



*Office of the Auditor General / Bureau du vérificateur général*

**FOLLOW-UP TO THE 2007 AUDIT OF PARKS AND RECREATION  
FINANCIAL MANAGEMENT AND REVENUE PROCESSES  
2010**

**SUIVI DE LA VÉRIFICATION DES PROCESSUS DE GESTION  
FINANCIÈRE ET DE PERCEPTION DES RECETTES DE PARCS ET  
LOISIRS DE 2007**



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## EXECUTIVE SUMMARY

### *Introduction*

The Follow-up to the 2007 Audit of Parks and Recreation Financial Management and Revenue Processes was included in the Auditor General's Audit Plan.

The key findings of the original 2007 audit included:

- A need to significantly tighten financial controls and place a greater emphasis on reporting, both performance and financial;
- The majority of financial transactions were processed at the facility level but with very limited controls set up to ensure that certain functions are only performed by authorized staff; and,
- Little reporting generated as a means of ensuring compliance to financial policies and monitoring performance.

### *Summary of the Level of Completion*

The table below outlines our assessment of the level of completion of each recommendation as of February 2010. Subsequently, management's response in the Fall of 2010 was in agreement with that assessment.

| CATEGORY               | % COMPLETE | RECOMMENDATIONS   | NUMBER OF RECOMMENDATIONS | PERCENTAGE OF TOTAL RECOMMENDATIONS |
|------------------------|------------|---|---------------------------|-------------------------------------|
| LITTLE OR NO ACTION    | 0 – 24     | -   | -                         | -                                   |
| ACTION INITIATED       | 25 – 49    | 20, 24b, 26b, 30b, 30c  | 5                         | 9%                                  |
| PARTIALLY COMPLETE     | 50 – 74    | 30d, 32b  | 2                         | 3%                                  |
| SUBSTANTIALLY COMPLETE | 75 – 99    | 32a   | 1                         | 2%                                  |
| COMPLETE               | 100        | 1, 2, 3a, 3b, 3c, 3d, 4a, 4b, 5a, 5b, 5c, 5d, 5e, 6, 7, 8, 9, 10a, 10b, 11a, 11b, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23, 24a, 24c, 25, 26a, 26c, 27, 28, 29a, 29b, 30a, 31a, 31b, 33, 34a, 34b, 35, 36, 37, 38 | 51                        | 86%                                 |
| TOTAL                  |            |   | 59                        | 100%                                |

### *Conclusion*

The October 2008 corporate reorganisation (Phase III) saw the Parks and Recreation Branch dissolved and the establishment of the present Parks, Recreation and Cultural Services Department. Notably, the present department no longer includes Child Care however now contains Cultural Services.

Management has successfully implemented the majority of the 2007 audit's recommendations. For the most part, we observed that the department has issued

many reminders, procedures and guidelines addressing the majority of the recommendations. However, monitoring for compliance (e.g., that the procedures and guidelines are being followed) could be strengthened. In some cases, there is no evidence that a review took place and that the area managers were aware of exceptions/situations. In other cases, there was no evidence that staff had reviewed documents. Establishing a process where reviewed documents are dated, signed and/or initialized as well as retained for an appropriate amount of time should be considered.

Management indicated that they had completed a review of the Cash Handling – Corporate Policy/procedure and that it was signed off March 31, 2009. However the Cash Handling – Corporate Policy and procedures were not posted to Ozone until the first week of February 2010. In addition, in many cases no “reminder or advisory” e-mails were issued to staff while the manual was being revised.

Systems, such as CLASS, can be configured with hard controls that impose limitations. We observed that the department had not developed specific CLASS routines, as recommended due to system limitations and departmental business practices. However, to address the spirit of certain recommendations, we observed that some mitigating controls had been established.

Positive change was observed in the issuance of a new Refund Policy specifically as it pertains to having the Financial Support Unit (FSU) perform non-point of sales refunds. Improvement in staff accuracy to minimize refunds and reviews of the special circumstances to ensure fairness is encouraged.

We noted that the department continues to have outstanding receivables although it has implemented its Pay Before You Play policy. In addition, we observed that clients with an outstanding receivable over 30 days or greater were still allowed to register and therefore incurred additional current receivables. The department’s Interim Procedure for Review and Collection of CLASS A/R states:

1. FSU Account Manager meeting with Division and Area Managers at the Quarterly Financial Review meeting (the month following the quarter) to review AR reports.
2. Area/Division Managers must ensure that all outstanding balances in CLASS are followed up and cleared by the next quarter.

### ***Acknowledgement***

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

## RÉSUMÉ

### *Introduction*

Le Suivi de la vérification des processus de gestion financière et de perception des recettes de parcs et loisirs de 2007 était prévu dans le Plan de vérification du vérificateur général.

Les principales constatations de la vérification de 2007 sont les suivantes :

- La Direction devrait resserrer considérablement ses contrôles financiers et mettre davantage l'accent sur la reddition de comptes, tant à l'égard du rendement que des finances.
- La majorité de ces transactions sont traitées à l'installation, mais il existe très peu de contrôles permettant de s'assurer que certaines opérations ne sont effectuées que par le personnel autorisé.
- Très peu de rapports sont produits comme moyen de vérifier la conformité avec les politiques financières et d'évaluer le rendement.

### *Sommaire du degré d'achèvement*

Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation au mois de février 2010. Par la suite, la réponse de la direction à l'automne 2010 concordait avec cette évaluation.

| CATÉGORIE                    | POURCENTAGE COMPLÉTÉ | RECOMMANDATIONS   | NOMBRE DE RECOMMANDATIONS | POURCENTAGE DU TOTAL DES RECOMMANDATIONS |
|------------------------------|----------------------|---|---------------------------|--|
| PEU OU PAS DE MESURES PRISES | 0 – 24               | -   | -                         | -  |
| ACTION AMORCÉE               | 25 – 49              | 20, 24b, 26b, 30b, 30c  | 5                         | 9 %                                      |
| COMPLÉTÉE EN PARTIE          | 50 – 74              | 30d, 32b  | 2                         | 3 %                                      |
| PRATIQUEMENT COMPLÉTÉE       | 75 – 99              | 32a   | 1                         | 2 %                                      |
| COMPLÉTÉE                    | 100                  | 1, 2, 3a, 3b, 3c, 3d, 4a, 4b, 5a, 5b, 5c, 5d, 5e, 6, 7, 8, 9, 10a, 10b, 11a, 11b, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23, 24a, 24c, 25, 26a, 26c, 27, 28, 29a, 29b, 30a, 31a, 31b, 33, 34a, 34b, 35, 36, 37, 38 | 51                        | 86 %                                     |
| TOTAL                        |                      |   | 59                        | 100 %                                    |

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## **Conclusion**

La restructuration municipale d'octobre 2008 (Phase III) a vu la dissolution de la Direction des parcs et des loisirs et l'établissement de l'actuel Service des parcs, des loisirs et de la culture. Les Services de garde d'enfants notamment ne font plus partie du Service actuel. Par contre, ce dernier comprend les Services culturels.

La direction a mis en œuvre avec succès la majorité des recommandations de la vérification de 2007. Dans la plupart des cas, nous avons constaté que le Service a émis de nombreux rappels ainsi que de nombreuses procédures et lignes directrices traitant de la majorité des recommandations. Cependant, la surveillance de la conformité (c.-à-d. à savoir si les procédures et les lignes directrices sont suivies) pourrait être renforcée. Dans certains cas, il n'y a aucune preuve qu'un examen a eu lieu et que les gestionnaires de secteur étaient au courant des exceptions et des situations. Dans d'autres cas, il n'y avait aucune preuve que le personnel avait examiné les documents. L'établissement d'un processus selon lequel les documents examinés sont datés, signés et/ou paraphés ainsi que retenus pour un temps approprié devrait être envisagé.

La direction a indiqué qu'elle avait terminé l'examen de la politique et de la procédure relatives au règlement financier et qu'il avait été signé et approuvé le 31 mars 2009. Toutefois, la politique et les procédures relatives au règlement financier n'ont pas été affichées sur Ozone avant février 2010. De plus, dans de nombreux cas, aucun courriel de « rappel ou d'avis » n'a été transmis au personnel pendant que le manuel était révisé.

Les systèmes tels que CLASS peuvent être configurés avec des contrôles imposés qui fixent des limites. Nous avons constaté que le Service n'a pas élaboré de routines CLASS précises, comme il avait été recommandé en raison des limitations du système et des pratiques d'affaires du service. Cependant, afin de tenir compte de l'esprit des recommandations, nous avons noté quelques contrôles d'atténuation avaient été établis.

Des changements positifs ont été constatés dans l'émission d'une nouvelle Politique de remboursement, plus précisément en ce qui a trait à l'Unité du soutien financier (USF) effectuant des remboursements ne provenant pas de points de vente. On encourage les améliorations dans la précision du personnel afin de réduire les remboursements et les examens des circonstances spéciales en vue d'assurer l'équité.

Nous avons remarqué que le service continue d'avoir des comptes créditeurs en souffrance bien qu'il ait mis en place sa politique « Payez avant de jouer ». De plus, nous avons également noté que les clients dont le compte est en souffrance depuis 30 jours ou plus avaient toujours le droit de s'inscrire, ce qui entraîne une augmentation du compte débiteur. La Procédure intérimaire concernant l'examen et le recouvrement des comptes débiteurs CLASS du service stipule que :



1. Le gestionnaire de comptes de l'USF rencontre les gestionnaires de secteur et de division lors de la réunion sur l'examen financier trimestriel (le mois suivant le trimestre) afin d'examiner les rapports sur les comptes débiteurs.
2. Les gestionnaires de secteur et de division doivent s'assurer qu'on effectue un suivi de tous les soldes impayés dans CLASS et que ces derniers sont réglés avant le trimestre suivant.

### ***Remerciements***

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.



## 1 INTRODUCTION

The Follow-up to the 2007 Audit of Parks and Recreation Financial Management and Revenue Processes was included in the Auditor General's Audit Plan.

The key findings of the original 2007 audit included:

- A need to significantly tighten financial controls and place a greater emphasis on reporting, both performance and financial;
- The majority of financial transactions were processed at the facility level but with very limited controls set up to ensure that certain functions are only performed by authorized staff; and,
- Little reporting generated as a means of ensuring compliance to financial policies and monitoring performance.

