



Office of the Auditor General / Bureau du vérificateur général

**AUDIT OF PARKS AND RECREATION
FINANCIAL MANAGEMENT AND REVENUE PROCESSES**

2007

Chapter 4b

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

2007

Chapitre 4b

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EXECUTIVE SUMMARY

Introduction

The Audit of Parks and Recreation Financial Management and Revenue Processes was conducted concurrently with the Audit of the Parks and Recreation Branch. The audit of the Branch was included in the 2007 Audit Plan of the Office of the Auditor General, first presented to Council in December 2004.

It should be noted that as part of the 2006 Audit of the Financial Control Environment, some aspects of Parks and Recreation financial controls were examined but only at a high level given the broad scope of that audit. The audit results presented here provide greater detail on these and a number of other related issues.

Background

In 2006, the City of Ottawa Parks and Recreation business area generated approximately \$37 million. The revenue was generated from the rental of various sports facilities, both indoor and outdoor, the provision of a myriad of recreational, fitness and wellness activities, consisting of memberships, registrations and admissions and the sale of various merchandise items relating to the recreational and fitness programs operated. The programs are delivered through approximately 60 sites (satellites) across the City. These sites range from structures such as stand-alone arenas to recreational complexes that include arenas, pools, curling rinks, various types of athletic facilities and training rooms, and hall rentals.

The table below presents the actual revenues for 2006.

Table 1: Actual Revenues for 2006

| Revenue Source | Amount | % of total |
|-----------------------------|---------------|-------------------|
| Registrations | 13,508 | 36% |
| Arena Rentals | 11,133 | 30% |
| Memberships | 3,740 | 10% |
| Sports Fields | 1,139 | 3% |
| Admissions | 2,427 | 7% |
| Other Short Term Rentals | 2,564 | 7% |
| Long Term Rents/Concessions | 652 | 2% |
| Miscellaneous | 1,875 | 5% |
| Total | 37,038 | 100% |

Payment for the programs is generated from Web-based, telephone (IVR) and personal registrations and contracts for the rental of facilities. Payments are received in the form of cash, credit card, debit card or cheque. The Branch utilizes an information system known as CLASS to manage activities related to registrations and revenue collection.

The following tables 2 and 3 present a percentage breakdown by contact system and payment type for all Branch revenues in 2006.

Table 2: Breakdown by Contact System

| System Source | % of Total |
|-----------------------|------------|
| Personal Registration | 85 |
| Web-based | 11 |
| Telephone (IVR) | 4 |
| Total | 100 |

Table 3: Payment Type

| Payment Type | % of Total |
|--------------------|------------|
| Cash | 8 |
| Debit Card | 9 |
| Cheque | 29 |
| Credit Card | 41 |
| Gift Certificate | 0 |
| Other ¹ | 13 |
| Total | 100 |

Audit Objectives

The objectives of the audit were to determine:

- If the customer accounts are charged the appropriate amount for the service or merchandise they are purchasing;
- If adjustments to a client's account are correct and valid;
- If there are adequate controls covering the collection from the client, until deposit to the bank;
- If the physical security of the sales facilities and locations where funds are kept were adequate;
- If the CLASS software and records had adequate controls; and,
- If the accounting records in CLASS balanced with SAP.

Audit Scope

The scope covered all aspects of revenue from Parks and Recreation programs and services. This included the registration of clients, recognition of contracts, the receipt, safeguarding and recording of revenue be it in the form of an accounts receivable, cash,

¹ Includes monthly billings and internal changes

credit card, debit card or cheque, the allocation and use of subsidies, issue of refunds, credits or gift certificates or other reductions from standard pricing and their recording. The audit included a review of the revenue related controls in the CLASS system, which is used to collect and record the personal registration revenue as well as the revenue generated from the telephone and Internet based registration system. The audit excluded revenue that is not activity or program related and the Senior Citizen Centre and Child Care Programs. It also excluded the setting of prices or rates for programs, activities or for contracts for rental of facilities.

Summary of Key Findings

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.

Recommendations and Management Responses

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.

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.

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.

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.

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.**

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.

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.**

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.

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.**

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.

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.

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.

Recommendation 7

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

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.

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).

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.

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.

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.

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.**

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.

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.**

Management Response

- a) & b) Management agrees with these recommendations.

In conjunction with the IT Services Branch, 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.

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.

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.

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.

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.

Recommendation 14

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

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.

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.

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.

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.

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.

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".

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.

Recommendation 18

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

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.

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.

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.

Recommendation 20

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

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.

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.

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.

Recommendation 22

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

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.

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.

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.

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.**

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.

Recommendation 25

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

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.

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.**

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.

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.

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.

Recommendation 28

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

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.

Recommendation 29

Cash drawers should be:

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

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 transaction 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 handlers 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.

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.**

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.

Recommendation 31

The Float Custody Agreement should:

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

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.

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.**

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.

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.

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.

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.**

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.

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.

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.

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.

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.

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.

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.

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.

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.

Conclusion

The 2006 Audit of the Financial Control Environment examined some aspects of Parks and Recreation financial controls at a high level. The report presented here provides greater detail on a number of related issues.

The internal controls governing revenue collection within Parks and Recreation require improvement in many areas to be more effective. The CLASS software system currently does not have sufficient built-in internal controls to ensure compliance to City policies. Inadequate detective reports and the lack of a process of regular analysis of data do not allow management to monitor transactions to ensure they are appropriate and reasonable. The ability of staff to do sales, adjustments, cancellations and refunds with little oversight creates risks for the City in safeguarding assets. While ensuring proper segregation of duties at all times and at all facilities is unrealistic in this environment, greater oversight of revenue activity is warranted.

Cancellations, refunds and adjustments amounted to \$5.6 million or 14% of revenue in 2006. Currently, refunds and adjustments are not adequately controlled and there are no routine detective reports that management can use to scrutinize these transactions leaving the opportunity for misappropriation of City funds.

Improved training in the accounts receivable function is required at the satellite locations. In addition, there is inadequate understanding by staff and management at satellite locations of the controls in the deposit process resulting in the possible diversion of funds from the City.

Acknowledgement

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

RÉSUMÉ

Introduction

La vérification des processus de gestion financière et de perception des recettes de Parcs et Loisirs a été menée en même temps que la vérification de la Direction des parcs et des loisirs, qui figurait dans le plan de vérification de 2007 du Bureau du vérificateur général, document soumis pour la première fois au Conseil municipal en décembre 2004.

Il importe de noter qu'au cours de la vérification menée en 2006 sur l'environnement de contrôle financier, certains aspects des contrôles financiers de Parcs et Loisirs ont fait l'objet d'un examen à haut niveau, en raison de la portée de ladite vérification. Le présent document contient des constatations plus détaillées concernant ces contrôles et un certain nombre de questions connexes.

Contexte

En 2006, le secteur d'activités de Parcs et Loisirs de la Ville d'Ottawa a généré pour quelque 37 millions de dollars de recettes provenant de la location de diverses installations sportives intérieures et extérieures, de la prestation de multiples activités de loisirs, de mise en forme et de bien-être (abonnements, inscriptions et droits d'entrée) ainsi que de la vente d'articles liés aux programmes de loisirs et de conditionnement physique. Les programmes sont offerts à une soixantaine d'installations de la Ville, qu'il s'agisse d'aréna ou de complexes récréatifs comprenant des patinoires, des piscines, des pistes de curling, des salles d'entraînement, diverses installations sportives et des salles pouvant être louées.

Le tableau suivant présente les revenus réels touchés en 2006.

Tableau 1 : Revenus réels perçus en 2006

| Source de revenus | Montant (en milliers de \$) | Proportion du total (en %) |
|------------------------------------|-----------------------------|----------------------------|
| Inscriptions | 13 508 | 36 |
| Locations d'aréna | 11 133 | 30 |
| Abonnements | 3 740 | 10 |
| Terrains de sport | 1 139 | 3 |
| Droits d'entrée | 2 427 | 7 |
| Autres locations à court terme | 2 564 | 7 |
| Locations à long terme/concessions | 652 | 2 |
| Divers | 1 875 | 5 |
| Total | 37 038 | 100 |

Effectués par l'entremise de services en ligne, d'un système de réponse vocale interactif, d'inscriptions individuelles et de contrats de location d'installation, les paiements sont faits en espèces, par chèque ou par carte de débit ou de crédit. La Direction exploite un système informatique appelé CLASS pour gérer les inscriptions et la perception des recettes.

Les tableaux 2 et 3 ci-dessous présentent la ventilation procentuelle des revenus touchés en 2006 par la Direction, selon la méthode d'inscription et le mode de paiement utilisés.

Tableau 2 : Ventilation selon la méthode d'inscription

| Méthode d'inscription | Proportion du total (en %) |
|--------------------------------------|----------------------------|
| Inscription individuelle | 85 |
| En ligne | 11 |
| Système de réponse vocale interactif | 4 |
| Total | 100 |

Tableau 3 : Ventilation selon le mode de paiement

| Mode de paiement | Proportion du total (en %) |
|--------------------|----------------------------|
| Espèces | 8 |
| Carte de débit | 9 |
| Chèque | 29 |
| Carte de crédit | 41 |
| Bon-cadeau | 0 |
| Autre ¹ | 13 |
| Total | 100 |

Objectifs de la vérification

La vérification avait pour objectifs de déterminer :

- si les montants appropriés sont imputés pour les services ou les articles que se procurent les clients;
- si les rajustements aux comptes des clients sont exacts et justifiés;
- si les contrôles en place sont adéquats, depuis la perception des paiements des clients jusqu'au dépôt à la banque des sommes perçues;
- si les mesures visant à assurer la sécurité physique des points de vente et des endroits où les fonds sont conservés sont appropriées;

¹ Comprend la facturation mensuelle et les changements internes

- si les contrôles du logiciel CLASS et des dossiers sont adéquats;
- si les dossiers de comptabilité dans le système CLASS concordent avec ceux de SAP.

Portée de la vérification

La présente vérification portait sur tous les aspects liés aux revenus des programmes et des services de Parcs et Loisirs, y compris l'inscription des clients, la prise en compte des contrats, les reçus, la protection et la consignation des revenus (comptes débiteurs, espèces, carte de crédit, carte de débit ou chèque), l'affectation et l'utilisation des fonds provenant de subventions ainsi que l'émission de remboursements, de crédits et de bons-cadeaux et l'octroi de tout autre rabais consenti sur les tarifs courants et leur consignation. En outre, un examen des contrôles que le système CLASS permet d'exercer sur les revenus a été effectué, notamment pour ce qui est de recueillir et de consigner les recettes tirées des inscriptions effectuées en personne ou par l'entremise des systèmes téléphoniques et en ligne. La vérification n'a cependant pas porté sur les recettes non liées aux activités ou aux programmes de loisirs ou tirées de programmes destinés aux centres pour personnes âgées et aux services de garde d'enfants. L'équipe de vérification ne s'est pas non plus penchée sur l'établissement des prix ou des tarifs des programmes, des activités ou des contrats de location d'installations.

Sommaire des principales constatations

1. Le système CLASS a été conçu pour faciliter l'offre de services, la planification des horaires et la prestation de programmes de loisirs et de mise en forme destinés au public ainsi que le traitement des paiements reçus à ce titre. Le logiciel est muni de fonctions inadéquates de contrôle préventif dont l'objectif est de veiller à ce que les employés exécutent seulement les fonctions qu'ils sont autorisés à effectuer. En outre, le système ne permet pas de produire les rapports d'enquête et d'analyse grâce auxquels la direction pourrait évaluer la mesure dans laquelle les politiques et les procédures de la Ville sont respectées. Nous sommes donc d'avis qu'un trop grand nombre de responsabilités, notamment en ce qui touche la vente, la perception des recettes, le rajustement des tarifs, l'utilisation de subventions, les annulations et les remboursements, sont assumées par une personne et que, dans la mesure du possible, les responsabilités devraient être davantage partagées afin d'améliorer les contrôles. Pour ce faire, les superviseurs pourraient devoir approuver les rajustements, les subventions, les annulations et les remboursements ou toute autre situation exceptionnelle en utilisant leur carte-photo d'identité de la Ville. Une autre solution à cet égard consisterait à centraliser ce type de transactions, mais cette méthode entraînerait certaines contraintes pour les clients.
2. Les remboursements et les rajustements de tarifs représentent 14 p. 100 des recettes totales mais ne font l'objet d'aucun contrôle adéquat. Chaque fois que des frais sont remboursés à un client, les coordonnées et la signature de celui-ci devraient

obligatoirement être obtenues au moyen d'une pièce d'identité valide. Le personnel devrait examiner périodiquement un échantillon des remboursements effectués.

3. Le personnel de la Ville n'utilise pas comme il se doit le lecteur de cartes de membre des installations. Lorsqu'ils sont occupés, les employés ne vérifient pas le dossier et la photo du client qui s'affichent quand celui-ci accède aux installations. Le système pourrait être modifié de sorte qu'un signal sonore distinct se fasse entendre chaque fois qu'une carte invalide, périmée ou possiblement falsifiée est passée, et ce, afin d'attirer l'attention des employés sur le moniteur. En vérifiant de temps à autre l'abonnement des membres des installations sportives, le personnel s'assurerait que les participants ont bien payé leur abonnement.
4. Afin d'améliorer les contrôles du processus de préparation des dépôts et des comptes débiteurs en vigueur dans les diverses installations, il faudrait donner une première ou une nouvelle formation aux employés sur :
 - i. la préparation des dépôts et le but de la vérification des comptes et des signatures;
 - ii. les comptes débiteurs et le processus de perception auquel les diverses installations doivent se conformer.
5. Le contrôle de certains tiroirs-caisses et des combinaisons des coffres de la Ville n'est pas assuré de façon appropriée. Un employé devrait être responsable du tiroir-caisse et une autre personne devrait être chargée de changer la combinaison du coffre périodiquement et chaque fois qu'un employé quitte son emploi.
6. Les transactions par carte de crédit ne sont pas effectuées dans le système CLASS; toutefois, cette fonction devrait être intégrée au système, comme le prévoyait la Ville pour 2007. Afin d'éviter les vols de données relatives aux cartes de crédit inscrites dans les ordinateurs municipaux, le nom du détenteur ainsi que le numéro de la carte devraient figurer sur deux lecteurs de disque distincts.

Recommandations et réponses de la direction

Recommandation 1

Une fois que le personnel du soutien technique du système aura intégré les tarifs aux tableaux de CLASS, que l'utilisateur principal puisse accéder à tous les tarifs inscrits dans ce logiciel pour en vérifier l'exactitude et les confirmer par courriel.

