

AUDIT OF KEY FINANCIAL PROCESSES
WESTERN CANADA SERVICE CENTRE

FINAL REPORT

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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 Boards Secretariat (TBS) and PCA policies and practices. The audit procedures noted below on the Western Canada Service Centre (WCSC) were conducted by Deloitte & Touche LLP as part of this cyclical audit program.

Objectives and Scope

The objective of these audit procedures is to confirm whether due diligence is being exercised in key management processes and to provide assurance to senior management that processes and controls in place at the WCSC are adequate to ensure compliance with TBS and PCA policies and practices.

The scope of this assignment covered the following key financial process areas: Revenues; Contracting; Use of Acquisition Cards; Expenditures for Travel; and Payments to Suppliers. Only transactions within the Winnipeg and Calgary offices were subject to the audit procedures. The period covered in this audit ran from April 1, 2003 to February 29, 2004.

Methodology

The audit methodology included a review of relevant background documentation, interviews with WCSC personnel and transaction testing in key financial process areas. The WCSC office was visited between March 1 and March 5, 2004.

Statement of Assurance

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

Conclusion

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

Recommendations

The Service Centre Director in consultation with appropriate staff, should ensure the following:

Winnipeg Office

1. The Manager of Finance & Administration and the Finance & Administration staff, should develop standardized guidelines and procedures specific to cost recoveries and funding with respect to joint-initiatives. These should be documented, reviewed and posted on the WCSC intranet site.
2. The Finance & Administration group should be responsible for all revenue invoicing. In cases where amendments are made to joint-initiative funding agreements, these amendments should be brought to the attention of the Finance & Administration group, who can then modify the invoice timing and amount accordingly.
3. The Winnipeg Finance Officer should compare actual revenues received to budgeted amounts on a quarterly basis, and follow up on any variances noted.
4. Any cheque received in the mail should be stamped “to be deposited to the receiver general only” by the individual in the mailroom, immediately upon opening the mail.
5. The Finance & Administration group should designate one finance clerk to retrieve the mail from the mailroom. This individual would make a listing of all cheques received, and forward the cheques to another finance clerk to enter into SAP. Finally, a third individual would be responsible for making the necessary bank deposits. Note that the individuals getting the mail and making the bank deposits should not post any entries to revenue accounts within SAP and, if possible, should have their access to these accounts restricted.
6. The listing of cheques received should be reconciled with the bank deposits on a quarterly basis by one of the finance clerks. The Winnipeg Finance Officer should formally review this reconciliation.
7. Ensure that all employees are made fully aware of the potential implications of contracting for goods and services. The Winnipeg Contracts Officer should be involved in the contracting process before any step is taken in all significant contracts (contracts over \$5,000).
8. Require that only MasterCard be used for acquisition cards at WCSC, until such time as VISA provides the equivalent on-line reporting capabilities. All current VISA acquisition cards should be cancelled, and switched over to MasterCard.

9. WCSC Winnipeg staff should be re-sent a formal e-mail defining the proper use of acquisition cards, including the requirement to have an independent Section 34 authorization for each statement. The finance group should verify all acquisition card statements received over the next several months to ensure that the correct individual is providing the Section 34 authorization. Any exception to this should be taken up with the relevant individual.
10. In cases where official authorization or other interpretive documentation is received by e-mail, a copy of the e-mail received should be included with the transaction's supporting documentation in order to provide supporting evidence to the source of the documentation and/or an explanation.
11. Increase the training for procurement and the benefits of following standard procurement procedures, including the use of POs and LPOAs. This should include detailing the beneficial impact on the control environment at WCSC as well as the additional financial reporting capabilities that are provided to Parks Canada when the proper procedures are followed. In addition, this issue should be discussed with individuals upon appearance of so-called "orphan" invoices.
12. Investigate the possible existence of a function within SAP that would allow invoices to be entered when received by the finance clerks, as well as to appear on the 'For Payment' screen based on payment due dates. The clerks could then file invoices as received, however deliver them to the Finance Officer for his Section 33 review based on the payment date rather than the date of receipt of the invoices.

Calgary Office

1. The Calgary Office, in conjunction with the Banff Field Unit, should develop and document standardized procedures with respect to the collection of revenues from the sale of park passes, backcountry permits and fishing licenses for Banff National Park at the Calgary Office.
2. A reconciliation should be conducted by the receptionist at the end of each business day, reconciling daily receipts from the sale of park passes, backcountry permits and fishing licenses with the cash register daily summary. When this is completed, the individual should initial the daily summary in order to indicate that this reconciliation has been performed.
3. The cash register daily summaries should be reconciled to the monthly deposit totals prior to being provided to the WCSC staff for SAP entry and deposit. This summary should be formally reviewed and signed off by the finance clerk at WCSC prior to data entry.
4. The receptionist should track the number of each type of pass sold, as well as any refunds given. This data should be reconciled with the total deposits made on a monthly basis, and should be reviewed by the relevant staff at the Banff Field Unit. Banff finance staff should then reconcile the number of passes sold to the number of passes provided to the Calgary Office on a quarterly basis.