## 2 KEY FINDINGS OF THE ORIGINAL 2007 AUDIT

1. The CLASS software system has been developed to facilitate the offering, scheduling, delivery and receipt of payment for recreational and fitness programs to the public. The software has inadequate preventative controls built into it to ensure that staff can perform only authorized functions. The system also does not offer adequate detective and analytical reporting, which would allow management to determine after the fact whether the City's policies and procedures were being followed. For these reasons, we believe that too many functions related to the sale, collection of revenue, adjustment of fees, subsidy use, cancellations and refunds have been vested in one person and, where possible, greater segregation of responsibility is required to improve controls. This may involve requiring supervisors to confirm approval of adjustments, subsidies, cancellations and refunds or any other non-standard conditions through use of their employee identification card being scanned by the system. An alternate approach may be to centralize the latter type of transactions. However, this would create some inconvenience for the clients.
2. Refunds and adjustments represent 14% of total revenue and are not adequately controlled. When refunds are given to clients it should be mandatory that their coordinates and signature be obtained for the receipt from a valid piece of identification. A sample of refunds should be selected for periodic review.
3. The City is not making adequate use of the facility membership card scanning system. When busy, staff do not pay attention to the client's record and picture displayed on the monitor when the client enters. If the system were modified to present a different audible signal when scanning an invalid, expired or a potentially duplicate card, staff would likely pay attention to the monitor. Conducting membership verifications from time to time of people using the athletic facilities would further help to ensure that participants have paid.

4. To improve the controls on the deposit preparation process and accounts receivable at the satellite location level, training or retraining should be provided to staff on:
  - i) The preparation of the deposits and the purpose of the verification steps and sign offs; and,
  - ii) Accounts receivables and the collection process at the satellite location level.
5. There is inadequate control over some cash drawers and the combinations to the City's safes are not properly controlled. There should be ownership assigned to the cash drawer and safe combination control should be assigned to a function, which would ensure that combinations are changed when a person leaves and from time to time.
6. Credit card transactions are done outside of CLASS and should be integrated with CLASS as is planned by the City for 2007. To avoid potential theft of the public's credit card information residing on the City's computers, the name and credit card number should be split onto two separate physical disk drives.

### **3 STATUS OF IMPLEMENTATION OF 2007 AUDIT RECOMMENDATIONS**

#### **2007 Recommendation 1**

All rates once set up in the tables by CLASS Support, should be accessed in CLASS by the prime user and reviewed to ensure that they are correct and confirmed as such by email.

#### **2007 Management Response**

Management agrees with the recommendation. Any time CLASS Support enters changes to fees in the system, an e-mail will be sent out to staff asking them to verify and confirm the rates associated to their programming area. The Business and Client Services Division will implement this process during the next fee modification in Q1 2008.

#### **Management Representation of the Status of Implementation as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete*

***100%***

#### **OAG's Follow-up Audit Findings regarding Recommendation 1**

Prior to closing an incident, CLASS support now ensures that it receives confirmation that the rates changed in CLASS are accurate. In all but one e-mail reviewed, confirmation was accepted from non-supervisory staff (e.g., customer service representative; program coordinators, etc.).

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*OAG: % complete*

*100%*

### **2007 Recommendation 2**

Where contracts are required by the Branch for use of facilities, staff should require that they be signed by the client prior to use of the facility.

### **2007 Management Response**

Management agrees with the recommendation. This procedure currently exists in the Halls Allocation Procedures and will need to be formalized for arena, pool and sports field rentals. The Branch will review and formalize existing allocation procedures to include sign-off by the client prior to use. In some cases, contracts are not being signed because the rural facilities are not in close proximity to a parks and recreation facility that has "front counter" CLASS services, which imposes additional steps in the process for the client (i.e., clients having to mail in contract prior to their rental, to go in person to sign the contract or to drop off a signed copy). The Community Recreation and Sport Division is targeting an implementation date of Q3 2008.

### **Management Representation of the Status of Implementation of Recommendation 2 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

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*Management: % complete*

*100%*

### **OAG's Follow-up Audit Findings regarding Recommendation 2**

In January 2008 Parks and Recreation revised the general terms and conditions for contract holders. Specifically, clause four specifies:

The contract must be signed and a copy left on file with the appropriate City Permits Clerk before the first scheduled contract date.

Notwithstanding the update to the general terms and conditions, other audit work recently identified one case where clients were not always signing contracts. As a result of this finding the issue was resolved. While there is no requirement to request that contract holders initialise terms and conditions, we believe this would be preferable, however, the recommendation can be considered fully implemented.

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*OAG: % complete*

*100%*

### **2007 Recommendation 3**

- a) The subsidy applications should be reviewed by the facility manager and initialled indicating approval.
- b) A report should be made available from CLASS of subsidies set up in the past month for the facility manager to review a sample of the back up.

- c) **Clarification of subsidy application supporting documentation requirements to be retained in a client's subsidy application file should be given to satellite locations.**
- d) **All subsidy application files from the prior year should be sent to the business analyst, in January of each year, and for their review of a sample from each location to determine whether they are consistently following City policy.**

### **2007 Management Response**

a) Management disagrees with the recommendation. If a facility manager was the only individual authorized, as suggested in the recommendation, this would force the applicant to come only when a facility manager is on duty. Many facilities do not have a manager or supervisor on-site at the facility thus making it impossible to implement this recommendation without creating additional manager and/or supervisor positions. The current Fee Assistance Application Form already has a requirement for authorized staff signature (facility manager, facility supervisor or their designate) to indicate approval of the fee assistance for the client.

Even if the facility manager were to review and potentially approve the applications weekly this could penalize individuals requiring fee assistance. The Pay Before You Play Policy requires payment before you register. Typically the fee assistance approval is at the time of registration when the client is on site. Having the application approved by the manager responsible at a later date could force the client to have to return to the facility and potentially lose their spot in the program. This would, result in a reduction in customer service level as managers are not on site during all hours of operations and lower income individuals may have diminished access to programming.

b) Management agrees with the recommendation. The Fee Assistance Policy will be amended to include a monthly review of the report, which will be communicated to facility managers. The Business and Client Services Division is targeting an implementation date of Q3 2008.

c) Management agrees with the recommendation. The Fee Assistance Policy currently indicates that the facility supervisor or designate must check the appropriate box to indicate which supporting documentation has been seen and reviewed by him/her. Adjustments will be made to the policy to indicate which copies of this documentation do not need to be kept on site. The Client Services Division is targeting an implementation date of Q3 2008.

d) Management agrees with the recommendation. No action is required as this procedure is already in place and is performed by the business analyst in the Business and Client Services Division. In order to ensure that files are being sent consistently to the business analyst a communiqué will be circulated to all locations reminding them of the process. This will be completed in Q2 2008.

**Management Representation of the Status of Implementation of Recommendation 3 as of December 31, 2008**

Implementation of recommendation 3a) has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting. Implementation of recommendations 3b, c) and d) are 100% complete.

*Management: % complete (a)* 0%

*Management: % complete (b) (c) (d)* 100%

**OAG's Follow-up Audit Findings regarding Recommendation 3**

a) Subsequent to the initial management response, it was determined that management did agree with the recommendation. Based upon a review of the revised procedures provided during the audit, we believe implementation to be complete.

*OAG: % complete* 100%

b) Monthly status Client Subsidy reports are provided to Recreation Supervisors/Portfolio Managers since October 2008. In August 2009 the process evolved requiring that Supervisors/Portfolio Managers that were provided the status report by the Business Analyst provide resolution(s) to any discrepancies.

*OAG: % complete* 100%

c) In October 2008, the Manager, Business and Client Services, Parks and Recreation issued an e-mail highlighting the main changes and requesting that review the entire Fee Assistance Policy. For ease of reference, five key changes were highlighted within this email.

*OAG: % complete* 100%

d) Parks, Recreation and Cultural Services have instituted a different process to that recommended. Subsidy application files are not sent to the Business Analyst in January. However, starting in Spring 2009, the Business Analyst conducted at sample facilities verifications of supporting documentation.

The process, documented in the October 2008 updated Fee Assistance Approval and Tracking Procedures, requires that "the Recreation Supervisor/Portfolio Manager or full-time staff delegate will maintain a record of fee assistance applications made, applications approved, applications not approved as well as all supporting documentation. These applications will be filed at the facility in a secure, confidential location for a period of two years (current calendar year and the following year - i.e., an application submitted in March of 2008 will be kept at the facility until the end of December 2009). After that time the files should be forwarded to Information Management for centralized filing". Parks, Recreation and Cultural Services staff were advised of this revision to the process in October 2008. The Business Analyst conducted site audits for fee assistance documentation

at six facilities between May 13 and May 25, 2009. A sample of six applications was reviewed at each location. These file verification demonstrated that there were missing documentation in early 2008 prior to the Fee Assistance Policy being clarified in relation to supporting documentation (Oct. 2008).

*OAG: % complete*

*100%*

#### **2007 Recommendation 4**

- a) The Branch should re-communicate the policy regarding minimum membership extensions.
- b) A report should be produced monthly on membership extensions or changes for review by the facility manager.

#### **2007 Management Response**

a) Management agrees with the recommendation. The membership policy needs to be revised and communicated to reflect membership extensions of less than one month for facility closures. The Community Recreation and Sport Division is targeting an implementation date of Q2 2008.

b) Management agrees with the recommendation. A report is available to facility managers at all times and will be reviewed by management at the quarterly financial review meetings. Area managers will be required to speak to any exceptions that do not fall within the policy. The Business and Client Services Division is targeting an implementation date of Q3 2008.

#### **Management Representation of the Status of Implementation of Recommendation 4a) and 4b) as of December 31, 2008**

Implementation of these recommendations is 100% complete.

*Management: % complete*

*100%*

#### **OAG's Follow-up Audit Findings regarding Recommendation 4**

a) During June 2008 Business and Client Services of Parks and Recreation issued an email highlighting a change to the Fitness Membership Policy. Attached to the e-mail was the new procedure to address the production of monthly reports.

The e-mail specifically clarified that memberships may be extended once for 3, 6 and 12-month membership only and that the extension is for a minimum of one month to a maximum of half the membership.

*OAG: % complete*

*100%*

b) The Fitness Membership Policy was revised on February 5, 2007 to include a procedure whereby facility supervisors print a monthly report from CLASS to review the membership extensions and address any discrepancies. Management



has indicated that staff are reviewing this report on a monthly basis however it is not documented as management has determined that this would not be of value.

The follow-up did identify exceptions to membership extensions, including:

- Memberships, which did not meet the criteria for extension, (i.e., specific number of visits, one month membership) were extended. Some of these extensions occurred in 2009;
- Memberships were extended more than once;
- Memberships were extended for a period less than one month; and,
- Memberships were extended for greater than half the membership pass term.

However, it should be noted that the Facility Supervisor has the discretion to extend a membership for facility closure, medical reasons or occasionally for customer service related concerns.

