



Audit of the RCMP Revenue Collection Practices

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July 2024



Aussi disponible en français sous le titre : Vérification des pratiques de perception des recettes de la GRC

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Access to Information Assessment

This report has been reviewed for potentially sensitive information. Where sensitive information has been removed, [REDACTED] appears; published information is UNCLASSIFIED.

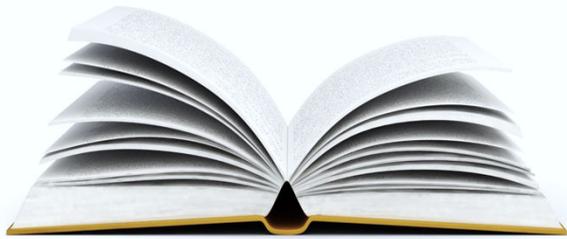


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Acronyms

| | |
|-----------------|---|
| ADM | Assistant Deputy Minister |
| A/R | Accounts Receivable |
| BC | British Colombia |
| CAPC | Corporate Accounting, Policy and Control |
| CBA | Collective Bargaining Agreement |
| CFO | Chief Financial Officer |
| C&IP | Contract and Indigenous Policing |
| CMC | Contract Management Committee |
| CM&C | Corporate Management and Comptrollership |
| CO | Commanding Officer |
| CoDo | Companion Document |
| CMO | Corporate Management Officer |
| FM | Financial Management |
| LMD | Lower Mainland District |
| MOU | Memorandum of Understanding |
| MPUA | Municipal Police Unit Agreement |
| MPSA | Municipal Police Service Agreement |
| NHQ | National Headquarters |

| | |
|--------------|--|
| NL | Newfoundland and Labrador |
| NPF | National Police Federation |
| OAG | Office of the Auditor General |
| OM | Operational Manual |
| O/S | Outstanding |
| OSB | Operations Strategy Branch |
| NARS | National Accounting and Relocation Services |
| PPSA | Provincial Police Service Agreement |
| PT | Provincial/Territorial |
| PTM | Provincial/Territorial/Municipal |
| PSA | Police Service Agreement |
| PS | Public Safety Canada |
| QR | Quarter |
| RCMP | Royal Canadian Mounted Police |
| Retro | Retroactive |
| SPAB | Strategic and Policing Agreements Branch |
| TEAM | Total Expenditure and Asset Management system |
| TB | Treasury Board |
| TBS | Treasury Board Secretariat |



Executive Summary

Context

The Royal Canadian Mounted Police (RCMP) began providing contract policing services as early as 1906. The federal Minister of Public Safety is responsible for the RCMP and authorized to enter into agreements with other levels of government for the provision of RCMP policing services.

The 2012 Provincial/Territorial/Municipal (PTM) Police Service Agreements (PSAs) are bilateral arrangements between the federal government and a PTM government for the use of the RCMP for a period of 20 years. The Minister of Public Safety is the signatory for the PSAs.

The RCMP, as the service provider, is responsible for the financial management of PSA revenue collection. Revenues generated through the PSAs are an important source of funds, representing more than 90% of RCMP revenue.

Audit Objective

To provide assurance that the governance structure over the PSAs enables the RCMP to adequately manage the collection of revenue in accordance with relevant policies, and identify potential opportunities for modernization. The audit assessed the accounts receivable (A/R) collections process for contract policing revenues.

The scope period is from April 1, 2022 to March 31, 2023.

Audit Findings

The audit findings for the collection of A/R include three themes:

1. Effectiveness of revenue collection for the PSAs invoiced in 2022-23;
2. Monitoring of payments for retroactive (retro) pay for the first collective agreement for RCMP members; and
3. Processes in place to pursue collection of past due accounts since the PSAs were signed in 2012.



Key Takeaways

Overall, the audit found that the governance structure over the PSAs enables the RCMP to adequately manage the collection of revenue in accordance with relevant policies. The RCMP collected 99% of A/R owed by contract partners for policing services revenue earned in 2022-23, with the majority of payments collected by the due date.

The first collective bargaining agreement (CBA) for RCMP members was signed in 2021 and provided retroactive salary increases, which resulted in a significant A/R for the RCMP. Due to the financial impact for contract partners, the signatory entered into agreements with partners to establish terms for installment payments to be collected by the RCMP by March 2025.

Although processes are in place to informally resolve past due A/R, [REDACTED] Estimates for the allowance of bad debts were prepared annually, [REDACTED] Longstanding A/R may increase the risk that the RCMP will not be able to collect payment.

The RCMP has made a number of process improvements to collect unpaid accounts and is working in collaboration with Public Safety Canada (PS) to address outstanding receivables. [REDACTED]

Management Response

As the Chief Financial Officer, I have reviewed this report and am supportive of its content and recommendations. My team will work collaboratively with the Contract and Indigenous Policing team to implement the Management Action Plans identified in this report with an overall objective of improving the RCMP's revenue collection processes, and our collective understanding of roles, responsibilities, and revenue-related authorities.

We would like to thank Internal Audit, Evaluation & Review for their work, as these observations and recommendations will help the RCMP continuously improve its governance and management of revenue collections and outstanding receivables related to the Police Service Agreements for Contract Policing.

Samantha Hazen

Chief Financial Officer, Royal Canadian Mounted Police



Approach

Approach

Objective

To provide assurance that the governance structure over the PSAs enables the RCMP to adequately manage the collection of revenue in accordance with relevant policies, and identify potential opportunities for modernization.

Scope

The scope of the audit included an examination of the current revenue collection practices for the PSAs. The audit assessed the processes and controls in place for A/R collection, as well as the presentation of notes in the financial statements. The A/R included PSA services invoiced in 2022-23, retro pay and past due accounts. The audit examined communication processes in place between PS and RCMP representatives to support the timely collection of contract policing revenues and appropriate recognition of doubtful accounts. In addition, the audit explored revenue collection practices in other departments and police organizations to identify potential opportunities for modernization. The scope period is from April 1, 2022 to March 31, 2023 (Appendix A contains the audit criteria).



Exclusions

- ❖ [REDACTED]
- ❖ In 2016, the RCMP Internal Audit of Information to Support Provincial and Territorial (PT) PSAs examined the application of the cost allocation methodology and consistency of revenue collection as stated in the PSAs. As a result, the assessment of the application of the cost allocation methodology for the PSAs was excluded.
- ❖ In May 2023, the Office of the Auditor General (OAG) included RCMP revenues in the annual Audit of Consolidated Financial Statements of the Government of Canada for the year ending March 31, 2023. Therefore, elements of revenue practices related to invoicing and reconciliation were excluded to avoid duplication with the OAG's audit.

The audit team employed various techniques including interviews, documentation review, data analysis, and file testing. Specifically:

- ❖ Conducted interviews with key personnel related to the collection of PSA revenue; National Headquarters (NHQ) Financial Management (FM), Corporate Accounting, Policy & Control (CAPC); Corporate Management Officers (CMOs) and Financial Advisors within E, M, K, D, B and J divisions, as well as Commanding Officers (COs), Operations Strategy Branch (OSB) personnel; and Strategic Policing Agreements Branch (SPAB).
- ❖ Reviewed documentation related to the contract policing revenue collection process.
- ❖ Examined the collection of A/R, and the reporting of the allowance for doubtful accounts and bad debts as of March 31, 2023.
- ❖ Assessed compliance with relevant RCMP and federal government policies.

Statement of Conformance



Statement of Conformance

The audit engagement conforms to applicable standards in the Institute of Internal Auditor's International Professional Practices Framework and the Treasury Board of Canada Directive on Internal Audit, as supported by the results of the quality assurance and improvement program.

