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2001-709 Final Report

Audit of Payment Issue Products

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Executive Summary

Authority for the Project

This audit was approved by the Audit and Review Committee (ARC) on February 15, 2001 as part of the 2001/2002 Audit and Ethics Branch plan.

Objective

To assess the adequacy of the Headquarters and Regional management control framework, including compliance with national directives and procedures governing the operation of the Atlantic Region Priority Print Site and Dartmouth Production Centre, that enable the timeliness, completeness, accuracy, integrity of data and payment products processed.

Scope

The audit was conducted in the organizational units listed below, as follows:

- For the Dartmouth Production Centre (DPC) and Atlantic Region Priority Print Site audit scope - Headquarters Banking and Cash Management Sector (BCMS), Government Operational Services (GOS), and more specifically within the Payment Products and Services Directorate (PPSD) and Payment Standards Division (PSD);
- For the Dartmouth Production Centre audit scope - Headquarters Network and Computer Services Sector (NCS), Government Telecommunications and Informatics Services (GTIS) and more specifically within the Enterprise Print Operations Directorate;
- the Dartmouth Production Centre, Government Telecommunications and Informatics Services (GTIS), Atlantic Region; and
- the Atlantic Region Priority Print Site, under the responsibility of the Regional Director, Corporate Management. For this audit scope area, the Headquarters Finance Sector, GOS was also involved due to their functional role over financial units in all regions.

The period of coverage for this audit was fiscal year 2001-2002 to the present.

For the Atlantic Region Priority Print Site and Dartmouth Production Centre the audit reviewed Headquarters and Regional Management controls over operations; the identification, assessment, and management of risks; and the adequacy, integrity, and relevance of information for decision making and reporting. The auditors reviewed management and compliance controls for payment processing, cheque inventory and stock control, and physical (signature stamps used for priority payments) and/or electronic signature controls (DPC cheque payment processing). The audit focused on reviewing payment products processed through the Standard Payment System (SPS).

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We reviewed processes and controls used for the production of priority payments as per Receiver General Directive (RGD) 1999-8R1 (Revision #1, April 1, 2001) entitled "Printing Priority Receiver General Cheques at Departmental Sites - Procedures for Financial Information Strategy (FIS) Compliant Departments". The auditors reviewed controls used by the BCMS and senior regional management to ensure compliance with this Directive.

The audit scope excluded those payments requiring interface with, and/or action by, the Cheque Redemption Control Directorate and the review of Priority Print Sites of other Government Departments.

Background

The ADM, GOS, accountable for the Receiver General Business Line (RGLB), ensured the issuing of approximately 76.5 million payments in fiscal year (FY) 2001-02 via three regional production centres on behalf of the Receiver General for Canada. The Dartmouth Production Centre (DPC) printed 24.9 million cheque payments in FY 2001-02 representing approximately one third of total national payments. Currently, RG payments are issued through the SPS.

The Banking and Cash Management Sector (BCMS), supports the ADM, GOS by managing the issue of Receiver General and other payments (i.e., Payment Products and Services Directorate), and by determining payment standards, managing Receiver General cheque stock and signature stamps (i.e., Payment Standards Division).

The ADM, GTIS, through the Network and Computer Services Sector (NCS), NCA supports the RGLB by maintaining and operating the cheque production centres. The Enterprise Print Operations Directorate, NCS provides client/business support functions and services for the PWGSC enterprise print, cheque issue and document enveloping technologies and processes.

Some changes have been implemented in issuing priority payments and processing exception payments. Various options are available to client departments for processing a priority/urgent cheque, as follows: printing at a client Priority Print Site, processing by a Regional PWGSC Priority Print Site, or payment generation from a PWGSC regional production centre. In 2001-02 the Atlantic Region Priority Print Site issued 151 priority payments totalling \$ 19.5 million.

Key Findings

MCF - Dartmouth Production Centre

Overall, Headquarters, Regional, and site-specific management controls over the Dartmouth Production Centre (DPC) are adequate. At each level within the DPC organization, there are a wide range of effective controls over key activities and processes. There is rigor and discipline at

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the task control level within the DPC. In FY 2001-02 DPC processed 24.9 million payments, of which 0.07 % were affected by incidents.

Except for some minor observations, cheque inventory controls were found to be in compliance with the Banking and Cash Management Standards Manual.

Within the DPC regular management and quality assurance reviews are being undertaken to ensure compliance with ISO 9002 policies and procedures. No significant compliance issues were identified from these reviews.

HQ, regional, and DPC managers and staff consider of primary importance the need to identify, manage, and mitigate the level and impacts of risks for cheque production. In an environment of high security and privacy of information, overall, strategic, operational, and project risks have been adequately identified and there are mechanisms in place to manage and mitigate identified risks. DPC management and staff were found to be knowledgeable, disciplined, aware, and they have been effective in managing and controlling risks.