Réponse de la direction

La direction est d'accord avec la recommandation.

Chaque fois que le personnel du soutien technique de CLASS changera les tarifs dans le système, un courriel sera envoyé aux employés des installations visées afin qu'ils vérifient et confirment les nouveaux tarifs associés aux programmes offerts à leur installation. La Division de l'administration et du service à la clientèle mettra en

œuvre ce processus la prochaine fois que les tarifs seront modifiés au cours du premier trimestre de 2008.

Recommandation 2

Dans les cas où un contrat régissant l'utilisation d'une installation doit être conclu entre la Direction des parcs et des loisirs de la Ville et un client, que le personnel exige que le contrat soit signé par le client avant que l'installation en cause puisse être utilisée.

Réponse de la direction

La direction est d'accord avec la recommandation.

La Procédure d'attribution des installations municipales traite déjà de cette exigence, mais devra être officialisée en ce qui concerne la location d'arénas, de piscines et de terrains de sport. La Direction examinera la procédure d'attribution en vigueur et y inclura l'exigence voulant que les clients signent le contrat avant de pouvoir utiliser les installations. Il arrive que des contrats ne soient pas signés par certains clients dont l'installation est située dans un secteur rural éloigné d'un établissement de Parcs et Loisirs doté du système CLASS au comptoir d'accueil. Le processus que doivent alors suivre les clients est plus long (avant de louer l'installation, ils doivent envoyer le contrat par la poste, rencontrer le personnel municipal pour signer le contrat ou lui remettre le contrat signé). La Division des sports et des loisirs communautaires entend appliquer cette recommandation dès le troisième trimestre de 2008.

Recommandation 3

- a) **Que le gestionnaire d'installation examine les demandes de subvention et les approuve en y apposant ses initiales.**
- b) **Que le gestionnaire d'installation ait accès à partir de CLASS à un rapport sur toutes les demandes de subvention soumises au cours du mois précédent pour qu'il puisse en examiner un échantillon.**
- c) **Que soient transmises aux diverses installations des précisions sur la documentation exigée à l'appui des demandes de subvention conservées dans le dossier de demande du client.**
- d) **Que tous les dossiers de demande de subvention de l'année précédente soient transmis à l'analyste des systèmes de gestion en janvier de chaque année et que celui-ci examine un échantillon de chaque installation pour s'assurer que les politiques de la Ville ont été respectées.**

Réponse de la direction

- a) La direction n'est pas d'accord avec la recommandation.

Si un gestionnaire d'installation était la seule personne autorisée à approuver les demandes de subvention, comme il est suggéré dans la recommandation, le requérant devrait alors se présenter à l'installation au moment où le gestionnaire travaille. Dans bon nombre d'installations, aucun gestionnaire ou superviseur ne se trouve sur place; l'application de cette recommandation exigerait donc la création de postes de gestionnaire ou de superviseur. Le formulaire de demande d'aide financière actuel comporte un espace où l'employé autorisé (le gestionnaire ou le superviseur d'installation, ou son mandataire) doit apposer sa signature, indiquant ainsi qu'il approuve la demande d'aide financière soumise par le client.

Même si le gestionnaire d'installation devait examiner et approuver les demandes toutes les semaines, cette formule pourrait pénaliser les personnes qui ont besoin d'aide financière. Selon la politique de paiement anticipé, les clients doivent acquitter au préalable les droits exigibles. L'aide financière est généralement approuvée au moment de l'inscription, lorsque le client est sur place. Si le gestionnaire de l'installation doit approuver la demande à une date ultérieure, le client pourrait se voir contraint de retourner à l'installation, ce qui pourrait lui faire perdre sa place au sein du programme. Le niveau de service à la clientèle s'en trouverait réduit étant donné que les gestionnaires ne sont pas à l'installation pendant toutes ses heures d'ouverture et que les personnes à faible revenu pourraient avoir un accès restreint aux programmes.

b) La direction est accord avec la recommandation.

La politique d'aide financière sera modifiée de manière à prévoir l'examen mensuel du rapport, qui sera transmis aux gestionnaires d'installation. La Division de l'administration et du service à la clientèle espère appliquer cette recommandation dès le troisième trimestre de 2008.

c) La direction est accord avec la recommandation.

Selon la politique d'aide financière en vigueur, le superviseur d'installation ou son mandataire doit cocher la case correspondant à la documentation d'appui qu'il a examinée. La politique sera modifiée pour préciser quels documents ne doivent pas nécessairement être conservés sur place. La Division de l'administration et du service à la clientèle entend appliquer cette recommandation à compter du troisième trimestre de 2008.

d) La direction est accord avec la recommandation.

Aucune mesure n'est requise étant donné que cette procédure est déjà en place et suivie par l'analyste des systèmes de gestion de la Division de l'administration et du service à la clientèle. Afin de veiller à ce que les dossiers soient envoyés régulièrement à l'analyste des systèmes de gestion, toutes les installations recevront, au deuxième trimestre de 2008, une note de service qui rappellera aux employés le processus qu'ils doivent suivre à cet égard.

Recommandation 4

- a) **Que la Direction redéfinisse la politique concernant la durée minimale de prolongation de l'abonnement.**
- b) **Que soit produit tous les mois un rapport sur les prolongations d'abonnement ou les changements apportés à cet égard aux fins d'examen par le gestionnaire de l'installation.**

Réponse de la direction

- a) La direction est accord avec la recommandation.

La politique sur les abonnements doit être modifiée pour tenir compte des prolongations d'abonnement de moins d'un mois requises lorsqu'une installation doit fermer, puis être communiquée aux employés. La Division des sports et des loisirs communautaires prévoit appliquer cette recommandation dès le deuxième trimestre de 2008.

- b) La direction est accord avec la recommandation.

Un rapport sur les prolongations d'abonnements est à la disposition des gestionnaires d'installation en tout temps et sera revu par la direction aux réunions d'examen financier qui ont lieu chaque trimestre. À cette occasion, les gestionnaires de secteur devront faire part de toute exception à la politique. La Division de l'administration et du service à la clientèle entend appliquer cette recommandation à compter du troisième trimestre de 2008.

Recommandation 5

- a) **Que le système CLASS soit assorti d'un sous-programme qui calculerait la subvention maximale allouée à une famille en multipliant le nombre de membres de la famille par le taux annuel maximal.**
- b) **Que le système CLASS soit assorti d'un sous-programme qui empêcherait le transfert de subventions entre enfants d'une même famille.**
- c) **Que le système CLASS soit assorti d'un sous-programme qui permettrait à l'utilisateur d'examiner les données propres à chaque famille de manière à repérer les familles ayant reçu plus que la subvention annuelle maximale multipliée par le nombre de membres de la famille.**
- d) **Que le système CLASS soit assorti d'un sous-programme de rapport semblable qui permettrait de sélectionner les cours pour lesquels un participant bénéficie d'une subvention correspondant à plus de 75 p. 100 des frais d'inscription.**
- e) **Que l'analyste des systèmes de gestion examine les rapports susmentionnés pour déterminer s'ils contiennent des irrégularités qui nécessitent une enquête approfondie.**

Réponse de la direction

a) La direction est accord avec la recommandation.

Aucune mesure n'est requise à cet égard puisque le système CLASS est déjà doté d'un sous-programme qui permet de calculer la subvention maximale allouée à une famille en multipliant le nombre de membres de la famille par le taux annuel maximal.

b) La direction est accord avec la recommandation.

Aucune mesure n'est requise à cet égard puisque le système CLASS empêche déjà le transfert de subventions entre enfants d'une même famille. En outre, les procédures de repérage de l'aide financière indiquent clairement que ce type de transfert est interdit.

c) La direction n'est pas d'accord avec la recommandation.

Le système CLASS ne permet pas, en raison de ses limites, d'intégrer ce sous-programme. Afin de veiller à ce que les contrôles requis soient en place, une solution de rechange a été mise en œuvre. Ainsi, une famille qui souhaite obtenir une subvention supérieure à celle à laquelle elle a droit doit obtenir l'approbation du gestionnaire de secteur à cet égard (par le biais d'un courriel au personnel du soutien technique de CLASS). Il est alors possible de retracer ces cas exceptionnels dans le système. La direction continuera, par l'entremise du groupe d'utilisateurs, à exercer des pressions en vue d'améliorer les contrôles du système.

d) La direction n'est pas d'accord avec la recommandation.

Le système CLASS ne permet pas, en raison de ses limites, d'intégrer ce sous-programme. Afin de veiller à ce que les contrôles requis soient en place, une solution de rechange a été mise en œuvre. Pour accorder à un participant une subvention qui correspond à plus de 75 p.100 des frais d'inscription, l'employé doit obtenir l'approbation du gestionnaire de secteur à cet égard (par le biais d'un courriel au personnel du soutien technique de CLASS). Il est alors possible de retracer ces cas exceptionnels dans le système. Pour s'assurer que la procédure est respectée, l'analyste des systèmes de gestion produira un rapport d'exception qui sera revu aux réunions d'examen financier qui ont lieu tous les trimestres. Cette mesure sera appliquée dès le deuxième trimestre de 2008.

e) La direction est accord avec la recommandation.

Aucune mesure n'est requise à cet égard puisqu'il existe déjà une procédure semblable, selon laquelle l'analyste des systèmes de gestion de la Division de l'administration et du service à la clientèle examine les rapports afin d'y repérer toute irrégularité, après quoi il cerne les domaines qui nécessitent une enquête plus approfondie.

Recommandation 6

Que le système CLASS imprime automatiquement un reçu chaque fois qu'un paiement est effectué, et que les préposés au service à la clientèle soient tenus de remettre tous les reçus imprimés aux clients.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

À la demande des clients, la Direction des parcs et des loisirs a pris la décision de ne pas produire de reçu pour chaque paiement effectué (par exemple, dans le cas des bains publics). Il a été établi que les risques d'actes frauduleux sont minimes et ne justifient pas la quantité de papier qui serait gaspillé lorsque les clients ne prennent pas le reçu ni ne s'attendent à ce qu'il soit imprimé. À l'heure actuelle, des reçus sont délivrés automatiquement pour la plupart des transactions effectuées aux installations récréatives et pour celles faites par Internet et par téléphone à la demande des clients qui souhaitent obtenir un remboursement. Très peu de reçus ne sont pas créés automatiquement et ils visent essentiellement les programmes publics. Tous les clients peuvent recevoir un reçu pour chaque transaction effectuée s'ils le désirent. Conformément aux politiques et aux procédures de la Direction, les clients qui ne présentent pas de reçu ne peuvent obtenir de remboursement. De plus, toutes les transactions sont consignées dans le système CLASS advenant qu'un client demande un remboursement ou qu'une transaction doive éventuellement faire l'objet d'une vérification. Comme aucun remboursement ne peut être accordé sans preuve de paiement, les cas de fraude ne préoccupent pas la Direction.

Recommandation 7

Que la Direction introduise les bracelets comme moyen de s'assurer que les personnes qui ne sont pas membres ont acquitté le coût de leur participation à des activités telles que les bains libres.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

Aucun cas d'abus ou d'activité frauduleuse n'a été signalé aux installations récréatives et les risques à cet égard sont faibles. On estime que la production de bracelets pour les non-membres qui participent aux bains libres coûterait environ 15 000 \$ par année.

Recommandation 8

Que, pour assurer une répartition adéquate des tâches, la Direction mette en œuvre une procédure exigeant qu'un superviseur passe sa carte d'identité de la Ville dans le lecteur pour approuver la réduction ou l'annulation de frais associés à la location d'une installation, à une activité, à un programme ou à un abonnement, et que soit produit pour chaque annulation et rajustement de frais effectués dans une installation un rapport qui devra comporter le numéro de l'employé ayant apporté les

modifications et sera soumis au gestionnaire d'installation ou à l'Unité du soutien financier (USF) aux fins d'examen et d'enquête, s'il y a lieu.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

Compte tenu de son modèle de service à la clientèle, qui consiste à offrir des biens et des services dans toutes les installations, en un seul endroit et sept jours sur sept pendant les heures d'ouverture, la Direction des parcs et des loisirs ne dispose pas toujours des ressources qu'il lui faudrait pour appliquer cette recommandation. En effet, deux employés devraient alors se trouver sur place en tout temps, ce qui entraînerait une hausse considérable des coûts de dotation. En outre, les superviseurs et les gestionnaires sont souvent appelés à se déplacer dans l'exercice de leurs fonctions. Il serait donc impossible de clore certaines transactions en l'absence d'un membre du personnel. Comme le nombre d'employés administratifs est généralement réduit après les heures normales d'ouverture, le service à la clientèle en souffrirait, car les clients qui souhaitent annuler ou modifier leur abonnement, leur contrat de location ou leur inscription à un programme devraient se rendre à l'installation en cause pendant les heures de disponibilité des superviseurs.

La direction estime importante la mise en place de procédures appropriées qui assureraient les contrôles requis tout en appuyant un modèle de gestion axé sur le service à la clientèle. Les procédures suivantes ont donc été mises en œuvre :

- Il n'est plus possible de réduire les frais fixes pour les programmes, les abonnements et les articles vendus aux points de service.
- À compter du 1^{er} janvier 2008, les remboursements pour les programmes, les abonnements et les locations d'installation ne seront plus émis sur place par le personnel, mais par l'Unité du soutien financier.
- Des rapports sur les annulations et les rajustements effectués par le personnel de chaque installation sont disponibles pour examen par le gestionnaire de l'installation visée, des gestionnaires de secteur et des gestionnaires de district, et seront étudiés lors des réunions trimestrielles d'examen financier.

Recommandation 9

Que le reçu de remboursement délivré par le système CLASS soit signé par le client et par une autre personne autorisée et qu'il contienne des renseignements pouvant être vérifiés par un tiers indépendant.

Réponse de la direction

La direction est d'accord avec la recommandation.

Il serait difficile de faire signer le reçu par une autre personne autorisée dans les installations en raison des niveaux de dotation actuels de certaines des installations les plus petites ainsi que pendant les heures creuses. Le 1^{er} janvier 2008, la Direction

des parcs et des loisirs mettra en œuvre une nouvelle procédure de remboursement prévoyant qu'un formulaire de demande de remboursement devra être rempli chaque fois qu'un client souhaite obtenir un remboursement. Ce formulaire devra être signé par le client et par un employé de Parcs et Loisirs, puis sera traité et signé par l'USF, ce qui portera à trois le nombre de signatures requises pour que le remboursement soit accordé. Cette nouvelle procédure donnera lieu à des vérifications indépendantes effectuées par l'USF au moment d'émettre le chèque ou par le superviseur de l'installation lorsqu'il imprimera le rapport de remboursement et qu'il vérifiera que les renseignements concordent avec ceux figurant sur le formulaire de demande de remboursement consignés dans les dossiers conservés à l'installation. La Division des sports et des loisirs communautaires entend appliquer cette recommandation dès le premier trimestre de 2008.