5. Parks Canada staff should contact the maker of the Calgary Office safe used to store revenues collected on behalf of Banff, and obtain the necessary information to change the safe combination. The safe combination should then be changed on a regular basis.
6. The Calgary Office should consider not accepting cheques as a form of payment for the sale of park passes, backcountry permits and fishing licenses on behalf of Banff National Park. This would serve to reduce the amount of payments on hand, as well as eliminate the risk of receiving bad or NSF cheques. Failing this, a photocopy of the individual's picture ID as well as a credit card number should be taken whenever accepting a cheque, in order to facilitate any required follow-up, should there be a problem.
7. WCSC Director should ensure that all employees are made fully aware of the potential implications of contracting for goods and services. The Calgary Contracts Officer should be involved in the contracting process before any step is taken in all significant contracts (over \$5,000).
8. The WCSC Director should implement the use of a purchase log, which would be used to reconciled the Acquisition Card statement at month's end and would be supported by receipts, or, lacking receipts, by providing an explanation as to why a receipt is missing and details of the expenditure.
9. The finance staff should maintain all original financial documentation. In cases where an individual wishes to retain certain documentation, the documentation should first be provided to the finance group on a timely basis, after which the individual can make a copy of the documentation if desired.
10. WCSC Calgary staff should be re-sent a formal e-mail from the Director defining the proper use of acquisition cards, including the requirement to have an independent Section 34 authorization for each statement. The finance group should verify all acquisition card statements received over the next several months to ensure that the correct individual is providing the Section 34 authorization, and any exception to this should be taken up with the relevant individual.
11. The Calgary Office should retain on file an explanation to support any costs transferred to their office, as well as copies of the blanket travel authorities for anyone likely to have costs transferred to the Calgary Office. In combination with the original supporting documentation held at other Parks Canada locations this would provide sufficient support for these expenses.
12. The Calgary Office should include in its procurement training, the benefits of following standard procurement procedures, including POs and LPOAs, when making purchases. This detailing the beneficial impact on the control environment at WCSC as well as the additional financial reporting capabilities that are provided to Parks Canada when proper procedures are followed. In addition, this issue should be discussed with individuals upon the appearance of so called "orphan" invoices.

BACKGROUND

PCA is conducting a series of cyclical audits of key financial, administrative and management practices for all field units, service centres and the national office. There are thirty-two field units and four service centers in the PCA. Field units are groupings of national parks, national historic sites and national marine conservation areas that are usually in proximity to one another. This proximity allows them to share management and administrative resources. The service centres support the organization in a variety of professional and technical disciplines. Directors of the service centres and field units are responsible for ensuring that the policies, directives, and guidelines issued by the TBS and PCA are followed.

Deloitte & Touche LLP, as part of this cyclical audit program, conducted the audit procedures at the Calgary and Winnipeg offices of the WCSC.

OBJECTIVES AND SCOPE

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

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

As WCSC has multiple locations (Winnipeg, Calgary, Vancouver and Victoria), only the larger offices were subject to audit procedures in order to maintain a cost efficient audit. As a result, audit procedures were performed only at the Winnipeg and Calgary offices.

Transactions incurred during the period extending from April 1, 2003 to February 29, 2004 were covered by these audit procedures.

METHODOLOGY

The methodology included a visit to the WCSC as well as the following activities:

- Interviews with WCSC management and personnel responsible for the key financial process areas;
- Review of relevant documentation including the WCSC organization Chart, PCA Delegated Signing Authorities Chart, internal policies and training material that deal with the above key financial process areas, and various financial reports prepared by the Manager, Finance and Administration; and
- Examination of a sample of transactions in each of the key financial process areas.

After the field work was completed, a debriefing of our preliminary observations was given to the WCSC Manager of Finance and Administration.

STATEMENT OF ASSURANCE

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

CONCLUSIONS

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

OBSERVATIONS AND RECOMMENDATIONS – WINNIPEG OFFICE

Revenues

Observations

The WCSC revenues recorded in the Winnipeg office are derived from the following sources:

- Salary recoveries where individuals work directly for other organizations (including both government and non-government organizations)
- Funding from jointly-funded initiatives, such as the Patterns of Visitor Use Survey
- Miscellaneous revenues for work performed by Parks Canada staff

We noted that revenues are not as significant a component of the Winnipeg Office as are the other financial process areas, as total revenues for the period under audit were approximately \$130,000.

Interviews were conducted with the Finance Officer, as well as with one of the Finance & Admin Clerks. From these interviews a detailed description of the revenue processes and verification procedures were derived. In addition, a sample of 2 revenue entries were tested to ensure that revenues recorded agreed to contracted amounts, and that these funds were deposited to the Bank.

In general, we found that the processes and controls related to revenue were very informal, although personnel conducted their work with a high level of diligence. We specifically noted the following areas for improvement:

- No formal guidelines or procedures exist specific to the types of revenues received by the Winnipeg office at WCSC, resulting in significant amounts of time wasted as the Finance & Admin Clerks often had to seek assistance when dealing with revenue transactions.
- The invoicing function was performed either by the Program Department or by the Finance Group. This resulted in inconsistent invoicing practices and organizations were not always invoiced in a timely manner.
- Actual revenues received were not compared to budgeted figures on a regular basis, as the Finance Officer was often unsure as to what the most recent revenue expectations were.