However, a current threat and risk assessment (TRA) has not been undertaken of production centre operations, systems, and equipment in accordance with TBS, Government Security Policy. The latest available TRA was completed in 1995. HQ-NCS recently advised the auditors they are in the process of developing a TRA that will cover all three production centres.

To assess the effectiveness of production centre management and operations, management has in many areas adequate and reliable information for decision making. However, performance results information is needed in the following areas:

- Comparison of actual production centre performance results to productivity standards (i.e. printing, insertion, enveloping, downtime, etc.). HQ NCS advised the audit team that by Q3 / Q4 they anticipate that sufficient statistics should allow complete assessment and reporting; and
- Contractor performance results on the effectiveness and efficiency of insertion and enveloping functions has not been adequately defined in the service contract. This contract covers the three production centres and is valued at \$ 5.1 million for a three year period.

MCF - Atlantic Region Priority Print Site

Regional Director General and Regional Director, Corporate Management controls over the Atlantic Region Priority Print Site printing of priority payments are adequate. Within this Site, there were a wide range of controls over key activities and processes that were found to be both appropriate and sufficient.

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Current GOS Directives and financial policies/procedures do not provide suitable guidance to regional offices by defining the nature of a priority payment, the criteria to be used in determining the need for a priority payment, and do not provide a possible listing of priority payment categories and situations. In the regions there could be potential risks of inconsistent and inappropriate interpretation, application, and approval of priority payment situations. The DG, Finance Sector, who has functional direction over regional corporate finance units, recently indicated to the auditors her intent to issue suitable guidance to the PWGSC regional offices to ensure consistent interpretation, application, and approval of PWGSC priority payment situations.

Except for some minor observations relative to cheque inventory, both cheque inventory and signature stamp controls were found to be in compliance with RGD 1999-8R1, R- April 1, 2001 and the Banking and Cash Management Standards Manual .

Risks associated with the Atlantic Region Priority Print Site are being adequately managed.

Other than the results from internal audit reviews, as prescribed by RGD 1999-8R1, R- April 1, 2001, HQ and Atlantic Region Managers in PWGSC have not identified the information needed to ensure compliance with this Directive. The DG, Banking and Cash Management Sector recently advised the auditors of her intent to establish additional procedures to monitor compliance.

Conclusions

HQ and Atlantic regional management controls over the DPC and the Priority Print Site were overall adequate. There were no significant observations noted relative to compliance with national directives and procedures governing the operation of the regional Priority Print Site and Production Centre. Management controls are enabling timely, accurate, complete data and payments processed.

Further improvements are needed in the following areas:

- Timely completion and implementation of a current threat and risk assessment of the production centre operations, systems, and equipment; and
- Issuing suitable financial guidance to the regional offices to ensure the consistent interpretation, appropriate application, and approval of PWGSC priority payment situations.

Performance results information is needed in each of the following areas:

- *Production Centres*: effectiveness and efficiency of contractor performance for insertion/enveloping functions; and comparison of actual production centre performance to production standards; and
- *Priority Print Site*: regular compliance with RGD 1999-8R1, R- April 1, 2001.

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Recommendations

Dartmouth Production Centre

It is recommended that the Assistant Deputy Minister, GOS, in consort with the Assistant Deputy Minister, GTIS:

1. *Ensure the timely completion and implementation of a threat and risk assessment of production centre operations, systems, and equipment.*
2. *Ensure the timely identification and implementation of performance results information for each of the following areas:*
 - *Contractor effectiveness and efficiency in the insertion and enveloping functions;*
 - *Comparison of actual performance results to productivity standards (i.e. printing, insertion, enveloping, downtime, etc.).*

Atlantic Region Priority Print Site

It is recommended that the Assistant Deputy Minister, GOS:

3. *Issue suitable guidance to the PWGSC regional offices to ensure consistent interpretation, application, and approval of PWGSC priority payment situations; and*
4. *Implement performance measures, at Headquarters and the regions, to assess regular compliance with the Receiver General Directive 1999-8R1, R- April 1, 2001 by PWGSC managers and Priority Print Site personnel.*

1 Introduction

1.1 Authority for the Project

This audit was approved by the Audit and Review Committee (ARC) on February 15, 2001 as part of the 2001/2002 Audit and Ethics Branch workplan.

1.2 Objective

To assess the adequacy of the Headquarters and Regional Management control framework, including compliance with national directives and procedures governing the operation of the Atlantic Region Priority Print Site and Dartmouth Production Centre, that enable the timeliness, completeness, accuracy, integrity of data and payment products processed.