Management is encouraged to consider documentation of the membership review process however the recommendation can be considered fully implemented.

*OAG: % complete*

*100%*

### **2007 Recommendation 5**

- a) **A routine should be developed in CLASS, which would ensure that the maximum allotted subsidy per family is the number of family members times the annual maximum rate.**
- b) **A routine should be developed in CLASS, which would ensure that the subsidy cannot be transferred from one sibling to another.**
- c) **A routine should be developed in CLASS that would examine each family and report on any who have more than the maximum annual amount of subsidy times the number of family members.**
- d) **A similar report should be developed in CLASS that selects any courses where the participant's subsidy was over 75%.**
- e) **The above reports should be reviewed by the business analyst to determine whether anomalies require further investigation.**

### **2007 Management Response**

- a) Management agrees with the recommendation. No action is required as CLASS currently possesses a routine which ensures that the maximum allotted subsidy per family is the number of family member times the annual maximum rate.
- b) Management agrees with the recommendation. No action is required as the CLASS system has a limitation that does not allow subsidy transfers between siblings. The Fee Assistance Tracking Procedures also clearly state that subsidies cannot be transferred between siblings.

c) Management disagrees with the recommendation. Such a routine is not available in CLASS given the limitations of the software. In order to ensure that controls are in place a work around has already been implemented whereby the only way a family can go beyond their subsidy entitlement is with area manager approval (through an e-mail to CLASS Support). These exceptions can then be tracked. Management will, through the user group, continue to pressure for improved controls within the software.

d) Management disagrees with the recommendation. A routine is not available in CLASS given the limitations of the software. In order to ensure that controls are in place, a work around has already been implemented. In order for clients to receive more than 75% subsidy towards their registration, area manager approval is required (through an e-mail to CLASS Support). These exceptions can then be tracked. In order to ensure the policy is being followed the business analyst will produce an exceptions report quarterly, which will be reviewed at the quarterly financial review meetings. This will begin in Q2 2008.

e) Management agrees with the recommendation. No action is required, as a procedure exists where the business analyst in the Business and Client Services Division analyzes reports regarding anomalies and identifies where further investigation is required.

**Management Representation of the Status of Implementation  
Recommendation 5 as of December 31, 2008**

Implementation of recommendations 5a), b) and e) is 100% complete. Implementation of recommendations 5c) and d) has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete (a) (b) and (e)* **100%**

*Management: % complete (c) (d)* **0%**

**OAG's Follow-up Audit Findings regarding Recommendation 5**

a) The BAN team advised us that the functionality to assign a value to each family member is available in CLASS but that it has not been activated based on Parks and Recreation's business need.

However, to address the spirit of the recommendation, at present, the department uses monthly status reports as a mitigating control to review subsidy allotments. Management indicated that they are satisfied that if an individual does not go over its subsidy allotment then a family unit would not be over their allotment. Although a routine in CLASS would be preferable, management has indicates that this would not be possible. The mitigating controls put in place are sufficient to address the recommendation.

*OAG: % complete* **100%**

b) Management advised that Parks and Recreation business dictates that subsidy transfers between a parent to a child is permissible and as such the system does not restrict the transfer of subsidy between family members.

Although the Fee Assistance Policy establishes that subsidies can only be transferred from adult to child and not siblings, there are no hard controls in CLASS to restrict the transfer of subsidy from one sibling to another. To allow for the transfer from parent to child, the system has to allow the transfer for the entire family account (e.g., cannot disallow sibling to sibling unless it disallow parent to sibling).

At present, Parks, Recreation and Cultural Services are of the opinion that the Client Subsidy Report ran monthly is a mitigating control which would “likely” catch an anomaly and that a system control is not possible given the department’s business needs. While not as strong as a system control, the mitigating control is sufficient to address the recommendation.

***OAG: % complete*** ***100%***

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c) CLASS has the functionality to capture fee assistance by family. However Parks and Recreation have chosen to allot these in the system per individual. Because the department allots the subsidy/fee assistance per individual and not per family, management informed us that CLASS cannot produce the recommended routine and/or reports for a family. This recommendation can therefore not be implemented if the department continues to capture fee assistance by individual.

Although management disagreed with the original recommendation, to address the spirit of it, the department uses monthly status reports as a mitigating control to review subsidy allotments. Management indicated that they are satisfied that if an individual does not go over its subsidy allotment than a family unit would not be over their allotment.

***OAG: % complete*** ***100%***

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d) Although management disagreed with the original recommendation, to address the spirit of it, the department uses manual tracking through the Support Magic database as a mitigating control.

***OAG: % complete*** ***100%***

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e) Since management disagrees with the development of a CLASS report that selects any courses where the participant’s subsidy was over 75%, a review of this cannot be completed by the Business Analyst. However, as a mitigating control the Business Analyst reviews monthly a Client Subsidy Report.

***OAG: % complete*** ***100%***

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**2007 Recommendation 6**

The CLASS system should automatically print a receipt for every payment and the CSRs should be required to provide it to the client.

**2007 Management Response**

Management disagrees with the recommendation. A Branch decision was taken not to automatically produce a receipt for every payment, in response to clients' wishes to not have a copy of their receipt automatically (e.g., public swim). The level of risk associated with the potential for fraudulent actions was deemed minimal compared to the amount of paper that was being wasted when clients did not take their receipt with them or refused to wait for a receipt to be printed. Receipts are currently provided automatically for most transactions done at a recreation facility, and upon the client's request for Internet and telephone transactions so that clients who require a receipt to request a refund may do so. The percentage of receipts that are not automatically generated is quite low and mainly related to admissions for public programs. Any client who wishes to receive a receipt for any transaction may receive one. In accordance with Branch policies and procedures, refunds are not given without a receipt. In addition, all transactions are stored within the CLASS system should a client request a refund or an audit need to be conducted at a later date. Given that a refund cannot be secured with proof of payment, incidents of fraud are not a concern.

**Management Representation of the Status of Implementation of Recommendation 6 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* *0%*

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**OAG's Follow-up Audit Findings regarding Recommendation 6**

Management has indicated that whenever a receipt is requested it will be provided.

*OAG: % complete* *100%*

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**2007 Recommendation 7**

The Branch should introduce the use of wristbands for non-member participants as proof of payment for activities such as public swimming.

**2007 Management Response**

Management disagrees with the recommendation. There is no significant risk nor has there been any reports of abuse or fraudulent activities. It is estimated that it could cost approximately \$15,000 per year for wristbands for all non-member swim participants.

### **Management Representation of the Status of Implementation of Recommendation 7 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* *0%*

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### **OAG's Follow-up Audit Findings regarding Recommendation 7**

Management has indicated that wristbands are in use at water slides and whirlpools and are examining cost-effective alternatives for broader use.

*OAG: % complete* *100%*

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### **2007 Recommendation 8**

To ensure proper segregation of duties, the Branch should establish a procedure which requires the scan of an authorizing (supervisor's) employee's identification to reduce or cancel the charge for a rental, activity, program or membership and a report should be produced of cancellations, and adjustments by location, and user identification for review, and possible investigation, by the facility manager, or Financial Support Unit (FSU).

### **2007 Management Response**

Management disagrees with the recommendation. The Branch's current customer service model of one-stop-shopping for all transactions, at all facilities, seven days per week during all operating hours, does not always support the resources required to accommodate this recommendation. If this recommendation were to be implemented, it would necessitate two staff at all times on site, which would result in a significant increase in staffing costs. In addition, supervisors and managers frequently have operational requirements that require them to be off-site. Therefore, a client transaction could not be completed in the absence of one of the staff members. As administrative staff levels usually decrease after normal business hours this would result in a reduction in customer service levels as clients who wish to cancel or adjust their membership, rentals or programs would be required physically to go to the appropriate facility during selected times when supervisors are available.

Management does believe that proper procedures need to be in place, which ensure system controls while also supporting a customer service oriented business model. Therefore, the following procedures have been implemented:

- A reduction of set fees for program registration, memberships and point of sale items through price override is no longer possible;
- Refunds will not be issued on site by staff for programs, memberships and rentals as of January 1, 2008, but will be issued by the Financial Support Unit

- Reports to indicate cancellations and adjustments by location are available for review by the facility manager, area managers and district managers and will be added to the quarterly financial review meetings.

### **Management Representation of the Status of Implementation of Recommendation 8 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* 0%

### **OAG's Follow-up Audit Findings regarding Recommendation 8**

The revised refund policy and removal of the price override permissions have resolved many of the concerns regarding segregation of duties.

*OAG: % complete* 100%

### **2007 Recommendation 9**

The receipt issued by CLASS when a client obtains a refund should be signed by the client and a second authorizing person and contain information which would permit an audit by an independent person.

### **2007 Management Response**

Management agrees with this recommendation. It would be difficult to ensure that a second authorizing signature at the facility level be obtained given the current staffing levels at some of the smaller facilities and at non peak times. On January 1, 2008 a new refund procedure will be implemented within the branch. In accordance with this procedure when a client requests a refund a Refund Request Form will be completed. This form will require the signature of the client and a Parks and Recreation staff member. It will also be processed and signed-off by the FSU. This will ensure that three signatures are required to process the form. This new refund procedure will permit an independent audit by FSU when issuing cheques centrally or by the facility supervisor when running the Refund Report and cross-referencing with information on the Refund Request Forms kept on file at the facility. The Community Recreation and Sport Division is targeting an implementation date of Q1 2008.

### **Management Representation of the Status of Implementation of Recommendation 9 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* 100%

## **OAG's Follow-up Audit Findings regarding Recommendation 9**

The intent of the recommendation was address by the establishment of a new policy and procedures surrounding refunds and/or credits to account. Since January 2008, the FSU are processing all refunds excluding refund for admission and goods purchased (point of sale).

The new refund policy requires the completion of a Refund Request Form as well as a third signature from the Recreation Supervisor/Portfolio Manager for point of sales items. A refund request form is completed for all refunds greater than \$10.00; the receipt is attached to the form and forwarded to the supervisor/ portfolio manager for a third signature.

For non-point of sales purchases (e.g., registrations, memberships or facility bookings) for facilities (since January 2008) although there may not be a second authorizing person at the facility, the FSU are now performing the refund and as such carry out a second review. In order for a client to be given a refund, the refund amount owing needs to be greater than \$35.00 as the City does not reimburse any amount lower than \$10.00 after the \$25.00 processing fee is deducted.

Clients are provided the white copy of the refund form for their records.