- The procedures currently followed do not provide sufficient segregation of duties or controls to mitigate potential risks such as misappropriation of funds. In particular, we noted the following:
 - Cheques were not stamped “to be deposited to the receiver general only” until received by the finance department, by which time they may have spent a significant amount of time unattended in the finance slot in the mailroom.
 - The clerk who currently picks up the cheques from the mailroom often ends up being the same individual who enters the transactions into SAP, and deposits at the bank.
 - The reconciliation of deposits with the list of cheques received is not performed on a regular basis.

Recommendations

The Service Centre Director in consultation with appropriate staff, should ensure the following:

- The Winnipeg Finance Officer, in consultation with the Manager of Finance & Administration and the Finance & Administration staff, should develop standardized guidelines and procedures specific to cost recoveries and funding from joint-initiatives. These should be documented, reviewed and posted on the WCSC intranet site.
- The Finance & Administration group should be responsible for all revenue invoicing. In cases where amendments are made to joint-initiative funding agreements, these amendments should be brought to the attention of the Finance & Administration group, who can then modify the invoice timing and amount accordingly.
- The Winnipeg Finance Officer should compare actual revenues received to budgeted amounts on a quarterly basis, and follow up on any variances noted.
- Any cheque received in the mail should be stamped “to be deposited to the receiver general only” by the individual in the mailroom, immediately upon opening the mail.
- The Finance & Administration group should designate one finance clerk to retrieve the mail from the mailroom. This individual would make a listing of cheques received, and provide the cheques to another finance clerk to enter in SAP. Finally, a third individual would be responsible for making the necessary bank deposits. Note that the individuals getting the mail and making the bank deposits should not post any entries to revenue accounts within SAP, and, if possible, should have their access to these accounts restricted.

Contracting

Observations

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

- Sole-sourcing
- Competitive Bidding (by invitation)
- Call Up Against a Standing Offer Arrangement
- Local Purchase Order Authority (LPOA) or Purchase Order (PO)
- Acquisition Cards

Note that the last two methods are discussed under specific sections.

The Winnipeg office has mainly been involved with smaller value contracts. The larger value contracts have all been handled through the Calgary office, where the Contracts Officer has more experience dealing with these larger contracts. In 90% of cases the contracts within the Winnipeg Office are sole-sourced, due to the generally small amount of money involved. For contracts under \$5,000 individual files are not kept, although a copy of the contract is maintained by the Contracts Officer. For all contracts over \$5,000, a formal contract file is maintained.

During the period subject to audit procedures, the Winnipeg Office entered into approximately 95 contracts, for a total approximate value of \$233,000. Six of the contracts were greater than \$5,000. We examined 2 contracts greater than \$5,000 as well as 4 contracts with values under \$5,000, for a total value tested of \$67,170. In addition, an interview was conducted with the Contracts Officer.

As a result of our procedures, we found that generally speaking, the contracting rules were respected. In most cases contracts were sole sourced due to the small amounts involved, however with larger contracts a competitive bidding process was typically followed, in accordance with Treasury Board Guidelines. Of the 6 contracts that were examined, one exception was found, where insufficient documentation had been maintained to verify that a proper competitive process had been followed.

In that case, the individual had begun the contracting process without consulting the Contracts Officer, and thus the Terms of Reference (TOR) and Request for Proposals (RFP) had to be re-issued once the contracts officer was involved – copies of the original TOR and RFP were not available in the contract file. The situation was discussed with the Contracts Officer, who indicated it was a common problem at WCSC, where the contracts officer was sometimes not involved in larger contracts until after the contracting process had already begun.

Recommendation

The Service Centre Director in consultation with appropriate staff, should ensure the following:

WCSC should ensure that all of its employees are made fully aware of the potential implications of contracting for goods and services. In all significant contracts (over \$5,000), the Contracts Officer should be involved in the contracting process before any steps are taken.

Use of Acquisition Cards

Observations

Acquisition cards are heavily used in the Winnipeg office, with 44 Mastercards and 12 VISA cards in use. Most WCSC Program areas have at least 2 acquisition cards. MasterCard is commonly used, but several individuals also maintain a VISA acquisition card.

We performed a detailed review of 6 acquisition cardholder purchases for the period of one month. We reviewed these statements to ensure that they had valid Section 33 and Section 34 authorizations, that they contained only valid expenditures within approved limits, that purchases were supported by receipts, and that payments were made on a timely basis. In addition, we also interviewed the Manager, Finance and Administration (who is the acting Acquisition Card Coordinator), as well as the Contracts Officer and several program staff.

According to our discussions with the Manager of Finance and Administration, acquisition cards were generally used within Treasury Board Guidelines. However this Manager also indicated that WCSC had been unaware, until late in 2003, that individuals were not allowed to provide their own Section 34 authorization. At this point, an e-mail was circulated to everyone indicating that this was against Treasury Board Policy. An overall review of Acquisition Card purchases was conducted via the on-line summary reports available from MasterCard, however this review was somewhat more difficult for VISA cards. We also noted, after further discussions with WCSC staff, that not all staff members were aware of the restriction mentioned above. This could result in a departure from Treasury Board Policy, as well as the risk of unauthorized purchases and the misappropriation of funds if these individuals continue to provide their own Section 34 authorization.

As a result of our review of the acquisition card purchases, we found 3 exceptions. In the first case, the payment was made one day late, although no additional interest charges were evident. The second exception involved the statement missing a receipt, with no documentation as to why the receipt was missing. The third exception was an instance where an individual had provided their own Section 34 authorization, although this occurred prior to the Manager of Finance and Administration's e-mail.

