Audit of the Eastern Regional Office

Canadian Grain Commission
Audit & Evaluation Services
Final Report

May, 2014

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1.0 Executive Summary

1.1 From January to March, 2014, Audit and Evaluation Services conducted an audit of the Eastern regional office in Montreal, Quebec. The regional office performs a number of key functions for the Industry Services division of the Canadian Grain Commission , particularly weighing oversight, inspection of outward grain movement and related processing of samples and documentation.

1.2 The objectives of the audit included a review of invoicing processes, overtime, management controls, and overall data security. Audit and Evaluation Services performed various interviews and testing procedures to determine if controls in these areas were functioning efficiently and effectively.

Conclusion

1.3 The Eastern regional office is led by a regional management team which includes the managers of Administration, Inspection, Operations, and Weighing Oversight. The regional management team has worked together to ensure Canadian Grain Commission operations continued to function effectively during a time of significant change and multiple challenges encountered in the past year. However, Audit and Evaluation Services noted several opportunities for improvement that management should address. This report contains recommendations to help improve the overall controls within the regional office, as well as to correct errors that were identified.

1.4 Of the two high impact recommendations, only one is directly related to the Eastern regional office itself. The other addresses a larger Industry Services concern over the controls in a key computer application. The recommendations are:

· Future application upgrades include integration of Weighing Oversight requirements to reduce re-entry of data and improve overall controls (ref 3.7).

· Recoverable overtime hours be reconciled to actual attendance records to ensure invoiced amounts are correct (ref 3.30).

Other notable recommendations include refunding over-billed recoverable overtime amounts (ref 3.31), ensuring implementation of the new Performance Management directive (ref 3.37), and improving the tracking of certificates final (ref 3.41).

1.5 Management action plans have been provided for all but one of the recommendations, and, in most cases, implementation of these plans is already underway. Industry Services management has decided not to implement one medium impact recommendation to create a sign-off checklist for certificates final (ref 3.8).

Statement of Assurance

1.6 In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. This opinion is based on a comparison of

the conditions as they existed at the time, as described in the Audit Scope, against pre-established audit criteria. This opinion is applicable only to the entity examined. This audit engagement was planned and conducted to be in accordance with the Internal Auditing Standards for the Government of Canada.

Summary of Recommendations and Management Action Plans

1.7   The following is a summary of recommendations contained in this report with management's action plans to address the topics identified:

Reference	Recommendations	Management Action Plans
High Impact		
3.7	We recommend that future OSCAR (Outward Shipping Certification and Recording) system upgrades include integration of Weighing Oversight and Certification Program requirements in order to reduce manual re-entry of data, decrease chance of error, and facilitate elimination of additional computer applications and spreadsheet programs. This should include logging capabilities and improved access controls.	Recommendation to upgrade to OSCAR to include Weighing Oversight and Certification Program data has been conveyed to the National Management/Director of Industry Services for submission to EMC for approval for Information Management and Information Technology to proceed with upgrade (by the end of the first quarter in 2014-15). We anticipate upgrade will begin in the second quarter of 2014-15 and will be completed within the 2014-15 fiscal year.
3.30	We recommend that recoverable overtime hours be reconciled to the daily attendance records and approved prior to invoicing. Non-recoverable time should be indicated as such and explained on the daily attendance records.	As of April 28, 2014 we are using the carbon copy IW385 in conjunction with the electronic one in EastVessel. At the end of each vessel, the lead inspector will fill in the IW385, sign it and get the elevator official to sign it as well. One copy will be given to the elevator, one will stay with the vessel file, and two will go to the operations supervisor. The operations supervisor will reconcile the IW385 with the daily attendance records before approving extra duty pay (EDP) requests. The operations supervisor will initial the approved IW385 and give the two copies to administration to reconcile when the Canadian Grain Commission bills the company. One copy will be attached with the invoice to the client and the other one will be filed with the Canadian Grain Commission's invoice.

