

Internal Audit of Financial and Administrative Processes

Quebec Waterways Field Unit

Final Report
February 2016

Office of Internal Audit and Evaluation

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Her Majesty the Queen of Canada, represented by
the Parks Canada Agency CEO, 2016
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EXECUTIVE SUMMARY

The purpose of this compliance audit is to provide senior management with the assurance that the Field Unit has an adequate control framework allowing procurement activities to be carried out effectively, fairly and transparently in accordance with the requirements and policies of the Treasury Board Secretariat and the Parks Canada Agency. To meet this objective, we carried out audit work at the Quebec Waterways Field Unit, for two primary processes, that of contracting and procurement done using acquisition cards.

The audit review period was for the entire 2014-2015 fiscal year. The audit method included a visit to the Quebec Waterways Field Unit office, interviews with the personnel concerned and the review of transactions carried out within the identified processes.

We also analyzed the financial data, reviewed policies, guidelines, directives and current procedures concerning the procurement processes, including contracting and acquisition cards.

The audit complies with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

The audit examination revealed that processes for contracting and acquisition card purchases are controlled and stable. However, some improvements will have to be made to the use of financial coding and the use of Local Purchase Orders (LPO).

Table 1: Rating assigned to the processes audited

Section no.	Title	Rating
9.1	Procurement – Contracting	BLUE – Minor improvements required
9.2	Procurement – Acquisition Cards	GREEN – Controlled

Below is the list of recommendations from the audit ranked in order of priority based on the rating system presented in Appendix B of this document.

Table 2: Summary of internal audit recommendations in order of priority¹

Moderate priority - Management should initiate timely action to address the comment.	
1	The Chief Finance Officer must issue directives on the acceptable use of Local Purchase Orders (LPOs) taking into account the risks associated with these types of transactions and possible options to meet the operational needs of field units.
Low priority - Management should initiate reasonable action to incorporate a plan to address the comment in the normal course of business.	
2	The Field Unit Superintendent must ensure that the financial coding, namely the general ledger account used, adequately reflects the type and category of the expenditure incurred.

¹ See Annex B

1 INTRODUCTION

The 2015-2016 to 2017-2018 Parks Canada Multi-Year Internal Audit Plan includes compliance audits of financial and administrative processes at the field units level, including the Waterways. Based on priorities and risks identified, the financial and administrative practices to be audited may vary from one entity to the other, as well as from one year to next.

2 BACKGROUND

From 2004 to 2015, several field units were audited on various aspects of their financial and administrative processes. In relation with the annual internal audit plan, audits are carried out as needed to provide senior management with the assurance that the financial and administrative practices in place comply with the policies, directives and standards of the Federal Government and the Parks Canada Agency.

3 OBJECTIVE AND SCOPE

The objective of this audit is to provide senior management with assurance that there is an adequate control framework allowing procurement activities to be carried out effectively, fairly and transparently in accordance with the requirements and policies of the Treasury Board Secretariat (TBS) and the Parks Canada Agency. For the 2015-2016 fiscal year, the Quebec Waterways Field Unit was selected for the audit.

The audit period covered the 2014-2015 fiscal year. The primary administrative and financial processes examined were:

- Procurement - Contracting
- Procurement - Acquisition Cards

4 LEGISLATIVE FRAMEWORK AND POLICIES

The following sources were used to develop the audit criteria used during the conduct phase of the audit:

- [Financial Administration Act](#)
- Public Works and Government Services Canada
Policies and procedures, as well as references to legislation and relevant conditions and instructions for the purchase of goods, services and construction services:
<https://buyandsell.gc.ca/policy-and-guidelines/Supply-Manual>
- Treasury Board Secretariat of Canada
 - [Contracting Policy](#)
 - [Procurement Review Policy](#)
 - [Directive on Expenditure Initiation and Commitment Control](#)
 - [Directive on Account Verification](#)
 - [Directive on Delegation of Financial Authorities for Disbursements](#)
 - [Directive on Acquisition Cards](#)

5 METHODOLOGY

The approach used to address the audit objective included the development of audit criteria against which observations, assessments, and conclusions were drawn. The audit criteria developed for this audit can be found in Annex A.