***OAG: % complete***

***100%***

## **2007 Recommendation 10**

- a) **The CLASS system should be modified, as planned for 2007 by the City, so that all credit and debit card transactions are integrated into CLASS.**
- b) **The Moneris administrative card should be maintained secure and a supervisory person that does not handle the cash should be required to use it in order for a customer service representative (CSR) to be able to give a refund to a credit/debit card.**

## **2007 Management Response**

a) Management agrees with the recommendation. The recommended integration of all credit/debit card transactions into CLASS was completed in October 2007 for self-serve channels. The branch will continue with implementation plans for front-counter operations. The implementation is scheduled for completion in Q4 2008.

b) Management disagrees with the recommendation. The Branch's current customer service model of one-stop-shopping for all transactions, at all facilities, seven days per week during all operating hours, does not always support the resources required to accommodate this recommendation. If this recommendation was implemented it would necessitate two staff at all times on site, which would result in a significant increase in staffing costs. In addition supervisors and managers frequently have operational requirements that require them to be off site. Therefore a client transaction could not be completed. As administrative staff levels usually decrease after normal business hours this would result in a reduction in

customer service levels as clients who wish to cancel or adjust their membership, rentals or programs would be required to physically go to the appropriate facility during selected times when appropriate staff would be available.

The Moneris administration card is currently locked in the cash drawer at sites. The cash drawer can only be opened after someone logs into the CLASS system using their unique user identification and password. The new refund policy being implemented as of January 1, 2008 removes the requirement for Parks and Recreation staff to use the Moneris card for refunds. As previously stated, the FSU will process all refunds. Although the administrative card will no longer be required for refunds it is still required for other administrative functions such as daily balancing, unlocking the Moneris machine if it has entered lock mode, and re-initializing the machines. Parks and Recreation management and Cash Operations emphasizes to staff that these cards must be kept secured.

**Management Representation of the Status of Implementation of Recommendation 10 as of December 31, 2008**

Implementation of recommendation 10a) is 95% complete. There are only two facilities remaining that require implementation of the front-counter operations. These are scheduled for completion in Q1 2009.

Implementation of recommendation 10b) is no longer necessary. With the integrated pin pad project (recommendation 36 – 95% complete), the administrative card will no longer be used. The integrated pin pad swipe will populate the credit card information on CLASS and will eliminate the Moneris system altogether.

*Management: % complete (a)* 95%

*Management: % complete (b)* 0%

**OAG’s Follow-up Audit Findings regarding Recommendation 10a**

*OAG: % complete* 100%

**OAG’s Follow-up Audit Findings regarding Recommendation 10b**

Once integration is completed the Moneris card will not be required. Pending that completion, we believe this recommendation has been addressed.

*OAG: % complete* 100%

**2007 Recommendation 11**

- a) The CLASS membership card scanning system should be modified so that there is a different signal when a valid membership card is scanned as opposed to one that is expired, on hold or on which a payment is past due.
- b) A different signal should draw the customer service representative’s attention to information on the monitor if a card is scanned a second time within a



**specific period of time. This would allow further investigation in the event that the card has been duplicated or misused.**

### **2007 Management Response**

a) & b) Management agrees with these recommendations. In conjunction with the IT Services, the current infrastructure needs to be reviewed and tested for its ability to support this recommendation. Associated operating pressures will be determined and identified as part of the 2009 budget process. Implementation of this recommendation is subject to Council approval of budget requirements. The Client Services Division and IT Services Branch are targeting an implementation date of Q2 2008.

### **Management Representation of the Status of Implementation of Recommendation 11 as of December 31, 2008**

Implementation of this recommendation is 100% complete. System modifications were made and an authentication system and speakers were installed by IT.

*Management: % complete* **100%**

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### **OAG's Follow-up Audit Findings regarding Recommendation 11**

(a) and (b): Prior to the implementation of this recommendation, in 2008, the Branch undertook spot check at five facilities and found that 8% of the membership reviewed to be invalid.

Management advised us that 16 facilities (those with memberships) have scanners. In late 2008 all facilities with scanners were equipped with sound to allow for a different sound to be made when a client scanned a membership card that is invalid. Implementation occurred between June 2008 and January 2009.

*OAG: % complete* **100%**

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### **2007 Recommendation 12**

**Branch policy should be modified so that membership cards that are misused (e.g., photo doesn't match the person, membership is expired and the person does not want to renew and pay immediately, etc.) should be confiscated.**

### **2007 Management Response**

Management agrees with the recommendation. Membership cards indicate that they are the property of the City of Ottawa and can be confiscated at any time. Fitness Facility Terms and Conditions also support this policy. Clear direction regarding the misuse of membership policy cards will be re-communicated to staff by Q2 2008 by the Business and Client Services Division.

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**Management Representation of the Status of Implementation of Recommendation 12 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

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**OAG's Follow-up Audit Findings regarding Recommendation 12**

In June 2008, Business and Client Services advised Park and Recreation staff of changes to the policy. A procedure for retrieving invalid membership was attached to the e-mail. Management indicated that in 2009, no membership cards were confiscated.

*OAG: % complete* **100%**

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**2007 Recommendation 13**

A Website should be set up for instructors in which they can enter the attendees for a course or activity for each instruction date.

**2007 Management Response**

Management disagrees with the recommendation. This practice is not industry standard and would result in increased costs to the Branch. The additional workload requirements for instructors at remote locations to enter the data would result in additional staffing hours outside regular shift and unnecessary overtime costs. Manual attendance sheets can be kept on site.

**Management Representation of the Status of Implementation of Recommendation 13 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* **0%**

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**OAG's Follow-up Audit Findings regarding Recommendation 13**

Technology enhancements are required at all facilities to fully address the recommendation. We believe the risk associated with the current manual process to be minimal.

*OAG: % complete* **100%**

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**2007 Recommendation 14**

City-Wide Allocations Unit should not give client accounts credits for activities for which payment has not been received.

## **2007 Management Response**

Management disagrees with the recommendation. City-Wide Allocations utilizes seasonal contracts for recurrent users such as ice time for a hockey league. Monthly payment schedules for these contracts are established at the outset of the season and monthly payments are made. If a user chooses not to use all of the time outlined in the contract a refund is not given. The current practice is to amend the contract and the future monthly payment schedule is adjusted accordingly. These amendments are recorded in CLASS and can easily be tracked.

## **Management Representation of the Status of Implementation of Recommendation 14 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* 0%

## **OAG's Follow-up Audit Findings regarding Recommendation 14**

City Wide Allocations has established a process that allows the Financial Support Unit to automatically access client accounts on a monthly basis, clear the balance outstanding in CLASS and issue an invoice through SAP. An Alert Text is then placed on the client's account indicating that the client is an SAP client.

Through this process, when a group cancels or makes changes to a booking in the month for which they may have not yet paid their SAP invoice, City Wide Allocations staff will contact the FSU and request that the credit in CLASS be applied to the client's SAP balance. FSU staff go in to the account, within 72 hours, and remove the credit in CLASS and apply it towards the client's SAP invoice. The client will see the appropriate adjustments on the SAP invoice the following month.

Since the new Refund Policy was implemented on January 1, 2008, all requests for refunds to a client's CLASS account are processed through the FSU where they verify any outstanding amounts in SAP. In this instance, CLASS is used as a tracking tool to identify the client's usage and upcoming contracts, and is not used to clear the client's financial obligations.

*OAG: % complete* 100%

## **2007 Recommendation 15**

**Exception reports should be developed in CLASS, which would draw attention to areas where revenue is lower than normal. Coordinators and managers should review these every month to determine where problem areas might be and take remedial action.**

## **2007 Management Response**

Management agrees with the recommendation. Coordinators and managers should be reviewing reports on a monthly basis. The CLASS registration system includes revenue and program status reports, which can be run monthly to highlight exceptions and indicate problem areas. Reporting from SAP is also available for budgets. These reports will be added to the quarterly financial review meetings. The Parks and Recreation Division and the FSU are targeting an implementation date of Q3 2008.

## **Management Representation of the Status of Implementation of Recommendation 15 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete*

***100%***

## **OAG's Follow-up Audit Findings regarding Recommendation 15**

The recommendation speaks to monthly review (e.g., for a specific facility), while a procedure for the review of changes in revenue was approved and communicated to staff in October 2008, speaks to quarterly reviews. Management has determined this to be a more meaningful approach. Management informed us that the quarterly reviews required under this procedure were not taking place due to the 2008 corporate re-alignment. However management have indicated that facility supervisors now do run quarterly variance reports (as opposed to exception reports as was recommended) both in CLASS and SAP to compare projected revenues against actuals and then take appropriate action as required. In addition, targeted revenues versus actuals are also being reviewed at the Quarterly Financial Review meetings, which have now resumed. We received and reviewed the agendas and minutes of a sample of these review meetings to confirm this is occurring. Although management has proceeded with an alternative approach than that recommended, it can be considered fully addressed.

*OAG: % complete*

***100%***

## **2007 Recommendation 16**

**Reports should be developed in CLASS to examine refunds or adjustments in order to identify the major reasons for the high rate of adjustments, to ensure that they are appropriate and to determine whether a reduction in this area is possible.**

## **2007 Management Response**

Management agrees with the recommendation. Once the new refund policy is in place on January 1, 2008, reports can be run for point of sale transactions where refunds are still possible on site. All other refunds will be managed through the FSU.

**Management Representation of the Status of Implementation of Recommendation 16 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

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**OAG's Follow-up Audit Findings regarding Recommendation 16**

The "Refunds Process Report - with Contact Name" does provide the reasons for the refunds. The report can be run by location, user, refunded by for specific period ranges. In addition, as stated by management, facility staff performs only point of sale refunds.

As per the FSU Refund Summary, in 2008, the department processed 3,403 refunds totalling \$572,441. For the last quarter of 2008, the summary provided the reasons for refunds where clients did not pay a processing fee (68%). For this group, 69% was due to course cancellation, followed at 17% by staff error

*OAG: % complete* **100%**

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**2007 Recommendation 17**

All satellite locations should be advised that when a complimentary pass is used as payment, it should be entered into CLASS using the appropriate "hotkey".

**2007 Management Response**

Management agrees with the recommendation. No action is required as procedures on how to process a complimentary pass have already been developed and communicated to facility staff. Management will re-circulate the CLASS procedure manual to facilities as a reminder on how to process a complimentary pass. The Business and Client Services Division is targeting a communication date of Q4 2008.

**Management Representation of the Status of Implementation of Recommendation 17 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

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**OAG's Follow-up Audit Findings regarding Recommendation 17**

A reminder was issued to staff in October 2008.

*OAG: % complete* **100%**

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**2007 Recommendation 18**

The gift certificate should be pre-printed with "only redeemable for services or merchandise".