Medium Impact		
3.8	We recommend that a checklist be added to the documentation package that circulates with the certificate final during the review and sign-off process. The checklist should have a section for each of administration, inspection and weighing oversight with a list of the key steps that must be performed by each representative before authorizing the certificate. These steps will then be checked off and each section signed and dated by the representative who performed the work.	This work is inherent in the sign off of the SOAs/LOAs /Certificate Final(s) by the three program managers. The backup documentation is provided and reviewed before the signatures are obtained on all the documents by the managers so there is a review of the information. We feel a check list is redundant and that no checklist is required. This suggestion was brought up at a past Industry Services Quality Management System audit in Central region – Thunder Bay and at that time the same response was determined as unnecessary.
3.16	We recommend that the EastVessel Excel-based application be decommissioned once improvements to the OSCAR system are implemented. Any remaining functionality that is not addressed by the OSCAR implementation should be addressed through national Industry Services procedures rather than through regional solutions.	On completion of upgrades to OSCAR to accept Weighing Oversight and Certification Program data, EastVessel will be phased out. This will take place within six months of OSCAR being upgraded to meet Weighing Oversight and Certification Program requirements. At this point Oscar is not ready to support all our needs. There is a lot to consider prior to eliminate EastVessel info.
3.31	We recommend that the Eastern Region stop billing for non-recoverable overtime hours, and that amount of recoverable overtime overpaid by the affected terminal elevators be calculated based on comparison of hours billed to employees' daily attendance records, and the terminals be refunded as appropriate.	Finance has calculated the amount of overtime overbilled since August 1, 2013. Overbilling will likely be dealt with as a credit memo and applied against future invoices. Credit memos will be processed by May 31, 2014. The practice of recovering OT while on scheduled shifts will cease immediately (as of May 1, 2014).
3.37	We recommend that the upon roll out of the new Directive on Performance Management, Eastern Regional Office implement the program for all staff, including completion of the Public Service Performance Agreement and all required performance reviews.	Objectives to be established by May 31, 2014 and all required reviews will be completed by the end of the 2014-15 fiscal year.
3.41	We recommend that the tracking of Certificates Final be improved to ensure traceability and accountability for all certificate final documents, including regular (weekly or monthly) verification by	Eastern administration has reviewed the form that is used in the Western region and the documentation unit has started to use the new form to track and account for certificates, as of April 1, 2014. The

	another member of the administration unit.	certificates will be locked up and there will be regular reviews by the unit to ensure accountability and traceability. For the first 6 months, the manager of Administration will review the tracking form monthly and will review it quarterly thereafter.
Low Impact		
3.12	We recommend that Industry Services and Finance establish service standards for invoicing and the timing be measured and reported with other activities.	Industry Services' administration and Finance have agreed that the invoicing of a boat should take no longer than 10 days upon the completion of the vessel and the entry into SUN and the invoicing to be done and sent out to clients. This process will be started for May 1, 2014.
3.32	We recommend that Canadian Grain Commission inspection staff obtain a signature from a terminal elevator official on the "requisition for overtime—invoice to follow" form before it is submitted to the Regional Office for invoicing.	Use of the carbon copy IW385 in conjunction with the electronic one in EastVessel implemented April 28, 2014. At the end of each vessel, the lead inspector will fill in the IW385, sign it and get the elevator official to sign it as well.

2.0 Introduction

Authority for Audit

2.1   The mission of the Internal Audit function of Audit and Evaluation Services is to provide independent and objective assurance services designed to add value and improve the Canadian Grain Commission's operations. Internal Audit helps the Canadian Grain Commission accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.

2.2   The audit of the Eastern Regional Office () was included in the 2013-2016 Audit and Evaluation Services Risk-Based Audit Plan that was approved by the Commission following a recommendation by the Departmental Audit Committee in November 2013. The audit was planned in order to provide assurance to the Chief Commissioner on the controls over a number of critical functions that are carried out at the Eastern Regional Office. Several new processes have recently been implemented following legislative and organization-wide changes. The audit provided an opportunity to assess the status and effectiveness of these new processes.