1. PLANNING

- Review of policies, directives, procedures and other relevant documents;
- Analysis of data and transactions, including those from the financial system (SAP) and the Bank of Montréal (BMO) website for acquisition cards;
- Development of the audit plan and program;
- Development of tools, methodology used during the review and the sampling plan;
- Selection of sampling (acquisition cards and contracts);
- Approval of the audit program by the Chief Financial Officer and the Executive Director, Waterways.

2. EXAMINATION

The audit examination phase included a combination of interviews, transaction and documentary analyses, and the following activities:

- Interview key personnel to obtain an understanding of the control environment and the administrative processes in place in the Field Unit;
- Conduct tests on the selected transactions for contracts and acquisition cards.

3. PRODUCTION OF REPORT

- Summary with the representative of the entity in question;
- Preparation of a draft report;
- Revision of the draft report by internal audit managers;
- Revision of the report by the representative of the auditee;
- Final update report including action plan;
- Submission of the final report to the Internal Audit Committee;
- Approval by the Agency CEO;
- Publication of the report;
- Follow-up of the implementation of the action plan, if applicable.

6 SAMPLING METHOD

Audit sampling – Contracting

Various factors influence the choice of sampling methodology, in particular the representativeness and risk factors. A preliminary analysis of data housed in SAP was completed to study trends and the nature of activities recorded for contracts awarded in the fiscal year 2014-2015.

The Office of Internal Audit and Evaluation (OIAE) examined a total of 35 contracting files opened during the fiscal year 2014-2015 totalling an overall value of \$1,183,556, which represents 23% of the total value of contracts recorded in the Material Management (MM) module of SAP.

This audit defined a contracting file as a commitment (contract) that was entered into the MM module of SAP for a request for goods and/or services.

Sampling was created using data extracted from the MM module² of SAP. (See Table 3, Annex D).

To obtain a representative sample, three different sampling procedures³ were used taking into account the monetary value, the method of solicitation and the type of contract.

- 1) We carried out sampling by the professional judgment of the auditor, which consist of selecting files based on the possibility of duplication or contract splitting. (See Table 6, Annex D).
- 2) The OIAE chose a stratified approach allowing it to select 100% of the total population for three types of contract used, given the low number of contracts awarded. (See Table 5, Annex D).
- 3) Last, a random selection was used to identify 23 contracting files. See Table 4, Annex D for the breakdown in number, value and also by type of contract for these files.

It is important to note that, in interviews, the Field Unit confirmed that it had always used Local Purchase Orders (LPOs) as a contracting method. The Field Unit proceeded by manual/soft commitments rather than recording the transactions in the MM module of SAP financial system as indicated in Parks Canada procedures available on the intranet. These transactions are not included in the overall value of contracts awarded in the fiscal year 2014-2015 which was used in the preliminary analysis to determine the sampling (Annex C). The audit team identified a minimum value of \$155,000 for these transactions, namely the equivalent of 3% of the total value of transactions entered in the MM module of SAP.

Audit sampling – Acquisition cards

In total, 35 monthly statements were selected for sampling, which represents 9% of the 415 monthly statements produced for the 2014-2015 fiscal year. It is important to note that each monthly statement includes multiple transactions that were audited individually.

The sampling was subdivided into two parts, of which a selection of 13 monthly statements was done by professional judgment, and a random selection of 22 monthly statements. (See Table 7, Annex E).

The selection established by judgment focused on the experience of the internal auditors, based on the data from reports extracted from the BMO website. The data was processed and sorted using the ACL software to identify operations of potential duplicate transactions (in terms of value and suppliers) and also to identify the nature of expenditures which could potentially be ineligible.

It was brought to our attention by the Field Unit that a selection of eight (8) BMO statements, established by professional judgment, belonged to employees whose substantive position was not with the Quebec Waterways Field Unit, during the period covered by our audit, even though they were entered as such in

² See Annex C

³ See Annex D

the BMO system. Among the random selection, one monthly statement of a cardholder did not include any transactions during the month in question. Consequently, out of the 35 selected monthly statements, we retained 27 statements for the purposes of this audit, which represents 7% of all monthly statements issued by BMO for Quebec Waterways Field Unit in 2014-2015.