Sample Testing Approach

The audit team examined a sample of A/R for 30 contract policing customer accounts within Pacific, Northwest and Atlantic Regions. This included:

- 6 PT PSAs for two divisions in each region; E and M in Pacific, K and D in Northwest, and B and J in Atlantic.
- 23 Municipal PSAs (MPSAs). Since Newfoundland and Labrador (NL) (B Division) and Yukon (M Division) do not have MPSAs, two divisions within Atlantic and Northwest Region (H and F) were included in the MPSA sample. Additionally, in British Columbia (BC) (E Division), the municipalities are under a Municipal Police Unit Agreement (MPUA) and are signed between the province of BC and the municipality itself.
- 1 Lower Mainland District (LMD) Integrated Team in E Division.
- The contract policing A/R for the audit sample testing was \$720,959,832, which represents 61% of the total contract policing A/R (\$1,178,316,451) in 2022-23.

Table 1: PSAs A/R Sample per Division

| PT PSAs | | MPSAs | | LMD | | TOTAL | | |
|----------------------|--------------------|----------------------|--------------------|--------------------|--------------------|----------------|--------------------|--------------------|
| Contracting Partners | Amounts – A/R (\$) | Contracting Partners | Amounts – A/R (\$) | Integrated Teams | Amounts – A/R (\$) | Tests | Amounts – A/R (\$) | |
| [REDACTED] | | | | | | | | |
| Total | 6 | 499,750,456 | 23 | 220,728,479 | 1 | 480,897 | 30 | 720,959,832 |



The 2016 RCMP Audit of Information to Support PT PSAs found that RCMP invoicing practices, including the indirect cost calculation and year-end reconciliation, were accurate and reasonable. Also, the OAG's 2022-23 Audit of the Consolidated Financial Statements included RCMP revenues related to the PSA revenue processes. As such, the RCMP internal audit focused on RCMP A/R collection processes to avoid duplication of previous work.



Context

Context

The RCMP began providing contract policing services as early as 1906. The Minister of Public Safety is responsible for the RCMP and authorized to enter into agreements with other levels of government for the provision of RCMP policing services.

- The 2012 PT PSAs are bilateral arrangements between the federal government and a PT government for the use of the RCMP as a PT police service for a period of 20 years.
- The 2012 MPSAs are bilateral Memoranda of Agreements between the federal government and a municipal government for the use of the RCMP as a municipal police service for a period of 20 years.
- Each agreement is signed between the Minister of Public Safety, on behalf of Canada, and the Minister of Justice (or the minister responsible for police services) of the PT or the Chief Executive Officer (or delegated head) of the municipality.

- ❖ The PSAs are commonly referred to as contracts and contract policing refers to the policing services provided by the RCMP under the agreements. Under the PSAs, the RCMP currently provides contract policing services to eight provinces, three territories and approximately 150 municipalities.
- ❖ The federal government pays a share of the policing costs of the PSAs with contract partners. All applicable PTs pay 70% of eligible costs. Municipalities with a population of less than 15,000 pay 70%, and municipalities with a population greater than 15,000 pay 90% of eligible costs. Since 1991, municipalities that did not have a previous agreement in place are paying 100% of RCMP policing costs.
- ❖ Revenues generated by providing contract policing services to PTMs are significant for the RCMP. In 2022-23, \$2.861 billion¹ in policing services revenue was reported in the RCMP financial statements, which represents more than 90% of RCMP revenue.
- ❖ While revenue earned on behalf of the Government of Canada is deposited to the Consolidated Revenue Fund, the RCMP has authority from Parliament to respend revenue from direct operating expenditures incurred to provide policing services. Respendable revenue from the PSAs is an important source of funds for the RCMP to fund related expenditures. In 2022-23, respendable revenue accounted for \$2 billion, representing more than half of the total revenue for contract policing², and non-respendable revenue accounted for \$0.861 billion.
- ❖ Given the importance of timely collection of PSA payments, an Audit of the RCMP Revenue Recognition Practices was approved by the Commissioner as part of the 2022-23 to 2026-27 Risk Based Audit and Evaluation Plan. However, due to the OAG Audit of Consolidated Financial Statements in 2023, the audit scope was changed to focus on A/R collection and the title was modified to the Audit of the RCMP Revenue Collection Practices.

1. This amount includes revenues from the PSAs, Memorandum of Agreements, etc.

2. RCMP Financial Statements For the Year Ended March 31, 2023.

Governance

A governance structure is in place for the collection of contract policing revenue and is formalized through the PSAs.

- Section 20 of the *RCMP Act*, provides the **Minister of Public Safety the authority to enter into agreements with PTs** for the use of RCMP policing services.
- Further, the *Act* provides that the Minister may, with the approval of Treasury Board (TB), determine the amount of money to be paid by the PTMs for the services provided by the RCMP.
- **As the service provider, the RCMP is not a signatory to the PSAs.** Although PTMs establish the level of policing, budget and policing priorities, they do so in consultation with the RCMP.
- **The PSA provides the governance framework for RCMP contract policing and revenue collection.** All components of revenue, such as the basis of calculation of payment, method of payment and dispute resolution are identified in the PT PSA.
 - Article 17 (Method of Payment) provides the terms and conditions for billing RCMP policing services to contract partners. Invoices will be based on a quarter of the estimated cost of the police services for that fiscal year.
 - Article 23 (Disputes) provides the process to be invoked to address payment disputes, which cannot be resolved through informal consultation between the parties.
- Article 21 of PT PSA (Article 19 of the MPSA) establishes the Contract Management Committee (CMC) to strengthen governance of the contract parties. CMC serves as a forum where PS, PTMs and the RCMP share information, consult, collaborate on service delivery, policing policies, and other issues that will or may affect governance, costs, quality or capacity of the service.
 - Article 22 provides for five-year periodic reviews to raise substantial issues, including financial issues, arising out of the implementation of the PSAs.



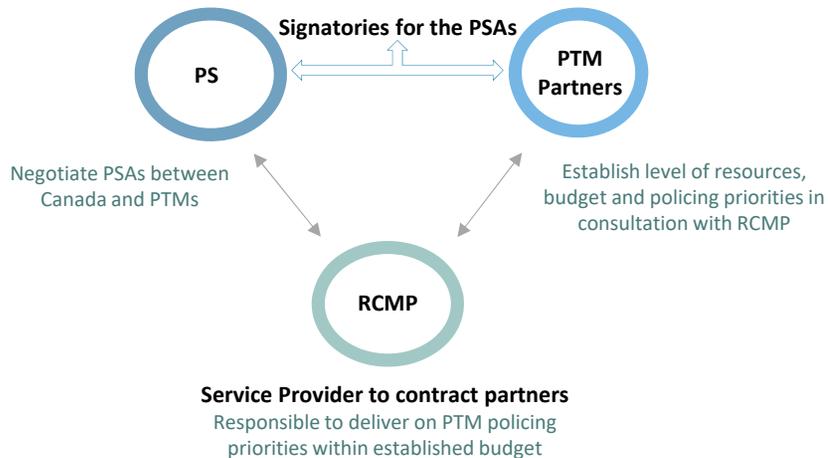
- In addition, under the PSAs, the CMC is responsible for the development and oversight of the **Companion Document (CoDo), which is defined in the PSAs as the Interpretation and Administrative Procedures Guide.** Most of the CoDo applies to the MPSAs in that the terms and conditions flow from the PT PSAs. The CoDo:
 - Was developed in collaboration with PT representatives, the RCMP and PS to assist with the interpretation and implementation of the PSAs.
 - Is defined in the PSA, but does not form part of the PSAs and is not a legally binding document.
 - Is endorsed by CMC and initialled by the federal and PT CMC co-chairs, as required by the PSAs.
 - Is intended to be a living document and amended periodically to ensure it remains relevant and up-to-date.

Within this governance framework, the RCMP administers the collection of revenue for the PSAs. As the policy centre for the Contract Policing business line, SPAB is responsible for addressing issues pertaining to the PSAs, including analysis and reporting, data modelling and negotiations. Corporate Management & Comptrollership (CM&C) provides oversight for invoicing and collection of revenue for policing services provided under the PSAs.