Recommandation 10

- a) **Que le système CLASS soit modifié comme l'avait planifié la Ville pour 2007 de sorte que toutes les transactions par carte de débit et par carte de crédit puissent être consignées dans le système.**
- b) **Que la carte administrative Moneris soit gardée dans un endroit sûr et qu'un superviseur qui n'effectue pas de transactions au comptant soit requis pour s'en servir afin de permettre à un préposé du service à la clientèle de faire un remboursement sur une carte de débit ou une carte de crédit.**

Réponse de la direction

- a) La direction souscrit à la recommandation.

Toutes les transactions par carte de débit ou par carte de crédit ont été intégrées au système CLASS en octobre 2007 pour les postes libre-service. La Direction continuera de mettre en œuvre le projet pour les installations qui offrent des services au comptoir. Les travaux d'intégration de la fonction devraient être achevés au quatrième trimestre de 2008.

- b) La direction n'est pas d'accord avec la recommandation.

Compte tenu de son modèle de service à la clientèle, qui consiste à offrir des biens et des services dans toutes les installations, en un seul endroit et sept jours sur sept pendant les heures d'ouverture, la Direction des parcs et des loisirs ne dispose pas toujours des ressources qu'il lui faudrait pour appliquer cette recommandation. En effet, si cette recommandation était appliquée, deux employés devraient alors se trouver sur place en tout temps, ce qui entraînerait une hausse considérable des coûts de dotation. En outre, les superviseurs et les gestionnaires sont souvent appelés à se déplacer dans l'exercice de leurs fonctions. Il serait donc impossible de clore les transactions des clients en l'absence d'un membre du personnel. Comme le nombre d'employés administratifs est généralement réduit après les heures normales d'ouverture, le service à la clientèle en souffrirait, car les clients qui souhaitent

annuler ou modifier leur abonnement, leur contrat de location ou leur inscription à un programme devraient se rendre à l'installation en cause pendant les heures de disponibilité des superviseurs.

À l'heure actuelle, la carte administrative Moneris est rangée dans le tiroir-caisse verrouillé qui ne peut être ouvert que lorsqu'un employé ouvre une session dans le système CLASS au moyen de son nom d'utilisateur et de son mot de passe. La nouvelle politique de remboursement en vigueur au 1^{er} janvier 2008 n'oblige pas les employés de Parcs et Loisirs à se servir de la carte Moneris pour accorder des remboursements. Comme il a été mentionné plus tôt, l'USF s'occupera de traiter tous les remboursements. Bien que cette carte ne soit plus nécessaire pour les remboursements, elle continuera à devoir être utilisée pour d'autres fonctions administratives, comme le bilan quotidien, le déverrouillage de l'appareil Moneris lorsqu'il se trouve en mode bloqué et le redémarrage des appareils. La Direction des parcs et des loisirs et les Opérations de trésorerie rappellent instamment aux employés que ces cartes doivent être gardées sous clé.

Recommandation 11

- a) **Que le lecteur de cartes de membre du système CLASS soit modifié de sorte qu'un signal sonore distinct se fasse entendre selon que la carte de membre est valide ou encore qu'elle est périmée, a été suspendue ou a été révoquée.**
- b) **Que le lecteur du système CLASS émette un signal distinct chaque fois qu'une carte de membre est glissée une deuxième fois dans le lecteur au cours d'une période déterminée afin d'attirer l'attention du préposé au service à la clientèle sur le moniteur, ce qui facilitera les enquêtes sur les cas de falsification ou de mauvaise utilisation des cartes de membre.**

Réponse de la direction

- a) et b) La direction est d'accord avec les recommandations.

En collaboration avec la Direction des services de technologie de l'information, l'infrastructure actuelle doit être évaluée et sa capacité mesurée en vue de l'application de cette recommandation. Les pressions de fonctionnement liées à cette recommandation seront déterminées au cours du processus budgétaire de 2009, et celle-ci sera mise en œuvre sous réserve de l'approbation par le Conseil des exigences budgétaires. La Division de l'administration et du service à la clientèle et la Direction des services de technologie de l'information espèrent appliquer cette recommandation à compter du deuxième trimestre de 2008.

Recommandation 12

Que les politiques de la Direction soient modifiées de manière à permettre la confiscation des cartes de membre non valides (c'est-à-dire celles dont la photo ne correspond pas à l'image du détenteur, qui sont associées à un abonnement échu et non renouvelé parce que le membre ne veut pas payer immédiatement, etc.).

Réponse de la direction

La direction est d'accord avec la recommandation.

Les cartes de membre portent une mention indiquant qu'elles sont la propriété de la Ville d'Ottawa et qu'elles peuvent être confisquées en tout temps. Cet énoncé figure également dans les conditions relatives aux installations de conditionnement physique. La Division de l'administration et du service à la clientèle communiquera de nouveau au personnel des instructions claires en ce qui a trait à la mauvaise utilisation des cartes de membre d'ici le deuxième trimestre de 2008.

Recommandation 13

Qu'un site Web soit aménagé à l'intention des moniteurs pour qu'ils puissent inscrire les participants à une activité ou à un cours prévu le jour même où se tient l'activité ou le cours.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

Cette pratique ne fait pas partie des normes de l'industrie et entraînerait une hausse de coûts pour la Direction des parcs et des loisirs. En effet, les moniteurs qui travaillent dans des installations fort éloignées du secteur urbain devraient effectuer des heures supplémentaires pour saisir les données propres aux clients, ce qui donnerait lieu à des heures de surtemps inutiles. Des feuilles de présence peuvent plutôt être mises à la disposition des moniteurs.

Recommandation 14

Que l'Unité des allocations à l'échelle de la ville n'accorde pas de crédits pour des activités pour lesquelles aucun paiement n'a été reçu.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

L'Unité des allocations à l'échelle de la ville passe des contrats saisonniers avec des clients réguliers, comme les représentants de ligues de hockey qui réservent du temps de glace pour une saison. Des échéanciers de paiements mensuels sont établis pour ces contrats au début de la saison. Si un client décide de ne pas utiliser tout le temps auquel il a droit en vertu du contrat conclu, aucun remboursement ne lui sera accordé. La pratique en vigueur dans ce cas consiste à modifier le contrat et à rajuster l'échéancier de paiements mensuels en conséquence. Ces modifications sont consignées dans le système CLASS et peuvent être retracées facilement.

Recommandation 15

Que des rapports d'exception soient créés dans le système CLASS pour les cas où les recettes enregistrées dans un secteur donné sont inférieures à la normale, et que les coordonnateurs et les gestionnaires passent ces rapports en revue chaque mois pour

cerner les secteurs potentiellement problématiques et prendre les mesures correctives qui s'imposent.

Réponse de la direction

La direction est d'accord avec la recommandation.

Les coordonnateurs et les gestionnaires devraient examiner les rapports tous les mois. Le logiciel d'inscription du système CLASS est muni de fonctions de préparation de rapports sur les recettes et l'état des programmes, lesquels peuvent être produits chaque mois afin de repérer les situations exceptionnelles et les secteurs problématiques. Les rapports produits dans SAP peuvent également servir à des fins de contrôle budgétaire. Ces rapports seront ajoutés à l'ordre du jour des réunions trimestrielles d'examen financier. La Direction des parcs et des loisirs et l'USF entendent appliquer cette recommandation à compter du troisième trimestre de 2008.

Recommandation 16

Que des rapports soient créés dans le système CLASS pour permettre au personnel d'examiner les remboursements accordés ou les rajustements effectués afin de cerner les principales raisons du nombre élevé de modifications, de vérifier leur pertinence et de déterminer si des réductions sont possibles dans le secteur en cause.

Réponse de la direction

La direction est d'accord avec la recommandation.

Avec l'instauration de la politique de remboursement le 1^{er} janvier 2008, le personnel sera en mesure d'exécuter des rapports pour les remboursements et les rajustements qui peuvent toujours être effectués aux points de vente. Tous les autres types de remboursement seront traités par l'USF.

Recommandation 17

Que les employés des diverses installations soient avisés que les paiements au moyen d'un laissez-passer gratuit doivent être consignés dans CLASS à l'aide de la touche de raccourci appropriée.

Réponse de la direction

La direction est d'accord avec la recommandation.

Aucune mesure n'est requise à cet égard, car des procédures sur le traitement des laissez-passer gratuits ont déjà été élaborées et communiquées au personnel des installations. La direction fera à nouveau circuler dans les installations le manuel de procédures de CLASS afin de rappeler aux employés la marche à suivre pour traiter les laissez-passer gratuits.

La Division de l'administration et du service à la clientèle entend appliquer cette recommandation dès le quatrième trimestre de 2008.

Recommandation 18

Que les bons-cadeaux soient pré-imprimés avec la mention « Échangeable contre des services ou de la marchandise seulement ».

Réponse de la direction

La direction est d'accord avec la recommandation.

La version actuelle des bons-cadeaux porte la mention « Non échangeable contre de l'argent comptant » et la politique à cet égard précise clairement que les bons-cadeaux sont traités dans le système CLASS de la même façon que les espèces. Lorsque ces bons-cadeaux seront épuisés, ils seront remplacés par des bons qui porteront la mention « Échangeable contre des services ou de la marchandise seulement », tel que recommandé.

Recommandation 19

Que les clients soient avisés qu'au moment de réserver une patinoire, une piscine, une salle, etc., ils doivent envoyer leur chèque à l'Unité des comptes débiteurs de la Ville, qui portera le montant du paiement aux comptes débiteurs.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Seuls les clients qui ont reçu une facture de l'Unité des comptes débiteurs de la Ville peuvent faire leur paiement directement à l'Unité. D'ici à ce que ce processus soit mis en place, tous les paiements doivent être effectués par l'entremise du système CLASS à l'un des centres du service à la clientèle ou dans une installation qui utilise ce système. CLASS est un système secondaire qui n'est lié d'aucune façon au système de comptes débiteurs ou au système financier SAP de la Ville. Si les clients envoyaient leurs chèques à l'Unité des comptes débiteurs, cela ne ferait que retarder l'enregistrement des paiements, car le personnel de l'Unité devrait alors renvoyer ceux-ci aux installations visées. Tant que les fournisseurs n'auront pas convenu de relier le système CLASS au système de comptes débiteurs de la Ville, cette recommandation ne pourra être mise en œuvre. On procède actuellement au vidage des données entre les systèmes pour assurer l'exactitude des renseignements.

Recommandation 20

Que soient installés dans les patinoires des panneaux qui indiquent les tarifs des séances de patinage et avisent les clients de la nécessité de se procurer un billet.

Réponse de la direction

La direction est d'accord avec la recommandation.

La Direction travaille à la conception de panneaux-annonces portatifs qui présentent les tarifs courants et avisent les clients de la nécessité de se procurer un billet de

patinage public auprès d'un préposé. Une fois achevés, les panneaux seront placés à l'entrée des patinoires d'ici au troisième trimestre de 2008.

Recommandation 21

Que les moniteurs de programmes ou d'activités reçoivent chaque soir, par l'entremise du système CLASS, une nouvelle liste des clients ayant annulé leur participation à un programme ou à une activité, que la liste présente tout solde impayé par un client, et que les moniteurs soient tenus d'en exiger le règlement avant la prochaine séance.

Réponse de la direction

La direction est d'accord avec la recommandation.

La politique de paiement anticipé, mise en œuvre le 1^{er} novembre 2007, règle le problème des soldes impayés. À l'heure actuelle, les moniteurs reçoivent au début de chaque séance une liste et sont informés des changements à leur apparition par rapport à la première séance.

Recommandation 22

Que la Direction applique plus rigoureusement la politique de paiement anticipé.

Réponse de la direction

La direction est d'accord avec la recommandation.

Avant la vérification, la Direction ne disposait pas d'une politique officielle de paiement anticipé. Afin d'appliquer plus rigoureusement ce principe, une politique officielle à cet égard est entrée en vigueur le 1^{er} novembre 2007.

Recommandation 23

Que la Direction mette en œuvre un processus courant de facturation mensuelle pour tous les comptes enregistrés dans le système CLASS et concernant les diverses installations et l'Unité des allocations à l'échelle de la ville, et que des intérêts soient perçus sur les soldes non réglés dans un délai de 30 jours.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

La nouvelle politique de paiement anticipé et les nouvelles procédures d'examen des comptes débiteurs comportent déjà un processus intégré de gestion des comptes clients impayés et d'imputation d'intérêts. Si la Ville créait chaque mois des factures pour toutes les transactions consignées dans le système CLASS, la charge de travail du personnel de l'Unité des comptes débiteurs et de l'Unité du soutien financier augmenterait au point d'exiger l'ajout d'ETP.

Recommandation 24

Que les employés des diverses installations :

-
- a) **suivent une formation sur les comptes débiteurs, y compris la façon de déterminer les postes auxquels un paiement doit être attribué;**
 - b) **soient tenus de percevoir pour toute installation les paiements auprès des clients dont le compte est en souffrance avant d'accepter d'autres réservations ou inscriptions;**
 - c) **soient informés de leur obligation de s'assurer, pour chaque facture émise par l'USF, que le nom qui y figure est celui du parent et non celui de l'enfant, bien que le nom de l'enfant puisse être mentionné sur la facture.**

Réponse de la direction

- a) La direction est d'accord avec la recommandation.

Les procédures d'examen des comptes débiteurs en vigueur depuis le 1^{er} novembre 2007 présentent les mesures que doit prendre le personnel pour percevoir les paiements auprès des clients dont le compte est en souffrance. La formation sur le système CLASS comprend un volet sur les étapes à suivre afin d'associer les paiements aux comptes clients appropriés, ce dont il est également traité dans le manuel de formation sur le système CLASS.

- b) La direction est d'accord avec la recommandation.

La politique de paiement anticipé mise en œuvre le 1^{er} novembre 2007 répond à cette recommandation.

- c) La direction est d'accord avec la recommandation.

L'USF émet des factures et suit des procédures qui lui permettent de s'assurer que le nom du parent figure sur la facture.

Recommandation 25

Qu'il soit envisagé d'offrir des séances de formation à la gestion financière à l'intention des gestionnaires et des superviseurs de la Direction des parcs et des loisirs.