7 DECLARATION OF ASSURANCE

The review conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

Brian Evans
Chief Audit and Evaluation Executive, Parks Canada Agency

8 AUDIT OPINION

The activities of procurement and contracting at the Quebec Waterways Field Unit are conducted in a fair, open and transparent manner in accordance with all applicable legislative and policy requirements. However, we noted that some improvements must be made in terms of the use of financial coding, as well as the use of Local Purchase Orders (LPO). The recommendations included in this report are intended to strengthen this process.

The observations and recommendations presented in this report are in accordance with the Office of Internal Audit and Evaluation (OIAE) rating system (see Table 8).

Table 8: Rating system used for audit reports

RED	Unsatisfactory	Controls are not functioning or are nonexistent. Immediate management actions need to be taken to correct the situation.
ORANGE	Significant Improvements Needed	Controls in place are weak. Several major issues were noted that could jeopardize the accomplishment of program/operational objectives. Immediate management actions need to be taken to address the control deficiencies noted.
YELLOW	Moderate Improvements Needed	Some controls are in place and functioning. However, important issues were noted and need to be addressed. These issues could impact on the achievement or not of program/operational objectives.

BLUE	Minor Improvements Needed	Many of the controls are functioning as intended. However, some minor changes are necessary to make the control environment more effective and efficient.
GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

9 OBSERVATIONS AND RECOMMENDATIONS

9.1 PROCUREMENT – CONTRACTING

BLUE	Minor improvements needed	Many of the controls are functioning as intended. However, some minor changes are necessary to make the control environment more effective and efficient.
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Background

The following is the breakdown of the number of contracts and their value, according to the solicitation method:

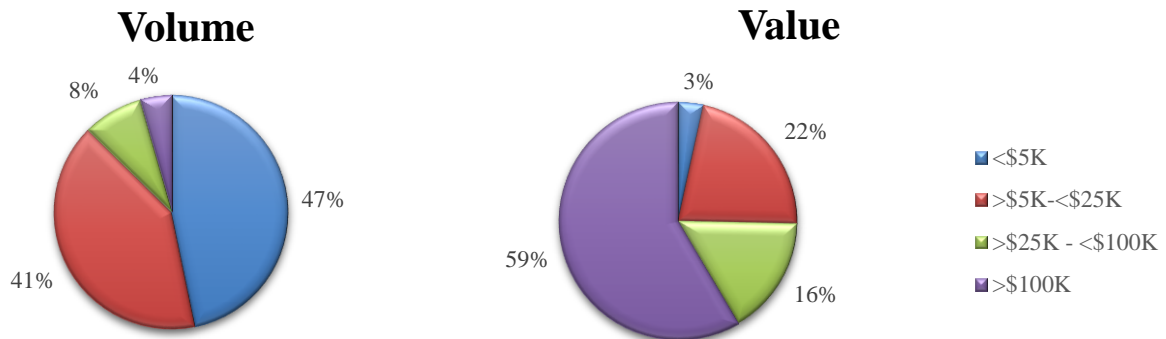
Table 9: Overview of contracts according to solicitation method

Solicitation method	Number of contracts	Value*
Open bid	6	\$1,538,491
Competitive	182	\$3,425,207
Non-competitive	43	\$198,369
Total	231	\$5,162,067

*Rounded to the closest dollar.

The Field Unit awarded 29 contracts with a value greater than \$25,000. Of this number, 10 were over \$100,000, including one contract with a value of \$795,716. The total value of these 29 contracts is \$3,853,642, which represents 74.7% of the value of contracts and 12.6% of the total volume of contracts.

Ninety-four contracts were awarded with a value from \$5,000 to \$25,000 with a total value of \$1,131,604, which represents 21.9% of the value of contracts and 40.7% of the total volume of contracts. One hundred and eight contracts had a value under \$5,000, which represents a total of \$176,821, namely 3.4% of the value of contracts and 46.8% of the volume of contracts.



Of the 43 contracts identified as being non-competitive, 14 had a value over \$5,000.

Directives, guidelines and training

Background

The OIAE expects that employees have the knowledge and understanding required to execute contracting policy and directives. The auditors expect to see relevant, accessible and accurate information on contracting and procurement activities, and for it to be communicated in a timely manner to contracting officers and to all employees assigned to contracting.