Roles and Responsibilities

Minister of Public Safety

- Signatory on behalf of Canada for the policing contracts between PTM partners for the RCMP to provide policing services
- PSA Federal Contract Authority



CMC

- Support delivery of police services and strengthen governance and accountability of contract parties
- Share information with PS, PTMs and RCMP to foster consultation and collaborate on service delivery, policing policies, and other issues that affect governance, costs, quality or capacity of service
- Consists of one representative from each PT, PS and RCMP

RCMP Financial Management of Policing Contracts for PSA Revenue Collection

CM&C

- Support the responsible spending and safeguarding of RCMP finances and assets

NHQ FM

- Plan and report on revenue for the PSAs
- Ensure financial system balances with approved appropriations and revenues
- Oversee and provide guidance for revenue collection activities for the PSAs

CAPC

- Provide guidance on accounting for revenue and A/R
- [REDACTED]

CMOs (Regions)

- Align financial management with the services delivered by FM for the PSAs

Divisional FM

- Prepare quarterly invoices to partners
- Respond to partners invoices related questions
- Consult with PTM staff to informally resolve payment issues



Contract & Indigenous Policing (C&IP)

SPAB

- Policy centre for the Contract Policing business line
- Ensure consistency in the application of PSAs with PTM partners for RCMP duties and responsibilities in financial, operational and administrative areas

Divisions

CO

- Consult with partners to informally resolve payment disputes
- Escalate disputes as required for resolution

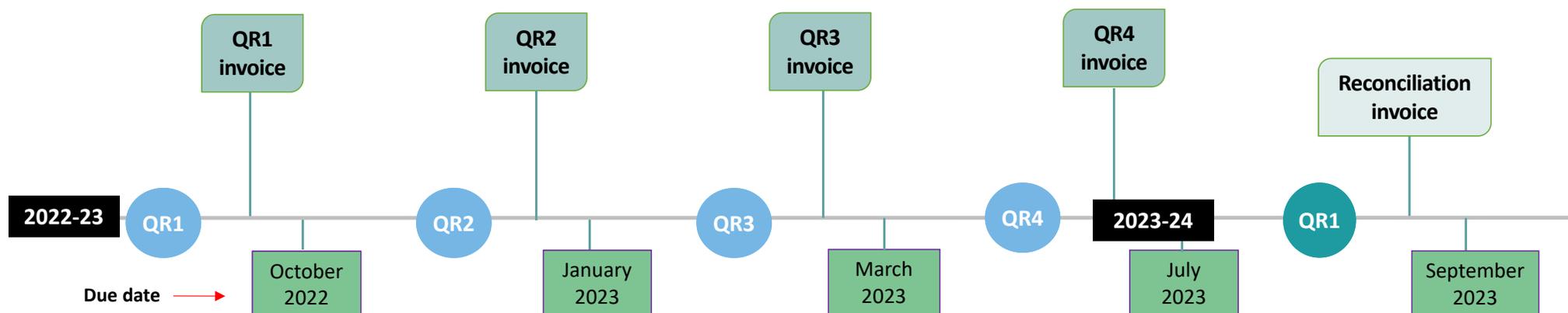
OSB

- Follow-up with partners for amounts owed
- Consult with partners to informally resolve payment issues

Revenue Collection Process

In accordance with Article 17 of the PT PSA and Article 16 of the MPSA, PTMs are required to pay invoices for policing services 45 days from the date of receipt of an invoice.

- Divisional FM creates a quarterly invoice using the Contract Policing Billing application in the Total Expenditures and Asset Management (TEAM) system to send to partners. Divisions also provide reporting information to meet the needs of each contract partner to minimize billing questions and facilitate payment by the due date.
- Quarterly invoices are sent to contract partners for payment on or around July 1, October 1, January 1 and March 31 each fiscal year for each quarter (QR) ending June 30, September 30, December 31, and March 31.
- Invoices are prepared based on a quarter of the estimated costs of service for that year agreed to with the partner and the RCMP, but can be adjusted to accommodate changes to contract partner budgets. A reconciliation of actual costs to the amount billed is conducted in the first quarter of the next fiscal year.

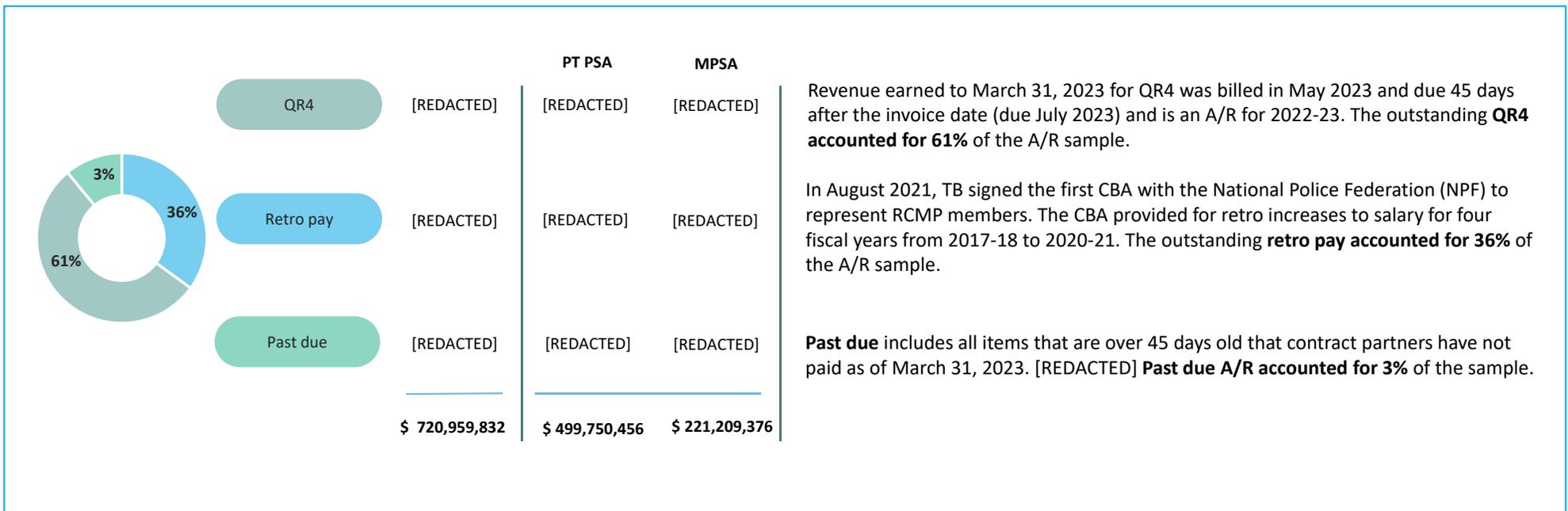


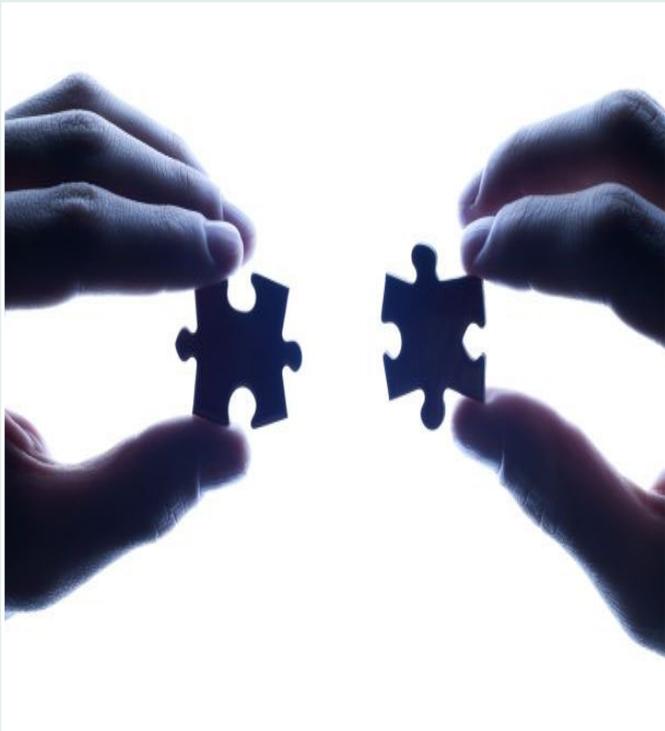
Accounts Receivable (A/R)

At fiscal year ending March 31, 2023, payments due for the services under the PSAs that have not been paid by the contract partners are reported as an A/R in the RCMP Financial Statements. The A/R were presented in detail in the 2022-23 RCMP Financial Statements notes.