Recommendations

The Service Centre Director in consultation with appropriate staff, should ensure the following:

- The Manager of Finance and Administration should implement a policy that only MasterCard be used for acquisition cards at WCSC, until VISA provides the equivalent on-line reporting capabilities. All current VISA acquisition cards should be cancelled, and switched over to MasterCard.
- WCSC Winnipeg staff should be re-sent a formal e-mail defining the proper use of acquisition cards, including the requirement to have an independent Section 34 authorization

for each statement. The finance group should verify all acquisition card statements over the next several months to ensure that the correct individual is providing the Section 34 authorization, and any exception to this should be taken up with the relevant individual.

Expenditures for Travel

Observations

Travel Cards are used by most staff traveling from the Winnipeg office. The majority of travel is required either to attend meetings, to provide expertise on location or to attend training sessions or conferences. Most travel is regional, although some meetings are cross-country, and the occasional international trip is required in order to attend conferences or symposiums in Europe. These trips are normally one to two weeks in length, and very rarely exceed one month.

We performed a detailed review of 7 travel claims, where we ensured that the appropriate authorizations were in place, that the travel claims used Treasury Board per diem and mileage rates and were supported by receipts where appropriate, and that these receipts and travel claim details were in accordance with the travel authorizations. In addition, we also interviewed the Finance Officer (Travel Card Coordinator), a Finance Clerk and various Program Staff.

In general, we found that the processes for the preparation and review of travel expenditures are understood and adhered to.

Of the 7 travel claims reviewed, there were 2 exceptions. The first exception involved an individual who had traveled a total of 45 days, and claimed the full per diem rate for the entire period, whereas Treasury Board Policy requires that the per diem be reduced to 70% of the standard rate after 30 days of continuous travel. This does not indicate a weakness in the financial processes, as this issue was noted by the Finance Clerk, who brought this to the attention of the Finance Officer, who decided that in the interest of fairness this individual should maintain the full per diem rate.

The second exception involved an individual who had received authorization to attend a conference in Europe from the Director General's office. This authorization came via an e-mailed table within a word document, however no proof was maintained that this document actually came from the DG's office.

Recommendations

The Service Centre Director in consultation with appropriate staff, should ensure the following:

In cases where official authorization or other interpretive documentation is received by e-mail, a copy of the e-mail received should be included along with the transaction's supporting documentation in order to provide evidence of the source of the documentation and/or explanation.

Payments to Suppliers

Observations

The purchase of goods and services is handled either through a contract or acquisition card (both detailed elsewhere in this report), or through the PO / LPOA process. At the Winnipeg Office, most purchases are now made via acquisition cards, although some are still dealt with via the PO's and then the issuance of a cheque to pay the related invoice. In most of these instances, a PO is utilized as opposed to an LPOA (used more often while out in the field.) The informal policy within WCSC is that any purchase over \$500 should be done either via acquisition card, contract or through a PO / LPOA.

We conducted interviews with the Finance Officer, the Contract Officer (who also does data entry at the Winnipeg Office) as well as two program support officers regarding payments to suppliers. In addition, we also tested 5 payment selections for detailed examination. On these selections, we verified that the appropriate authorizations were obtained, that the funds had been committed in SAP, that the invoice was date stamped, and that the invoice agreed to the related contract or PO (where relevant.)

As per discussions with various WCSC staff, the overall policies and procedures were well understood by all parties, however there still existed situations where purchases were made outside of an acquisition card and where invoices were received by the finance group without any preceding paperwork (so called "orphan invoices".) Discussions with the Program Staff indicated that, on occasion, POs weren't generated, when it was not required by the particular vendor. This represents a departure from PCA policy. It also inhibits the verification of the pricing and the nature of the goods received, as per the invoice, with the PO; an important financial control. Additionally, this also inhibits the effectiveness of some Financial Reports, which are created based on financial commitments within SAP (automatically created when a PO is generated.)

Additionally, discussions with the Finance Officer indicated that invoices were occasionally not paid in a timely manner. This is the result of a coding issue within SAP; where once an invoice is generated, it shows up on his "for payment" screen regardless of due date. It is very difficult and time consuming to prepare Section 33 authorizations without authorizing all of such invoices at once. On occasion invoices are authorized before their payment date and are forgotten when the payment date arrives.

Of the 5 detailed tests performed, 3 exceptions were noted on specific attributes. The first was that of an invoice not being date stamped when it was received. The invoice was still paid in a timely matter, and the oversight is not considered significant enough to warrant a recommendation.

The other 2 exceptions involved one test selection, where survey pencils were purchased for \$2,102.66: the purchase was not done on an acquisition card, and no PO or LPOA was generated. In addition, no financial commitment had been made in SAP for this purchase.

Recommendations

The Service Centre Director in consultation with appropriate staff, should ensure the following:

- The Winnipeg Office should increase the training on procurement and the benefits of following standard procurement procedures, including the use of POs and LPOAs. This includes underlining the beneficial impact on the control environment at WCSC as well as the additional financial reporting capabilities that are provided to Parks Canada when the procedures are followed. In addition, this issue should be discussed with individuals upon the appearance of so-called “orphan” invoices.
- WCSC should investigate the existence of a function within SAP that allows invoices to be entered when received by the finance clerks, but to appear on the ‘For Payment’ screen based on payment due dates. The clerks could then file invoices as received, however deliver these to the Finance Officer for his Section 33 review based on payment date rather than the date the invoices are received.