The orientation documents, such as policies, procedures and directives, provide a reference point for those who procure goods and services. They also help to ensure compliance with the relevant policies of central agencies, such as Treasury Board's *Contracting Policy*. The Parks Canada intranet site, the site of Public Services and Procurement Canada (PSPC), formerly known as Public Works and Government Services Canada (PWGSC) and the site of the Treasury Board Secretariat (TBS) include frequently asked questions on subjects ranging from launching a purchasing process to types of solicitations. Furthermore, there is a detailed guide on contracting on PSPC's website. The Agency bases its operations on the TBS *Contracting Policy* and on the policies, procedures and references to the legislation and instructions relevant to the purchase of goods and services, in order to orient its procurement and contracting activities.

Observation

Guidelines and procedures from national headquarters are communicated and published on Parks Canada Agency's intranet site. It provides information on updates to policies, changes to procedures and amendments to the threshold established in terms of contracting and delegation of financial authorities. It includes employee tools such as the PSPC procurement guide and forms to use. The intranet site also contains instructions regarding data recording in the MM module of the SAP financial system.

The Field Unit recognizes the importance of employee training and supports the concept of professional development as a way to increase organizational capacity, contribute to staff engagement and improve contracting skills.

Employees who have worked in the organization for many years have benefited prior to 2014-2015 from specific training on contracting as well as in finance, such as the courses Finance 101 and 201, as well as

PC 110. It should be noted that Finance 201 is mandatory to obtain financial delegation and also deals with the *Contracting Policy*. Employees have at hand the necessary instructions and tools to carry out their contracting responsibilities.

Generally speaking, the result of the targeted sampling demonstrates that the policies and directives seem to be well understood by contracting and financial officers. In the event of questions, the contracting officer refers to procurement specialists in Cornwall.

Furthermore, centralized quality control is in place at the Field Unit, and sporadic samplings have allowed for the detection and correction of processes that are not compliant with directives and policies, from both a contracting and a financial point of view.

Contracts as a method of procurement

Background

Depending on the goods or services required, the appropriate contracting method may be a standing offer, a supply arrangement, or a contract. In addition to compliance with legislative, policy and regulatory authorities, government contracting is required to be conducted in such a way that it: meets operational requirements; stands the test of public scrutiny; encourages competition; and reflects value for money. To meet these authorities, contract requirements must be clearly defined and documented at the outset of the contracting process. Procurement decisions must be documented in order to demonstrate transparency and support fairness in decision making. Any restrictions to process or requirements must be documented and justified by management to demonstrate due process and consideration of overall contracting objectives. All non-competitive contracts in excess of \$5,000 (sole source) must be accompanied by documented justification.

Observation

Among the 35 contracts sampled, one single exception of a contract that was not subject to the adequate mechanism was noted. A purchase order intended for the purchase of goods was used to contract an equipment rental service for a value of \$7,818.30, where a service contract (PS2) should have been established.

The 35 contracts reflected a fair contract award process that did not exceed the authorized limit. All of the contracts sampled show a transparent and fair contract award process. All of the contracts recorded, in the SAP financial system, as traditional competitive processes had documentation attesting to the competitive nature of the process. Furthermore, concerning the choice of a single supplier, all of the contracts examined contained a justification.

An appropriate statement of work was developed at the start of each process to define the contract requirements, and an adequate analysis was found in the files to show the search for the best value for money. All of the contracts sampled include a clear and complete description of the goods and service to be provided in order to reflect clear requirements and responsibilities for the suppliers. The competitive bids were chosen based on fair, open and transparent pre-defined selection criteria, and we noted an appropriate use of the mandatory procurement methods.

The review showed that three contracts were not compliant with directives:

- For a non-competitive service contract (PS2), we found that the contract did not include any signature from the service provider;
- For two other contracts, we found that the goods or services billed had been rendered before the contract or requisition was established.

All of the contracts examined, including their amendments were in compliance with the authorized threshold. All modifications were documented and had the appropriate authorizations.

Signing authority

Background

In all samples reviewed, the audit expected to find that delegated expenditure initiation and commitment of funds (i.e. Section 32 of the *Financial Administration Act* (FAA)) is obtained prior to issuing the contract and the authority to confirm contract performance and price, eligibility, or entitlement (i.e. Section 34 of the FAA) is obtained before payment is issued.