Table 2 indicates \$720,959,832 in A/R was included in the audit testing sample and consists of three components.

Table 2 – Components of A/R in audit testing sample as of March 31, 2023

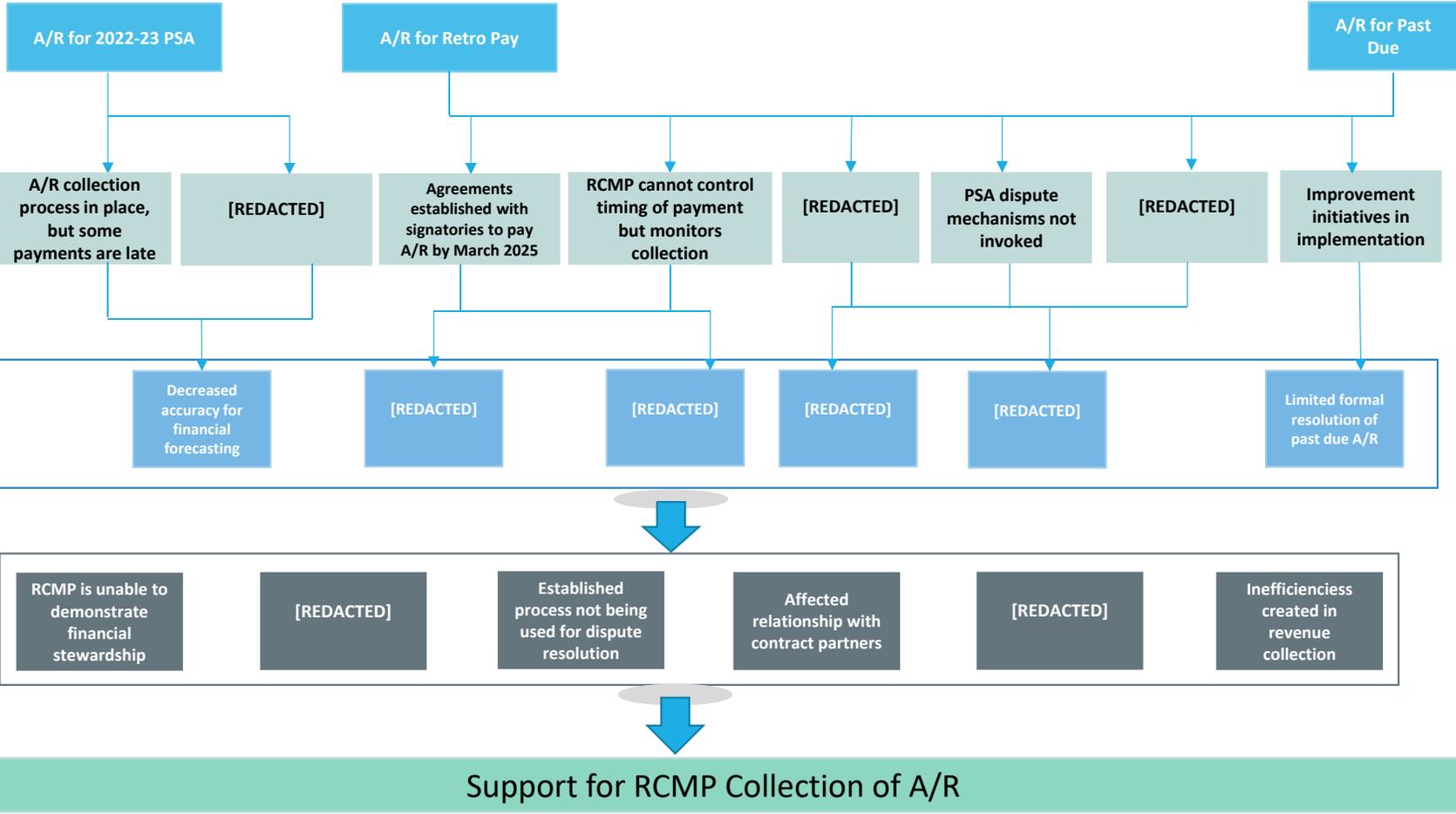




Key Findings

Summary of Issues and Impacts - Collection of A/R

- Audit Findings Theme
- Key Issues
- Associated Risks
- Potential Impact to the Organization





A/R for 2022-23 Policing Services

Collection of 2022-23 A/R

A national and divisional process is in place to collect contract policing revenue in accordance with the PSAs, and is supported by oversight provided by NHQ FM.

In November 2012, NHQ FM developed the RCMP PSA Process on Collection of Unpaid Accounts to provide guidance to divisional FM to support the collection of accounts that are due past 45 days. This process was updated in 2023-24.

- NHQ FM generates a monthly Outstanding A/R Report based on payment data in TEAM to identify unpaid accounts. The Report is distributed to divisional FM, SPAB and PS to facilitate revenue collection.
- In keeping with the RCMP's goal to resolve payment issues at the lowest level possible, divisional FM follows up on unpaid accounts and updates NHQ FM on discussions with partners.
- Divisional FM often requires support from OSB to obtain the reason for delayed payments from contract partners. Divisional FM and OSB rely on maintaining relationships with contract partners for follow up payment discussions, [REDACTED]
- NHQ FM meets with PS and SPAB monthly to discuss status updates of collection efforts for the A/R, so PS can raise issues during their bilateral calls with PTs.

The audit team examined the sample of PT PSAs and MPSAs A/R at March 31, 2023 to assess the effectiveness of the revenue collection process for 2022-23. This included:

- A/R related to invoices sent to contract partners **from July 1 (QR1) to December 31, 2022 (QR3)**; and
- A/R related to invoices sent to contract partners **on (or before) May 24, 2023 (QR4)**. Payment for these invoices is due in 45 days - in July 2023 of the next fiscal year (2023-24).

QR1 to QR3 A/R

- Table 3 indicates the sample testing results for A/R related to QR1 to QR3 as of March 31, 2023.
 - [REDACTED]
 - The audit team noted that partial payments were made [REDACTED] for the QR1 invoice and [REDACTED] for the QR3 invoice in the **next fiscal year**.
 - However, at the time of the audit in December 2023, [REDACTED]

Table 3 – 2022-23 QR1 to QR3 A/R

| PTPSA (\$) | MPSA (\$) | Payment after year-end (\$) | O/S* (\$) |
|------------|-----------|-----------------------------|-----------|
| [REDACTED] | | | |

*Outstanding (O/S)

Collection of 2022-23 A/R

QR4 A/R

Tables 4 and 5 indicate the sample testing results for A/R as of March 31, 2023, and when the payment was made in 2023-24. The audit team noted the following:

- The majority of PTs (93%) and municipalities (94%) were paid in or before July.
- 7% of amounts owed by PTs [REDACTED] and 6% by municipalities [REDACTED] were paid after the 45 days due.
- All 2022-23 QR4 invoices were collected from PTs within five months and 99% were collected from municipalities within two months.