MANAGEMENT RESPONSE – WINNIPEG OFFICE

The Service Centre Director will ensure the following:

Revenues - Management Response

- A team of WCSC finance officers, led by the Winnipeg Finance and Admin Officer is currently developing cost recovery and joint funding guidelines and procedures with a target completion date of August 31/04. They will be documented, reviewed and posted on the intranet site.
- The Finance section will do all invoicing effective April 1/04. Managers have been advised to ensure that finance staff review all joint-initiative funding agreements and amendments to agreements before they are signed. Finance will set up an invoicing schedule and monitor receipts.
- A comparison of actual revenues to budgeted amounts is currently done by the Financial Services officer on a quarterly basis as part of the quarterly report, based on information provided by the managers. To ensure more complete and timely information is available, Managers will be asked to copy the Financial Services officer on all correspondence related to the receipt of funds and provide a final copy of all agreements. Managers will continue to be asked to confirm the budget information quarterly, which will be compared to actuals, and variances will be followed up on.
- All cheques received by mail will be stamped “to be deposited to the receiver general only” in the mailroom, immediately upon opening the mail.
- The listing of cheques will be prepared by the mailroom clerk when the mail is opened and the cheques stamped. The listing will be handed to a finance clerk who will enter the information into SAP. The cheques will be handed to another finance clerk who will prepare and make the bank deposit. When staff absences occur, we will ensure the opening of the mail, including stamping and logging cheques, entering the information in SAP and preparing the bank deposit and done by separate individuals. On occasions when there is insufficient staff to allow for this separation of duties, cheques will be provided to the finance officer who will keep all cheques in the safe until a staff member is available to make the deposit. We will request access to revenue entry in SAP be removed from the profile of the staff members assigned the duties of making the bank deposit and handling the mail.

Contracting - Management Response

Managers and staff have been advised of the potential implications of contracting for goods and services and that the Contracts officer must be involved in all contracts valued over \$5,000. Contract and procurement training has been offered to all staff (September 2001 in Winnipeg, June 2003 in Calgary). Another training session will be offered in the fall/winter and managers will be requested to send all staff who may be involved in the contracting process.

Use of Acquisition Cards - Management Response

- All staff who currently have Visa cards will be issued Mastercards. For those who have both, we will determine if the Mastercard limit will have to be raised. All Visa cards will be cancelled when Mastercards are received and/or limits increased.
- All WCSC staff and Calgary office staff have been sent a new e-mail explaining the proper use of acquisition cards as well as describing the required procedures for purchasing, contracting and payments. The finance staff will fully audit all acquisition card statements for the next few months to ensure procedures are being followed and the finance officer will discuss any exceptions with the responsible individual.

Expenditures for Travel - Management Response

The email will be filed along with the attached approval documentation for all transactions approved in this manner

Payments to Suppliers - Management Response

- The WCSC presents a finance and administration training package which is mandatory for all new section 34 managers and open to other interested staff, on an annual basis. The package is currently being updated to cover the new shared travel services initiative and program activity coding. We will also update the Contracting and Purchasing section to include the benefits of utilizing the correct procurement procedures. Finance and Admin staff will follow-up on all "orphan invoices" and the responsible individuals will be informed of the appropriate procurement methods.
- We have discussed the issue of having payments appear for release in SAP on due dates, with the help desk. This function is not available. We will implement a procedure whereby the invoices are filed by due date after input and the Finance officer will release the payments based on due date. The extra filing involved in this process is substantial, every invoice must be filed twice. This will be reviewed after a 3 month period to assess the impact on the remainder of the work.

OBSERVATIONS AND RECOMMENDATIONS – CALGARY OFFICE

Revenues

Observations

The WCSC revenues recorded in the Calgary office are of a similar nature to those in the Winnipeg office (as noted above.) As per discussions with the Manager Finance & Administration the Calgary Office also collects revenues on behalf of the Banff Field Unit. As revenues recorded within WCSC are minimal and were already tested within the Winnipeg Office, audit procedures were instead performed on the amounts collected on behalf of the Banff Field Unit, as these are significantly larger than WCSC revenues and had never been subjected to audit procedures. Revenues collected by the Calgary Office on behalf of the Banff field unit consist of the following components:

- Sale of Entry Passes
- Sale of Backcountry Permits
- Sale of Fishing Licenses

Revenues are collected by the receptionists (2) who work together at the Parks Canada office in Calgary. All receipts are entered into the computer system, which provides both a daily and monthly sales listing. These reports are kept by the receptionists, in addition to the individual payment slips and receipts. On a monthly basis, the receptionists provide a summary of the amounts received, as well as the system generated monthly sales listing, to the clerks in the Finance & Administration group at WCSC. The clerks then review the information given and input a transferring journal entry to record the revenue under the Banff Field Unit

Interviews were conducted with the Finance Officer, as well as with the receptionists and the Finance Clerks. From these interviews a detailed description of the revenue processes and verification procedures were derived. In addition, a sample of 10 revenue entries were tested to ensure that the funds received were deposited and to verify processes and controls operating during the period.