Réponse de la direction

La direction est d'accord avec la recommandation.

En 2007, une formation sur les rapports financiers et les rapports CLASS a été offerte à tous les gestionnaires de portefeuille et superviseurs d'installation, et les gestionnaires de la direction, de division et de secteur ont pour leur part suivi une formation sur les rapports CLASS en octobre 2007. L'USF et les centres d'expertise appropriés assurent et continueront d'assurer régulièrement la formation aux gestionnaires et aux superviseurs.

Recommandation 26

Au moment de revoir les dépôts :

- a) si un remboursement est émis, que le personnel examine le rapport détaillé quotidien sur l'encaisse pour relever le nom des personnes ayant obtenu un remboursement. Le reçu de remboursement devrait être signé par le client, le préposé au service à la clientèle et par un autre employé afin d'assurer que le remboursement a été approuvé.
- b) en cas de trop-perçus ou moins perçus, que l'employé chargé d'examiner le rapport ne modifie pas les données pour obtenir un rapprochement équilibré, mais qu'il tente plutôt d'en trouver la cause, à défaut de quoi il en informera le personnel des Opérations de trésorerie;
- c) que des copies des rapports de dépôt soient conservées aux installations que l'on puisse trouver les réponses en cas de perte d'un dépôt ou de situation de trop-perçus ou moins perçus.

Réponse de la direction

- a) La direction est d'accord avec la recommandation.

La politique de remboursement mise en œuvre le 1^{er} janvier 2008 répondra à cette recommandation en exigeant que le client et un employé de Parcs et Loisirs signent tous deux le formulaire de remboursement, lequel sera ensuite envoyé à l'USF aux fins d'examen et de traitement. Conformément à cette nouvelle politique, les clients devront suivre un processus plus long, ce qui retardera l'obtention du remboursement (abonnements, programmes et locations). Il importe de noter que cette politique ne s'applique pas aux droits d'entrée ou à l'achat de marchandises.

- b) La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Le manuel de perception des paiements contient des directives sur les mesures à prendre en cas de trop-perçus ou moins perçus. En outre, le sommaire du rapport sur les gains et les pertes de la Ville d'Ottawa comporte un champ dans lequel l'employé peut indiquer le montant de trop- ou moins perçus et en fournir une explication. Ce rapport est rempli au moment de préparer les dépôts et imprimé à partir du système CLASS. De plus, une note de service sera distribuée aux employés chargés de préparer les dépôts pour leur rappeler de respecter rigoureusement le processus de dépôt. Le personnel de Soutien aux points de service, Services financiers, entend appliquer cette recommandation à compter du quatrième trimestre de 2008.

- c) La direction n'est pas d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. La direction ne considère pas cette exigence comme obligatoire puisque les rapports du système CLASS peuvent être réimprimés en cas de perte d'un dépôt ou de non-concordance des comptes. Tous les documents d'appui originaux sont conservés dans un endroit central et peuvent être consultés sur demande.

Recommandation 27

Au moment de préparer un dépôt, que l'employé compte le nombre de relevés de transaction par carte de crédit et le compare aux données figurant dans le rapport de l'appareil Moneris, ce qui lui permettra de savoir si des relevés ont été égarés ou si certaines transactions n'ont pas été effectuées.

Réponse de la direction

La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Cette recommandation sera intégrée au manuel de perception des paiements et communiquée aux employés des secteurs touchés au moyen de séances de formation et par des visites du personnel aux installations. Une note de service sera également envoyée pour renseigner les employés sur les étapes de la préparation des dépôts. Le personnel de soutien aux points de service, Services financiers, entend appliquer cette recommandation à compter du quatrième trimestre de 2008.

Recommandation 28

Que le coordonnateur du point de service précise aux diverses installations dans quelles situations les touches de raccourci d'annulation de remboursement et de correction des achats devraient être utilisées.

Réponse de la direction

La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Des directives ont été données à toutes les installations au moment où l'équipement original a été installé. Un guide pratique leur a été distribué lorsque cet équipement a été remplacé par une nouvelle technologie entre mai et octobre 2007. Un guide détaillé est également mis à la disposition des employés qui souhaitent obtenir plus de renseignements sur l'équipement. Les directives seront répétées et approfondies à l'intention des employés des secteurs touchés au moyen de séances de formation et par des visites du personnel aux installations. Le guide pratique sera distribué de nouveau à toutes les installations. En passant le guide en revue, les employés en sauront davantage sur les directives précises qu'ils doivent respecter lorsqu'ils effectuent des transactions pour la Direction des parcs et des loisirs.

Recommandation 29

- a) **Que les tiroirs-caisses soient fermés à clé.**
- b) **Qu'un tiroir-caisse soit assigné à un seul employé.**

Réponse de la direction

- a) La direction est d'accord en partie avec la recommandation

La direction est d'accord avec la recommandation de garder les tiroirs-caisses fermés à clé. Cette réponse a été préparée en collaboration avec Services financiers. D'ici le deuxième trimestre de 2008, une note de service sera envoyée à tous les employés afin de leur rappeler les directives énoncées dans le manuel de perception des paiements à propos du verrouillage des tiroirs-caisses.

b) La direction ne souscrit pas à la proposition de réserver l'utilisation d'un tiroir-caisse à un seul employé. Afin d'assurer que les contrôles financiers sont en place, les employés ouvrent et ferment les sessions dans le système CLASS au moyen du nom d'utilisateur et du mot de passe qui leur sont assignés, et toutes les transactions effectuées par un employé pendant son quart de travail sont accompagnées du code de l'employé en question. L'employé compte la caisse à la fin de son quart de travail; ainsi, chaque employé est responsable de sa caisse. Si plusieurs employés s'occupent de la caisse pendant une journée, le superviseur de l'installation comptera également la caisse à la fin de la journée. Tous les employés utilisent cependant le même tiroir-caisse. Si un tiroir-caisse était assigné à un seul employé alors que plusieurs préposés travaillent pendant le même quart, un préposé qui sert un client pourrait se voir obligé de demander à un autre employé dont le tiroir-caisse est utilisé de retirer son tiroir-caisse et de le ranger dans un endroit sécuritaire. Le préposé pourrait alors effectuer la transaction à l'aide de son propre tiroir-caisse. Cette façon de faire réduirait le niveau de service à la clientèle.

Par ailleurs, comme bon nombre de nos installations ont été construites dans les années 1960 et 1970, les comptoirs de service devraient faire l'objet de rénovations importantes permettant d'y ajouter des tiroirs-caisses, d'assurer la connectivité des postes au réseau et d'aménager des postes de travail aux points de vente. Chaque installation étant unique, il se peut que certaines modifications ne soient pas possibles. La direction estime que l'application de cette recommandation pourrait être coûteuse, mais elle en évaluera la faisabilité et les coûts au cours du processus budgétaire de 2009.

Recommandation 30

Que la Direction des parcs et des loisirs :

- a) confie à un membre du personnel d'Opérations de trésorerie ou de la Sécurité municipale le soin d'élaborer des politiques et des procédures en matière de sécurité relative aux combinaisons des coffres-forts;**
- b) envisage de changer périodiquement les combinaisons des coffres-forts;**
- c) change la combinaison d'un coffre-fort lorsqu'un membre du personnel qui la détient quitte son emploi à la Ville ou se voit attribuer d'autres responsabilités;**
- d) demande au personnel de ne pas ranger la combinaison du coffre-fort dans un tiroir non verrouillé.**

Réponse de la direction

a) La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Le manuel de perception des paiements sera révisé et des directives supplémentaires concernant les coffres-forts et les chambres fortes seront données aux installations. Ces travaux seront réalisés de concert avec la Division de la sécurité municipale de GBI et la Direction des parcs et des loisirs. Vu la nature des consultations requises, ils seront effectués par le personnel de Soutien aux points de service, Services financiers, d'ici le quatrième trimestre de 2008.

b) La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Le manuel de perception des paiements sera révisé et des recommandations sur le changement périodique des combinaisons des coffres-forts seront soumises à la Direction aux fins de leur application et de leur administration. Le personnel de soutien aux points de service, Services financiers, mettra en œuvre cette recommandation d'ici le quatrième trimestre de 2008.

c) La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Le manuel de perception des paiements sera révisé et des recommandations sur le changement de la combinaison du coffre-fort lorsqu'une personne détenant la combinaison quitte son emploi à la Ville ou se voit attribuer d'autres responsabilités seront soumises à la Direction aux fins de leur application et de leur administration. Le personnel de Soutien aux points de service, Services financiers, appliquera cette recommandation d'ici le quatrième trimestre de 2008.

d) La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. Le manuel de perception des paiements sera révisé et la Direction demandera au personnel de ne pas ranger la combinaison du coffre-fort dans un tiroir non verrouillé. Le personnel de Soutien aux points de service, Services financiers, appliquera cette recommandation d'ici le quatrième trimestre de 2008.

Recommandation 31

Que l'entente relative à la responsabilité de la caisse :

- a) soit utilisée également pour la désignation de responsables secondaires;**
- b) soit communiquée à tous les employés qui manipulent des fonds la Ville.**

Réponse de la direction

a) La direction n'est pas d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. L'employé chargé de garder la caisse, de signer une attestation d'indemnisation et de fournir les relevés de fin d'exercice est également responsable de la caisse.

Le principal responsable pourrait approuver, au moyen d'une signature, le transfert de cette responsabilité à un autre employé à la condition que seul cet employé puisse rendre la monnaie aux clients. Si plusieurs employés travaillent divers quarts et utilisent donc la même caisse, celle-ci relève du principal responsable de l'installation, soit le superviseur ou un membre de la direction. Il est donc entendu que le premier responsable de la caisse donnera diverses directives à tous les responsables secondaires, notamment sur les politiques et les procédures de l'établissement, et qu'il assumera l'ultime responsabilité à l'égard des fonds de cette caisse. Par ailleurs, il pourrait demander à tous les responsables secondaires de signer une entente à cet égard; cependant, du point de vue administratif, la consignation des nombreux responsables secondaires ne serait sans doute pas rentable sur le plan administratif comparativement aux risques.

b) La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. On rappellera aux responsables de la caisse de garder sous clé la plus récente version de la documentation (disponible également sur Ozone) avec les fonds. La mise en œuvre de cette recommandation est prévue pour le quatrième trimestre de 2008.

Recommandation 32

- a) **Que le système de contrôle des bons-cadeaux soit amélioré de sorte que les numéros de séquence soient vérifiés.**
- b) **Chaque fois que la caisse passe d'un employé à un autre, que les bons-cadeaux et les laissez-passer gratuits soient comptés et signés.**

Réponse de la direction

a) et b) La direction est d'accord avec les recommandations.

La direction reconnaît que le système de suivi utilisé pour confirmer le nombre de bons-cadeaux conservés aux installations doit être examiné en collaboration avec le personnel des Opérations de trésorerie pour veiller à ce que le journal d'exploitation tenu par l'adjoint administratif principal concorde avec le montant correspondant à la somme des bons-cadeaux restants dans l'inventaire des installations. Conformément à la politique sur les bons-cadeaux de la Direction des parcs et des loisirs, l'adjoint administratif principal de Parcs et Loisirs gère le suivi des bons-cadeaux distribués. L'USF respecte les principes généraux de comptabilité pour s'assurer que la valeur des bons-cadeaux échangés correspond aux montants inscrits dans le sommaire des dépôts dans le système CLASS. L'examen des systèmes de contrôle et de suivi est prévu pour le troisième trimestre de 2008.

Recommandation 33

Que soit élaboré un rapport de vérification sur les transactions effectuées par les analystes du soutien technique du système CLASS, et que le gestionnaire du soutien du système CLASS examine ce rapport chaque semaine.

Réponse de la direction

La direction n'est pas d'accord avec la recommandation.

Toute transaction douteuse sera indiquée dans les rapports financiers trimestriels qui sont examinés par l'USF et l'équipe de direction de Parcs et Loisirs. Le nombre de transactions financières traitées par les analystes du soutien technique du système CLASS est minime et la direction estime que le niveau de risque que présentent ces transactions est bien maîtrisé. Les administrateurs du système, y compris les professionnels de la TI, détiennent des autorisations relatives à la configuration et aux systèmes que les utilisateurs finaux n'ont pas. Vu le nombre élevé de rapports nécessaires pour surveiller ces autorisations, il serait extrêmement coûteux de gérer ces transactions, qui, selon la direction, présentent peu de risques.

Recommandation 34

Que le système CLASS soit modifié :

- a) **pour obliger tout nouvel utilisateur qui ouvre une session au moyen de son premier mot de passe à modifier celui-ci;**
- b) **pour obliger les utilisateurs à changer périodiquement leur mot de passe, comme prévu pour l'automne 2007.**

Réponse de la direction

a) et b) La direction est d'accord avec les recommandations.

Aucune autre mesure ne sera nécessaire à cet égard, puisque les modifications ont été apportées lors de la mise à niveau du système CLASS effectuée en octobre 2007.

Recommandation 35

Que soit publié à l'intention des employés un bulletin d'information leur rappelant l'importance de fermer leur session lorsqu'ils quittent leur poste pour éviter qu'un employé puisse faire des transactions en leur nom.

Réponse de la direction

La direction est d'accord avec la recommandation.

Cette mesure a déjà été prise par le passé et le message a été rediffusé par le personnel de Sécurité de la technologie de l'information (à la demande de Parcs et Loisirs) à une réunion générale des employés tenue en octobre 2007. Une note de service sera préparée pour rappeler aux employés l'importance de fermer leur session lorsqu'ils quittent le comptoir. La Division de l'administration et du service à la clientèle espère appliquer cette recommandation dès le premier trimestre de 2008.

Recommandation 36

Que la Direction réalise son projet d'intégrer au système CLASS les transactions par carte de débit et par carte de crédit pour les paiements effectués par l'entremise de services en ligne, d'un système de réponse vocale interactif et d'inscriptions individuelles.

Réponse de la direction

La direction est d'accord avec la recommandation.

Aucune autre mesure n'est requise, puisque ces travaux ont été réalisés en octobre 2007 pour les postes libre-service. En collaboration avec le personnel des Services de la technologie de l'information et d'Opérations de trésorerie, la Division de l'administration et du service à la clientèle prévoit appliquer cette recommandation aux transactions au comptoir à compter du quatrième trimestre de 2008.

Recommandation 37

Que le numéro de carte de crédit et le nom de son détenteur soient enregistrés sur des lecteurs de disque distinct à des endroits différents, et que l'accès à ces lecteurs soit restreint et surveillé.

Réponse de la direction

La direction est d'accord avec la recommandation.