There are two layers of signing authority for contracts – the fund commitment authority (Section 32 of the FAA) and the contracting authority (Section 41 of the FAA). The fund commitment authority completes a “Request for Contract” form, based on which the contracting authority proceeds with the initiation of the contracting process. Then, the appropriate authorizations must be obtained in accordance with the FAA and TB *Contracting Policy*.

Account verification provides a means to ensure that the work has been performed, the goods supplied or the services rendered, relevant contract or agreement terms and conditions have been met, the transaction is accurate, and all authorities have been complied with. Last, it is important to emphasize that the quality of the financial coding has a direct impact on the accuracy of the reports produced by the SAP financial system.

TBS also established a directive to ensure that supplier of goods and services are paid by the deadline. This directive states that a delay of 30 days is used and calculated from the date of receipt of an invoice or acceptance of the goods or services, whichever comes last, to avoid the Agency from paying interest charges.

Observation

In light of the audit review, four of the 35 contracts examined had not been authorized appropriately by the designated authority (under Section 32 and/or 34), more specifically the following cases:

- A “Request for Contract” form showed an invalid Section 32 signature, since the specimen signature card was approved by the supervisor, after the contract was awarded;
- Another exception concerns a contract for which there is no copy of the request for goods/services including the Section 32 delegation signature;
- For two contracts, we note the absence of the cost centre on the specimen signature card associated with the person who exercised the Section 32 and Section 34 powers;
- For one of the contracts, one of the invoices has no Section 34 signature;
- Another exception concerns a contract for which the Section 34 signature was obtained and affixed after the invoice had been paid.

Furthermore, during the interviews, we were informed that the use of local purchase orders (purchase order on paper provided to suppliers at the time of the procurement of goods valued under \$5,000) is still a current practice in the field unit. However, the transactions are not recorded in the MM module of SAP as set out in Agency procedures, for transactions over \$1,000. This practice means that the reports extracted from the MM module of SAP on the acquisitions of goods and services are under-valued.

The field unit should promote the use of acquisition cards, thereby offering an easy and practical way to procure goods and services while ensuring adequate financial control. The acquisition cards are designed to eliminate paper from the purchasing process. Finally, using this procurement method promotes efficiency and reduced operating costs.

Concerning the payment that must be supported by adequate and relevant documentation, we noted one exception, a construction contract valued at \$4,828.95 for which the Field Unit paid the supplier based on a Certificate of Completion signed by the appropriate Section 34 authority but without the official invoice attached to the document.

The accounting plan and all of the information necessary to choose the proper financial coding are available on the Agency intranet under the heading Financial Policies. Furthermore, a guide on financial coding is available in paper format from the manager, finance and administration. Quick references were provided to managers to assist them with coding frequently encountered types of transactions. The review showed five exceptions associated with the entry of the financial coding of the general ledger (GL) account that did not match the type of goods or services billed. The use of a generic GL account rather than a code specific to the types of expenditures would be accepted by members of the Field Unit's management. Although the accounts used did not affect the financial reports as such, they can nevertheless hinder decision making.

Finally, the review showed that the payment of invoices for two contracts exceeded the 30-day deadline.

Conclusion

Overall, the control framework in place has key elements that promote the transparent and effective application of procurement activities, in compliance with the relevant acts, policies, directives and established procedures.

However, the OIAE found opportunities to improve internal controls, in order to promote compliance with procurement policy instruments and data accuracy. Two recommendations were formulated to this effect in the context of the audit of the Quebec Waterways Field Unit.

While the audit team did not conduct an exhaustive analysis on the use of local purchase orders, members of the CFO executive team recognize that manual/soft commitments are present in all field units and that the procedures for entering data into the MM module of SAP financial system are not always applied. The development of clear directives and procedures within the Agency would ensure the uniformity of practices and the integrity of the data reported concerning the costs of procuring goods and services.

Recommendation

- 1) The Chief Finance Officer must issue directives on the acceptable use of Local Purchase Orders (LPOs) taking into account the risks associated with these types of transactions and possible options to meet the operational needs of field units.

Management response:

Agree: CFOD will provide additional direction to budget managers with respect to the usage of Local Purchase Orders and alternative procurement vehicles available to meet operational requirements. This direction will be reinforced through the local training and refresher sessions currently provided to managers across the Agency.