Table 4 – PT QR4 A/R as of March 31, 2023 (\$) & Timing of QR4 Payment

| | PT QR4 A/R paid (\$) | | | QR4 payments by month (%) | | | |
|------------|----------------------|---------------|-------|---------------------------|------|------|-----|
| | QR4 A/R | QR4 Payment | O/S * | May | June | July | Dec |
| [REDACTED] | | | | | | | |
| Total | 320,641,534 | (320,641,534) | - | 3% | 13% | 77% | 7% |

Table 5 – Municipal QR4 A/R as of March 31, 2023 (\$) & Timing of QR4 Payment

| | Municipal QR4 A/R paid (\$) | | | QR4 Payments by month (%) | | | | |
|------------|-----------------------------|---------------|-------|---------------------------|------|-------|--------|------|
| | QR4 A/R | QR4 Payment | O/S * | May | June | July | August | Sept |
| [REDACTED] | | | | | | | | |
| Total | 117,684,054 | (117,681,773) | 2,281 | 7.1% | 6.5% | 80.5% | 5.7% | 0.2% |

Collection of 2022-23 A/R

- Table 6 indicates that the outstanding A/R related to 2022-23 revenue (QR1 to QR4) was \$442,472,371.
 - The QR4 A/R in the audit sample represented the largest receivable at March 31, 2023, accounting for 61% of outstanding payments.
 - The RCMP collected \$439,181,132 within five months after year-end, which resulted in less than 1% of the A/R uncollected.
 - Although some payments by contract partners are late, the audit sample indicated 99% of the A/R related to 2022-23 policing services invoiced was collected by the RCMP after year-end.

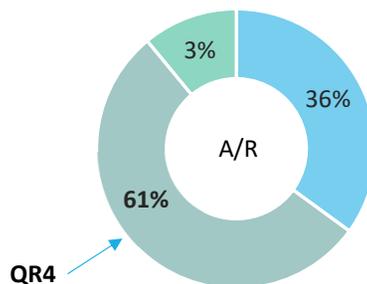


Table 6 – 2022-23 QR1 to QR4 A/R

| | A/R as of March 31, 2023 (\$) | Payment after year-end (\$) | O/S (\$) |
|----------------|-------------------------------|-----------------------------|------------------|
| PT PSA QR1-QR3 | [REDACTED] | [REDACTED] | [REDACTED] |
| MPSA QR1-QR3 | | | |
| PT PSA QR4 | | | |
| MPSA QR4 | | | |
| Total | 442,472,371 | (439,181,132) | 3,291,239 |
| | | 99% | 1% |



WHY IT MATTERS

The RCMP has a **well-functioning process** in place to collect revenue owed by contract partners. Exercising sound financial stewardship over revenue collection is important given that contract policing represents more than 90% of RCMP revenue and the RCMP is able to respond a portion of revenue from direct operating expenditures incurred to fund related expenditures. [REDACTED] a sufficient process is in place to follow up with partners to collect payments for policing services.

[REDACTED]



A/R for
Retro Pay

Collection of Retro Pay A/R

Retro pay represents 36% of the A/R testing sample as of March 31, 2023. However, agreements are being developed between PS and contract partners to establish a repayment schedule.

- “Accrued revenue” is revenue that has been earned by providing a service, but for which payment has not been received. The retro pay was accrued as revenue by the RCMP when the CBA was signed with the NPF in August 2021. The estimate for retro pay was reflected in the 2021-22 RCMP Financial Statements.
- The RCMP finalized the prior year retro pay invoices to contract partners in 2022-23 based on the PSA cost sharing arrangements. Payments for retro pay will be deposited to the Consolidated Revenue Fund as the RCMP accessed funding for the full retro cost of the CBA in 2021-22.
- Due to the significant financial implications that retro pay represented, **PS entered into agreements with contract partners in 2023-24 to establish payment terms for retro pay.**
 - Payment options were:
 - 1) Within 45 days; or
 - 2) An extended plan with flexibility to pay by March 31, 2025.
 - Any unpaid amount after March 31, 2025 will be past due and collection will be pursued in accordance with the PSA.
 - [REDACTED]
- PS has provided NHQ FM with the agreements that have been signed by contract partners, and a retro pay tracker to inform the RCMP of updates, as the process is currently in progress.
- [REDACTED] NHQ FM will monitor the agreements to collect payment by March 2025.
- [REDACTED]



Collection of Retro Pay A/R

Tables 7 and 8 indicate the assessment results for the audit sample of past due A/R for the retro payments received as of November 2023. The audit found that:

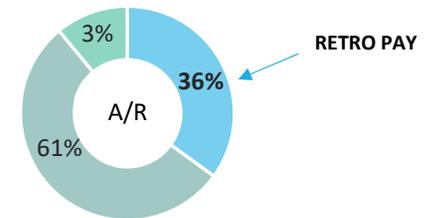
- **60% (\$98,583,976)** of the PT retro payments **were received**.
- **15% (\$14,952,256)** of the **municipal** retro payments **were received**.
- Overall, **43% of the total MPSA and PTPSA retro payments were received** (\$113,536,232 collected of \$263,058,180).

Table 7 – PT Retro Pay A/R as of November 2023

| | Retro as of March 31, 2023 (\$) | Payment (\$) | O/S (\$) |
|--------------|---------------------------------|---------------------|-------------------|
| [REDACTED] | | | |
| Total | 164,080,045 | (98,583,976) | 65,496,069 |
| | 60% | | 40% |

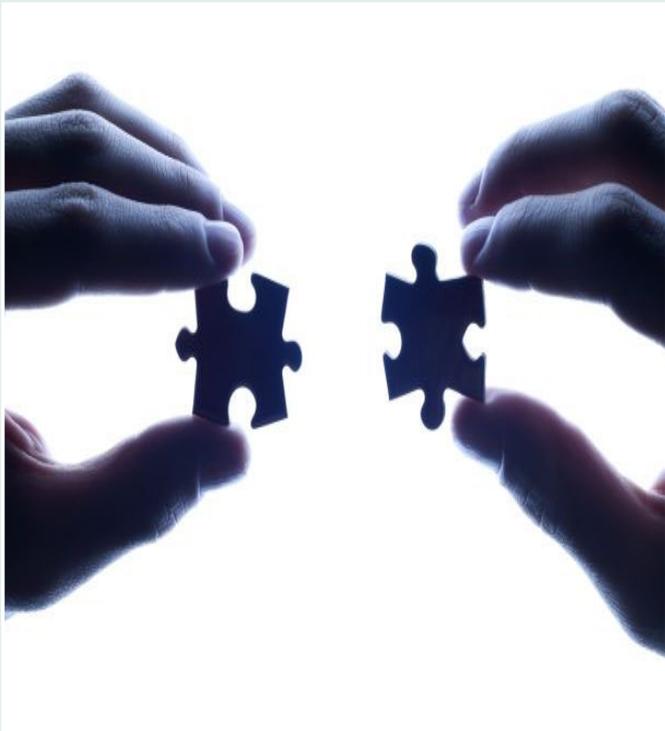
Table 8 – Municipal Retro Pay A/R as of November 2023

| | Retro as of March 31, 2023 (\$) | Payment (\$) | O/S (\$) |
|--------------|---------------------------------|---------------------|-------------------|
| [REDACTED] | | | |
| Total | 98,978,135 | (14,952,256) | 84,025,879 |
| | 15% | | 85% |



WHY IT MATTERS

Retro pay is a significant A/R for the RCMP. As the service provider, the RCMP can only monitor the agreement payment terms to collect the retro pay. It will be necessary for the RCMP to work closely with PS to ensure all possible efforts are made to collect any outstanding amounts in 2025 in accordance with the PSA payment and dispute mechanisms. The RCMP has provided policing services for this A/R and assumes the financial risk for any outstanding retro pay. In addition, this is the first CBA for RCMP members, but retro pay may be a recurring cost item under the collective bargaining process. Establishing sound financial stewardship practices for CBA related payment issues will support timely collection of revenue.