Background

2.3   The Eastern Regional Office in Montréal is one of two Canadian Grain Commission regional offices operating within the Industry Services (IS) division. Following a recent re-organization of the Industry Services division, the regional office now provides management and administration for Montreal, Thunder Bay, Churchill, Chatham, Baie-Comeau, Port-Cartier, and Quebec City service centres. There are analytical labs at the regional office in Montréal and Thunder Bay service centre that perform a variety of grain sample testing services for the Eastern region.

2.4   The Canadian Grain Commission's Industry Service regional offices carry out inspection activities, weighing oversight, and administrative functions such as billing. A large number of regional office procedures are documented, executed, and monitored through Industry Services' Quality Management System. The billing process is described in the Canadian Grain Commission's Billing Instructions Manual which incorporates Canadian Grain Commission's new user fee codes and schedules that came into effect on August 1, 2013.

Audit Objectives

The objectives of this audit were:

2.5   To assess the adequacy and effectiveness of internal controls related to the performance of services and invoicing of revised user fees;

2.6   To assess the adequacy and effectiveness of internal controls related to the administration of overtime in the Eastern region;

2.7   To determine whether management controls and risk management are in place to enable effective and efficient operations in achieving organizational objectives; and

2.8   To assess the adequacy and effectiveness of internal controls over data security, including electronic and pre-printed documents.

The criteria for assessment related to the specific objectives and sub-objectives of the audit are contained in Appendix A – Audit Criteria.

Audit Scope

The scope of the audit included:

2.9   Review and assessment of the design effectiveness of those controls relating to invoicing, overtime, overall management and data security.

2.10   Tests of operating effectiveness for selected controls where appropriate from the period of August 1, 2013 up to and including the date of the on-site examination (week of January 13, 2014), with certain transactions included up to and including February 27, 2014.

2.11   Review of judgmentally selected financial data from the period of April 1, 2013 to October 31, 2013 with certain transactions included up to and including February 27, 2014.

2.12   The audit excluded the operations of the Eastern Region Service Centres but did include all Eastern region activities that are administered (processed) by the Eastern Regional Office in Montreal. Therefore, some samples for testing were selected from service centre locations because the documentation resides in Montreal.

2.13   The audit also excluded analytical procedures within the Montreal and Thunder Bay labs, although day-to-day management of the Montreal lab was included.

2.14   In addition to the above noted objectives and scope, Audit and Evaluation Services performed procedures on behalf of the Finance division relating to the requirements of the *Policy on Internal Control,* specifically testing of Internal Controls over Financial Reporting. Audit and Evaluation Services also coordinated audit activities with the Industry Services Quality Management System audit simultaneously taking place in Montreal. The work performed for all three of the projects was used as a basis for the information and conclusions found in this report.

Approach and Methodology

2.15   The audit methodology used by Audit and Evaluation Services is based on guidance provided by the Institute of Internal Auditors and the Office of the Comptroller General of Canada. The standards for internal audit are articulated in the Institute of Internal Auditor's *International Professional Practices Framework* and the Treasury Board Secretariat's *Policy on Internal Audit*.

2.16   The audit focused on reviewing the operations of the Eastern regional office and was
        conducted from January to March, 2014. It included an onsite visit to the regional office
        in Montréal the week of January 13, 2014. Procedures performed during the examination
        phase included:

        ·   Interviews of the regional management team and other selected employees to obtain
             an understanding of the processes and procedures in place at Eastern regional
             office.

        ·   Observation of employees conducting their daily responsibilities both at the Eastern
             regional office and one of Canadian Grain Commission's terminal offices.

        ·   Review and inspection of documentation and other relevant information to support
             the audit objectives noted above.

        ·   Assessment of design effectiveness of controls currently in place as well as current
             operational processes to address gaps or deficiencies noted, where applicable.

2.17   At the conclusion of the examination phase, recommendations for management were
        developed in areas where opportunities for control improvements were identified.
        Recommendations in this report have been categorized to reflect their potential impact
        on the regional office. The criteria established for determining the impact is outlined in
        Appendix B. The impact is indicated following the text of each recommendation.