**2007 Management Response**

Management agrees with the recommendation. The current version of gift certificate reads “non redeemable for cash” and the policy clearly states that gift certificates will be treated as cash for transactions in CLASS. Once the current stock of gift certificates is depleted all subsequent gift certificate printed will read “only redeemable for services or merchandise” as recommended.

**Management Representation of the Status of Implementation of Recommendation 18 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

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**OAG’s Follow-up Audit Findings regarding Recommendation 18**

This recommendation has not been implemented due to an existing inventory of 2,600 gift certificates. Management advised that no new gift certificates have been printed and that as of May 11, 2009, Parks, Recreation and Cultural Services had an inventory of gift certificates as follows:

| <u>Gift Certificate Value</u> | <u>Number on Hand</u> |
|-------------------------------|-----------------------|
| \$50.00                       | 600                   |
| \$10.00                       | 800                   |
| \$ 5.00                       | 1,200                 |

Pending depletion of the current stock and printing of new certificates, the recommendation is complete.

*OAG: % complete* **100%**

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**2007 Recommendation 19**

**Clients should be informed that when they book a rink, pool, hall, etc., the cheques should be sent to the City’s Accounts Receivable Unit that would post the collection of the receivable.**

**2007 Management Response**

Management disagrees with the recommendation. This response was developed in conjunction with Financial Services. Only clients that have been invoiced by the City’s Accounts Receivable (A/R) Unit can make their payment directly to A/R. Until that time, all payments must be made in the CLASS system at any Client Service Centre or CLASS facility location. CLASS is a secondary system, which is not connected in any way to the City's A/R system or SAP financial system. Sending cheques to A/R would only delay recording the payment, as A/R would have to send those back to each client facility. Until such time as the vendors agree

to connect the CLASS system to the City's A/R system this recommendation cannot be implemented. Data dumps between the systems are currently undertaken to ensure currency of information.

**Management Representation of the Status of Implementation of Recommendation 19 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* *0%*

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**OAG's Follow-up Audit Findings regarding Recommendation 19**

Implementation of the recommendation would require a link between CLASS and SAP as well as additional CLASS licenses in Accounts Receivable. The Pay Before You Play policy and the Accounts Receivable Review Process (implemented in November of 2007) have reduced outstanding Accounts Receivable by approximately 40%. Although management disagreed with the original recommendation, implementation of other measures has addressed the underlying issues.

*OAG: % complete* *100%*

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**2007 Recommendation 20**

Signs should be posted at rinks indicating the price for skating and advising the clients to obtain a ticket.

**2007 Management Response**

Management agrees with the recommendation. The Branch is in the process of designing portable sandwich board signs that indicate the rates and direct patrons to pay a public skating attendant. Signs will be completed and placed at public skating admission points by Q3 2008.

**Management Representation of the Status of Implementation of Recommendation 20 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* *100%*

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**OAG's Follow-up Audit Findings regarding Recommendation 20**

This recommendation was previously made further to observations at the Bell and Richmond arenas. In light of this, we specifically visited these two arenas as well as Sandy Hill during weekend public skates. Notwithstanding the original management response, we found that no portable sandwich board signs were present at any of these arenas. However, the bulletin board at Richmond Arena,

although busy, did have an 8x11 sheet providing prices and asking patrons to obtain an admission ticket from the counter.

*OAG: % complete*

*25%*

### **Management Representation of Status of Implementation of Recommendation 20 as of Fall 2010**

Management agrees with the OAG's follow-up audit finding.

Sandwich board and bulletin board signage was designed, printed and installed in stand-alone arenas. Management found that the method of posting the signs was not effective and some of the signs went missing

Skating School staff will ensure that signs, indicating the admission fees and requesting that payments be made to the skating attendant, will be posted at all stand-alone arena locations by Q4 2010.

*Management: % complete*

*25%*

### **2007 Recommendation 21**

**Instructors of programs or activities should be given a new CLASS list for each night, which would show participants that have cancelled as cancelled. The list should have any outstanding amounts on client's accounts. The instructors should be required to ask client to make payment before the next session.**

### **2007 Management Response**

Management agrees with the recommendation. The Pay Before You Play Policy, which was implemented on November 1, 2007, addresses the issue of outstanding client accounts. Instructors currently receive a class list at the beginning of each session and are informed as changes occur to the original class.

### **Management Representation of the Status of Implementation of Recommendation 21 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete*

*100%*

### **OAG's Follow-up Audit Findings regarding Recommendation 21**

The department advised us that there is no report in CLASS that provides both the program start date and the date of payment for a registrant. Furthermore, we were advised that although the data is contained in the CLASS system, the City has never required the information and it would need to return to the vendor and ask them to create a script (at a cost to the City). As such, the recommendation has been implemented as far as is practical in the absence of this report. We did observe that at the St-Laurent Complex during 2008, one instructor was not provided with a participant's roster and did not seem to be advised of any changes.



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*OAG: % complete*

*100%*

### **2007 Recommendation 22**

The Branch should more rigorously enforce the “Pay before you Play” policy.

### **2007 Management Response**

Management agrees with the recommendation. Prior to the audit the Branch did not have a formal Pay Before You Play Policy. In order to ensure that the philosophy was enforced more rigorously, a formal Pay Before You Play Policy was implemented on November 1, 2007.

### **Management Representation of the Status of Implementation of Recommendation 22 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete*

*100%*

### **OAG’s Follow-up Audit Findings regarding Recommendation 22**

There were a total of 13 accounts receivable relating to the Spring 2008 registration. More diligent enforcement of the Pay Before You Play policy would erase future accounts receivable.

The 2008 accounts receivable totalled \$14,180 for memberships; and, \$13,689 for program registrations. During our review of the accounts receivable data some clients were observed to have a current receivable in addition to another receivable (e.g., over 30, 60, 90 and 120 days).

Management formalized the Pay Before you Play Policy in November of 2007 and has been enforcing this policy with Program Managers and facility staff through the Quarterly Financial Review process.

Further, the Pay Before You Play Policy outlines all of the approved exceptions to this policy - there is a short list of targeted agencies that are permitted to leave unpaid balances in CLASS until action is taken to invoice or to charge back certain City departments.

The total Accounts Receivable for client accounts at the end of 2009 was 0.5% for memberships and 0.2% for registrations demonstrating that the department is doing its due diligence on the collection of accounts receivable.

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*OAG: % complete*

*100%*

### **2007 Recommendation 23**

The Branch should implement a routine process of monthly billing for all accounts in CLASS at the satellite locations and the City-Wide Allocations Unit and charge interest after 30 days.

### **2007 Management Response**

Management disagrees with the recommendation. The new Branch Pay Before You Play Policy and A/R Review Procedures already have a built in process to deal with outstanding client accounts and the charging of interest. Moving all CLASS transactions on a monthly basis to a City invoice would greatly increase workload of Accounts Receivable and the FSU staff and would require additional FTEs to complete the work.

### **Management Representation of the Status of Implementation of Recommendation 23 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* *0%*

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### **OAG's Follow-up Audit Findings regarding Recommendation 23**

Implementation of the recommendation would require a link between CLASS and SAP as well as additional CLASS licenses in Accounts Receivable. The Pay Before You Play policy and the Accounts Receivable Review Process (implemented in November of 2007) have reduced outstanding Accounts Receivable by approximately 40%. Although the original recommendation was not implemented, other measures now in place are sufficient to address the underlying issues.

*OAG: % complete* *100%*

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### **2007 Recommendation 24**

The satellite locations should be:

- a) Given training in accounts receivable, which should include how to determine to which item to allocate a payment;
- b) Required to collect past due accounts for any location before they take another booking; and,
- c) Advised that when requesting an invoice be issued by FSU, they ensure that the name on the invoice be the parent rather than the child and simply reference the child's name.

### **2007 Management Response**

- a) Management agrees with the recommendation. The A/R Review Procedures implemented on November 1, 2007 provided staff with the required procedures for the collection of outstanding accounts. The process of linking payments to appropriate client accounts is covered during CLASS training and is outlined in the CLASS training manual.
- b) Management agrees with the recommendation. The Pay Before You Play Policy implemented on November 1, 2007 addresses this recommendation.

- c) Management agrees with the recommendation. The FSU issues invoices and their current processes ensure that the name of the parent is on the invoice.

**Management Representation of the Status of Implementation of Recommendation 24 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

**OAG's Follow-up Audit Findings regarding Recommendation 24**

a) Management informed us that no specific accounts receivable training is provided but that staff do receive related training in CLASS. At present, the facility supervisor is responsible to train new hires. The CLASS Facility Booking Manual section explains step by step how to enter a payment. Therefore, while not implementing the precise wording of the original recommendation, action has been taken to address the underlying issues.

*OAG: % complete* **100%**

b) In light of the pay-before-you-play policy we observed that some accounts receivable (e.g., current to over 120 days) continue to exist. In addition, as some clients have both a current account receivable and others outstanding account receivables (e.g., greater than 30 days, 90 days, etc.) we conclude that staff are not always enforcing the collection of outstanding accounts before taking additional bookings (e.g., should not have a current A/R if there is an outstanding greater than 60 day A/R).

In addition, the Interim Procedure for Review and Collection of CLASS Receivable approved October 15, 2007 and reviewed February 2008 states "10. Area/Division Managers must ensure that all outstanding balances in CLASS are followed up and cleared by the next quarter". This in itself should remove any receivable greater than 92-93 days.

We did however observe that both the December 2008 A/R for membership and for program registration had decreased from December 2007 levels.

*OAG: % complete* **40%**

**Management Representation of Status of Implementation of Recommendation 24b as of Fall 2010**

Management agrees with the OAG's follow up audit finding.

Management formalized the Pay Before You Play Policy in November of 2007 and has been rigorously enforcing this policy with Program Managers and facility staff through the Quarterly Financial Review process.

Management will send a communiqué to remind staff of the requirement to enforce this policy, by Q4 2010.

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*Management: % complete* *40%*

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c) Management informed us that the FSU ensure that the parent's name is on the invoice.

*OAG: % complete* *100%*

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### **2007 Recommendation 25**

Consideration should be given to providing financial management training for Branch managers and supervisors.

### **2007 Management Response**

Management agrees with the recommendation. Financial and CLASS Report training was provided to all portfolio managers and facility supervisors in 2007. CLASS Report training was provided to branch, division and area managers in October 2007. Training has and will continue to be provided on an ongoing basis by the FSU and the appropriate centers of expertise to managers and supervisors.

### **Management Representation of the Status of Implementation of Recommendation 25 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* *100%*

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### **OAG's Follow-up Audit Findings regarding Recommendation 25**

The department advised that they did take measures in providing portfolio managers and facility supervisors financial and CLASS report training in 2007. Due to changes within these groups and based on work on other audits, it is our observation that some areas within the department would benefit from re-training and/or further training.