À l'heure actuelle, le nom du client et les renseignements relatifs à sa carte de crédit sont conservés sur le même lecteur de disque auquel n'ont accès que les employés du soutien technique du système CLASS et le personnel de l'USF. Pour appliquer cette recommandation, il faudra acheter du matériel informatique supplémentaire (lecteurs) qui permettra d'enregistrer les noms des clients et les numéros de carte de crédit à des endroits distincts. Les pressions de fonctionnement liées à cette recommandation seront déterminées au cours du processus budgétaire de 2009, et cette dernière sera mise en œuvre sous réserve de l'approbation par le Conseil des crédits voulus. La Division de l'administration et du service à la clientèle espère appliquer cette recommandation au quatrième trimestre de 2009.

Recommandation 38

Que la Direction revoie sa politique régissant la durée de conservation des renseignements détaillés sur les cartes de crédit des clients en fonction des exigences juridiques et des pratiques exemplaires en vigueur.

Réponse de la direction

La direction est d'accord avec la recommandation.

Cette réponse a été préparée en collaboration avec Services financiers. La Direction des parcs et des loisirs examine actuellement sa politique concernant la conservation des données sur les cartes de crédit des clients. Selon le fournisseur de la Ville, un

client a un an pour contester des sommes débitées sur sa carte de crédit. Il a été proposé qu'une période de 18 mois soit accordée à la Ville pour répondre aux demandes de rétrofacturation émises par le fournisseur. La Direction continuera de surveiller la situation et déterminera si des changements doivent être opérés au système en place. Toute modification sera apportée à la politique en question d'ici le quatrième trimestre de 2008.

Conclusion

Au cours de la vérification menée en 2006 sur l'environnement de contrôle financier, certains aspects des contrôles financiers de Parcs et Loisirs ont fait l'objet d'un examen sommaire. Le présent document offre des constatations plus détaillées concernant un certain nombre de questions connexes.

L'efficacité des contrôles internes qui régissent la perception des recettes doit être améliorée dans de nombreux secteurs d'activités de Parcs et Loisirs. À l'heure actuelle, le système CLASS n'est pas doté de fonctions de contrôles internes suffisantes pour assurer le respect des politiques de la Ville. Comme les rapports d'investigation sont inadéquats et qu'il n'existe aucun processus d'analyse régulière de données, la direction n'est pas en mesure de vérifier la pertinence et la validité des transactions effectuées. Le fait que les employés peuvent s'occuper des ventes, des rajustements aux comptes des clients, des annulations et des remboursements avec une surveillance minimale présente des risques pour ce qui touche la protection des biens de la Ville. Bien qu'il soit irréaliste d'exiger que les tâches soient réparties de façon appropriée en tout temps dans un milieu de travail tel que celui des installations récréatives, une plus grande surveillance des recettes est de mise.

En 2006, les annulations, les remboursements et les rajustements de comptes se sont chiffrés à 5,6 millions de dollars, soit 14 p. 100 des recettes. À l'heure actuelle, les remboursements et les rajustements de comptes ne sont pas contrôlés adéquatement et aucun rapport d'investigation n'est produit régulièrement, outil qui aiderait la direction à examiner soigneusement ces transactions. Cette situation fait augmenter les risques de mauvaise utilisation des fonds municipaux.

Il est nécessaire d'améliorer la formation sur la fonction des comptes débiteurs à l'intention du personnel des installations satellites. En outre, les employés et le personnel de direction de ces installations ne comprennent pas à fond les mesures de contrôle du processus de dépôt, ce qui pourrait donner lieu à des détournements de fonds municipaux.

Remerciements

Nous tenons à remercier la direction de sa bienveillante collaboration et de l'aide qu'elle a apportée à l'équipe de vérification.

1 INTRODUCTION

The Audit of Parks and Recreation Financial Management and Revenue Processes was conducted concurrently with the Audit of the Parks and Recreation Branch. The audit of the Branch was included in the 2007 Audit Plan of the Office of the Auditor General, first presented to Council in December 2004.

It should be noted that as part of the 2006 Audit of the Financial Control Environment, some aspects of Parks and Recreation financial controls were examined but only at a high level given the broad scope of that audit. The audit results presented here provide greater detail on these and a number of other related issues.

2 BACKGROUND

In 2006, the City of Ottawa Parks and Recreation business area generated approximately \$37 million. The revenue was generated from the rental of various sports facilities, both indoor and outdoor, the provision of a myriad of recreational, fitness and wellness activities, consisting of memberships, registrations and admissions and the sale of various merchandise items relating to the recreational and fitness programs operated. The programs are delivered through approximately 60 sites (satellites) across the City. These sites range from structures such as stand-alone arenas to recreational complexes that include arenas, pools, curling rinks, various types of athletic facilities and training rooms, and hall rentals.

The table below presents the actual revenues for 2006.

Table 1: Actual Revenues for 2006

| Revenue Source | Amount | % of total |
|-----------------------------|---------------|-------------|
| Registrations | 13,508 | 36% |
| Arena Rentals | 11,133 | 30% |
| Memberships | 3,740 | 10% |
| Sports Fields | 1,139 | 3% |
| Admissions | 2,427 | 7% |
| Other Short Term Rentals | 2,564 | 7% |
| Long Term Rents/Concessions | 652 | 2% |
| Miscellaneous | 1,875 | 5% |
| Total | 37,038 | 100% |

Payment for the programs is generated from Web-based, telephone (IVR) and personal registrations and contracts for the rental of facilities. Payments are received in the form of cash, credit card, debit card or cheque. The Branch utilizes an information system known as CLASS to manage activities related to registrations and revenue collection.

The following tables 2 and 3 present a percentage breakdown by contact system and payment type for all Branch revenues in 2006.

Table 2: Breakdown by Contact System

| System Source | % of Total |
|-----------------------|------------|
| Personal Registration | 85 |
| Web-based | 11 |
| Telephone (IVR) | 4 |
| Total | 100 |

Table 3: Payment Type

| Payment Type | % of Total |
|--------------------|------------|
| Cash | 8 |
| Debit Card | 9 |
| Cheque | 29 |
| Credit Card | 41 |
| Gift Certificate | 0 |
| Other ¹ | 13 |
| Total | 100 |

3 AUDIT OBJECTIVES

The objectives of the audit were to determine:

- If the customer accounts are charged the appropriate amount for the service or merchandise they are purchasing;
- If adjustments to a client's account are correct and valid;
- If there are adequate controls covering the collection from the client, until deposit to the bank;
- If the physical security of the sales facilities and locations where funds are kept were adequate;
- If the CLASS software and records had adequate controls; and,
- If the accounting records in CLASS balanced with SAP.

4 AUDIT SCOPE

The scope covered all aspects of revenue from Parks and Recreation programs and services. This included the registration of clients, recognition of contracts, the receipt, safeguarding and recording of revenue be it in the form of an accounts receivable, cash, credit card, debit card or cheque, the allocation and use of subsidies, issue of refunds, credits or gift certificates or other reductions from standard pricing and their recording.

¹ Includes monthly billings and internal changes

The audit included a review of the revenue related controls in the CLASS system, which is used to collect and record the personal registration revenue as well as the revenue generated from the telephone and Internet based registration system. The audit excluded revenue that is not activity or program related and the Senior Citizen Centre and Child Care Programs. It also excluded the setting of prices or rates for programs, activities or for contracts for rental of facilities.

5 APPROACH

Our approach was as follows:

1. Identify the areas within the City that might obtain revenue from Parks and Recreation programs and activities.
2. Collect and analyze existing applicable policies covering revenue and controls.
3. Collect and analyze existing applicable procedures and flow charts where they exist.
4. Identify the job functions to be interviewed. This included supervision and two persons doing work in each area relating to the registration of clients, recognition of contracts, the receipt, safeguarding and recording of revenue, the allocation and use of subsidies, issue of refunds, credits or gift certificates or other reductions from standard pricing and their recording.
5. Interview staff to confirm that they are following documented processes, where they exist. Where documentation does not exist, report that fact and determine the functions being carried out.
6. Interview IT specialists to achieve an understanding of the controls in the CLASS registration system over telephone, Internet and personal registration payments.
7. Test the receipt of the revenue from recognition of the registration, booking or contract for rental through receipt of the funds or recording of accounts receivable, their payment, deposit to the bank, bank reconciliation and the recording of these transactions in the City's books.
8. Evaluate the process of providing services for less than the stipulated rates for refunds, credits, subsidies etc., including their recording in the City's books.
9. Test the provision of refunds, credits, etc.
10. Analyze the data gathered to determine whether the functional responsibilities adequately segregate duties, and whether there is a system of appropriate preventative and indicative internal controls.
11. Highlight areas where there is a lack of documentation and/or inadequate internal controls and identify any potential risk.
12. Comment on the efficiency and effectiveness of the process being performed.
13. Examine and comment on the physical security of the funds.

6 DETAILED FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

Our detailed findings are grouped into the following areas, to determine:

1. If the customer accounts are charged the appropriate amount for the service or merchandise they are purchasing;
2. If adjustments to a client's account are correct and valid;
3. If there are adequate controls covering the collection from the client, until deposit to the bank;
4. If the physical security of the sales facilities and locations where funds are kept were adequate;
5. If the CLASS software and records had adequate controls; and,
6. If the accounting records in CLASS balanced with SAP.

6.1 Determine if the customer accounts are charged the appropriate amount for the service or merchandise they are purchasing.

6.1.1 Are standard rates set up appropriately?

Standard fees for the various City programs and activities are received from the prime users and rates for various rink and hall rentals, memberships, programs, activities and merchandise costs are set up in tables in the CLASS system by the CLASS support technical/computer analysts. A hard copy print-out is also provided to staff. The rates are then updated in CLASS, for each session during the year, by the CLASS support technical/computer analyst. When they complete the work, they review it to ensure that it is correct, and some of the rates are verified by the prime user, while others such as rink, hall, and pool bookings rates are not. CLASS support obtains the annual subsidy cap to enter into CLASS from the business analyst.

Observations

Some rates are not being reviewed by the prime user after entry into CLASS. A rate could be set up incorrectly in a table and may go undetected, resulting in all sales in that category being made for the incorrect value, and the City could not recover the loss after the transaction has been accepted by the client.

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.

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.

6.1.2 Are the rates applied appropriately to the client's account?

A client can pay for Parks and Recreation services using either the Web-based, telephone (IVR) registration or personal registration systems.

To use the Web-based or IVR registration systems, a client first calls a central location to obtain an account from the City. There is a separate account for each member of the household, which could be adult, child or senior. No proof of age is required. Once the account is set up, the client can go into the Web-based or IVR registration systems and select the course or program they would like. The system will automatically give them the appropriate rate. A person who has subsidy cannot register using the Web-based or IVR registration systems. If a client registers in person, they give the Customer Service Representative (CSR) their name, address or phone number and their account is obtained in CLASS through one of those keywords. If the client does not have an account, then the CSR will set one up.

Normally, an individual client would pay the full rate for a particular program or activity. There are a number of standard rates: child, adult, senior, or corporate. A corporate rate may be obtained for memberships where there are 10 or more clients from the same organization. The CSR will select the course, activity, membership, drop-in type, or merchandise that the client would like, and the standard rate will be available from the drop-down list.

If a client would like to rent an arena or sports field they would go to or call City-Wide Allocations Unit for multiple rentals and multi-locations. Individual or multiple rentals at the same location are handled by that location. A contract is prepared and the appropriate rate is selected from the CLASS list. The contract is to be signed by the client and the account is to be paid prior to using the facilities.

Rates are selected from the drop-down menus or are also available from a hard copy list.

The City has a policy of "Pay before you play".

Observations

The Sportsplex Aquatic Centre gives the contract to the client but does not require them to sign it.

In some cases, a client may be allowed to use the facility before the contract is signed. This is contrary to policy and amongst other issues, exposes the City to potential liabilities that are dealt with in the contract.

In some cases, a client on a City-Wide Allocations contract will be allowed to use the facilities before they have paid their account. The City policy requires payment before the use of the facilities.

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.

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.

6.2 Determine that adjustments to a client's account are correct and valid.

6.2.1 Are adjustments properly determined, authorized and set up in CLASS?

6.2.1.1 Subsidies

Once the standard rate has been determined for a client, the client can obtain an adjustment to that rate if they are eligible for a subsidy. In 2006, \$1.2 million in subsidies were granted to clients' accounts, and recipients used a total of \$841,000. Funding from the National Child Care Benefit (NCB) program is available for group programs or activities to qualified residents of Ottawa. The NCB program has a budget of \$370,000 for fee assistance costs. If surplus funds are available at year end, additional funds may be directed to these costs. In 2006, the NCB program covered \$692,510 of programming costs.

A report is prepared to Council annually on the subsidy program. The fee assistance policy provides for a fixed subsidy of \$158 per individual member of a qualified family. An adult's subsidy may be transferred to a child in the same family, but the subsidy may not be transferred between children in the same family. The policy encourages people to pay what they can afford, using the term "are expected to pay 25%". The wording indicates that there is some latitude to this policy. The policy also states that if the "expected" contribution is a barrier to participation, it can be waived.

If a client would like to have a subsidy they must apply for it. The two qualifying factors are residency and family income. There are written procedures that indicate what identification is acceptable to prove residency and what is an acceptable standard proof to determine family income. To qualify, a client must go to one of the City's facilities in person, complete an application form, provide the appropriate identification, proof of family income and indicate the number of children in the family. If they do not have the standard proof, they may still qualify based on staff conducting an income eligibility test. City policy allows subsidy processing to be delegated to a full-time staff person.

6.2.1.2 Refunds

The City has a policy whereby a refund can be obtained on a program, activity, or membership, provided that not more than 50% of the service has been used. The prorated calculation is developed and implemented by CLASS support. The CLASS system automatically prorates the refund in these circumstances when the prorate key is selected by the CSR. In 2006, \$5.6 million or 14% of gross sales were provided in refunds and adjustments.

6.2.1.3 Memberships

A client can ask for a moratorium on their membership and for it to be suspended. Once it is suspended this cannot be reversed nor can another suspension be obtained. When a client asks for a membership suspension, they are not required to hand in their membership card. However, the CLASS system does record their membership as being suspended.

6.2.1.4 Passes

The City has complimentary passes that allow clients into activities at no charge. The passes are pre-printed and numbered. A supply is kept at the cash registers in satellite locations. If for example, a City pool being used by clients needs to be closed immediately for health reasons, the City has a policy of encouraging clients to accept complimentary passes instead of a refund.

The complimentary passes are to be controlled as currency according to the City policy on this subject. The control feature on the complimentary pass is a serial number.

6.2.1.5 Gift Certificates

The City sells gift certificates in the denominations of \$5, \$10, \$20 and \$50. In 2006 approximately \$12,000 worth were sold and \$14,000 worth were used as payment for goods or services. The control features of the gift certificates are a serial number and a pattern in the background. When gift certificates are sold, they are credited to a general ledger (GL) clearing account and when used as payment they are debited to that same GL account. Therefore, if the account balance is zero, it indicates that the same number of certificates that were sold were used as payment. The balance of this account is monitored by the FSU and was approximately \$2,000 at the end of 2006, indicating that

more gift certificates were used as payment in 2006 than were sold. The gift certificates are to be controlled as currency according to the City policy on this subject.

6.2.1.6 Vouchers

A Well Baby Drop-In gift voucher in the amount of \$10 is also given out by the City's Public Health Branch. These are serial numbered form letters entitling the bearer to a \$10 credit. When used, they are charged to the same account as the gift certificates.

Observations

1. While the subsidy policy requires a client to produce one of six documents for automatic qualification, it also allows other proof to be accepted based on the discretion of the full-time staff person taking the application. Some CSRs accept a single paycheque or a separation certificate that indicates that the person was terminated from a job. Further, while the policy is based on family income, no adequate proof has been developed by the City to prove whether someone does or does not have a spouse and, therefore, family income cannot be confidently determined. For this reason, non-qualified families can obtain subsidy.
2. In addition, the subsidy application requires no proof that a child exists in a family. Some locations, however, request the provincial health card as identification for family members and others do not. We determined that according to provincial law, a health card may not be requested as identification for non-health related purposes.
3. One area supervisor indicated that he photocopied supporting documentation for the subsidy application, which is appropriate. However, he stated that he did not think that it was a requirement. This indicates that communication regarding the procedures needs to be improved.
4. Approval of the subsidies ranges from facility supervisor or manager to the CSR. In the case of the CSR, the person handling the subsidy reports to the supervisor, Aquatics who indicated to us that he did not look at subsidies. Although City policy allows for the delegation of responsibility for processing subsidy applications, it makes no provision for its oversight.
5. At one satellite location, the facility manager reviews and approves the subsidy application forms. However, the same CSR who processes the subsidy applications also enters them into CLASS and there is no verification by the facility manager to ensure that the subsidies entered are, in fact, those that he approved. To improve segregation of duties, staff could take the application from the client together with all supporting information as per the City policy. The manager responsible for the facility could review the applications perhaps once a week, ask for any clarifying information or questions and then approve the application. The client could then be advised by staff of the approval of the application.
6. Although the subsidy applications are supposed to be sent to the business analyst after one year, according to the business analyst most locations do not consistently

send in their files. This results in no control on the consistency of the application of the City's subsidy policy.

7. Date of birth, where required in the system for reduced rates for activities or programs, is based on an honour system as opposed to proof. The system does not accept a date of birth past today's date, but did accept a date that resulted in a client being 167 years old. Therefore errors in the entry of birth date go undetected.
8. It is possible for the CSR to change an adult to a child in CLASS after a payment has been received which could result in misdirecting funds.
9. No one reviews a report on membership suspensions for anomalies or whether suspended cards have been used during the suspension period.
10. We determined from data analysis that some locations do not understand the policy for membership suspension, as the average suspension for those locations was less than one month. City policy states that membership suspension may be done for a minimum of one month and a maximum of 50% of the membership period. Thirty-one staff at various locations suspended memberships for less than a month. We also concluded that based on the amount of time required to obtain the raw data, the CLASS system has not been designed to provide information for business areas to be properly financially managed.
11. The gift certificate and Well Baby Drop-In gift voucher numbers are not input to CLASS, thereby missing an opportunity to verify for possible duplicates.

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.**

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.

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.**

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.

6.2.2 Are payments, subsidies, credits, adjustments, and cancellations properly applied and refunds controlled?

6.2.2.1 Subsidies

When setting up a subsidy in a person's account, the CLASS system will limit it to the annual maximum in 2006 of \$158. When a client registers for a group activity or program, if they have qualified previously for subsidy, it will have been set up on their account, and therefore the CSR will ask the client whether they want to apply subsidy to that registration. If so, the CSR will apply subsidy up to a maximum of 75% of the program or activity cost. If a client subsequently withdraws from a program or activity against which they had applied subsidy, the subsidy automatically goes back into the unused subsidy in their account and is not given as a credit to their account.

The City's subsidy policy and the CLASS system allow a person to use their current year's subsidy allocation to register for a program in the following year.

6.2.2.2 Refunds

At times a pool may need to be closed down unexpectedly due to, for example, health reasons. In these cases, complimentary passes are offered to the clients using the pool instead of offering them a refund.

The City's policy is to provide a full refund if a client withdraws from a program or activity before it has started, provided a minimum of 7 days notice is given, except for camps and sports leagues, which require 15 days. Staff indicated to us that the required notice period varied from 10 to 15 to 30 days, for various areas. The City's contract clearly requires 10 business days before an event to cancel or modify a rental, while 30 days is required for other major events such as tournaments, camps, trade shows, etc.

Hall rentals are booked through the CLASS system. The revenue, however, is not recorded until a contract is moved from tentative to firm. A repeat customer, for example, may book several halls or a hall for several rental dates, and may be given a refund as a customer relations gesture on cancellation, even if the notice period is shorter than required. In addition, a client renting a facility may request and receive an adjustment to the rate due to a problem in the delivery of the service. An example of the latter situation may be a problem with a hall's air conditioning.

The City's policy is to provide refunds in the same manner in which the original payment was made. In the case of cash, however, a refund in this mode may only be done the same day as the payment and for no greater than \$150. If the amount is greater, the FSU would be requested to issue a cheque. For credit card refunds, the

Moneris credit card processing system provides an administrative card, which is required in order to generate a refund.

6.2.2.3 Memberships

The City sells memberships for use of its athletic facilities. There are various age and facility classifications and time period categories for memberships whose rates are set up in a CLASS system drop down menu. Clients with 3, 6 or 12 month memberships can request that their memberships be placed on hold once for a minimum of 1 month and up to a maximum of half of the membership period. The policy is silent on refunds of memberships; however, staff did indicate to us that they do refund memberships.

The City's policy is that if a member loses their membership card they can have it replaced for \$5.

Observations

1. Once a person's subsidy has been set up and part of it has been used for a program or activity, the initial amount can be increased so that the annual total exceeds the annual limit. We were also able to determine that once the subsidy has been set up, it can be transferred between children in the same family, which is contrary to City policy. At one community centre, staff admitted that there have been instances where subsidy has been transferred between siblings. The CLASS system does not have a complex validation formula that can detect overall violations of subsidy, and there is no report in CLASS which would allow the business analyst or management to determine if and where violations to the policy occurred.
2. CLASS does not permit more than 75% of a program or activity to be subsidized. However, this can be over-ridden by an email from an area manager to CLASS support. While area manager approval is required, no audit or routine report was produced to verify that management's policy was being followed. There is no report produced by the system for review by the business analyst or management that would show individuals or families receiving subsidies above the policy limits. While the policy is clear, implementation is delegated and not controlled through computer routines or reporting. The City should consider pressuring the software developer through its user group to implement improved controls in the software, or investigate whether other suitable software is available at reasonable cost and with improved financial controls.
3. Some facilities do not issue receipts for drop-ins paying cash. In these cases there is no reliable method of identifying whether a client using an athletic facility or pool has used a membership card to enter, has paid as a drop-in or for that matter has not paid. It is possible that a person with a membership card can also receive a complimentary pass, for example, when a pool is shut down unexpectedly. Lack of a receipt being given to the client creates the risk of non-recording of sales and possible misdirection of funds. The CLASS system should automatically issue a receipt for every payment and the CSRs should be required to provide it to the

client. Producing a receipt for every transaction is a fundamental method of ensuring that staff have processed it in the correct manner and makes it more risky for staff to create a fraudulent transaction as the client may detect the “error”. The cost of the paper is minimal given the control benefit. For activities such as public swimming, the City should pursue the use of wristbands as proof of payment.

4. CLASS allows a booking, for example for a hall, to be cancelled or the rate adjusted after the date the rental was to have occurred. The same staff person that makes the original sale also does adjustments and does not require approval from a higher level. Therefore, it is possible to misdirect funds from a cancellation or adjustment. If the difference were credited to the client’s account, then the funds could be taken out by credit card refund or cash as long as the cash amounts were less than \$150.
5. In 2006, \$1.130 million of hall, arena, sports fields, etc. rental revenue, was cancelled. There is no one assigned the responsibility to monitor such transactions.
6. In May 2006 it was discovered that a CSR had cancelled clients’ programs or activities after the fact in the CLASS system and credited his own credit card with the proceeds. This type of transaction now has some controls in that refunds can only be given for activities or programs up to 30 days after the session is completed. A procedure has been implemented in CLASS that requires an explanation in the comments field when an adjustment is made to a client’s account. A policy has also been developed that a refund may only be given in the same manner that the original payment was made, and that cash refunds can only be given up to \$150. When a refund is given through a credit card, the refund is to be made to the same credit card through which the original payment was made. However, these internal control changes are insufficient for the following reasons:
 - a) It is still possible to make a credit adjustment to a client’s account for up to 30 days after the session in which the course or activity took place was completed. Since programs or activities have varying lengths, and sessions span a number of months, this leaves a significant window open for errant transactions.
 - b) We were advised that the instructors in Aquatics usually discard their attendance sheets after the course is over. This makes confirmation of attendance relating to a refund more difficult.
 - c) The explanation in the comment field is not sorted by reason, nor is a report produced using this information for someone to analyze the reasons for adjustments by location, activity area or user identification.
 - d) Although the policy is to pay a refund by the same means as the original payment, a clerk can give a client a credit to their account as step one and then refund the amount on the account as a second independent step by cash or credit card, irrespective of the payment mode by the client. As long as there is cash available and the refund is not over \$150, it can still be done. We determined

- that if a deposit total is in balance, the likelihood is that no one would examine the daily cash balance-detail report, which provides detail on the refunds.
- e) City policy is to refund to the same credit card as was used to pay, however, the credit card number is entered into the CLASS system in a descriptive field and is masked by the system, except for the last four digits, after the transaction is completed. Therefore there is no way of ensuring that a refund is given to the same credit card that made the original payment.
 - f) No one has been assigned responsibility to produce a report on refunds, cancellations, adjustments, etc. sorted by location and user identification, and examine it for anomalies. This audit attempted to conduct an analysis on these types of activities and it required a month to produce the raw data, which indicates a deficiency in CLASS for routine exception and controls reporting.
7. The CLASS membership card-scanning device used by athletic facilities brings up the account and picture of the member on a monitor at the CSR desk so that the CSR can check to see that the client's account is up to date and active. We witnessed that when the CSRs are busy they do not look at the screen. This means that a client can enter with a card that is suspended, expired or belongs to someone else. When a person is caught using an invalid card, for example, belonging to someone else, the card is not confiscated to avoid a confrontation with the client. The system does not analyze card usage to determine whether there may be duplicate cards in use. This leaves the errant cards available to be used to conduct the same activity at a later date. In 2006, 5,713 or 10.6% of passes amounting to \$617,000 or 14.1% of pass sales were cancelled. In 2006, Sportsplex Athletics had 45,438 scans of membership cards compared with 42,816 in 2005, or an increase of 6%, while at the same time memberships sold in 2006 declined to \$295,000 from \$359,000 in 2005 (a dollar value drop of \$64,000 or 18%). In addition, there were significant decreases in adult gym and squash drop-ins of 26% at the Sportsplex. There are no exception reports produced by CLASS, which would draw attention to areas where revenue is lower than normal or expected. In addition, while the system has the ability to run monthly membership and program reports (e.g. Athletics), this is not done on a regular basis.
8. The same staff person that sets up a charge to a client's account, collects that charge, and is able to cancel the person's participation in an activity or program. No approval from a second person is required. For example, the same person who sells a membership can apply a coupon, subsidy (even though they know the subsidy may not be used for an individual membership), and adjust or refund that membership. Once a credit is established on a client's account, under the appropriate circumstances it can be refunded in a number of manners, including by cash. Refunds required by cheque are requested electronically from the FSU who run a requested refund report and generate a cheque request from SAP. There is no

report run on a quarterly or annual basis by the FSU which sorts the refund cheques by address to determine whether the same person has received numerous refunds.

9. The City-Wide Allocations Unit clerk can over-ride the booking rate and even change it to no charge without obtaining an authorization. No one approves a refund or a credit if it is by debit or credit card. These transactions are not monitored. Locations run tentative booking reports from time to time. If a scan was required of an authorizing (supervisor) employee's identification, that would provide a control over reductions or refunds.
10. The policy on refunds is that when 50% of an activity or program is over, there can be no refund. The pro-rated refund calculation is done automatically by CLASS, however, that can be over-ridden by anyone with the authority which is generally given to those who also sell the service. A supervisor's approval is not required on the refund prior to it being given. There are no routine exception reports produced for management to review anomalies.
11. Attendance in a program or activity is tracked outside of the CLASS system and, therefore, if a client asks for a credit because of being unable to attend, it is necessary to obtain the instructor's records of attendance, which are not necessarily on file with the City. CLASS will allow the refund transaction and there is no report examined of these types of transactions on a routine basis. A Website for instructors to enter the attendance for each class would be useful for verification of client attendance when a refund is requested.
12. Program coordinators review cancellations immediately prior to and at the beginning of an activity or program to determine whether the activity or program has sufficient participants to proceed. However, there is no oversight review of later cancellations, which could be made through CLASS during the program or activity after the fact. For example, at one facility, the program coordinators indicated that they do not review refunds. Generally, there are no detective reports produced in CLASS which go to higher levels of management, that they can review for anomalous activities that require follow-up. In addition, no one is assigned responsibility to review cancellations, refunds or credits to determine if they are being carried out according to the City policy.
13. It is possible for a CSR to take a payment from a client, debit the client's account showing the amount as outstanding and take the cash. While the credit will show on the cash deposit summary report, these are reviewed in a very cursory manner and the issue may not be discovered until a collection process is commenced as a past due account. The shortfall can be covered by the CSR lapping accounts.
14. There is a lower rate schedule for corporate clients for certain memberships. It is possible, after a person pays for an activity or program, for a CSR to change their category from a non-corporate to corporate client.

15. When a person cancels out of a program or activity and is entitled to a refund, the system prints out a receipt for the client detailing the cancellation. However, there is no requirement for the client to sign a copy and for staff to forward this signed copy with the daily deposit. There is no random audit process of refunds or other similar adjustments by an independent person where the client is contacted to verify the transaction.
16. Cards for spinning classes are used to ensure that people have paid for the classes. The client is supposed to hand it in to the instructor; however, this does not happen consistently. One program coordinator indicated that he has appeared unannounced at times and counted the number of people using the athletic facilities and the result was that there was more than the number who had paid according to the CLASS records.
17. City-Wide Allocations Unit can provide a credit to a client's account for ice time cancelled even though it has not yet been paid for. When the actual month for the use of the ice arrives, the charge drops into the account and it balances out. However, prior to that time it may be possible for a refund to be issued against the account.
18. One of the purposes of the Moneris administrative card is to control refunds given on credit cards. However, the card is left uncontrolled in the cash drawer rather than being retained and used by someone with special authority to oversee refunds.
19. It was determined that in 2006, there were a total of \$5.6 million in refunds and adjustments, representing 14% of gross sales. Adjustments to registrations accounted for 52% of the adjustments or \$2.9 million. Two staff persons performed \$477,000 or 8.5% of these adjustments. Net adjustments were greatest at the Walter Baker Centre, Kanata Leisure Centre, Nepean Sportsplex and Kanata Recreation Complex. A total refund and adjustment level of 14% of revenues is a significant amount and creates additional work for rental and registration processes. The Branch does not currently perform a process of regularly reporting and monitoring these refunds and adjustments, and therefore the appropriateness of these transactions cannot be assured.

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.**

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.

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.

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.

Recommendation 7

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

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.

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).

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.

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.

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.

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 CSR to be able to give a refund to a credit/debit card.**

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.

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 CSR'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.**

Management Response

a) & b) Management agrees with these recommendations.

In conjunction with the IT Services Branch, 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.

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.

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.

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.

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.

Recommendation 14

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

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.

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.

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.

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.

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.

6.3 *Determine if there are adequate controls covering the collection from the client, until deposit to the bank.***6.3.1 Are there adequate controls in collecting the amount that a client pays?**

A client can pay for their activity, program or rental by cash, debit card, credit card, and cheque. For hall rentals and City Wide Allocations, the client can also be invoiced. There are no special requirements for payment by cheque and often the CSR will not request identification of the person making payment by this mode.

The City has a policy that post-dated cheques will be accepted for amounts over \$5,000 for venue bookings, over \$1,000 for re-occurring facility bookings and over \$300 for summer camp bookings. The City also accepts post-dated cheques for before- and after-school yearly programs and for special needs yearly programs.

Where post-dated cheques are accepted they are sent to Cash Operations who verifies the receipt and forwards the cheques to the FSU. The FSU balances the post-dated cheques to the GL report coming from the satellite. They are then entered into an Excel

spreadsheet by cheque date with additional cheque related information. They are retained in a file until the deposit date when they are pulled from the file and prepared for deposit which is balanced to the Excel file. The deposit is verified by another person, both sign it and it is sent to Cash Operations where it is processed as any other deposit.

There is a policy that a person who passes two bad cheques in a year loses their cheque payment privileges for a year. This is recorded as a note in the client's account.

If a person pays with a gift certificate, the policy indicates, that change may be given in cash, gift certificate or credit to an account.

When a person pays for an activity, program or rental, the CLASS system will normally produce a receipt. However, the CLASS system has a box on the screen where the CSR can de-select the receipt being produced.

The City has a policy of "pay before you play". Therefore, the City does not normally provide credit and there would be no need for a formal process to assess a client's credit worthiness. The City-Wide Allocations Unit does bill clients through the Accounts Receivable Unit (A/R) for the use of facilities and normally these are to be paid prior to the use of the facility. However, City-Wide Allocations Unit only invoices clients every two months and then the client has an additional 30 days to pay before interest is charged on the account. Staff have indicated that situations do occur where an activity has taken place before a payment was received.

City-Wide Allocations and hall rental clients send cheques to the person who booked the event. This is done so that the staff person can link the payment to the appropriate event. Segregation of responsibility would dictate that the person who generates the charge to an account and has the ability to adjust the charge should not directly receive the payment. While the City's policy requires payment with the registration for a program or activity, CLASS will process the registration without payment.

As at year-end 2006, there was \$996,000 in accounts receivable in CLASS. Satellite locations first attempt to collect an outstanding account by calling the client. If they are unsuccessful, they refer the account to the FSU. Once it is transferred over to A/R, the City does not track the accounts receivable amount by the business area source nor is the amount of bad debts tracked by the source, therefore obtaining statistics in this regard specific to recreation is not possible. Clearing accounts are used to ensure that the accounts transferred out of CLASS are transferred into SAP. The FSU will request A/R to set up an account in SAP if there is no existing account for the client. The FSU then creates an invoice, which A/R prints out and sends to the client.

Once the invoice is issued, the client is expected to pay within 30 days otherwise interest applies. A/R follows-up on unpaid accounts with a phone call and does a monthly evaluation of outstanding accounts. Accounts that are unpaid and are difficult to collect are reviewed, and it is determined whether to turn them over to the Collections Section or Legal Services. When an account is past due, alert texts are

placed on a client's account, by the FSU, once staff move the outstanding balances to an invoice process.

The decision to write off an account is made by A/R and approved by the Treasury Services Division. When written off, the account continues to be blocked in CLASS but the collection process is stopped.

City-Wide Sports Unit processes telephone registrations for activities and takes payment by credit card, or the client may indicate that they will send in a cheque. If paid by credit card, the CSRs will print out the credit card voucher in two copies, black out the credit card number and mail a copy of the voucher and receipt to the client.

The physical structure in some locations has allowed for the installation of an entry gate to the athletic and pool facilities. This allows staff to ensure that people have paid before they use the facilities. In other locations, the CSR desk is located in a position where this is not possible. In some locations where spinning classes are run, to ensure that everyone using the service has paid, the participants are given a card which they are to hand in to the instructor as proof of payment.

At smaller rinks such as Bell or Richmond Arenas, the attendants use a double roll of pre-numbered tickets as the proof of payment for public skating. One half is to be given to the client and the other half placed in the cash box. There is a different rate charged for adults, children, infants and family. A code is written on the back of each half of the ticket by the attendant indicating which type of payment was made.

Observations

1. While CLASS automatically generates an internal receipt number and document each time a payment is received, some locations do not issue receipts to the client for cash sales; nor do they require a signed receipt from a client for a cash refund. If the CSR de-selects receipt and the client pays by debit or credit card, they get a receipt from the transaction through Moneris. If a person pays by cheque, they will have a receipt at a later date in the form of their cancelled cheque. None of these receipts, however, would indicate the item for which they paid. If a person pays by cash, they will have no receipt unless it is generated from CLASS. A specific identification of whose account the payment was for, the purpose of the payment and the date and time of the payment can only be determined from a detailed receipt from CLASS. Therefore the CSR should not have the ability to de-select a receipt.
2. One area supervisor indicated that he spot checks the cash from time to time and found that on occasion a staff member had not entered all the sales into CLASS. If clients were informed that the process requires that they obtain a receipt, and the CSRs know they must produce a receipt, then this situation of not recording the sale cannot occur.
3. When a complimentary pass is used to purchase services at a facility, it is not entered into CLASS and is not included with the deposit. City policy indicates that

the complimentary pass is to be controlled as currency and when offered as payment, the appropriate “hotkey” is to be used.

4. There is no mention in the policy of how a cancellation is to be refunded when a gift certificate is used to pay. Therefore a client can pay with a gift certificate and then cancel and receive cash back. A CSR at the Sportsplex indicated that she did not have a policy or procedures on handling gift certificates.
5. City-Wide Allocations Unit and hall rental receive the cheque in payment of client services and the same staff person also has the ability to cancel the booking or adjust the rate leaving the opportunity to misallocate funds belonging to the City. This is inadequate segregation of responsibility. The same person that generated the invoice could receive the payment and also adjust the amount owing. The receipt and posting of the payment should be centralized within the City’s Accounts Receivable function. This would require linkages between the CLASS system and the City’s financial system as currently the CLASS system is not connected in any way to the City’s A/R or financial system.
6. For paid public skating, we found that there were no signs for the public at the entry indicating what the various fees were and that a ticket (receipt) was required. Some people entered the rink without paying or showing a ticket to the attendant. Some clients paid but did not wait for their ticket (receipt).
7. While the City policy is that payment must be made when registering, CLASS allows a registration to be made without complete payment. It was indicated to us that some locations will register a person without them having fully paid. The instructors of courses or activities are given a CLASS list. One Aquatics coordinator was not aware that a CLASS list is available showing whether the account is paid. Therefore the coordinator was not using the opportunity, through the instructor, to advise clients that they must pay their account.
8. City-Wide Allocations Unit only bills clients every two months and then the client has an additional 30 days before interest is charged on the account. The City is losing the use of these funds for an extended period of time, which would either decrease the City’s interest costs or increase the City’s interest revenue.
9. While the City policy is “Pay Before You Play” the program coordinator City-Wide Allocations Unit indicated that if the payment is not received and the client had signed a contract, then they were allowed to play. Since the City is not in the credit granting business, there is no formal process for an assessment of a client’s credit worthiness before credit is given. Therefore the City would have a higher exposure to bad debts.
10. When a person’s account is brought up by a CSR irrespective of the location, the CLASS system will indicate if a person owes money to the City. The CSR is supposed to attempt to collect the outstanding funds, however, staff at different locations take different approaches to this. Some locations indicated that they will

tell the client there is an amount outstanding on their account, but not attempt to collect the account for another location, as they don't know to what item to post the collection. Others indicated that they try to collect an account and if it cannot be collected, they will leave the account alone and do not request that A/R take it over. Another location indicated that they try to collect an account with up to three calls and then just leave it sitting on their records and transfer it to A/R every two to three months. Some program coordinators will make collection calls only when the facility manager requests follow-up on outstanding accounts. The A/R collection process, responsibilities and timelines require clear and concise communication to the satellite locations.

11. The satellites are the only group responsible for managing the accounts receivables that are sitting in CLASS. While the FSU balances this CLASS A/R to that sitting on the City's balance sheet annually they have no responsibility to manage the CLASS A/R or to find accounts that are past due and require collection attention. The facility must make a request to transfer an account to SAP. The satellites do not appear to follow a disciplined routine process in following up their collections of their own accounts, which include turning over problem accounts to FSU. When requested by the satellite location, the FSU will pick up the A/R from CLASS and transfer it to the City's accounts receivable at each month end.
12. At times satellite locations request that an invoice be issued by the A/R group under a child's rather than a parent's name. It would be best to bill in the parent's name and refer to the child's name.
13. Although there is training by A/R group in SAP there is none in CLASS A/R.

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".

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.

Recommendation 18

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

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.

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.

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.

Recommendation 20

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

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.

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.

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.

Recommendation 22

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

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.

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.

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.

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.**

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.

Recommendation 25

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

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.

6.3.2 Are there adequate controls in the preparation of the deposit until the funds reach the bank?

When a CSR closes off their shift at a satellite location, they produce a daily cash balance report-summary and detail and a GL report from CLASS. The latter indicates the sales by GL code and the former the number of payments made by each payment type, e.g., cash, cheque, debit or credit card. The total of the refunds is also indicated by type and total sales for the shift. The CSR removes the funds from the till, counts and separates out the float, counts the balance of the cash, totals the cheques, prints out a Moneris "99" report which gives the total debits and credits by card type. All this is to be balanced to the daily cash balance report and GL reports. If it does not balance, the CSR is to review the information and attempt to find the error. If the error is not found, they are to record the difference in the over/under section and provide an explanation. The reports and funds are placed in an envelope and put in the drop safe.

If it is a deposit pick-up day, all the envelopes for the prior days are removed from the drop safe, totalled and rebalanced to the daily cash balance report-summary for the entire period. The Moneris machine is then closed off. It is only when Moneris is closed off that the City receives credit for credit card charges. Another person is to check the work and sign both the daily cash balance and the GL reports. A bank deposit slip is prepared. The slip number is recorded on the report, the information is completed on the Securicor bag and the top of the bag is removed and retained. All

documents including the top of the Securicor bag are photocopied and filed. The cash, cheques and two copies of the bank deposit slip are placed in the Securicor bag

The bank deposit slip number, Securicor bag number, and date are recorded on the buff deposit envelope. The bank deposit slip in two parts, Moneris vouchers, Moneris reports, and copies of all the CLASS reports are placed in the deposit envelope and sealed. The deposit envelope is sent to Cash Operations.

A Securicor receipt is prepared and the bag is sealed and placed in the administration safe (if available) until Securicor picks it up. Securicor signs the receipt for the bag.

At small locations, there are no electronic cash registers. Upon closing off in these locations, the attendants remove the tickets from the cash box, count them by type, and multiply them by the appropriate rate for each ticket. This is then extended and recorded on the front of the deposit envelope and the total amount of cash they should have is determined. The float is counted and separated out from the cash and the balance of the cash is counted. If there is a difference between the cash they should have and the cash they do have, they are to record it as an over/under on the front of the deposit envelope. They are also to record the ticket number with which they started and ended the day. The second attendant checks the work but does not initial it. The used tickets and the cash are placed in a buff deposit envelope and the deposit envelope and the locked cash box containing the float and ticket roll are put in a safe in a secure location. The key for the cash box is placed near the cash box. The amount collected per day can range from \$60 to \$200 on a holiday. The deposit envelopes are picked up by the supervisor and brought to City-Wide Sports where they are included with the telephone sales deposits.

At City-Wide Sports Unit, where the deposit for the arenas and telephone registration are prepared, they run a daily cash balance-summary each day and reconcile that to the credit card vouchers and cheques, put them in a white envelope and then in the safe. The process is similar to that carried out by the CSRs at the satellite locations. Once a week, the deposit is prepared by removing the funds from the safe and counting the money at the CSR's desk.

At City-Wide Allocations Unit, the last person to leave each day removes the contents of the till, places it in a bag and puts it in the drop safe. In the morning the person assigned to do the deposits (may be a different person) goes into the secure room, opens the drop safe, removes the bag and does the same deposit operation as the CSRs at the satellites except that they count the debit and credit card vouchers by type, total them and compare them to the count and total produced by the Moneris machine.

For Web-based and IVR registration, the Web/IVR processing unit at Constellation batches payments made by clients the prior day. They input, for example, Web or IVR as the location code and the date being processed. CLASS retrieves the transactions requiring authorization and provides a soft copy list of the items, which they then request the system to process. The system accesses Global National Data Centre Clearing house, which validates each transaction and provides an authorization

number, which is recorded in the client's CLASS account. If Global rejects a payment, an authorization number is not recorded in the client's account. Those approved go to settlement and the credit card numbers are masked in the client's CLASS account. Payments that are rejected are reversed automatically in CLASS, printed out and followed up by the staff, who ask the client to make alternate payment arrangements within 48 hours. The accounts are reviewed on a daily basis for those outstanding for over 48 hours and an email is sent to the program coordinator to collect from the client or cancel them out of the program or activity. The Web-based registrations are handled in the same manner. No refunds are provided through the IVR or Web-based registration systems, but rather the client has to go to one of the City's locations. If there is no authorization number on a client's account, staff know the transaction has not been cleared through the credit card company and therefore no refund may be given, if requested. A daily cash balance and GL report are produced on which separate totals are recorded for both the accepted and declined transactions

Post-dated cheques are retained in a file by the FSU until the deposit date when they are pulled from file and prepared for deposit and that is balanced to the Excel file of post-dated cheques for that date. The deposit is verified by another person, both sign it and it is sent to Cash Operations where it is processed like any other deposit.

When a client pays an SAP A/R account, the cheque is received at A/R Unit, by a person different from who issued the invoice. That person prepares the deposit, which is verified by another person and signed by both. It is sent to Cash Operations. A different person posts the payment to the client's account. Clearing accounts are used for the bank deposit and the posting to the client's account, which would result in catching any errors between posting and deposits. However, the reduction in A/R is not balanced to the deposits.

Cash Operations receives the deposit information from the various locations. Debit and credit cards go to one clearing account while cash and cheques go to another. Treasury Services Division produces an Excel download of the deposits from the bank. This list also goes to Accounting Unit to populate the SAP clearing account. This verifies that each of the deposits from the various locations, IVR and Web-based systems have been credited to the City's bank account.

Observations

1. One clerk at City-Wide Allocations Unit indicated that she did not understand what the numbers on the GL report meant. Some staff do not understand the intent of the deposit balancing procedures. This has resulted in compromises to the verification process.
2. A supervisor indicated that he reviewed the deposits and initialled the daily cash balance summary and GL reports. He told us that if there was a refund on the daily cash balance summary, it did not draw his particular attention and he did not look at the cash daily balance detail report, which would indicate who got the refund.

Staff are not sufficiently trained in preparing and checking deposits for potential anomalies or fraud.

3. One location does the daily cash balance report each day and a deposit weekly. It was indicated that if there is an overage, staff would enter a transaction into CLASS to make up the difference and if there was an underage, it would be let go until there was an overage to make up the difference. This is not a correct procedure and invalidates the intent of the deposit balancing procedures. A record is not kept of the overages and underages by staff. Copies of the deposit reports are not kept on location unless there is a problem. This is not appropriate procedure because if a deposit is lost in transit or a problem is detected, there is no copy and back up to refer to.
4. One deposit prepared by a satellite location had not recorded any over/under and the deposit was out of balance by \$117. The preparer had not reconciled the Moneris close out report to the daily cash balance report. The cause of the out-of-balance amount was that a transaction in the amount of \$117 had not been put through Moneris. It is common for the satellites to add up the credit card vouchers only and not balance to the Moneris closing report.
5. Another of the deposits examined had a refund reversal with no explanation for the transaction. All reversal transactions are required to have an explanation. The explanation allows the reviewer to ensure that the transaction was appropriate.
6. One transaction in a deposit that was examined used the purchase correction hotkey. The approved procedure is that this hotkey should only be used if the wrong amount was keyed into the Moneris machine.
7. The account number for over/under is the same for each location. While knowing the net value of the over/under is important, it is difficult to determine the level of errors in cash handling by a location since they are netted out.
8. The deposit envelopes do not have pre-printed serial numbers. If the bank deposit slip number is written incorrectly or a deposit envelope disappears it may not be easily traced. If the deposit envelope numbers were pre-printed and tracked by location, it would be quicker to identify that a deposit was missing from a location.

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 CSR 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.**

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.

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.

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.

Recommendation 28

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

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.

6.4 *Determine if the physical security of the sales facilities and locations where funds are kept were adequate***6.4.1 *Are there adequate controls on the physical security of the funds during the collection, preparation for deposit and transfer to the bank?***

During the workday, funds received at City-Wide Allocations Unit are kept in an unlocked, uncontrolled cash drawer to which 13 staff have access. The last person to leave work at the end of the day removes the funds from the drawer, places them in a bag and puts them in a drop safe in a secure room, which requires an electronic card to access. No one witnesses this activity. In the morning, the funds are removed from the drop safe (combination lock), by one of several people who rotate through this task. The deposit is processed in the secure room under camera. The deposit, which averages from \$40,000-\$50,000 and ranges from \$2,000-\$265,000, when completed is transferred to the bank using Securicor.

The funds received by the satellite locations are kept in a controlled cash drawer. At some locations multiple persons have access to the same cash drawer, which weakens controls, and at others each person has their own cash drawer. All locations visited had a safe in which the funds are kept at the close of the day. All locations visited have private areas to prepare the deposit except for the main desk at one satellite location where the clerk was visible to the public when preparing the deposit. Satellite locations visited had cameras monitoring areas where funds are handled. Securicor picks up the deposit from all locations.

The funds taken in at two arenas are placed in a cash box (\$60-200). When the shift is over the attendant prepares the deposit and seals it in a buff deposit envelope. Both the deposit envelope and the cash box with the float are placed in a small safe in a locked

room. The combination for the safe is kept in the wallet of one of the attendants. At the other arena, the envelope with the cash, the locked cash box, and the key for it are placed in an open cabinet in a locked room. The deposit envelopes are picked up by the supervisor and taken to the City-Wide Sports Unit.

Daily receipts range from \$1,700 to \$9,100 and peak at about \$17,000 on a day during prime public skating season when the receipts for 22 stand-alone arenas are received. The weekly deposit can range up to approximately \$32,000. The daily balancing and deposit in the City-Wide Sports Unit are prepared at the clerk's desk. They place their funds in a safe in a secure room. When the funds are to be deposited, they are taken from there by two people to Cash Operations where Securicor picks them up.

There is a policy on the amount of funds that are to be retained in a facility prior to pick-up by Securicor. The policy is set by Treasury Services Division and implemented through planned pick-ups by Securicor. Staff at the facilities appear to be aware of the requirement to call for an additional pick-up should the funds exceed a specified amount.

There is a Float Custody Agreement that is prepared by Treasury Services Division and signed by the main custodian in each satellite location. Some locations split the float between each cash location operated in the facility. The Policy and Compliance Unit maintains the policies and procedures, statements and list of petty cash custodians. The General Accounting Unit maintains the change float policy.

The complimentary passes have serial numbers and are transferred from one cashier to the other as the shifts change with no accounting. This could result in complimentary pass being used to misdirect funds belonging to the City.

As at fiscal year-end 2006, the balance of the gift certificate clearing account was approximately a \$2,000 credit, which indicates no significant problem.

Observations

1. Too many people have uncontrolled access to the cash drawer at City-Wide Allocations Unit. This means that no individual has responsibility for the contents of the drawer. Cash drawers should be kept locked and be unique to an individual. This can be implemented using separate cash drawer inserts for each person when there is only one drawer and one person on duty at a time.
2. There are several people who have the combination for a safe. Some keep it in an unlocked drawer in their desk or in an unlocked cabinet.
3. Where deposits are prepared in an area visible to the public, there is a risk to the safety of the staff and a greater potential for loss of the funds through robbery.
4. We were unable to find a City procedure which covered the control of safe combinations or the periodic changing of the combination codes. There does not appear to be one function which has been assigned the responsibility to control combinations for all safes, or keys for cash boxes. Staff at one satellite location

admitted that the combination for their safe had not been changed in eight years. During this period there have been changes in staff.

5. Combinations for a safe are known by a number of persons, and therefore funds can be accessed under sole custody by a number of people, and no one individual could be held accountable for the loss.
6. The City-Wide Allocations Unit clerks have not seen the City's policy on handling a float nor have they received any instruction on the policy.
7. In areas where there are sub-float custodians (e.g. the float is split amongst a number of people), there is no Float Custody Agreement signed by them. The Float Custody Agreement is very rudimentary. It would be of value to have a list of the responsibilities on the Agreement for which the custodian would sign. The main custodian should not be held responsible for a loss by a sub-custodian.
8. Although the revenue for public skating in the small arenas is very small, the location in which it is kept is not always secure.

Recommendation 29

Cash drawers should be:

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

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 handlers 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.

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.**

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.

Recommendation 31

The Float Custody Agreement should:

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

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.

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.**

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.

6.5 Determine if the CLASS software and records had adequate controls.

6.5.1 Are exception financial transactions adequately controlled?

The database administrators in ITS Branch have unlimited access in CLASS. For example, an account can be changed in CLASS by having a properly authorized email sent to the database administrator who will provide password access to the administrator.

If an exception financial transaction is required by Operations, such as modifying a prior transaction or providing 100% subsidy on a program or activity, a request is issued to CLASS support by email. The request requires approval from the area manager to be actioned. CLASS support makes the change and retains a file copy of the supporting documentation for future review.

Observation

The requirement for supporting documentation to be retained on file for exception transaction performed by the CLASS support team appears to be followed. However, there is no current review process of these transactions by an independent person.

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.

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.

6.5.2 Is access to the CLASS system adequately controlled?

The process for establishing a new user on the CLASS system is to provide the user identification and password to the staff person's supervisor who is to give it to the person.

The computer system automatically times out when it has not received input for a period of approximately five minutes and requires a new logon.

Observations

1. When a new password is given to a staff person through their supervisor, there is no process to ensure that the user changes the password once they have signed on to the system. Therefore, it is possible that the employee's supervisor will know the employee's password and can, therefore, do transactions in the employee's name.
2. One area supervisor indicated that he uses his staff's user identification on CLASS if it is busy and he is selling merchandise or taking payments.
3. We witnessed one CSR who had left the front desk and had not signed off her CLASS account thereby leaving the next person the opportunity to carry out transactions under the incorrect user identification.
4. There is no process in CLASS for requiring the periodic changing of passwords for access to the system. There is a plan to implement this type of process in the fall of 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.**

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.

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.

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.

6.5.3 Are there adequate controls in updating the CLASS system?

For a patch to be applied to CLASS, special administrator access to the system is required. System upgrades are tested in a test environment before they are loaded to the operating system. The current and prior software versions are backed-up on CD. If necessary the prior version can also be obtained from the software vendor

Observation

The controls in this area are adequate.

6.5.4 Is the CLASS system backed-up adequately?

The system is on a server in the Data Centre. There is also a back-up server. The system is backed-up daily every 15 minutes. A weekly back up is done and kept for a year. The system can be recovered in 15 minutes. Data is retained for seven years.

Observation

The controls in this area are adequate.

6.5.5 Does the CLASS adequately protect client credit card information?

The credit card and transaction authorization numbers when used through the Web-based, IVR, or personal registration systems are currently entered into CLASS as documentary information. The CLASS system does not validate this data. The credit card process takes place independently through Moneris, but the City plans to integrate this with CLASS in 2007.

The CLASS system masks the credit card number at the satellite location except for the last four digits after the transaction is entered and completed. The FSU can access the entire credit card number afterwards. CLASS support does a close out process on the credit cards every 18 months which masks the credit card number in the system.

The City has a policy that a refund for a credit card payment is to be made to the same credit card as the original charge. However, since the credit card information has been

masked there is no means at the satellite locations to determine what the original credit card number was other than the last four digits.

The credit card numbers and the cardholders' names are retained on the same physical disk drive. Every 18 months there is a close out process carried out on the credit card file. Therefore, for this period of time the credit card information is subject to the risk of theft.

Observations

1. If a CSR handling a personal registration makes an error in recording the credit card authorization number, it would not be detected. Where credit cards are rejected by Moneris, staff are required to call the client to obtain a correction or an alternate means of payment. Plans are underway to modify the system so that it is integrated and on-line to Moneris.
2. Retention of the client name and credit card number on the same physical disk leaves the City susceptible to credit card number theft.

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.

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.

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.

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.

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.

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.

6.6 Determine if the accounting records in CLASS balanced with SAP.**6.6.1 Are the accounting records in CLASS correct and do they balance with SAP?**

When deposits are made, there is a debit to a CLASS account for each type of payment. Cash Operations credits these accounts and debits the City's bank accounts. Revenue is uploaded from CLASS to SAP weekly and at each month end by cost centre and the detailed transactions are retained in CLASS. The revenue in SAP is balanced to the deposits from CLASS in SAP.

The CLASS revenue reports include G.S.T., which the FSU separates out from the revenue and the FSU works with the satellites to balance the accounts.

Observations

1. CLASS revenue for specific days from selected areas was compared to that recorded in SAP. The two systems were in balance. However, a request during the audit for detailed data on subsidies could not be provided due to programming issues with CLASS. As a result of the request for this data, staff began working with the vendor to resolve the problem.
2. CLASS does not generate management reports which analyze revenue to identify problem areas. For example, there have been numerous tentative bookings whose occurrence date has passed and the booking has remained tentative. These should be reviewed weekly to determine whether the event actually took place. If the event took place and it is unpaid, the client should be billed. Otherwise it should be deleted. See the earlier discussion and recommendation 15 regarding management reporting from CLASS on revenues.

7 CONCLUSION

The 2006 Audit of the Financial Control Environment examined some aspects of Parks and Recreation financial controls at a high level. The report presented here provides greater detail on a number of related issues.

The internal controls governing revenue collection within Parks and Recreation require improvement in many areas to be more effective. The CLASS software system currently does not have sufficient built-in internal controls to ensure compliance to City policies. Inadequate detective reports and the lack of a process of regular analysis of data do not allow management to monitor transactions to ensure they are appropriate and reasonable. The ability of staff to do sales, adjustments, cancellations and refunds with little oversight creates risks for the City in safeguarding assets. While ensuring proper segregation of duties at all times and at all facilities is unrealistic in this environment, greater oversight of revenue activity is warranted.

Cancellations, refunds and adjustments amounted to \$5.6 million or 14% of revenue in 2006. Currently, refunds and adjustments are not adequately controlled and there are no routine detective reports that management can use to scrutinize these transactions leaving the opportunity for misappropriation of City funds.

Improved training in the accounts receivable function is required at the satellite locations. In addition, there is inadequate understanding by staff and management at satellite locations of the controls in the deposit process resulting in the possible diversion of funds from the City.

8 ACKNOWLEDGEMENT

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