3.0 Findings and Recommendations

Objective 1: To assess the adequacy and effectiveness of internal controls related to the performance of services and invoicing of revised user fees.

3.1   The Canadian Grain Commission's new user fees became active on August 1, 2013. The new funding model coincided with changes to the *Canada Grain Act* which affected the types of services offered by Canadian Grain Commission staff in the regions. As a result of these changes, most of the Eastern region staff have experienced changes in how they perform or invoice for their work.

3.2   There are several types of revenue generated in the region: official inspection and weighing of vessels, optional services (e.g. various analytical tests, provision of samples, statements of assurance, etc.), and recoverable overtime (discussed in Objective 2 below).

<u>Official Inspection and Weighing</u>

3.3   Inspection and weighing fees are invoiced monthly through an automated process. The Online Shipping Certification and Recording (OSCAR) system is used by inspection staff to record details about the grain samples being graded. The reported weight (the basis of invoicing the inspection and weighing fee) is also recorded in OSCAR and then verified by the Weighing Oversight and Certification Program in the Montreal office. Once Weighing Oversight and Certification Program has performed the required procedures to verify the weight and accept it in the OSCAR system, the fees are ready to invoice. At the beginning of each month, procedures are run in Canadian Grain Commission head office to create, print, and send invoices to each terminal for the vessel activity that took place the prior month, based on the information that has been entered in OSCAR.

3.4   The accurate and complete billing of Canadian Grain Commission's main source of revenue relies on the correct weight being accepted in OSCAR by Weighing Oversight and Certification Program. Review of a sample of vessels from the Eastern region provided evidence that weights are thoroughly reviewed, including ensuring that scales have been calibrated and checked at the required intervals and scale tapes support the weights reported by the terminal.

3.5   In order to record and store the verification process, results and documents required, Weighing Oversight and Certification Program has implemented a third-party database program. Additionally, the Eastern region uses a spreadsheet to provide further tracking of certain key information. The use of these tools requires Weighing Oversight and Certification Program staff to re-enter information that is already in OSCAR, as well as information that is not currently captured or reportable by OSCAR. We made the following observations with respect to the functionality of OSCAR for the Weighing Oversight and Certification Program:
- Only a limited number of people are authorized to accept a weight and therefore initiate an invoice; however, access controls to the application are weak

(identification is a 4-digit code with no password, the code does not change and may be learned by others).

- There is no log tracking which user accepts a weight, nor are changes made within the weight window logged.
- Information about key steps in the verification process, including date and time performed and by whom, cannot be captured.
- Documents supporting the final weight cannot be scanned or saved into the program.
- There is no area for recording occurrences, errors, or other observations made as part of the oversight process.

The use of multiple systems to address these gaps reduces the effectiveness of controls and is inefficient.

3.6   The official grade and weight of a shipment is certified to the customer by way of an official Canadian Grain Commission document called the Certificate Final. The information is manually entered on the Certificate Final by the documentation team (Administration Unit). The accuracy of the information is then verified by three of the units in the regional office: Administration, Inspection and Weighing Oversight. Each Canadian Grain Commission representative performs a number of different verification steps for an area of responsibility before signing the certificate; however, evidence that these specific steps are actually performed is lacking. Although no errors on the Certificates Final were identified in the sample tested, we could not conclude that all of the proper verification steps were performed based on the information available. A sign-off sheet or checklist would provide sufficient evidence that each detail on the certificate was reviewed without adding a documentation burden for the signors.

Recommendations:

3.7   We recommend that future OSCAR system upgrades include integration of Weighing Oversight and Certification Program requirements in order to reduce manual re-entry of data, decrease chance of error, and facilitate elimination of additional computer applications and spreadsheet programs. This should include logging capabilities and improved access controls.

(impact: high)

3.8   We recommend that a checklist be added to the documentation package that circulates with the Certificate Final during the review and sign-off process. The checklist should have a section for each of administration, inspection and weighing oversight with a list of the key steps that must be performed by each representative before authorizing the certificate. These steps will then be checked off and each section signed and dated by the representative who performed the work.