A/R for
Past Due

Collection of Past Due A/R

The audit found that past due A/R represented only 3% of the testing sample as of March 31, 2023. [REDACTED]

- **Past due A/R as at March 31, 2023** in the audit testing sample includes all unpaid accounts that are over 45 days old that contract partners have not paid [REDACTED] (includes the outstanding 2022-23 QR1 to QR3).
- Table 9 indicates the results from sample testing for the past due A/R owed by PTs and Table 10 provides the results by municipalities.
- As of March 31, 2023, PTs past due A/R was \$15,028,877 and municipal A/R was \$4,547,187.
 - The audit team noted that partial payments were made by PTs [REDACTED] for the QR1 invoice and [REDACTED] for the QR3 invoice in the next fiscal year.
 - [REDACTED]

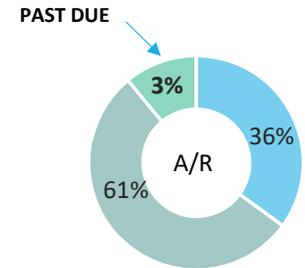


Table 9 – PT past dues A/R and collection after year-end

| | Past dues (\$) | Payment (\$) | O/S (\$) |
|--------------|-------------------|------------------|-------------------|
| [REDACTED] | | | |
| Total | 15,028,877 | (575,398) | 14,453,479 |
| | 4% | | 96% |

Table 10 – Municipal past dues A/R and collection after year-end

| | Past dues (\$) | Payment (\$) | O/S (\$) |
|--------------|------------------|------------------|------------------|
| [REDACTED] | | | |
| Total | 4,547,187 | (282,427) | 4,264,760 |
| | 7% | | 93% |



Collection of Past Due A/R

The audit team assessed the aging of the sample of past due A/R to determine the length of time outstanding.

- Table 11 indicates the number of past due A/R per PT, the dollar value and length of time the A/R is outstanding for the audit sample testing; and Table 12 indicates the A/R information for the municipal sample testing.

Table 11 – Aging of Past Due A/R for PTs, [REDACTED]
(number disputes/dollar value)

| PROVINCIAL | | |
|------------|------------|--------------|
| TOTAL | [REDACTED] | \$15,028,877 |

Table 12 – Aging of Past Due A/R for Municipalities, [REDACTED]
(number disputes/dollar value)

| MUNICIPAL | | |
|-----------|------------|-------------|
| TOTAL | [REDACTED] | \$4,547,187 |

Collection of Past Due A/R

Based on the results for the aging of the A/R sample from Table 11 and Table 12, the audit team noted the following:

- [REDACTED]



The audit team reviewed the testing sample of past due A/R to assess the actions taken by the RCMP to resolve the longstanding accounts. The audit found that:

- [REDACTED]
 - Email communication between NHQ FM, SPAB and divisions, briefing notes, back-up documentation and statement of accounts were retained [REDACTED]
 - [REDACTED]
 - Divisional interviewees understood their responsibilities for ongoing follow-up, but indicated that **expectations for documenting collection efforts was not clearly defined, nor when an unpaid account should be sent to NHQ FM to further advance collection.**
- Similarly, NHQ FM and SPAB did not have clearly defined timelines when past due A/R should be escalated to PS.
- PS interviewees informed the audit team that past due A/R posed a challenge for follow-up [REDACTED] and their involvement was late in the informal dispute process.

Past Due – Collection Initiatives

The RCMP has recently implemented a number of initiatives to strengthen the collection process of past due A/R.

- In 2022, **NHQ FM implemented the TEAM Customer Story application to support the retention of information** in a central repository to enhance the monitoring of contested invoice amounts from contract partners.
- **NHQ FM updated the RCMP PSA Process on Collection of Unpaid Accounts to be implemented in April 2024 to address process gaps for outstanding A/R** (Appendix B contains the process flowchart).
 - The updated process defines RCMP roles, responsibilities, a 90-day timeline for informal resolution, documentation expectations, and escalation steps to assess if the formal PSA procedures are to be invoked.
 - The process was shared and agreed upon by divisional FM, CAPC and SPAB.
 - As part of the process, it is the responsibility of SPAB and divisional FM to share the A/R report with OSB, CMOs and COs. However, OSB and CO responsibilities are not documented in the updated process.
- A coordinated effort by all RCMP stakeholders who have a role in the follow-up of unpaid accounts is needed to ensure that every effort is made by the RCMP to collect revenue. **There is an opportunity to formally include divisional OSB and CO roles and responsibilities in the updated process.**
- Upon the request of the RCMP CFO, **PS provided the RCMP with an Outstanding Receivables Work Plan in November 2023 to collaboratively address and expedite the recovery of past due A/R.**
 - The joint work plan is intended to be used as a tool during the monthly meetings to assess progress, identify challenges and adjust strategies as needed.
 - The work plan identified eight priority items to address multi-jurisdictional and bilateral outstanding A/R, a status update, and next steps. The work plan was approved in April 2024.

With the resolution of some past due accounts that has occurred, there is an opportunity to formalize the process between the RCMP and PS for the continued collection of A/R.

WHY IT MATTERS

Following an established process to pursue payment of past due A/R, and maintaining documentation to support informal resolution will allow the RCMP to assess when options for collection have been exhausted. Without clearly defined expectations for all stakeholders, [REDACTED] and determine when to formally advance disputes to the signatory, Public Safety, to seek resolution. As stated in the PSA, it is the role of the signatory to initiate the formal dispute.

The RCMP cannot stop providing policing services as a mechanism to facilitate payment. [REDACTED]



Dispute Resolution

Although the past due A/R represent 3% of the audit sample, the dispute resolution process as defined in the PSA is not being used to attempt to collect these accounts.

- The PSA contains a formal dispute resolution process, recognizing that payment disputes may not always be resolved informally.
 - The CoDo identifies that a dispute avoidance informal process is to be initiated at the Assistant Deputy Minister (ADM) level for A/R 90 days past due. Once the A/R is 365 days past due, formal notice of a dispute is to be provided.
- [REDACTED]
- [REDACTED]

- [REDACTED]
- **A process is also in place for debt write-off** in accordance with the RCMP Financial Management Manual Ch. 3.10 and the *Debt Write-Off Regulations, 1994*, and the RCMP Delegation of Authorities.
 - [REDACTED]
 - [REDACTED]

WHY IT MATTERS

[REDACTED] The formal dispute process is a mechanism available to attempt to resolve past due disputes, but it has never been invoked by either Public Safety or contract partners until 2023-24. Without commitment to use the established dispute processes to collect the past due A/R, the process will not operate as intended to effectively resolve disputes in a timely manner. [REDACTED] Given that the CoDo is intended to be a living document and to be amended periodically, there is an **opportunity to review the process** to determine whether changes are required, so it is used by parties once payments reach 90 days past due.



Formal Dispute Resolution

- **Article 23 PT PSA/Article 20 MPSA**
- Signatories invoke dispute through formal written notice
- Process with escalation steps and timeline for resolution
- **Binding arbitration if not resolved within 270 days**

CoDo Interpretation

- Process map with **steps and timeline for payment dispute**
- For PT single/multi-jurisdiction and municipal disputes
- **For A/R 90 days past due**, Dispute Avoidance Informal Process initiated at ADM-level
- Formal **written notice to be provided once an invoice is 365 days past due**
- **For MPSAs, RCMP CO can provide formal written notice**



Additional Insight

Invoicing Third-Parties

Providing additional guidance to unit commanders and National Accounting and Relocation Services (NARS) on the RCMP revenue authorities for third-party billing for policing services would enhance compliance with directives.