Of the 10 transactions tested, there were 3 cases where the system generated daily revenue listing did not agree with the receipts and credit card slips.

From our discussions with the various Parks Canada staff, as well as our detailed testing performed, we noted the following deficiencies within the current procedures:

- No formal policies specific to the collection of revenues on behalf of the Banff field unit exist in the Calgary office. The procedures currently followed by staff have been developed informally through experience. However, these have never been documented or reviewed. This significantly increases the risk of error and impairs adequate training of employees newly assigned to this position.

- Reconciliations of daily and monthly cash receipts appear to be done on an inconsistent basis, leading to the increased risk of misstatements, both unintentional and otherwise.
- There does not appear to be any reconciliation between the total amount of revenues received and the number of the various passes, permits and licenses sold. Given that the Calgary office sells only a limited number of passes, such a reconciliation would provide an ideal opportunity to mitigate some of the risks associated with the relative inability to segregate duties in that office, due to limited staffing.

We also found that the code for the safe had not been changed for a number of years, as the key necessary to change the combination had been lost years ago. This is not compliant with PCA policy. Changing the code for the safe on a regular basis reduces the risk of unauthorized access and potential loss. Several former employees possess the necessary knowledge to gain access to the safe.

We also found that a significant number of cheques were on-hand just before the monthly deposits were made, increasing the risk of having cheques returned. Our discussions with WCSC staff indicated that on several occasions these deposits included cheques that were subsequently returned, and insufficient documentation was available to allow for collection on these returned cheques.

Recommendations

The Service Centre Director in consultation with appropriate staff, should ensure the following:

- The Calgary Office, in conjunction with the Banff Field Unit, should develop and document standardized procedures with respect to the collection of revenues from the sale of park passes, backcountry permits and fishing licenses for Banff National Park at the Calgary Office.
- A reconciliation should be conducted by the alternate (second) receptionist at the end of each business day, reconciling the daily receipts from the sale of park passes, backcountry permits and fishing licenses to the cash register daily summary. When this has been completed, the individual should initial the daily summary in order to indicate that the reconciliation has been performed.
- The cash register daily summaries should be reconciled with the monthly deposit totals prior to being provided to WCSC staff for SAP entry and deposit. This summary should be formally reviewed and signed off by the accounting staff at WCSC prior to data entry.
- The receptionist should track the number and type of pass sold, as well as any refunds given. This should be reconciled with the total deposits made on a monthly basis, and should be reviewed by the relevant staff at the Banff Field Unit. Staff at the Banff Field Unit should then reconcile the number of passes sold with the number of passes provided to the Calgary Office on a quarterly basis.
- Parks Canada staff should contact the maker of the Calgary Office safe used to store revenues collected on behalf of Banff, and obtain the necessary information to change the safe combination. The safe combination should then be changed on a regular basis.

- The Calgary Office should consider not accepting cheques as a form of payment for the sale of park passes, backcountry permits and fishing licenses on behalf of Banff National Park. This would serve to reduce the amount of payments on hand, as well as eliminate the risk of receiving bad cheques or NSF cheques. Failing this, a photocopy of the individual's picture ID as well as a credit card number should be taken whenever accepting a cheque, in order to facilitate any required follow-up where need be.

Contracting

Observations

The Calgary Office at WCSC enters into contracts for goods, services or property/construction related services using one of the following methods:

- Sole-sourcing
- Competitive Bidding (by invitation, newspaper add and by posting to MERX)
- Call Up Against a Standing Offer Arrangement
- Local Purchase Order Authority (LPOA) or Purchase Order (PO)
- Acquisition Cards

Note that the last two methods are discussed under other sections.

Up to now, the Calgary office has handled most of the major and more significant contracts within WCSC, as the more experienced contracts officer is located in Calgary. Most contracts under \$5,000 are sole-sourced. As for contracts over \$5,000, approximately 30 to 40% are sole-sourced, with the remainder generally awarded based on some type of competitive tender process. A contract file is maintained for all contracts greater than \$5,000.

During the period under review, the Calgary Office entered into approximately 50 contracts with a value greater than \$5,000, with a total value of approximately \$2,700,000. We examined 6 of these contracts, for a total value tested (including amendments) of \$1,144,013. In addition, an interview was conducted with the Contracts Officer.

As a result of our procedures, we found that the contracting rules were generally respected. Of the six contracts examined, 3 were sole sourced and 3 were the results of competitive bids. In 4 cases, the contract files contained all the necessary requirements, and were in accordance with Treasury Board Policy.

One of the exceptions was a contract for \$16,672, with a subsequent amendment increasing the value of the contract by \$29,489. In this case, the original contract (for a bridge assessment) was awarded (with justification) via sole-sourcing, and was in accordance with Treasury Board Guidelines. The amendment was for construction work, as the assessment had indicated that the bridge was in danger of collapse. As a result, the construction work was awarded as an amendment to the contract, going to the same firm, rather than as a new contract. This was done to avoid having to post anything to MERX, which is a requirement in the case of a new contract for this amount. Such a posting would have delayed the contract for 25 days.

The second exception was a contract for \$17,020, which was listed as a sole-source contract. In this case, an individual started the contracting process without consulting the contracts officer and informally contacted several vendors, before deciding whom to award the contract to. The contract officer was then involved in the process and, retroactively, classified the contract as a sole-source contract as there was no documentation to support the competitive bid classification. No acceptable documentation was available either to support the sole-source option for this contract.