(impact: medium)

Optional Services

3.9　Optional services are all fees associated with inspection and documentation of a vessel other than official inspection and weighing, described above. All documentation and invoicing is currently prepared manually by administration staff in the regional office. Various spreadsheet-based applications are used to create, track and account for the documents and services that require invoicing. The Canadian Grain Commission is currently initiating an application development project to integrate vessels documentation into the OSCAR system to automate much of the work that is currently performed manually.

3.10　Once all optional services for a vessel are complete, an invoice is created by entering the fees into Canadian Grain Commission's financial system. The administration unit in the Eastern Region employs appropriate segregation of duties between the preparation and review of fees to be entered and the actual entry of fees to create the invoice.

3.11　A sample of 16 optional services invoices (August 1, 2013 to February 7, 2014) determined that invoices were issued an average of 31 days following completion of the last test or letter requested by the customer. A total of 7 (44%) were issued over 30 days later, of which five were outstanding at least 40 days after the last test result was received or letter issued to the client. Invoices may be delayed due to delays in testing, issues arising during the documentation phase, or staffing shortages. However, most of these activities have service standards which, if achieved, should result in invoicing within 30 days or less.

Recommendation:

3.12　We recommend that Industry Services and Finance establish service standards for invoicing and the timing be measured and reported with other activities.

(impact: low)

Regionally-Based Computer Applications

3.13　Over time, Canadian Grain Commission's regions have found there is a need to store, communicate, and automate information that is not met by existing corporate systems. As a result, various spreadsheets and MS Excel-based applications have been developed and placed on common network drives to assist staff in completing their work. In the Eastern region, the predominant working application is EastVessel. The EastVessel information is used when creating the Certificates Final, letters of analysis, optional services invoices and recoverable overtime invoices, among other uses.

3.14　EastVessel allows the units to clearly communicate information about a vessel (e.g. grading and testing results) between each other, and provides a common location to record a variety of pertinent information about a vessel. Unfortunately, most data found in EastVessel is also stored in other systems (such as OSCAR) and must be manually re-entered into the spreadsheets, resulting in extra work and increasing the chance of an error. As with most spreadsheets, EastVessel lacks access controls, change controls, and activity logs.

3.15　The use of different regionally-based computer applications, including EastVessel, has impeded the standardization of procedures across the Canadian Grain Commission. At

the current time, EastVessel does provide value to the staff in the Eastern region; however, this would be better achieved through the use of a centralized application rather than a spreadsheet-based program. As described in above (ref 3.9), Canadian Grain Commission has initiated an application development project involving OSCAR, which will likely eliminate the need for much of EastVessel's functionality.

Recommendation:

3.16   We recommend that the EastVessel Excel-based application be decommissioned once improvements to the OSCAR system are implemented. Any remaining functionality that is not addressed by the OSCAR implementation should be addressed through national Industry Services procedures rather than through regional solutions.

(impact: medium)

Objective 2: To assess the adequacy and effectiveness of internal controls related to the administration of overtime in the Eastern region.

3.17   Overtime is both an expense and a revenue item for the Canadian Grain Commission. Employees work overtime hours and therefore earn overtime pay or compensatory leave. However, a significant amount of the overtime costs incurred by the Canadian Grain Commission at the waterfront are recoverable from the elevator operators, as described in the *Canada Grain Regulations*.

Employee overtime

3.18   The workload of the Eastern Region staff, both in the office and at the waterfront, is seasonal as well as dependent on the activities of the grain companies. To meet customer demands, as well as Canadian Grain Commission's own service standards, employees frequently work hours in addition to their regularly scheduled shifts or regular work hours. Each employee's overtime entitlements are described in the employee's specific collective agreement.

3.19   Employees record their hours worked, overtime, and other allowances on a Canadian Grain Commission daily attendance record form. Employees sign the form and forward it to their supervisor for review and approval. To request payment of overtime hours and allowances in cash, employees must log into the Extra Duty Pay system. The supervisor verifies that the request matches the daily attendance record and approves the amount in Extra Duty Pay. When the employee requests remuneration in the form of time-in-lieu (compensatory time), the Administration Officer inputs the hours in the human resources system (PeopleSoft) before filing the daily attendance record.