*OAG: % complete* *100%*

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### **2007 Recommendation 26**

When deposits are reviewed:

- a) If there is a refund the daily cash balance-detail report should be examined to see to whom the refund went. A refund receipt should have to be signed by the client, the customer service representative and a second staff to ensure that the refund was approved.
- b) If there is an over or under there should be no attempt by the person reviewing the report to "force" a balance. Rather the person should attempt to find the difference. Otherwise it should be reported to Cash Operations.

- c) **Copies of the deposit reports should be retained by the locations in the event a deposit is lost or if there is an over/under they will have access to the back up to answer questions.**

### **2007 Management Response**

a) Management agrees with the recommendation. The Refund Policy, which will be implemented on January 1, 2008, will address this recommendation by prescribing that the client and a Parks and Recreation staff sign the refund, which is then sent to the FSU for review and processing. This new policy will require additional steps for clients and a delay in receiving refunds for memberships, programs and rentals. It should be noted this process will not apply to admissions and merchandise purchases.

b) Management agrees with the recommendation. This response was developed in conjunction with Financial Services. Instructions on how to handle over or under balancing differences are available in the Cash Handling Manual. In addition, an area is provided for the indication of the over or under amount and explanation on the Ottawa G/L Report Summary. This report is printed from CLASS and completed as part of the deposit preparation. A communiqué will also be issued to staff that prepare deposits to reinforce the steps involved in the deposit procedure. The Point of Service Support, Financial Services is targeting an implementation date of Q4 2008.

c) Management disagrees with the recommendation. This response was developed in conjunction with Financial Services. Management does not see this as a mandatory requirement because CLASS reports can be reprinted in the event the deposit is lost or there is an over or under. All original supporting documentation is stored centrally and is accessible upon request.

### **Management Representation of the Status of Implementation Recommendation 26 as of December 31, 2008**

Implementation of recommendation 26a) is 100% complete. Implementation of recommendation 26b) is 85% complete. The remainder will be completed when the Cash Operations Manual is finalized at the end of February 2009. Implementation of recommendation 26c) has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

|  |             |
|--|-------------|
| <b><i>Management: % complete (a)</i></b> | <b>100%</b> |
| <b><i>Management: % complete (b)</i></b> | <b>85%</b>  |
| <b><i>Management: % complete (c)</i></b> | <b>0%</b>   |

**OAG's Follow-up Audit Findings regarding Recommendation 26**

a) The new refund policy requires that the top half of a refund request form be completed and signed by the client; the bottom half be completed and signed by the facility and prior to being sent to the FSU to perform the refund.

It should be noted that since January 2008 the FSU-CLASS Support are performing refunds for non-point of sales items such as registrations, memberships or facility bookings, for facilities. When facilities perform refund on point of sales items greater than \$10.00 for goods sold, admission or pay-as-you-go a request for refund form is completed and the white copy given to client.

***OAG: % complete*** ***100%***

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b) Management advised that this recommendation was dealt with in the draft revised Cash Handling Manual being reviewed by Cash Handling/Treasury. The Cash Handling Manual (effective March 31, 2009) was only communicated to staff through Ozone during the first week of February 2010.

The OAG agrees that the exact wording from the original audit's recommendation can be found on page 12 of the policy/procedures (Cash Handling - Corporate Procedure). However, we note that management did not issue an email to all staff that prepare deposits in an attempt to inform them promptly not to "force" a balance in the interim of re-issuing a policy. Furthermore, the volume of the policy leads us to believe that not all staff, which prepare deposits, may read it.

***OAG: % complete*** ***25%***

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**Management Representation of Status of Implementation of Recommendation 26b as of Fall 2010**

Management agrees with the OAG's follow-up audit finding.

Although progress has been made in implementing this recommendation, training to front-line staff has not yet been completed.

The Cash Handling Policy and Procedure was approved by the City Treasurer on March 31, 2009. The policy and procedures required translation and took significant translation efforts, given the level of detail in the 27 appendices as well as the number of other requests sitting in the queue for translation. The approved policy and procedure was sent to Parks, Recreation and Culture in June 2009. Once complete and posted to Ozone, a Management Bulletin and City Briefs article were sent to staff in February 2010. In addition, a training strategy was developed in consultation with key service areas to address training needs and requirements. Parks, Recreation and Culture was one of the key service areas that provided feedback on training needs. A 'train the trainer' session was held for Parks, Recreation and Culture staff and the issue of over/short was addressed in the training session.

Parks, Recreation and Culture staff will train all staff in the department (both full and part-time) on the new Cash Handling Policy and Procedures, by Q1 2011. At this training, staff will be informed not to “force a balance”.

***Management: % complete*** ***25%***

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c) Since Daily Cash Balance Reports (Deposit Reports) can be reprinted from CLASS at any time if one is lost or to address deposits that are over or under we believe the risk of not keeping copies on-site to be minimal.

***OAG: % complete*** ***100%***

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### **2007 Recommendation 27**

**When preparing a deposit the number of credit card vouchers should be totalled and compared with the Moneris report. This will indicate whether any have been misplaced or not transacted.**

### **2007 Management Response**

Management agrees with the recommendation. This response was developed in conjunction with Financial Services. This recommendation will be incorporated into the Cash Handling Manual and communicated to affected areas during training opportunities and site visits. A communiqué will also be issued to staff that prepare deposits to advise them of the steps involved in the deposit procedure. Point of Service Support, Financial Services is targeting an implementation date of Q4, 2008.

### **Management Representation of the Status of Implementation of Recommendation 27 as of December 31, 2008**

Implementation of this recommendation is 100% complete. This was addressed in the draft of the Cash Operations Manual. This step is no longer required because of the integrated swipe system in CLASS. The integrated pin pad swipe will populate the credit card information on CLASS and will eliminate the Moneris system altogether. The final manual will be complete by end of February 2009.

***Management: % complete*** ***100%***

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### **OAG's Follow-up Audit Findings regarding Recommendation 27**

Although the policy states that it was effective March 31, 2009, the Cash Handling Manual was only posted on Ozone during the first week of February 2010. The draft policy/procedures we reviewed states that “If your location uses a debit/credit card solution, balance all debit and credit cards transactions to the totals on the point-of-sale system (e.g., cash register, CLASS System, etc.). Notwithstanding, this recommendation is no longer applicable given the integration of pin pad swipe system.

***OAG: % complete*** ***100%***

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**2007 Recommendation 28**

The Coordinator, Point of Sales should clarify for the satellite locations when the refund reversal and purchase correction hotkeys should be used.

**2007 Management Response**

Management agrees with the recommendation. This response was developed in conjunction with Financial Services. Instructions were provided to all satellite locations when the original equipment was installed. This equipment was replaced with new technology during the months of May-October 2007. A Quick Reference Guide was provided to all locations. In addition, a step-by-step reference guide is available for further reference. Instructions will be reinforced and further clarified to affected areas during training opportunities and site visits. The Quick Reference Guide will be redistributed to all locations. A review of the Quick Reference Guide will provide more specific instruction related to Parks and Recreation related transactions.

**Management Representation of the Status of Implementation as of December 31, 2008**

Implementation of this recommendation is 100% complete. This step is no longer required because of the integrated swipe system in CLASS.

*Management: % complete*

*100%*

**OAG's Follow-up Audit Findings regarding Recommendation 28**

Management advised that this recommendation is no longer applicable given the integration of the pin pad swipe system. In addition, as noted earlier in this report the majority of refunds are now carried out by the FSU.

*OAG: % complete*

*100%*

**2007 Recommendation 29**

Cash drawers should be:

- a) Kept locked; and,
- b) Assigned to a specific individual.

**2007 Management Response**

a) Management agrees with part of the recommendation. Management agrees that cash drawers should be kept locked. This response was developed in conjunction with Financial Services. A communiqué will be sent to all staff reinforcing instructions in the Cash Handling Manual of keeping cash drawers locked by Q2 2008.

b) Management does not agree to support dedicated cash drawers. In order to ensure that financial controls are in place, staff log in and out of the CLASS



application with their own dedicated user identification and password ensuring that all transactions are coded to each individual "cash handler" for that shift. The contents of the cash drawer are then balanced at the end of each cash handler's shift ensuring singular accountability to that individual. Where there are several cash handlers within a facility during a given day, the Facility supervisor conducts another balance at the end of the day. However they do share the cash drawer. If each person were to have their own drawer insert while multiple individuals were on duty at the same time this could potentially require that the clerk going to the front counter to deal with a customer would have to go with the clerk who currently has their cash drawer in the system, have them pull it out and secure it, and the new clerk put their cash drawer in prior to completing the transaction, which would impact customer service levels.

In addition, many of our facilities were built in the 1960's and the 1970's and would require extensive front counter renovations to accommodate additional cash drawers, network connectivity and point of sale workstations. Each site is unique and it may not be feasible to make modifications at all locations. Management believes that this recommendation could be cost prohibitive, but will investigate the feasibility of the recommendation and identify associated budget pressures as part of the 2009 budget process.

**Management Representation of the Status of Implementation of Recommendation 29 as of December 31, 2008**

Implementation of recommendation 29a) is 100% complete. Implementation of recommendation 29b) has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

|                                   |             |
|-----------------------------------|-------------|
| <i>Management: % complete (a)</i> | <i>100%</i> |
| <i>Management: % complete (b)</i> | <i>0%</i>   |

**OAG's Follow-up Audit Findings regarding Recommendation 29a**

a) In June 2008 the manager, Business and Client Services emailed staff reminding them to keep the cash drawers locked at all times.

|                        |             |
|------------------------|-------------|
| <i>OAG: % complete</i> | <i>100%</i> |
|------------------------|-------------|

b) Management has indicated its support for this recommendation as existing facility counters are retrofitted and as new facilities are developed to ensure there is sufficient storage space at the reception area to accommodate multiple cash drawers. Currently, larger facilities that have more than one customer service station do have dedicated cash drawers for each customer service station. In areas where cash drawers are not unique to individuals, each customer service staff logs in to CLASS with their own User ID and all transactions are coded with that ID number. At closing time each day, all cash is reconciled and a deposit is prepared.

For the 2010 budget, a pressure was added for \$11,000 to purchase two additional cash drawers with locking covers, per facility. Should the budget pressure be approved, each customer service station would be provided with two drawers so that the drawers could be exchanged as new staff come on duty. If the budget pressure is not approved, management has agreed to support the recommendation as existing front counters are retrofitted and as new facilities are built.