The Agency has developed an accounting plan that meets its financial and administrative needs while complying with government requirements. While the practice does not affect the results presented in the financial reports, the use of the appropriate general ledger account facilitates decision making by offering assurance that the financial data accurately reflect reality both for the field unit and the Agency.

Recommendation

- 2) The Field Unit Superintendent must ensure that the financial coding, namely the general ledger account used, adequately reflects the type and category of expenditure incurred.

Management response

Agree: The accounting plan including the general ledger accounts has been provided to the financial support team and the administrative assistants. Information sessions will be held by May 2016. The administrative assistants have the responsibility to verify financial coding used by the project managers. All general ledger accounts are checked before commitments and/or requests for purchases are registered in the financial system.

9.2 PROCUREMENT – ACQUISITION CARDS

GREEN	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.
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Background

Acquisition cards are charge cards used by the Agency as a method of payment for day-to-day expenses for standard maintenance, repair, and operational goods and services under \$5,000. They are intended to simplify the procurement process and that of paying for goods and services, thereby generating savings in processing these transactions. Although the use of an acquisition card is not mandatory, it is strongly encouraged when the purchase is within delegated transaction authority and it is efficient, economical and operationally feasible. In accordance with Section 5.2 of the TBS *Directive on Acquisition Cards*, the expected result of the use of acquisition cards is that:

- *“Financial resources are used appropriately, based on the right authority, and losses due to waste, abuse, mismanagement, errors, frauds, omissions and other irregularities are minimized”.*
- *“The reduction or elimination of more costly and burdensome transaction procurement and payment methods such as the use of Receiver General cheques, requisitions and purchase orders”.*

The Quebec Waterways Field Unit had 59 active acquisition card accounts in 2014-2015. We counted 415 monthly statements for this same period with a total value of these purchases in the amount of \$372,154. The monthly purchase amounts for the fiscal year in question appear in Table 10 of Annex E.

Review, Issuance, Renewal and Cancellation Process for Acquisition Cards

Observation

It was confirmed, during a meeting with personnel that cards are issued by the Regional Coordinator in accordance with approved practices. The finance section of the field unit keeps a regularly updated log that contains all of the information of acquisition card holders, including cancellations, losses and renewals.

The field unit was able to produce a copy of the “Employee Acknowledgement of Responsibilities and Obligations” forms for each of the accounts that was selected for sampling. These forms were duly signed and dated by the cardholder and their manager or supervisor, as specified in the Parks Canada Agency directives.

Use of acquisition and payment cards

Observation

The monthly statements selected for review were downloaded from the BMO website, and the monthly activities were compared to the limit granted for each account holder.

The transactions were examined individually for each monthly statement. The review showed that all of the individual transactions were conducted in compliance with the authorized threshold of \$5,000.

The directives on acquisition cards require that the cardholder protects information on the card and must ensure that it is kept in a secure location, at all times. During our interview with a cardholder, it was confirmed to us that the BMO acquisition card was kept in a safe location according to the directives set out and received to this effect.

In total 12% of the statements of account audited (3 statements) showed an incomplete or missing reconciliation. Among these, one reconciliation was absent and two of them were incomplete where the general ledger account (financial coding) was not identified by the cardholder.

Two transactions concerning the purchase of vehicle parts were questioned. The acquisition card is not to be used to settle operational expenditures or fleet maintenance. However, its use is permitted to maintain an updated inventory of parts. In terms of good practices, it would be useful to document the purchase of vehicle parts for inventory replenishment and in cases where the ARI card is not accepted by

the supplier. This would avoid confusion regarding the compliance of the nature of purchases made using acquisition cards.

In total 23% of the statements audited are not in compliance with the sub-criterion regarding the payment of such statements, which must be approved by a person authorized under Section 34 and conducted in a timely manner. We also noted:

- Five statements of account were paid after the deadline;
- Two statements for payment purposes did not meet the requirements of Section 34 financial delegation:
 - A statement of account for a value of \$63.24 for which no supporting documentation attached to the statement;
 - A statement of account was signed by a manager for which the cost centre is not on the manager's specimen signature card.

Conclusion

The process of review, issuance and cancellation of cards; managing purchases on acquisition cards; reconciliation of monthly statements; and, approval of spending by Section 34 authority, is well controlled.

The audit concluded that the Quebec Waterways Field Unit has implemented an appropriate management control framework for acquisition cards and that generally the transactions are in compliance with the applicable requirements.