3.20   Our review of a sample of daily attendance records found evidence that supervisors are reviewing and approving the forms, and are comparing these forms to the claims made in Extra Duty Pay. We did not verify that the employees' compensation was correct, as this was deemed out of scope for this audit.

Recoverable overtime

3.21 Vessel-loading at the waterfront can take place at any hour, any day of the week. When a terminal requires services outside of the Canadian Grain Commission's regular business hours, the Canadian Grain Commission issues an invoice to recover the cost of overtime (e.g. time and one-half overtime, double time overtime) incurred to provide the service. The overtime rates and application are described in the Schedule of Fees in the *Canada Grain Regulations*.

3.22 Recoverable overtime incurred by the Canadian Grain Commission inspectors is recorded on the "requisition for overtime – invoice to follow" forms each day, if applicable. In Churchill and Thunder Bay locations, a paper-based version of the requisition for overtime form is used. In all other Eastern locations, the inspectors complete the form electronically using the EastVessel program. In general, employees' overtime recorded on the daily attendance records should be consistent with the hours on the requisition for overtime form; however, there are situations when overtime paid to employees is not recoverable, such as time spent on work related to Canadian Grain Commission contracts or memorandums of understanding with other government departments.

3.23 A sample of eight recoverable overtime invoices was analyzed for different ports in the Eastern region. We could only confirm that the hours recorded on the daily attendance records matched the hours recorded on the requisition for overtime forms for three of the invoices. For the remaining five invoices, we were unable to reconcile the hours on the daily attendance records to the requisition for overtime forms. Insufficient information was captured on the documents and regional office staff could not provide an explanation for variances.

3.24 Administration staff use the requisition for overtime forms to create recoverable overtime invoices in the financial system. This is a separate invoice from the optional services invoice discussed above (ref 3.9). The invoices and copies of the requisition for overtime forms are mailed to the elevators. Invoices in our sample were billed accurately (as compared to the requisition for overtime forms) and in a timely manner. However, the administration staff do not review the recoverable overtime hours billed for accuracy, existence, or completeness. This task has been assigned to the operations group, who are responsible for verifying the associated daily attendance records. We were informed that the operations supervisors in Montreal do not verify the hours on the requisition for overtime forms, and were therefore unable to assist in reconciling the overtime hours recorded on the daily attendance records to the requisition for overtime for the five invoices noted above.

3.25 It was also noted that "Officer in charge – Canadian Grain Commission" and "Authorizing elevator official" signatures were absent on the requisition for overtime forms for six of the invoices sampled. The authorizing elevator official is the customer signature acknowledging the amount that will subsequently be invoiced for the overtime incurred on that particular day. Only locations using the paper-based requisition for overtime forms (Thunder Bay and Churchill) collected signatures and provided a copy of the form to the elevator for their records.

3.26 At certain terminal locations in the Eastern region, a second employee shift is added during busy times of the year to accommodate a high volume of vessel loading activity

by the terminal. The second-shift employees report for a regular work day, and although they may be eligible for a shift premium (shifts are generally 4:00 pm to midnight or 5:00 pm to 1:00 am), they do not earn overtime pay.

3.27   Our sample of recoverable overtime invoices included several vessels from locations with a second shift. Even though the Canadian Grain Commission employees were not earning overtime pay, the terminals were invoiced the time and one-half overtime fee. Further investigation revealed that it has been common practice to invoice these terminals for the second-shift hours since the shifts were implemented several years ago.

3.28   The new *Canada Grain Regulations* (C.R.C., c.889) came into effect on August 1, 2013. The definition of recoverable overtime located in Schedule 1 was amended. For example, for time and one-half overtime, the description of service is: "Overtime incurred to conduct an outward official inspection." Since overtime was not actually being *incurred* by the Canadian Grain Commission for the second-shift employees, recoverable overtime under the *Regulations* would not apply, and certain terminals have been over-billed for recoverable overtime.