1.3 Scope

The audit was conducted in the organizational units listed below, as follows:

- For the Dartmouth Production Centre (DPC) and Atlantic Region Priority Print Site audit scope - Headquarters Banking and Cash Management Sector (BCMS), Government Operational Services (GOS), and more specifically within the Payment Products and Services Directorate (PPSD) and Payment Standards Division (PSD);
- For the Dartmouth Production Centre audit scope - Headquarters Network and Computer Services Sector (NCS), Government Telecommunications and Informatics Services (GTIS) and more specifically within the Enterprise Print Operations Directorate;
- the Dartmouth Production Centre, Government Telecommunications and Informatics Services (GTIS), Atlantic Region; and
- the Atlantic Region Priority Print Site, under the responsibility of the Regional Director, Corporate Management. For this audit scope area, the Headquarters Finance Sector, GOS was involved due to their functional role over financial units in all regions.

The period of coverage for this audit was fiscal year 2001-2002 to the present.

For the Atlantic Region Priority Print Site and Dartmouth Production Centre the audit reviewed Headquarters and Regional Management controls over operations; the identification, assessment, and management of risks; and the adequacy, integrity, and relevance of information for decision making and reporting. The auditors reviewed management and compliance controls for payment processing, cheque inventory and stock control, and physical (signature stamps used for priority payments) and/or electronic signature controls (DPC cheque payment processing). The audit focused on reviewing payment products processed through the Standard Payment System (SPS). We reviewed processes and controls used for the production of priority payments as per Receiver General Directive (RGD) 1999-8R1 (Revision #1 dated April 1, 2001) entitled "Printing Priority Receiver General Cheques at Departmental Sites - Procedures for Financial Information Strategy

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(FIS) Compliant Departments”. The auditors reviewed controls used by the BCMS and senior regional management to ensure compliance with this Directive.

The audit scope excluded those payments requiring interface with, and/or action by, the Cheque Redemption Control Directorate (CRCD) and the review of Priority Print Sites of Other Government Departments.

1.4 Background

The ADM, GOS, accountable for the Receiver General Business Line (RGLB), ensured the issuing approximately 76.5 million payments in fiscal year (FY) 2001-02 via three regional production centres on behalf of the Receiver General for Canada. The Dartmouth Production Centre (DPC) printed 24.9 million cheque payments in FY 2001-02 representing approximately one third of total national payments. Currently all RG payments are issued through the SPS.

The Banking and Cash Management Sector, supports the ADM, GOS by managing the issue of Receiver General and other payments (Payment Products and Services Directorate) and by determining payment standards, managing Receiver General cheque stock and signature stamps (i.e., Payment Standards Division).

The ADM, GTIS, through the Network and Computer Services Sector (NCS), NCA supports the RGLB by maintaining and operating the cheque production centres. The Enterprise Print Operations Directorate, NCS provides client/business support functions and services for the PWGSC enterprise print, cheque issue and document enveloping technologies and processes.

Some changes have been implemented in issuing priority payments and processing of exception payments. Various options are available to client departments for processing a priority/urgent cheque, as follows: printing at a client Priority Print Site, processing by a Regional PWGSC Priority Print Site, or payment generation from a PWGSC regional production centre. In 2001-02 the Atlantic Region Priority Print Site produced 151 priority payments totalling \$ 19.5 million.

2 Issues Examined

There were two key issues identified relating to management controls over the Dartmouth Production Centre and the Atlantic Region Priority Print Site.

2.1 Issue # 1 Management Controls Dartmouth Production Centre

Is the Headquarters and Regional management control framework adequate to ensure compliance with rules for cheque production, cheque form inventory and electronic signature controls that enable the timeliness, completeness, accuracy, integrity of data and payment products processed?

2.2 Issue # 2 Management Controls Atlantic Region Priority Print Site

Is the Headquarters and Regional management control framework adequate to ensure compliance with rules for printing of priority payments, cheque form inventory and signature stamp controls that enable the timeliness, completeness, accuracy, integrity of data and payments issued ?

3 Findings, Conclusions and Recommendations

Subsection 3.1 contains the findings, conclusions, and recommendations for the Dartmouth Production Centre, while subsection 3.2 contains the findings, conclusions, and recommendations for the Atlantic Region Priority Print Site.

3.1 Dartmouth Production Centre (DPC)

3.1.1 Management Controls

Overall, Headquarters, Regional, and site-specific management controls over the Dartmouth Production Centre (DPC) are adequate. At each level within the DPC organization, there is a wide range of controls over key activities and processes. There is rigor and discipline at the level of task control within DPC. The management and controls of DPC production incidents has been effective. In FY 2001-02 DPC processed 24.9 million payments, of which 0.07 % were affected by incidents (See Appendix C, p. 21 for an analysis of DPC “Problem Types of Incidents” for FY 2000-01 and 2001-02).

