



## **Audit of Priority Cheque Print Security and Controls**

### **REPORT**



**Audit and Evaluation Division  
May 2004**



Statistics Canada  
Statistique Canada

**Canada**

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## **Auditor's Statement**

I have completed the Audit of Priority Cheque Print Security and Controls. The audit's objective was to examine the compliance with Receiver General Directive 1999-8R1 Printing Priority Receiver General Cheques at Departmental Sites. The auditor also examined the requests for priority cheques.

This internal audit was carried out in accordance with the Internal Auditing Standards for the Government of Canada.

In examining compliance with the Receiver General Directive 1999-8R1, it was found that many of the controls were found to be in compliance with the directive. A few of the controls required modifications to be in compliance. Financial Management Operations and Systems Division management took action to modify these controls for compliance with the directive.

This conclusion is based on the assessment of findings against pre-established criteria and agreed to by the Internal Audit Committee in December 2003.

In my opinion, sufficient and appropriate audit work has been performed and evidence gathered to support the conclusion contained in this audit report.

Hélène Meloche  
Auditor  
July, 2004



## I. Introduction

The purpose of this audit is to provide management with an assessment of the security and controls in place in Financial Management Operations and Systems Division for the printing, signing and release of priority cheques with the Standard Payment System.

### Background

The Standard Payment System offered by Public Works and Government Services Canada provides for the printing of Receiver General cheques on a priority basis. The printing of priority cheques has been in operation at Statistics Canada since 1999.

In accordance with a Letter of Compliance signed by Statistics Canada and Public Works and Government Services Canada, audits are to be conducted on a periodic basis to ensure continuing compliance with the Receiver General Directive 1999-8R1. A first audit on security and controls to print Receiver General cheques was conducted in 2001. The audit report concluded that the security and controls in place for the printing site operations complied with the directive.

### Objective

The objective of the audit is to examine the compliance with the Receiver General Directive 1999-8R1. This directive sets out the standards, procedures and minimum controls that apply to the printing of priority cheques that takes place in Financial Management Operations and Systems Division.

### Scope

The audit focused on the security and controls in place to print priority Receiver General cheques in Financial Management Operations and Systems Division.

### Criteria

The auditor expected to find that printing of priority cheques is in compliance with the directive that covers the following:

- set up for the cheque print site
- separation of duties (It covers section 9.2 of the directive and will also cover an examination of the requests for priority cheques<sup>1</sup>)
- control of cheque and signature stamp stock

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<sup>1</sup> The directive does not cover the examination of requests for priority cheques.



- cheque preparation and distribution
- inventory control
- unusable cheques or signature stamp stock
- procedure for returned cheques
- procedure for replacement cheques and their printing
- cheque cancellation

## II. Methodology

The criteria and sub-criteria were developed by reviewing Public Works and Government Services Canada criteria established as guidance to audit priority cheque print sites, the directive and the Internal Audit Committee Record of Decisions.

An audit plan was developed to include all criteria and sub-criteria and detailed audit procedures. The procedures consisted of interviews with the cheque print personnel, observations, gathering documentation and analysing a data file of 1,588 priority cheques. The period under study was from December 31, 2002 to February 24, 2004.

## III. Findings and Recommendations

Many of the controls were found to be in compliance with the directive. A few of the controls required modifications to be in compliance. Financial Management Operations and Systems Division management took action to modify these controls to bring them in compliance.

In summary, compliance was found for the controls related to the set up of the cheque print site, for separation of duties of the custodial functions and reporting changes to cheque print personnel to Public Works and Government Services Canada. Compliance was also shown for procedures for ordering, shipment and receipt of cheque forms and signature stamps which is part of the control of cheque and signature stamp stock, for cheque preparation and distribution, for procedures for unusable signature stamp stock, for returned cheques, cancellations and replacement cheque and their printing.

The controls that needed to be rectified were found for the separation of duties where the custodians had authority to approve spending for payments, for storage and physical security safeguards (part of the control of cheque and signature stamp stock), for the inventory and the procedures for destruction of cheque forms. Details on these findings were reported to Financial Management Operations and Systems Division.

It is recommended that Financial Management Operations and Systems Division management make the modifications on the few identified controls for compliance with the directive.



The audit also included an examination of the requests for printing priority cheques. This was not part of the directive. The audit found that there was no documentation to support the requests. Priority cheques are used in a variety of circumstances that may not require a cheque on an immediate basis. Establishing criteria indicating when a cheque is printed on an immediate basis and communicating these criteria to all personnel preparing priority payments for approval could decrease the number of requests and free resources for other activities. Details on this finding have been provided to Financial Management Operations and Systems Division.

It is recommended that Financial Management Operations and Systems Division establishes criteria for requesting a priority cheque and communicates them to all personnel preparing priority payments for approval and monitors these criteria.

#### **IV. Conclusion**

In examining compliance with the Receiver General Directive 1999-8R1, it was found that many of the controls were found to be in compliance with the directive. A few of the controls required modifications to be in compliance. Financial Management Operations and Systems Division management took action to modify these controls for compliance with the directive.



**Appendix A—Management Action Plan**

<b>Recommendation</b>	<b>Management Action Plan</b>	<b>Responsible for Action</b>	<b>Estimated Completion Date</b>	<b>Status</b>
It is recommended that Financial Management Operations and Systems Division management make the modifications on the few identified controls for compliance with the directive.	A detailed action plan has been completed to meet control requirements described in the directive.	FMOSD	June 2004	Completed
It is recommended that Financial Management Operations and Systems Division establishes criteria for requesting a priority cheque and communicates them to all personnel preparing priority payments for approval and monitors these criteria.	A document is in progress for the web site.	FMOSD	To be determined	In progress
	The criteria for priority cheques are monitored and updated.	FMOSD	On-going	In progress