3.29   From August 1, 2013 to February 27, 2014, 55 recoverable overtime invoices were issued to the terminals involved, valued at over $97,000. The Canadian Grain Commission has calculated that approximately 40% of these charges for second-shift hours were not recoverable fees under the *Regulations*. Both the lack of oversight of the recoverable overtime invoicing process as well as the absence of terminal elevator acknowledgement (through signature on the requisition for overtime form) of overtime hours to be billed contributed to the errors occurring.

Recommendations:

3.30   We recommend that recoverable overtime hours be reconciled to the daily attendance records and approved prior to invoicing. Non-recoverable time should be indicated as such and explained on the daily attendance records.

(impact: high)

3.31   We recommend that the Eastern region stop billing for non-recoverable overtime hours, and that amount of recoverable overtime overpaid by the affected terminal elevators be calculated based on comparison of hours billed to employee daily attendance records, and the terminals be refunded as appropriate.

(impact: medium)

3.32   We recommend that Canadian Grain Commission inspection staff obtain a signature from a terminal elevator official on the "requisition for overtime—invoice to follow" form before it is submitted to the regional office for invoicing.

(impact: low)

Objective 3: To determine whether management controls and risk management are in place to enable effective and efficient operations in achieving organizational objectives.

3.33   The regional management team members work together to manage the Eastern regional office, but each reports to a different national manager, who reports directly to the Director of Industry Services. Because of this structure, each regional management team manager has different objectives to achieve, risks to consider, and controls to perform on a daily basis.

3.34   Each manager identified a number of risks or challenges being faced by his/her unit, but was also able to identify several mitigating actions or plans to manage the risks. The regional management team has recently faced a re-organization of the region, changes to services offered, new user fees and service standards, as well as work force adjustment situations throughout the region. Although a number of related challenges continue to exist, the regional management team have been working together to implement solutions to address these issues while continuing to maintain Canadian Grain Commission's service level.

Performance Management

3.35   One area that has continued to challenge the Eastern Regional Office is the full implementation of the Canadian Grain Commission's Performance Development and Achievement Program. Although some progress has been made in the operations unit, the regional management team reported that for the majority of non-inspection staff there has been little or no progress on completing various elements of the program, including personal learning agreements and performance reviews.

3.36   In 2014, Treasury Board Secretariat is implementing the *Directive on Performance Management*, which requires the elements of the Canadian Grain Commission's internal Performance Development and Achievement Program to be recorded in a standard format in a national, web-based application. All staff and management in the Eastern region will be required to comply with this directive including meeting the specified timelines for completing the Public Service Performance Agreement, which replaces Canadian Grain Commission's Personal Learning Agreement.

Recommendation:

3.37   We recommend that upon the roll out of the new *Directive on Performance Management*, Eastern Regional Office implement the program for all staff, including completion of the Public Service Performance Agreement and all required performance reviews.

(impact: medium)

Objective 4: To assess the adequacy and effectiveness of internal controls over general data security, including electronic and pre-printed documents.

3.38   During our visit to the office, we observed that the overall control environment (the general approach and attitude) concerning data security was good. Both building and office security are maintained; passwords were not visible and there was no evidence of password sharing; samples are identified with appropriate labels and stored in an appropriate manner.

Certificates Final

3.39   As described above (ref. 3.6), the Certificate Final is an official Canadian Grain Commission document. It is internationally recognized and accepted as Canada's assurance that the customer is receiving what it expected, *i.e.* the shipment meets Canadian quality and quantity standards.

3.40   The certificates are printed on special pre-numbered paper stock. The blank certificate stock in the Montreal office is kept in a secure location. Issued Certificates Final that were voided due to errors are maintained in the documentation package to ensure traceability. Issued and voided Certificates Final are tracked on a spreadsheet which specifies vessel details including bill of lading date, the vessel name and replacement Certificate Final if the original was voided. The administration staff identified numerous gaps in Certificate Final sequence numbers which were indicated on the tracking spreadsheet, but did not provide an explanation for the gaps. Upon further analysis it was determined that there were 51 gaps with a total of 466 certificate numbers for which staff could not account. Failure to track all Certificates Final could lead to potential loss, theft or fraudulent use of the certificate stock to create documents fictitiously representing the quality of a shipment of grain.