Since the method of payment of acquisition cards was modified at the Agency since the audit period, namely the automatic payment of card balance, no recommendation will be formulated regarding the observed late payments.

ANNEX A: AUDIT PROGRAM CRITERIA AND SUB-CRITERIA

CONTRACTS

***Criteria:* The control framework that is in place has key elements that promotes the application of transparent and efficient procurement activities according to related legislation and policies.**

Sub-criteria

Existing policies, directives and procedures are communicated and in compliance with Treasury Board policies:

- The guidelines, procedures and templates related to procurement and contracting exist and are compliant to authorities, Parks Canada and Treasury Board policies and directives as well as Government of Canada regulations
- The Field Unit is informed by the National Office of Parks Canada, in a timely manner, of updates and procurement requirements

Sub-criteria

Adequate training exists to ensure understanding of the application of policies and directives on procurement:

- Training and procedures are communicated in a timely manner, to employees responsible for awarding contracts and are sufficient to ensure the understanding of the requirements of the *Contracting Policy*
- Policies and directives on procurement are generally clear and understood by employees

Sub-criteria

The contract initiation process is fair and transparent:

- The appropriate mechanism is used to establish the contract
- The contract award process is fair and transparent

Sub-criteria

The management of contracts reflects due diligence:

- The contract contains the required signatures and is duly dated by the authorized delegation, before the services are provided or the goods are received
- The description of the goods or services to be provided is clear and complete
- The value of the contract and/or amendment is equal to or below the permitted threshold
- The amendments to the contract are documented and the appropriate authorization is obtained

Sub-criteria

The appropriate financial controls are in place and applied in compliance to legislation that relates to contract management:

- The commitment of funds is signed by the person with the authority to perform the functions of Section 32
- Payment is supported by adequate and relevant documentation
- Payment is authorized under the authority of Section 34
- The expenditures against the contract activity is recorded in SAP with the appropriate financial coding and payments are made within a period of 30 days calculated from the date of receipt of the invoice or acceptance of goods/services, whichever is later

ACQUISITION CARDS

Criteria: The use of acquisition cards adheres to the Treasury Board directive and the financial processes in place are adequate

Sub-criteria

The use of acquisition cards is carried out in accordance with the directive and within authorized thresholds:

- Acquisition cards are issued, renewed and/or cancelled in accordance to approved practices
- Prior to issuing an acquisition card, the regional coordinator for acquisition cards provides a written confirmation of the responsibilities and obligations to the new cardholder and obtains their signature to confirm their understanding
- The acquisition card limit is reasonably based on the intended use by the cardholder
- The individual transactions are conducted within authorized thresholds
- The nature of the purchases respect the restrictions outlined in the Treasury Board *Directive on Acquisition Cards*

Sub-criteria

Appropriate financial controls are in place and applied in compliance to legislation that relates to the management of acquisition cards:

- All purchases are supported by receipts or invoices
- The acquisition card is used securely and all purchases are controlled by the cardholder
- The acquisition cardholders process a monthly reconciliation against the account statements
- The payment of acquisition card statements are approved by a duly authorized person under Section 34 and processed in a timely manner

ANNEX B: RECOMMENDATION PRIORITIZATION SYSTEM

Priority	Condition
High	Management should initiate immediate action to address the comment.
1	Major internal control weakness
2	Major policy or procedure exceptions
3	Significant risk exposure
4	Major financial exceptions – loss, misstatement, errors, fraud
5	Significant law or regulatory violations
6	Significant potential opportunity – revenue, savings, efficiencies
Moderate	Management should initiate timely action to address the comment.
1	Substantial internal control weakness
2	Substantial policy or procedure exceptions
3	Substantial risk exposure
4	Substantial financial exceptions – loss, misstatement, errors, fraud
5	Substantial law or regulatory violations
6	Substantial potential opportunity – revenue, savings, efficiencies
Low	Management should initiate reasonable action to incorporate a plan to address the comment in the normal course of business.
1	Minor internal control weakness
2	Minor policy or procedure exceptions
3	Limited risk exposure
4	Minor financial exceptions – loss, misstatement, errors, fraud
5	Minor law or regulatory violations
6	Limited potential opportunity – revenue, savings, efficiencies