Recommendation

The Service Centre Director in consultation with appropriate staff, should ensure the following:

WCSC should ensure that all of its employees are made fully aware of the potential implications of contracting for goods and services. The Contracts Officer should be involved in the contracting process before any step is taken in all significant contracts (over \$5,000).

Use of Acquisition Cards

Observations

Acquisition cards are used frequently in the Calgary office as well, where a total of approximately 40 cards are in use. We note that 12 of these cards belong to the Director General's office – these were included within our testing as they are processed using the same procedures and by the same staff members. All acquisition cards in Calgary are MasterCard.

We performed a detailed review of 5 acquisition cardholder purchases for the period of one month. We reviewed these statements to ensure that they had valid Section 33 and Section 34 authorizations, that they contained only valid expenditures within approved limits, that purchases were supported by receipts, and that payments were made on a timely basis. In addition, we also interviewed the Manager, Finance and Administration, the Contracts Officer (Acting Acquisition Card Coordinator), several members of the program team and the Finance and Administration Clerks.

As per our discussions with the Manager of Finance and Administration, acquisition cards were generally used within Treasury Board Guidelines, however in common with the Winnipeg office, the Calgary office was unaware that individuals were unable to provide their own Section 34 authorization until late in 2003. An e-mail was then circulated to everyone indicating that Treasury Board Policy does not allow individuals to provide their own Section 34 authorization. We also noted that individuals did not keep a purchase log, but instead attached receipts directly to the MasterCard statement at the end of each month.

Our review of the acquisition card purchases found four exceptions. In two cases, the statements were missing a supporting receipt, with no documentation evident as to why it was missing. This was corroborated through discussions held with the three Finance Clerks, who indicated that in about 20% of statements at least one receipt was missing. This was likely due to the absence of, or inadequate maintenance of a purchase log, resulting in individuals having to retrieve all their receipts at the end of the month.

The third exception noted, involved a case where an acquisition card payment which was due April 3, 2003 was not paid until the middle of May. As per discussion with the Finance Clerks, this situation will occur when the necessary information (the card statement) is not provided to the finance group in a timely manner. This may result in WCSC having to pay unnecessary interest charges for late payments.

The fourth exception involved an individual providing their own Section 34 authorization, prior to the Manager of Finance and Administration's e-mail, which detailed the correct procedures with respect to acquisition cards.

Recommendations

The Service Centre Director in consultation with appropriate staff, should ensure the following:

- The Finance Officer should implement the use of a purchase log, which would be reconciled to the Acquisition Card statement at month-end and be supported by receipts, or lacking receipts, an explanation as to why the receipt is missing and what the expenditure was for.
- The finance staff should maintain all financial documentation. In cases where an individual wishes to retain certain documents, the documentation should first be provided to the finance group on a timely basis, after which a copy may then be made for retention.
- A formal e-mail defining the proper use of acquisition cards, including the requirement to have an independent Section 34 authorization for each statement, should be re-sent to WCSC Calgary staff. In addition, the finance group should verify all acquisition card statements over the next several months to ensure that Section 34 authorization is correctly provided. Any exception to this should be taken up with the relevant staff member.

Expenditures for Travel

Observations

Travel Cards are used by most staff members traveling from the Calgary office. The majority of travel undertaken is either to attend meetings, to provide expertise on location or to attend training sessions or conferences. Most travel is regional, although some meetings are country wide, and the occasional international trip is required in order to attend conferences or symposiums in Europe. The majority of travel is for a duration of one to two weeks, with the occasional one exceeding one month.

We performed a detailed review of 5 travel claims, where we ensured that the appropriate authorizations were in place, that Treasury Board per diem and mileage rates we used, that receipts were provided where appropriate, and that these receipts and travel claim details were in accordance with the travel authorization. In addition, we also interviewed the Finance Officer, the three Finance Clerks and various Program team members.

In general, we found that the processes for the preparation and review of travel expenditures are understood and adhered to.

Of the 5 travel claims reviewed, there was 1 exception, where an individual who attended a conference in Eastern Canada without specific authorization, had only a regional-blanket travel authorization that covered Western and Northern Canada. We discussed this with one of the Finance Clerks, who indicated that WCSC was starting to make greater use of Canada-wide blanket authorizations in order to avoid this issue.

We also noted that in some cases the travel expenses were transferred into the Calgary office from other Parks Canada offices, and that the only supporting documentation for these was an authorized journal entry, with no explanation as to what the transfer referred to. It sometimes took a substantial amount of searching and communication with other Parks Canada offices in order to obtain a sufficient explanation.

The Service Centre Director in consultation with appropriate staff, should ensure the following:

Recommendation

The Calgary Office should maintain on record an explanation to support any cost transferred to their office, as well as copies of the blanket travel authorities for anyone likely to have costs transferred to the Calgary Office. In combination with the original supporting documentation held at other Parks Canada locations this would provide sufficient support for the expenses.