Recommendation:

3.41   We recommend that the tracking of Certificates Final be improved to ensure traceability and accountability for all Certificate Final documents, including regular (weekly or monthly) verification by another member of the Administration Unit.

(impact: medium)

We express our appreciation to staff and management of the Eastern regional office for their assistance during the course of this audit.

This audit has been reviewed with:
B. Lemon, Director, Industry Services

Audit & Evaluation Services Contact
Brian Brown, Chief Audit Executive

Appendix A – Audit Criteria

Audit Objective #1: To assess the adequacy and effectiveness of internal controls related to the performance of services and invoicing of revised user fees.	**Audit Criterion 1.1:** Terminal handling revenues (e.g. mandatory weighing and inspection) are properly recorded, reviewed and invoiced in a timely manner.
	Audit Criterion 1.2: Vessel revenues (e.g.. optional services) are properly recorded, reviewed and invoiced in a timely manner.
	Audit Criterion 1.3: New procedures related to the Weighing Oversight and Certification Program include controls to ensure outward weights are accurate and approved for invoicing in a timely manner.
Audit Objective #2: To assess the adequacy and effectiveness of internal controls related to the administration of overtime in the Eastern region.	**Audit Criterion 2.1:** Recoverable costs are properly recorded, reviewed and invoiced in a timely manner.
	Audit Criterion 2.2: Overtime is properly reviewed, approved and monitored by the authorized delegated authority in a timely manner.
Audit Objective #3: To determine whether management controls and risk management are in place to enable effective and efficient operations in achieving organizational objectives.	**Audit Criterion 3.1:** Regional management team has an understanding of the key risks in each manager's respective area of responsibility, as well as risks to the operation as a whole, and these risks are being actively managed.
	Audit Criterion 3.2: Appropriate delegation of authority, segregation of duties and supervision exist in carrying out the day-to-day operations of the Regional office and to protect against potential fraud and error.
	Audit Criterion 3.3: Appropriate training is provided to enable staff to carry out their responsibilities and duties in a safe, effective and efficient manner.
	Audit Criterion 3.4: Management has in place controls to ensure regular review of current financial performance against pre-determined standards, objectives or plans with a view to ensure adequate progress and to take remedial action where required.
	Audit Criterion 3.5: Products or services ordered/received are properly documented and verifiable, and payable amounts are accurate. Expenses are coded to the correct accounts, in accordance with Finance Financial Coding guidance on StaffNet.

Audit Objective #4: To assess the adequacy and effectiveness of internal controls over general data security, including electronic and pre-printed documents.	**Audit Criterion 4.1:** Access to computers is limited to appropriate personnel. Passwords are secure and are not shared with unauthorized users.
	Audit Criterion 4.2: Certificates Final and other printed or controlled documents are properly secured. Pre-numbered forms are reconciled periodically to ensure completeness.
	Audit Criterion 4.3: There are appropriate controls in place over the physical security and storage of inspection samples.

Appendix B – Impact of Recommendations

The following categories have been applied to each recommendation within this report. Categories are defined as follows:

High

Recommendation:
- will improve management controls or control environment for the overall program/process/area/division/etc.
- may take considerable effort to implement within the operational environment or may involve a significant change
- may have a significant financial impact
- likely results in assumption of a substantial risk if *not* implemented (ex. decreased efficiency, higher risk of errors, lost cost savings opportunities)

Medium

Recommendation:
- will improve management controls in that area
- will improve efficiency and/or effectiveness of operations in that area
- is not likely to require a significant effort to implement
- may have some financial impact; could be a less significant item that could accumulate over time to create a larger impact

Low

Recommendation:
- promotes a good management practice
- likely improves day-to-day work experience
- likely requires minimal effort to implement
- will have limited financial or operational impact