ANNEX C: TYPE OF CONTRACT AND PROCEDURE FOR INVITATION TO BID NUMBER AND VALUE

Type of contract	Open bidding	Traditional competitive contracts	Traditional non-competitive contracts	Total
PWGSC Purchase order (9200)	1	8	5	14
Call-up against a Standing Offer (942)	0	108	1	109
Standard Purchase order (PO)	0	38	29	67
Professional Services > \$10,000 (PS1)	2	21	4	27
Professional Services < \$10,000 (PS2)	0	0	3	3
Construction	3	7	1	11
Total	6	182	43	231
PWGSC Purchase order (9200)	\$30,419.55	\$91,505.50	\$14,634.00	\$136,559.05
Call-up against a Standing Offer (942)	-	\$2,392,691.24	\$1,943.31	\$2,394,634.55
Standard Purchase order (PO)	-	\$442,828.61	\$97,792.75	\$540,621.36
Professional Services > \$10,000 (PS1)	\$173,830.99	\$330,101.29	\$73,620.73	\$577,553.01
Professional Services < \$10,000 (PS2)	-	-	\$5,549.62	\$5,549.62
Construction	\$1,334,240.24	\$168,079.90	\$4,828.95	\$1,507,149.09
Total	\$1,538,490.78	\$3,425,206.54	\$198,369.36	\$5,162,066.68

ANNEX D: TABLES – OVERVIEW OF CONTRACTING SAMPLING (CONTRACTS)**Table 3: Overview of contract sampling**

Value* of contracts	Competitive contracts		Non-competitive contracts	
	Number of contracts selected	Value* of selected contracts	Number of contracts selected	Value* of contracts selected
Under \$5K	5	\$13,048	7	\$17,141
\$5K to < \$10K	4	\$26,183	5	\$34,611
\$10K to < \$25K	6	\$100,137	4	\$78,529
\$25K to < \$100K	3	\$118,191	0	-
Over \$100K	1	\$795,716	0	-
Total	19	\$1,053,275	16	\$130,281

*Value rounded to the nearest dollar.

Table 4: Overview of randomly selected contracts

Type of contract Selected randomly	Number	Solicitation procedure	Value*
Service contract (PS1) >\$10K	3	Competitive	\$28,218
Purchase order (PO) goods <\$25K	9	Non-competitive (5) and Competitive (4)	\$75,094
Call-Up Against a Standing Offer (942)	4	Competitive	\$86,683
Contract issued by PWGSC (9200)	4	Call for tender (1) Non-competitive (2) and competitive (1)	\$42,021
Construction contract	3	Call for tender (1) and competitive (2)	\$847,205
Total	23		\$1,079,221

* Value rounded to the nearest dollar.

Table 5: Overview of the stratified approach used for contract selection

Type of contract selected at 100%	Number	Solicitation procedure	Value*
Service contract (PS1) >\$10K	4	Non-competitive	\$73,621
Service contract (PS2) <\$10K	3	Non-competitive	\$5,550
Call-Up Against a Standing Offer (942)	1	Non-competitive	\$12,848
Total	8		\$92,018

* Value rounded to the nearest dollar.

Table 6: Overview of the contracts selection by judgment

Type of contract selected by judgment	Number	Solicitation procedure	Value*
Call-Up Against a Standing Offer (942)	3	Competitive	\$7,488
Construction contract	1	Non-competitive	\$4,829
Total	4		\$12,317

* Value rounded to the nearest dollar.

ANNEX E: TABLES – OVERVIEW OF SAMPLING AND PURCHASES (ACQUISITION CARDS)

Table 7: Overview of sampling of acquisition cards

Selection	Amount*	% in value of the total
Judgment	\$12,519	4.4%
Random	\$16,520	3.4%
Total	\$29,039	7.8%

* Amount rounded to the nearest dollar.

Table 10: Overview of monthly purchases

Month	Amount*
April 2014	\$26,984
May 2014	\$21,362
June 2014	\$36,613
July 2014	\$39,056
August 2014	\$29,116
September 2014	\$47,218
October 2014	\$29,512
November 2014	\$24,814
December 2014	\$15,419
January 2015	\$22,392
February 2015	\$38,558
March 2015	\$41,109
Total	\$372,154

* Amount rounded to the nearest dollar.