- The **authority to charge a fee is included under Section 20 of the RCMP Act**, which requires an arrangement with a PTM. Those arrangements are the PSA.
- In 2018-19, the RCMP implemented a new funding model for Contract Policing, imposed by TB, to ensure compliance with the TB Directive on Charging and Special Financial Authorities to support increased funding requests.
- While implementing the new model, the RCMP reviewed its billing practices and determined that third-parties were historically billed directly for policing services, which did not correspond to the RCMP's authorities and was not in compliance with the Directive.
- Third-party billing scenarios included invoices for policing services to special event (festivals) organizers, other ministries of PT governments not responsible for policing, and independent police forces.
- NHQ FM provided guidance to divisions in 2020-21 to stop third-party billing arrangements and ensure any requests for additional policing services are invoiced through existing PSAs. An information document was also provided to the CMC in January 2021 to clarify RCMP revenue authorities.

Third-Party Direct Billing

- Table 13 indicates the results of testing a sample of invoices initiated by unit commanders.
 - **44% of transactions tested (11 of the 25) were for policing services that should have been billed under the PSA**, such as member overtime for a concert, travel for prisoners, guards and matrons, for an amount of \$50,233.
- [REDACTED]
- In addition, the RCMP Operational Manual (OM) - Ch. 37.4 Special Events states that a cost-recovery policy should be developed by divisions to recover costs related to policing these events. This policy was last amended in 2016, which does not reflect the new billing practices.

Table 13 – Third-Party Billing through Invoices

| | Transaction tested | | PSA related cost | | % of PSA related cost |
|--------------|--------------------|----------------|------------------|---------------|-----------------------|
| | Transactions | Amounts (\$) | Transactions | Amounts (\$) | |
| [REDACTED] | | | | | |
| Total | 25 | 179,754 | 11 | 50,233 | - |

Invoicing Third-Parties

LMD Integrated Teams

- Integrated Teams were established in the LMD in BC with the RCMP to provide specialized policing services (e.g. forensics, emergency response, combatting child exploitation), with the exception of the Integrated Homicide and Investigation Team, which is included under the BC Provincial PSA (PPSA).
- Some independent police forces who do not have a PSA with the RCMP are part of the Integrated Teams.
 - Memoranda of Understanding (MOU) have been created between E Division and each independent police force to provide the terms and conditions for the Integrated Team services.
- All costs of the Integrated Team policing services are invoiced directly to these independent police forces, [REDACTED]
- [REDACTED]



WHY IT MATTERS

While the dollar value in the testing sample of invoices is not material, providing additional guidance to unit commanders and NARS related to revenue authorities is needed to ensure compliance. [REDACTED]

Modernization

NHQ FM has developed modernization initiatives in the past year to improve the revenue collection process, through the TEAM Customer Story and previously identified improvements to the collection of unpaid accounts. In support of ongoing modernization, the audit team conducted a benchmarking exercise with external organizations on the collection of revenue.

- The audit team conducted a benchmarking exercise with two **federal government departments and two independent police forces** to identify practices in place to provide insights regarding the collection of revenue.
- Table 14 provides the results of the benchmarking.
 - Organizations had **various collection practices** including charging interest on late payments, prepayment of services, and penalties.
 - In contrast, the RCMP does not have interest or penalty mechanisms to collect payments.

Table 14 – Benchmarking Results by Organization

| Collection practices | Organizations | | | | |
|---------------------------------|---------------|-----|-----|-----|-----|
| | RCMP | #1 | #2 | #3 | #4 |
| Interest applicable | No | Yes | Yes | N/A | Yes |
| Applicable penalties | No | N/A | N/A | N/A | Yes |
| Prepayment applicable | No | N/A | N/A | Yes | Yes |
| Formal dispute process in place | Yes | Yes | Yes | Yes | Yes |

- The benchmarking exercise further revealed differences in revenue practices amongst the four organizations:
 - 3 used both long and short-term agreements to establish the terms and conditions for services. These agreements took the form of MOUs, Letter of Agreements and other types of long-term agreements.
 - 2 had **centralized invoicing** and collection units for all above noted agreements
 - 1 **tracked A/R manually** using Excel.
 - 4 had **processes and policies in place for allowance for doubtful accounts and debt write-off.**
 - 3 had put **modernization initiatives** in place to help enhance their revenue collection practices. These initiatives ranged from improved IT systems to improvements to collection processes.

WHAT WE LEARNED



The benchmarking results indicate that **each organization tailors its agreements and collection practices to its unique clients**. Although there are some common elements, the **RCMP agreements are unique and may not be comparable** to other organizations. The main difference noted was that the RCMP does not charge interest on late payments.



Conclusion

Conclusion

The governance structure over the PSAs enables the RCMP to adequately manage the collection of revenue in accordance with relevant policies to support the collection of A/R. The collection of the three components of the A/R as of March 31, 2023 is generally adequately managed. The RCMP collected 99% of A/R related to policing services revenue earned in 2022-23 (QR1 to 4) owed by contract partners. [REDACTED]

Processes are in place to manage the A/R for retro pay, which represented a significant portion of the A/R for 2022-23. Agreements are established between the signatory and contract partners, with payment terms for the RCMP to collect the revenue by March 2025.

However, strengthening the process for past due A/R would allow the RCMP to address the financial risk of maintaining longstanding unpaid accounts. Past due accounts represent only 3% of the PSA A/R, [REDACTED] Although improvements have been implemented to address past due accounts, opportunities exist to:

- Formally include divisional OSB and CO roles and responsibilities in the process for the collection of unpaid accounts.
- Formalize the process between the RCMP and PS for the continued collection of unpaid accounts.
- Review the CoDo payment dispute process to determine whether changes are required so it is used by parties once payments reach 90-day past due.

Additionally, providing guidance to unit commanders to increase awareness of the RCMP authorities related to third-party billing of police services is needed to enhance compliance with directives; [REDACTED]



Recommendations

The CFO should, in consultation with the Deputy Commissioner C&IP and PS as required:

1. Engage the divisional COs and OSB to formalize and document their roles and responsibilities in the RCMP PSA Process on Collection of Unpaid Accounts.
2. Examine roles and responsibilities between the RCMP and PS to enhance consultation mechanisms related to revenue collection for areas that are not within the RCMP's control. Formalize the monthly monitoring process to include a term of reference with defined roles and responsibilities for the periodic update of past due accounts.
3. Review the CoDo dispute resolution process to strengthen its use and effectiveness in addressing past due accounts.
4. With respect to third-party billing practices:
 - a. Provide guidance to unit commanders and NARS on the RCMP revenue authorities related to third-party billing for policing services.
 - b. Review the RCMP OM - ch. 37.4 Special Events to update guidance on revenue authorities for the recovery of costs.
 - c. [REDACTED]
5. [REDACTED]

Appendix A – Criteria

1

Governance

A governance structure that includes clear roles, responsibilities and oversight for the collection of revenue is in place and is being followed.