Payments to Suppliers

Observations

The purchase of goods and services is handled either through a contract or acquisition card (both detailed elsewhere in this report), or through the PO / LPOA process. At the Calgary Office, most purchases are now handled through acquisition cards, although a large number are still dealt with via an LPOA and the subsequent issuance of a cheque to pay the related invoice. In most of these instances the LPOA process is utilized as opposed to the more formal PO's. The informal policy within WCSC is that any purchase over \$500 should be done either via acquisition card, contract or through a PO or LPOA.

We conducted interviews with the Finance Officer, the Contracts Officer, the three Finance Clerks and several members of the Program Support Staff regarding payments to suppliers. In addition, we also selected 8 payments for detailed examination. For these selections, we verified that the appropriate authorizations were obtained, that the funds had been committed in SAP, that the invoice was date stamped, and that the invoice agreed with the related contract or LPOA (where relevant.)

As per discussion with various WCSC staff members, the overall policies and procedures were well understood by all parties. However there still existed situations where purchases were made outside of an acquisition card and where invoices were received by the finance group without any preceding paperwork (so called "orphan invoices"), and thus no PO had been generated (this appeared to be less frequent than in the Winnipeg Office.) This again represents a departure from

WCSC policy with respect to procurement, and inhibits the verification of the price and the nature of goods received according to the invoice with that of the PO: an important financial control. Additionally, this also inhibits the effectiveness of some Financial Reports, which are created based on financial commitments within SAP (automatically created when a PO is generated.)

On the 8 sample selections, 2 exceptions to the attributes were noted. In the first exception, a payment was made based on the Call-Up of a Standing Offer. In this case, the Finance Officer had provided the Section 34 signoff, and, as a result, was unable to provide the Section 33 signoff. This signoff was provided by an individual who did not have the authority to provide either a Section 33 or 34 signoff. Discussions with all staff indicated that this was an isolated event. The proper signoffs were evident on all other payments made against this Standing Offer.

The other exception involved a payment made from an acquisition card, where the individual provided the section 34 authorization on their own acquisition card, which is against Treasury Board Policy. This occurred prior to WCSC recognizing this fact (see analysis under section 5.3) and will be dealt with via the recommendation already made within that section.

Recommendation

The Service Centre Director in consultation with appropriate staff, should ensure the following:

The Calgary Office should review in its training on procurement, the benefits of following procurement procedures, including POs and LPOAs, when making purchases. This includes underlining the beneficial impact on the control environment at WCSC as well as the additional financial reporting capabilities that are provided to Parks Canada when the procedures are followed. In addition, this issue should be discussed with individuals upon appearances of so called “orphan” invoices.

MANAGEMENT RESPONSE – CALGARY OFFICE

The Service Centre Director will ensure the following:

Revenues - Management Response

- A standardized set of procedures with respect to the collection of revenues from the sale of park passes, backcountry permits and fishing licenses will be developed in conjunction with the Supervisor of the East Gate operation in Banff National Park by June 30th and then implemented.

A daily reconciliation of sales receipts, to the cash register summary, will be carried out by an alternate employee.

- A monthly reconciliation of cash register daily summaries to the monthly deposit totals and will be provided for formal review by the finance clerk at the Calgary office of the WCSC. WCSC finance staff will review and sign off on the summary prior to data entry.
- Information on the number of each type of pass sold and the number of refunds is currently tracked and recorded. It will be reconciled with the monthly deposit totals and forwarded to the relevant staff in the Banff Field Unit for review.
- The combination will be changed on an annual basis.
- The Calgary office is part of the Banff Field Unit and follows their policies and procedures for revenue. The Banff Field unit will consider this recommendation and clarify if any change should be implemented. As an interim measure, we will record the information contained on a Drivers License and a Credit Card if available until clarification is received from the Banff Field Unit.

Contracting - Management Response

Managers and staff have been advised of the potential implications of contracting for goods and services and that the Contracts officer must be involved in all contracts valued over \$5,000. Contract and procurement training has been offered to all staff (September 2001 in Winnipeg, June 2003 in Calgary). Another training session will be offered in the fall/winter 2004 and managers will be requested to send all staff who may be involved in the contracting process.

Use of Acquisition Cards - Management Response

- A message has been sent to all staff advising that they must complete a purchase log and attach it to the statement with all receipts prior to forwarding it for payment. It also advised that an explanation and description of the item must be provided for any lost receipts.

- A message has been sent to all staff advising that all paid invoices and travel claims must remain in the Finance section and that if there is a need to see a paid invoice it must be viewed in the Finance area.
- All WCSC staff and Calgary office staff have been sent a new e-mail explaining the proper use of acquisition cards as well as describing the required procedures for purchasing, contracting and payments. The finance staff will fully audit all acquisition card statements for the next few months to ensure procedures are being followed and the finance officer will discuss any exceptions with the responsible individual.

Expenditures for Travel - Management Response

A message has been sent to all staff advising that all Journal Vouchers (JV) must have an explanation of what we are accepting charges for in the explanation section of the form or that we must have copies of the original payment documents attached to the JV form.

Payments to Suppliers - Management Response

- The WCSC presents a finance and administration training package which is mandatory for all new section 34 managers and open to other interested staff, on an annual basis. The package is currently being updated to cover the new shared travel services initiative and program activity coding. We will also update the Contracting and Purchasing section to include the benefits of utilizing the correct procurement procedures. Finance and Admin staff will follow-up on all "orphan invoices" and the responsible individuals will be informed of the appropriate procurement methods.