*OAG: % complete*

*100%*

### **2007 Recommendation 30**

**The Branch should:**

- a) **Assign a function either in Cash Operations or Corporate Security with the responsibility to develop policies and procedures regarding the security of the combinations for safes;**
- b) **Give consideration to periodically changing a safe's combination;**
- c) **Change the combination to a safe when a person leaves the employ of the City or changes responsibilities and has the combination for a safe; and,**
- d) **Advise staff not to keep the combination for the safe in their unlocked drawers.**

### **2007 Management Response**

a) Management agrees with the recommendation. This response was developed in conjunction with Financial Services. The Cash Handling Manual will be reviewed and additional directions will be recommended to the sites with respect to safes and vaults. This will be done in consultation with the Corporate Security Division of RPAM and Parks and Recreation Branch. Given the nature of the consultation required this activity will be completed by Q4 2008 by Point of Service Support, Financial Services.

b) Management agrees with the recommendation. This response was developed in conjunction with Financial Services. The Cash Handling Manual will be reviewed and recommendations will be offered with regards to the periodic changing of safe combinations for the operating branch to implement and administer. This recommendation will be completed by Q4 2008 by Point of Service Support, Financial Services.

c) Management agrees with the recommendation. This response was developed in conjunction with Financial Services. The Cash Handling Manual will be reviewed and recommendations will be presented for the operating branch to implement and administer with regards to changing the combination to a safe when a person that has the combination for a safe leaves the employment of the City or changes responsibilities. This recommendation will be completed by Q4 2008 by Point of Service Support, Financial Services.

d) Management agrees with the recommendation. This response was developed in conjunction with Financial Services. The Cash Handling Manual will be revised and staff will be advised not to keep the combination for the safe in their unlocked drawers. This recommendation will be completed by Q4 2008 by Point of Service Support, Financial Services.

**Management Representation of the Status of Implementation of Recommendation 30 as of December 31, 2008**

Implementation of this recommendation is 85% complete. This will be addressed in the draft of the Cash Operations Manual. A first draft of the manual has been completed with input from the Parks and Recreation branch. The final manual will be completed by the end of February 2009.

*Management: % complete* 85%

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**OAG's Follow-up Audit Findings regarding Recommendation 30a**

The Cash Handling Policy and Procedures have now been revised to provide clarity with respect to the responsibility for security of safe combinations.

*OAG: % complete* 100%

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**OAG's Follow-up Audit Findings regarding Recommendation 30b and 30c**

The Cash Handling procedure provides that safe combinations should be kept secured, periodically changed and provides in which circumstance it should be changed. It also states that combinations do not require to be changed as often if the safe is kept in a secure area.

However, as stated earlier in this report the Cash Handling – Corporate Procedures Manual was not communicated to staff and only posted on Ozone during the first week of February 2010.

*OAG: % complete* 25%

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**Management Representation of Status of Implementation of Recommendation 30b and 30c as of Fall 2010**

Management agrees with the OAG's follow-up audit finding.

Although progress has been made in implementing this recommendation, training to front-line staff has not yet been completed.

The Cash Handling Policy and Procedure was approved by the City Treasurer on March 31, 2009. The policy and procedures required translation and took significant translation efforts, given the level of detail in the 27 appendices as well as the number of requests sitting in the queue for translation. The approved policy and procedure was sent to Parks, Recreation and Culture in June 2009. Once the translation was complete and posted to Ozone, a Management Bulletin and City

briefs article were sent to all staff in February 2010. In addition, a training strategy was developed in consultation with key service areas to address training needs and requirements. Parks, Recreation and Culture was one of the key service areas that provided feedback on training needs. A 'train the trainer' session was held for Parks, Recreation and Culture staff and the issue of safe combinations was addressed in the training session.

Parks, Recreation and Culture staff will train all staff in the department (both full and part-time) on the new Cash Handling Policy and Procedures, by Q1 2011.

*Management: % complete* *25%*

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### **OAG's Follow-up Audit Findings regarding Recommendation 30d**

The Cash Handling procedure states that safe combinations should be kept in secure locations and should be changed periodically. Cash Handling – Corporate Procedures Manual was posted on Ozone during the first week of February 2010.

*OAG: % complete* *50%*

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### **Management Representation of Status of Implementation of Recommendation 30d as of Fall 2010**

Management agrees with the OAG's follow-up audit finding.

Parks, Recreation and Culture staff have prepared training sessions and are planning to train all staff in the department (both full and part-time) on the new Cash Handling Policy and Procedures by the end of Q1 2011.

*Management: % complete* *50%*

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### **2007 Recommendation 31**

The Float Custody Agreement should:

- a) Also be used for sub-floats; and,
- b) Communicated to all who handle City funds.

### **2007 Management Response**

a) Management disagrees with the recommendation. This response was developed in conjunction with Financial Services. The custodian of the float who signs a Certification of Indemnity and provides a yearend statement is the person held accountable and responsible for the float.

The main custodian could sign/transfer the custodianship of the fund to a sub-custodian provided that sub-custodian is the only individual who uses the funds to provide change for revenues collected. If there is more than one individual using the funds due to the employment of staff who work various shifts, the funds are considered to be associated with the facility's cash register/drawer with the main custodian being the supervisor or senior staff member of that facility. The

expectation and understanding is that the main custodian will provide directives including the provision of the policy and procedures to all of the "sub-custodians" and this main custodian in the final analysis is accountable for that particular fund. Alternatively, the main custodian could request that all sub-custodians sign an agreement, but the administrative function in recording the numerous possible sub-custodians would conceivably not be considered cost effective for the risk involved.

b) Management agrees with the recommendation. This response was developed in conjunction with Financial Services. Custodians will be reminded to store the most current copy of the documentation (which is also available on Ozone) with the funds in the area where they are locked up. Implementation is targeted for Q4 2008.

**Management Representation of the Status of Implementation of Recommendation 31 as of December 31, 2008**

Implementation of recommendation 31a) has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* 0%

**OAG's Follow-up Audit Findings regarding Recommendation 31(a)**

Periodic reminders are sent out to staff via the Risk Management Tips and Operational Bulletin communication that is automatically sent to staff on a weekly basis through the Employee Communications mailbox. This practice was introduced in early June 2009 and the reminders include cash handling practices. A reminder relating to the sub floats is to be included in this communication tool.

*OAG: % complete* 100%

**Management Representation of the Status of Implementation of Recommendation 31(b) as of December 31, 2008**

Implementation of recommendation 31b) is 85% complete. This has been addressed in the draft Cash Operations Manual. The final manual will be complete by the end of February 2009.

*Management: % complete* 85%

**OAG's Follow-up Audit Findings regarding Recommendation 31b**

As stated earlier, Treasury were revising its Cash Handling – Corporate Procedures Manual in 2009. During the first week of February 2010, the manual (effective March 31, 2009) was posted on Ozone.

The instructions to save a copy of the policy was provided in December 2008 as part of the 2008 year-end instructions that were targeted to higher level employees. Management advised us that these probably did not find their way to all custodians. However, in December 2009, this was addressed in the petty cash and

change float instructions provided to custodians. We are satisfied that the spirit of the recommendation has been addressed.

*OAG: % complete*

*100%*

### **2007 Recommendation 32**

- a) The control system for gift certificates should be improved so that the sequence numbers are controlled.
- b) When gift certificate and complimentary passes change hands with the float, they should be counted and signed for.

### **2007 Management Response**

a) & b) Management agrees with the recommendations. Management recognizes that the current tracking system used to confirm inventory of certificates held at sites needs to be reviewed in conjunction with Cash Operations to ensure consistency between the log held by the senior administrative assistant and the financial value associated with the residual gift certificate inventory on hand at the facilities. In accordance with the Branch's current gift certificate policy, the process for ensuring tracking of distributed certificates is managed by the senior administrative assistant of Parks and Recreation. The FSU follows appropriate general accounting principles to confirm that the value of gift certificates redeemed is balanced with the CLASS deposit summaries. Targeted implementation for a review of the controls and tracking systems is scheduled for Q3 2008.

### **Management Representation of the Status of Implementation of Recommendation 32 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete*

*100%*

### **OAG's Follow-up Audit Findings regarding Recommendation 32a**

In October 2008 an email was sent to employees informing them that revisions had been made to the Gift Certificate Policy. As of October 1, 2008 the Executive Assistant, Parks, Recreation & Cultural Service Department was responsible to conduct the inventory of gift certificate yearly (by January 31<sup>st</sup>); and, that gift certificates are treated as cash and counted and signed for in the same manner as cash in the daily deposit. In January 2009 an inventory of 2008 remaining gift certificate was not performed, however, a gift certificate inventory relating to the October 2008 guidelines was being performed in January 2010 (for the 2009 gift certificate inventory).

We noted that the control sheet in use did not identify the location of each certificate (i.e., in inventory, at a facility etc.) at January 1 and then December 31. We also observed that some gift certificates were sold out of sequence making

reconciliation more difficult. Finally, we noted a series of certificates listed both as sold and on-hand on year-end summary sheets. While not significant, further modifications to certificate controls should be considered.

*OAG: % complete* *85%*

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**Management Representation of Status of Implementation of Recommendation 32a as of Fall 2010**

Management agrees with the OAG's follow-up audit finding.

The control system for gift certificates was improved, and the sequence numbers were controlled through the revision of the Gift Certificate Policy and Procedure and the addition of the annual tracking sheet completed by facility staff and sent back to the department's senior administrative assistant for review and roll up. This tracking sheet now shows the gift certificate numbers that were sold and those that remain at the facility at the end of the calendar year.

Beyond the scope of the original recommendation, management agrees to further improve the master control sheet to list all gift certificates and indicate "on hand" and "at facility", by Q4 2010.

*Management: % complete* *85%*

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**OAG's Follow-up Audit Findings regarding Recommendation 32b**

The revised policy does not address situation where gift certificates or complimentary passes change hands with the cash float. However, it does stipulate that they should be "treated as cash and counted and signed for in the same manner as cash in the daily deposit".

*OAG: % complete* *50%*

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**Management Representation of Status of Implementation of Recommendation 32b as of Fall 2010**

Management agrees with the OAG's follow-up audit finding.

Management will revise the Gift Certificate Policy to indicate that "when gift certificates change hands with the float they should be counted and signed for in the same manner as cash in the daily deposit". This will be completed by Q4 2010.

*Management: % complete* *50%*

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**2007 Recommendation 33**

**An audit report should be developed that reports on transactions done by CLASS Support Technical Computer Analysts and the Manager CLASS Support should review this report weekly.**

### **2007 Management Response**

Management disagrees with the recommendation. Any transaction anomalies will show up on the existing quarterly financial reports, which are reviewed by the FSU and the Parks and Recreation management team. The number of financial transactions handled by the CLASS support technical computer advisors is minimal and management feels the level of risk is well contained. System administrators, including IT professionals, have system and configuration permissions over and above normal end users. The number of reports required to monitor these permissions would be cost prohibitive to manage what management believes to be a low level risk.

### **Management Representation of the Status of Implementation of Recommendation 33 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

*Management: % complete* *0%*

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### **OAG's Follow-up Audit Findings regarding Recommendation 33**

The following is to be added to the CLASS (P&R) and BAM (IT) Teams' work plans for 2009: To perform a formal review of all permissions for the system administrator group and identify impacts on CLASS support, FSU capacities and customer service levels if any changes were to be made to these permissions. As such, we believe the recommendation to be substantively implemented.

*OAG: % complete* *100%*

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### **2007 Recommendation 34**

CLASS should be modified so that:

- a) When a new user logs in with their initial password, the system forces them to change the password; and,
- b) It forces a user to change their password periodically as is currently being planned for the fall of 2007.

### **2007 Management Response**

a) & b) Management agrees with the recommendations. No further action is required, as these system modifications were implemented as part of the CLASS upgrade, which was completed in October 2007.

### **Management Representation of the Status of Implementation of Recommendation 34 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* *100%*

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**OAG's Follow-up Audit Findings regarding Recommendation 34a and 34b**

Management advised that CLASS 6.01 was configured to force users to change their password during their first login to CLASS. Furthermore CLASS was configured to only access passwords made-up of at least eight characters with two numbers. They further advised that almost all CLASS users have their passwords set to expire after 90 days with the exception of the following service accounts which password are set to never expire:

CLASS - Database Owner

Subsidysr - Running subsidy report (performance problem workaround)

accbalance - UCAB daily

econuser - eConnect

icacheuser - Internet Cache Utility Daily

ivr001 - IVR

ivr002 - IVR

rps001 - Registration Processing Service

rps002 - Registration Processing Service

taskuser - CLASS Task Service

***OAG: % complete*** ***100%***

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**2007 Recommendation 35**

**A bulletin should be issued to staff advising them of the importance to log off when they leave their terminal so that another person cannot do transactions under their name.**

**2007 Management Response**

Management agrees with the recommendation. This has been done in the past and the message was once again communicated by IT Security (as per Parks and Recreation request) at an all staff meeting in October 2007. A communiqué will be prepared for staff to remind them about the importance of logging out when they leave the front counter. The Business and Client Services Division is targeting an implementation date of Q1 2008.

**Management Representation of the Status of Implementation of Recommendation 35 as of December 31, 2008**

Implementation of this recommendation is 100% complete.

***Management: % complete*** ***100%***

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**OAG's Follow-up Audit Findings regarding Recommendation 35:**

In March 2008 Business and Client Services of the Recreation and Cultural Services issued a reminder to staff highlighting the importance to log out of both their computer and the CLASS application. This information was also updated in the CLASS User Reminders also attached to the e-mail.

*OAG: % complete* **100%**

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**2007 Recommendation 36**

The Branch should carry out its plan to integrate the debit/credit card transactions with CLASS for Web-based, IVR, and personal registrations.

**2007 Management Response**

Management agrees with the recommendation. No further action is required, as this work was completed for self-serve channels in October 2007. In conjunction with IT Services and Cash Operations, the Business and Client Services Division plan implementation of front counter operations in Q4, 2008.

**Management Representation of the Status of Implementation of Recommendation 36 as of December 31, 2008**

Implementation of this recommendation is 95% complete. Two facilities still remain to be completed. This project will be completed by the end of January 2009.

*Management: % complete* **95%**

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**OAG's Follow-up Audit Findings regarding Recommendation 36**

*OAG: % complete* **100%**

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**2007 Recommendation 37**

The credit card number and related client name should be stored on separate physical disk drives in separate locations and access to these drives should be restricted and monitored.

**2007 Management Response**

Management agrees with the recommendation. Currently the client's name and credit card information are stored on the same drive, but the access is restricted to the CLASS Support Team and FSU. In order to implement this recommendation, additional hardware (drives) will need to be purchased to ensure that the credit card numbers and clients' names can be stored in separate locations. Associated operating pressures will be determined and identified as part of the 2009 budget process. Implementation of this recommendation is subject to Council approval of budget requirements. The Business and Client Services Division are targeting an implementation date of Q4, 2009.

### **Management Representation of the Status of Implementation of Recommendation 37 as of December 31, 2008**

Implementation of this recommendation has not yet begun and will be scheduled for discussion at an upcoming CAWG meeting.

Since submitting the management response, the Branch has done further consultation with both IT and Active Networks and have found that there is currently a project underway with IT that is directly related to this recommendation. The storage of credit card data is a key point in the Payment Card Industry (PCI) compliance requirements project that is currently underway for the corporation. It would be prudent to wait until the analysis has been completed to ensure that we do not implement something that has to be undone or that may take us along a path that would negatively impact the City's PCI compliancy. The CLASS Software vendor, Active Network, does not recommend separating the credit card number from the client names, as this would cause significant performance issues and disaster recovery challenges.

*Management: % complete* *0%*

### **OAG's Follow-up Audit Findings regarding Recommendation 37**

The department advised in mid-2009 that consultation with both IT and Active Networks (CLASS Software vendor), has highlighted that there was a project underway directly related to this recommendation. The City of Ottawa will be working on the PCI Compliance Project until March of 2011. PCI DSS does not specifically state that the credit card number and related client name cannot be stored together. However, in order to be compliant, the PCI Data Security Standard (DSS) states (Requirement 3.4) that the CardHolder Data (CHD) (specifically the PAN) must be encrypted during storage, thereby rendering it unreadable. Requirement 3.2 states: "Do not store sensitive authentication data after authorization (even if encrypted)." Requirement 7 requires us to restrict access to cardholder data by 'business need to know'. The above action will meet the intent of the recommendation.

*OAG: % complete* *100%*

### **2007 Recommendation 38**

**The Branch should review its policy of how long it needs to retain the detailed credit card information, based on legal requirements and best practices.**

### **2007 Management Response**

Management agrees with the recommendation. This response was developed in conjunction with Financial Services. The Branch is currently in the process of reviewing its policy regarding the retention of credit card information. The City's merchant provider indicated that a client has one year to initiate and dispute a charge on their credit card. A time period of 18 months was suggested in order to

accurately respond to and resolve any chargeback request received from the merchant provider. The Branch will continue to monitor and determine whether changes need to be made to the system currently in place. Any modifications to the policy will be implemented by Q4 2008.

**Management Representation of the Status of Implementation as of December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

**OAG's Follow-up Audit Findings regarding Recommendation 38**

The department has revised its policy and no longer keeps a client's credit information for 18 months, but rather for 12 months. The department indicates that it will continue with this business practice and will make changes as required or dictated by PCI compliance. Credit Card information is masked in the system so that only the last four digits are visible to all staff, with the exception of FSU staff that can see the entire number in order to do refunds. Pending PCI compliance changes, the recommendation can be considered fully implemented.

*OAG: % complete* **100%**

**4 SUMMARY OF THE LEVEL OF COMPLETION**

The table below outlines our assessment of the level of completion of each recommendation as of February 2010. Subsequently, management's response in the Fall of 2010 was in agreement with that assessment.

| CATEGORY               | % COMPLETE | RECOMMENDATIONS   | NUMBER OF RECOMMENDATIONS | PERCENTAGE OF TOTAL RECOMMENDATIONS |
|------------------------|------------|---|---------------------------|-------------------------------------|
| LITTLE OR NO ACTION    | 0 – 24     | -   | -                         | -                                   |
| ACTION INITIATED       | 25 – 49    | 20, 24b, 26b, 30b, 30c  | 5                         | 9%                                  |
| PARTIALLY COMPLETE     | 50 – 74    | 30d, 32b  | 2                         | 3%                                  |
| SUBSTANTIALLY COMPLETE | 75 – 99    | 32a   | 1                         | 2%                                  |
| COMPLETE               | 100        | 1, 2, 3a, 3b, 3c, 3d, 4a, 4b, 5a, 5b, 5c, 5d, 5e, 6, 7, 8, 9, 10a, 10b, 11a, 11b, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23, 24a, 24c, 25, 26a, 26c, 27, 28, 29a, 29b, 30a, 31a, 31b, 33, 34a, 34b, 35, 36, 37, 38 | 51                        | 86%                                 |
| TOTAL                  |            |   | 59                        | 100%                                |

## 5 CONCLUSION

The October 2008 corporate reorganisation (Phase III) saw the Parks and Recreation Branch dissolved and the establishment of the present Parks, Recreation and Cultural Services Department. Notably, the present department no longer includes Child Care however now contains Cultural Services.

Management has successfully implemented the majority of the 2007 audit's recommendations. For the most part, we observed that the department has issued many reminders, procedures and guidelines addressing the majority of the recommendations. However, monitoring for compliance (e.g., that the procedures and guidelines are being followed) could be strengthened. In some cases, there is no evidence that a review took place and that the area managers were aware of exceptions/situations. In other cases, there was no evidence that staff had reviewed documents. Establishing a process where reviewed documents are dated, signed and/or initialized as well as retained for an appropriate amount of time should be considered.

Management indicated that they had completed a review of the Cash Handling - Corporate Policy/procedure and that it was signed off March 31, 2009. However the Cash Handling - Corporate Policy and procedures were not posted to Ozone until the first week of February 2010. In addition, in many cases no "reminder or advisory" e-mails were issued to staff while the manual was being revised.

Systems, such as CLASS, can be configured with hard controls that impose limitations. We observed that the department had not developed specific CLASS routines, as recommended due to system limitations and departmental business practices. However, to address the spirit of certain recommendations, we observed that some mitigating controls had been established.

Positive change was observed in the issuance of a new Refund Policy specifically as it pertains to having the Financial Support Unit (FSU) perform non-point of sales refunds. Improvement in staff accuracy to minimize refunds and reviews of the special circumstances to ensure fairness is encouraged.

We noted that the department continues to have outstanding receivables although it has implemented its Pay Before You Play policy. In addition, we observed that clients with an outstanding receivable over 30 days or greater were still allowed to register and therefore incurred additional current receivables. The department's Interim Procedure for Review and Collection of CLASS A/R states:

1. FSU Account Manager meeting with Division and Area Managers at the Quarterly Financial Review meeting (the month following the quarter) to review AR reports.
2. Area/Division Managers must ensure that all outstanding balances in CLASS are followed up and cleared by the next quarter.

## **6 ACKNOWLEDGEMENT**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.