2

Compliance

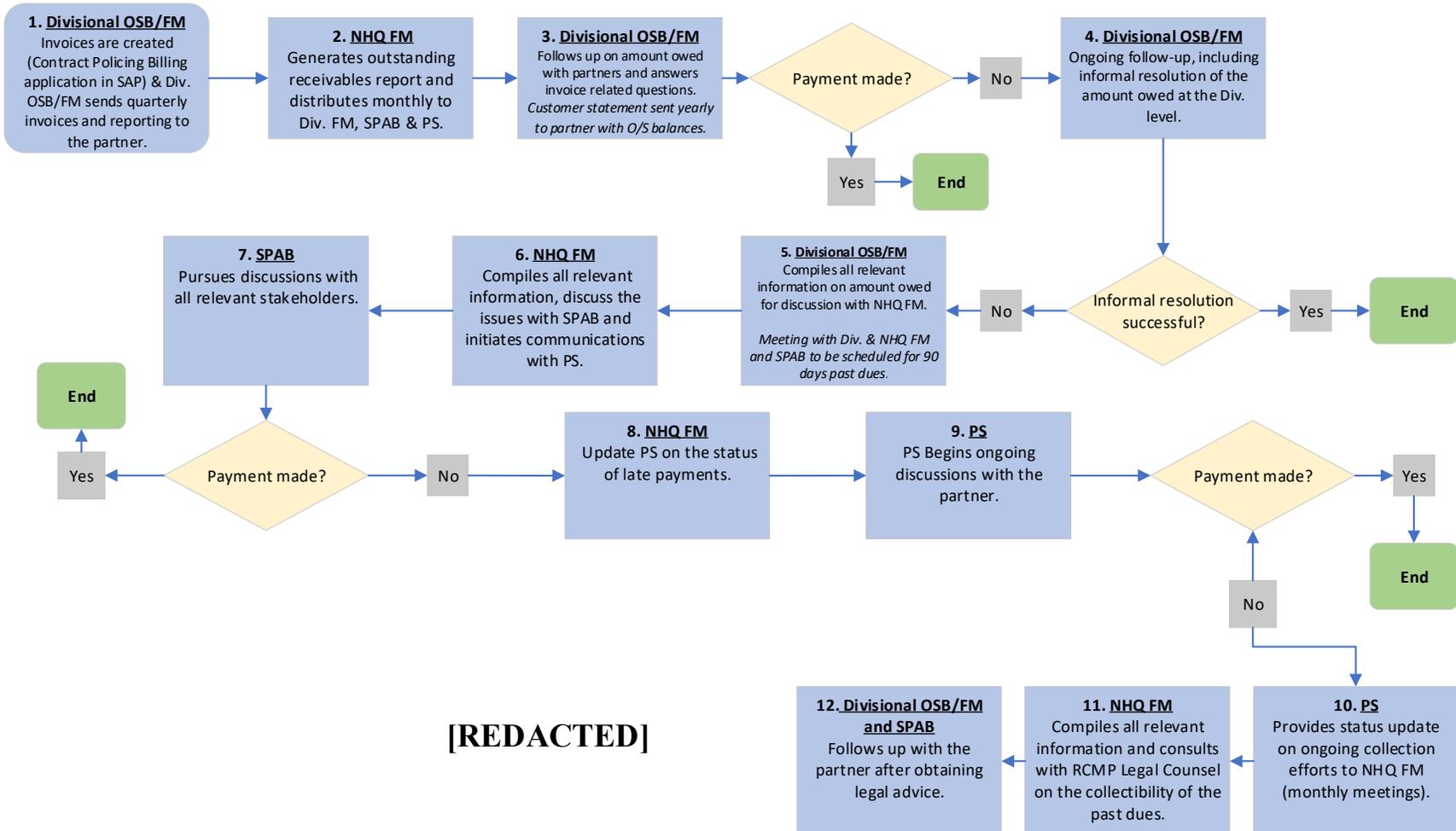
Processes are in place to facilitate revenue collection on a timely basis and in accordance with relevant policies.

3

Monitoring

Monitoring mechanisms are in place for A/R, doubtful accounts and revenue disputes from policing contracts to support decision making and continuous improvement.

Appendix B – A/R Monitoring and Dispute Process



[REDACTED]

Appendix C – Management Action Plan (1/3)

| Recommendation | Responsibility | Planned Action | Diary Date |
|---|---|---|-----------------------|
| <p>1. Engage the divisional COs and OSB to formalize and document their roles and responsibilities in the RCMP PSA Process on Collection of Unpaid Accounts.</p> | <p>DG, Strategic Policing Agreements Branch (C&IP), with support from DG, Financial Management (CM&C) to establish processes, roles and responsibilities related to PSA revenue collections, DG, Corporate Accounting, Policy and Control as the policy centre for departmental accounts receivables processes, and Corporate Management Officers, who provide support to COs and OSBs for their financial management accountabilities.</p> | <p>Agree. Corporate Management & Comptrollership (CM&C) and Contract & Indigenous Policing (C&IP) agree with the recommendation.</p> <p>As the policy centre responsible for PSA processes, C&IP will draft a formal document outlining roles and responsibilities related to the RCMP PSA Process on Collection of Unpaid Accounts. Stakeholders include RCMP NHQ, RCMP Divisions and Public Safety Canada (PS). This document will ensure all stakeholders have a clear understanding of their roles and responsibilities, and document to use as reference.</p> <p>This work will be performed with the support of CM&C, who is responsible for departmental processes for monitoring and collecting unpaid accounts, and provides C&IP with financial management support related to the PSAs. Further, CM&C will support COs and OSBs within the divisions for their financial management accountabilities and responsibilities.</p> | <p>March 31, 2025</p> |
| <p>2. Examine roles and responsibilities between the RCMP and PS to enhance consultation mechanisms related to revenue collection for areas that are not within the RCMP's control. Formalize the monthly monitoring process to include a term of reference with defined roles and responsibilities for the periodic update of past due accounts.</p> | <p>DG, Financial Management and DG, Strategic Policing Agreements Branch</p> | <p>Agree. Both CM&C and C&IP agree with the recommendation and will continue working with RCMP and PS personnel to examine current roles and responsibilities related to revenue collection. C&IP and CM&C will build off the newly established revenue monitoring process between RCMP and PS to ensure it includes a Terms of Reference with defined roles and responsibilities, including both RCMP and PS personnel. As the CFO is accountable for monitoring and guidance related to past due accounts, CM&C will ensure periodic monitoring and management reporting related to past due accounts is performed and provide guidance and advice as required.</p> | <p>March 31, 2025</p> |

Appendix C – Management Action Plan (2/3)

| Recommendation | Responsibility | Planned Action | Diary Date |
|---|--|--|-----------------------|
| <p>3. Review the CoDo dispute resolution process to strengthen its use and effectiveness in addressing past due accounts.</p> | <p>DG, Strategic Policing Agreements Branch, with support from DG, Financial Management and Public Safety Canada (PS)</p> | <p>Agree. C&IP agrees and will look to ensure all parties better understand the PSA Disputes clause. C&IP will also seek to include use of the PSA Disputes clause into the Terms of Reference document that will be drafted in response to Recommendations #2.</p> | <p>March 31, 2025</p> |
| <p>4. With respect to third-party billing practices:</p> <ul style="list-style-type: none"> a. Provide guidance to unit commanders and National Accounting and Relocation Services (NARS) on the RCMP revenue authorities related to third-party billing for policing services. b. Review the RCMP OM - ch. 37.4 Special Events to update guidance on revenue authorities for the recovery of costs. c. [REDACTED] | <p>DG, Financial Management will continue to provide direction and guidance related to revenue authorities.</p> <p>DG, Strategic Policing Agreements Branch, with support from DG, Financial Management and PS, will prepare guidance documents related to revenue authorities related to third party billing related to the PSAs, [REDACTED] and update guidance provided in the RCMP OM – 37.4 Special Events.</p> | <p>Agree. CM&C and C&IP agree with the recommendation. CM&C will continue to provide direction and guidance related to revenue authorities. Should gaps exist where activities are not in alignment with revenue authorities, CM&C will work with C&IP to explore options and provide recommendations to address gaps.</p> <p>CM&C and C&IP will work together to draft a document, leveraging past guidance provided, outlining the RCMP's revenue authorities related to third-party billings and Special Events and share with NARS, as well as Divisions for education and reference. [REDACTED]. This information and guidance will be used by C&IP to update the RCMP OM – ch 37.4 Special Events to reflect the appropriate revenue authorities.</p> | <p>March 31, 2025</p> |

Appendix C – Management Action Plan (3/3)

| Recommendation | Responsibility | Planned Action | Diary Date |
|----------------|----------------|----------------|------------|
| 5. [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |