

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

**FIELD UNIT - QUEBEC**

**FINAL REPORT**

**Drafted by:  
Parks Canada Internal Audit**

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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 Field Unit 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
- < use of acquisition cards
- < awarding of contracts
- < reporting of revenues
- < inventory maintenance

This audit covered the period from April 1, 2000, to September 30, 2001. The work was carried out at the Quebec Field Unit.

### **Methodology**

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

### **Conclusion**

T Deviations from existing policies with regard to the awarding of contracts, reporting of revenues and inventory maintenance were found.

## **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
- < use of acquisition cards
- < awarding of contracts
- < reporting of revenues
- < inventory maintenance

This audit covered the period from April 1, 2000, to September 30, 2001. The work was carried out at the Quebec Field Unit. 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 Field Unit, 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 Field Unit.

#### ***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
  - Receipt and deposit of public funds
- < 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.

There were a large number of transactions in the Quebec Field Unit but the claim amounts were generally low, i.e., under \$200. Therefore, sampling was used to conduct the audit. Using accounts selected at random from lists generated by the SAP financial system, representation of various individuals and cost centres was obtained. All of the claims in the selected files were reviewed, representing 27% 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 general, all documents were adequately filled out and were signed by authorized employees. Audit trails were found on the documents, which indicated good control mechanisms.

#### **Conclusion**

T The existing travel policy is observed and the controls in place are adequate.

## **4.2 Use of acquisition cards**

### **Description**

The purpose of the audit was to assure management that there are controls governing acquisition cards and that their use complies with the existing Treasury Board policy.

### **Observations**

The use of acquisition cards is strongly encouraged. Twice a year, the card co-ordinator updates the list of cardholders. For departing employees, cards are locked up when employees are temporarily laid off or are destroyed when employees will not be returning. Purchases made by cardholders are checked and approved by their immediate superiors. As well, Finance employees perform a basic check of purchases in order to identify any unusual or unauthorized amounts. The few cases of abuse (late payments, personal purchases) are then quickly identified and corrective action is taken immediately.

### **Conclusion**

T The existing system provides good control over acquisition cards and their use. Any cases of abuse are quickly identified and corrective action is taken immediately.



### **4.3 Awarding of contracts**

#### **Description**

Ensure that the awarding of contracts complied with existing 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.

#### **Observations**

##### Contracts over \$5000 / Temporary help contracts

Twenty-five contracts over \$5,000 were established during the audit period. Thirteen of them were reviewed, representing 50% of the total value of the contracts. All temporary help files were reviewed.

For those two particular groups, the various files were complete and the contracts complied with the existing policy.

##### Local purchases / Contracts under \$5000 / Call ups against standing offers

Parks Canada Agency Financial Management and Control Policies and Procedures - 2.3 Low Dollar Acquisition policy identifies items for which the use of Local Purchase Order is prohibited. Professional and specialized services were contracted this way even if those services are listed as prohibited.

##### General comments

Furthermore, information in files to support the choice of supplier was sometimes incomplete. There was no evidence of research on price or comparisons between different companies. However, the various relevant employees had already been informed before the start of the audit that they should keep this type of information from now on.

**Conclusions**

- T Policies and control of contracts for over \$5,000 and for temporary help are applied adequately.
- T Justification supporting choice of suppliers are sometimes missing in the file.
- T Work methods concerning low-dollar purchases should be modified to comply with existing policies.

**Recommendations**

- T *File documents demonstrating the research conducted before assets were purchased or suppliers were selected.*
- T *Use the appropriate forms, not local purchase authority documents, for obtaining purchases explicitly excluded in the Agency policy.*

## 4.4 Reporting of revenues

### Description

Ensure that revenues are controlled, deposited quickly and reported adequately.

### Observations

Deposits are made weekly, or more frequently for large amounts. There is no set routine. Deposits are not labelled as such. However, all employees use the same cash float. The employee who closes the site prepares the deposit. Discrepancies are therefore only detected at the end of the day and are not always justified. The time allotted to find the source of discrepancies depends on how large they are. Only an incorrect entry can be traced easily. Cash discrepancies occur more frequently during the peak season, when new employees are hired. All employees handling cash know the combination to the safe, which gives access to the cash float. This combination is changed neither when an employee leaves nor at the end of the season.

### Conclusions

- T The deposit procedure complies with the policy and ensures the highest level of security for employees and public funds.
- T The use of a single cash float by all employees makes it difficult to reconcile and explain errors.
- T It is relatively easy to get to the safe. Employees are not always nearby.

### Recommendations

- T *Change the combination to the safe regularly.*
- T *Try to have one cash float per employee or develop a working method where all employees are responsible for their transactions and therefore discrepancies.*

## 4.5 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 description of the system was obtained.

### Observations

There has been no inventory tracking system for the past years. No physical inventory is taken regularly. There is no inventory list. When an asset deemed attractive or worth over \$1,000 is purchased, the individual who made the purchase signs a document, which is filed. Similarly, any loan of assets is placed in the employee's file. This method places responsibility for the asset on the person who signs for it. However, when the asset is returned, the document is simply destroyed, so no history is kept. There is no check conducted to ensure that the assets purchased or borrowed are used for work-related purposes.

### Conclusion

T The current system is inadequate. The management team is aware of these deficiencies and is planning on hiring an employee soon who will be responsible for designing and implementing an inventory tracking system.

### Recommendation

T *Put an inventory tracking system in place in order to provide adequate (reliable and secure) control of assets.*

## **REPLY FROM MANAGEMENT REGARDING THE COMPLIANCE AUDIT OF THE QUEBEC FIELD UNIT**

The Audit made some recommendations. These and the management response to each are shown below:

### **Travel expenses**

Recommendations: *None*

The current travel policy is being followed and the controls in place are adequate.

### **Use of the acquisition card**

Recommendations: *None*

The current policy on the use of the acquisition card is being followed and the controls in place are adequate.

### **Awarding of contracts**

Recommendations:

*Maintain a record of searches made before the purchase of goods or the selection of vendors.*

As mentioned in the interview and in the general commentary, this recommendation is aimed mainly at small purchases (- \$5,000) where it would not be economically justified to do so. In many of these cases, managers perform quick searches for prices and vendors by making simple telephone calls. This information, however, is not recorded.

The appointment of a purchasing officer will allow us to follow up on this recommendation.

**Action:** Prepare an information session on purchasing procedures.

**Deadline:** Fall 2002

*For purchases specifically excluded in the Agency's policy, use the appropriate forms instead of the authorization forms for local purchases.*

As mentioned in the interview, we had already implemented the changes required for the use of the correct forms in May 2001. Since the audit was performed on actions prior to this operational change, many of our professional and specialized services purchases were, naturally, made through the wrong form.

**Action:** The correct forms (Contract for services valued at less than \$5,000) were distributed and the managers concerned received the necessary training and information in accordance with the Agency's policy.

**Deadline:** n/a

**Revenue accounting**

## Recommendations:

*Change the safe combination on a regular basis.*

All necessary changes were implemented.

C The combinations on safes were changed.

C Only one designated person per site knows the combination of the second safe, which is used for deposits.

C One person for the Field Unit was appointed and trained to change the combinations of these safes.

C A schedule was set up for changing these combinations regularly.

**Action:** n/a

**Deadline:** n/a

*Try to have one cash float per employee or to develop a work method whereby employees would be responsible for their own transactions and, thus, discrepancies.*

The application of such a procedure is under consideration. The former one was dropped because it took too much time away from the daily operations of our sites.

**Action:** Develop a work method and prepare an information session on the procedures selected for revenue accounting.

**Deadline:** Fall 2002 and spring 2003 (training)

**Inventory maintenance**

## Recommendations:

*Develop an inventory control system allowing for the adequate (reliable and secure) management of goods.*

The appointment of a purchasing officer will allow us to follow up on this recommendation.

The creation and implementation of an inventory control system is a major part of that employee's responsibility.

**Action:** Analysis of the situation, recommendation and implementation of an inventory control system.

**Deadline:** Fall 2002 and winter 2003