Location audit Meeting with personnel from Financial Services to discuss observations made during the debriefing and ways to correct the situation.
Week of 09.10.01 to present	Letter to the management of the service Centre outlining the preliminary findings of the audit as well as the corrections to be made. Review of the implementation of the recommendations found in the report using the Statistical Sampling Program (item 4.1).

Following the remarks found in item 4.2, we would like to provide the following information to clarify the situation:

The information used during the audit was found in the files kept in Accounts Payable; however, in other files houses with Materiel and Contracts Management, we discovered the missing information mentioned in your report. This is written information justifying the selection as well as notes made following telephone calls to potential suppliers for submissions, quotes, etc. Finally, as per your recommendations, all these documents are now kept in the Accounts Payable files.

We would like to emphasize that in our efforts to promote our strategy with aboriginal organizations, we prefer using a single source while considering the principles of real worth and equal opportunity.