Analysis of Payments Produced **(Dartmouth Production Centre)**

Fiscal Year	Number of Payments Produced	Number of Payments Affected Annually (all Incident Reports)	% Number of Payments Affected to Annual Number of Payments Produced
2001-2002	24,941,178	17,447	0.07%
2000-2001	26,705,844	1,767,388	6.62%

Sources : GTIS-NCS-Enterprise Operation, Print Operations Support and GTIS NCS SuperSite

3.1.1.1 Cheque Inventory Controls

Except for some minor non-compliance areas, cheque inventory controls were found to be in compliance with Banking and Cash Management Standards Manual. The following minor non-compliance findings were observed:

- Independent stocktaking of cheque form inventory is not being performed at quarterly intervals. (BCMS, Sect 2, s/s 7c & d) Nonetheless, the audit team found the physical count cheque form inventory levels were consistent with levels reported in HQ and DPC inventory control logs; and

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- The Monthly Inventory Status Reports for envelopes for January - March 2002 provided by the DPC to Headquarters Payment Standards Division was understated by 100,000 envelopes. The Regional Manager, DPC indicated inventory levels would be corrected pending the physical count of off-site storage volumes.

3.1.1.2 Quality Assurance Controls

There are regular management and quality assurance reviews of the DPC. Both internal and external reviews are regularly undertaken to ensure compliance with the Quality System Manual, ISO 9002, policies and procedures. Only minor ISO non-compliance issues have been identified from these reviews.

The following minor observations were observed:

- Reports of DPC QA reviews do not contain an overall assessment of the effectiveness of operations. These reports focus on identifying specific compliance / non-compliance areas. The Regional Manager, DPC will ensure an overall assessment of operations is included in future reports; and
- Annual internal and external QA reports are not being forwarded to HQ NCS for their information. As HQ Network Computer Services (NCS) role has recently changed to having more direct control over all Production Centre operations, the Regional Manager, DPC will be providing upcoming QA reports to HQ-NCS for their information.

3.1.2 Risk Management

HQ, regional, and DPC managers and staff consider of primary importance the need to identify, manage, and mitigate the level and impacts of risks for cheque production. In an environment of high security and privacy of information, overall, strategic, operational, and project risks have been adequately identified and there are mechanisms in place to manage and mitigate identified risks. Appropriate and sufficient mechanisms are in place to manage and mitigate identified risks. DPC management and staff were found to be knowledgeable, disciplined, aware, and they have been effective in managing and controlling risks.

A Business Resumption Plan is in place for the DPC. However, a current threat and risk assessment has not been undertaken of production centre operations, systems, and equipment (Reference : TBS, Government Security Policy, Feb. 1, 2002, section 10.7 Security Risk Management). The last threat and risk assessment was undertaken in 1995. HQ-NCS recently advised the auditors that they are in the process of developing a TRA that will cover all three production centres.

Conclusion

Management has been overall effective in managing and controlling their strategic, operational, and project risks. However, they do not have the necessary timely information available to assess the threats and risks associated with production centre operations, systems, and equipment.

Recommendation

It is recommended that the Assistant Deputy Minister, GOS, in consort with the Assistant Deputy Minister, GTIS:

1. *Ensure the timely completion and implementation of a threat and risk assessment of production centre operations, systems, and equipment.*

3.1.3 Information for Decision Making

Regional and DPC managers have adequate and reliable information (both formal and informal) for effective decision making in the following areas:

- HR, financial, and operational strategies and budgets;
- Production planning, processing and delivery;
- Effectiveness of cheque print processing and Canada Post Corporation service delivery pickup;
- Component costing of operations and service delivery (includes HQ and regional costs);
- Equipment productivity standards;
- Standards for stock utilization and waste
- Cheque form inventory security and control;
- Production Centre physical security, access, and control;
- Quality assurance inspection, reporting and improvements;
- Quality standards for printing (both processing and product), insertion and enveloping;
- Compliance with BCMS rules and regulations;
- Production volumes;
- Resource and most production centre costs (internal and contract);
- Identification and disposition of operational and service delivery issues, both potential and actual (i.e. Corrective Action Reports (CARs), Problem Management Reports (PMRs), Incident reports, In-processing, etc.);
- Timeliness of processing daily workload;
- Control and reporting of replacement and spoiled cheques;
- Equipment maintenance, repair, upkeep and replacement;
- Management review;
- Client department complaints and issues; and

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- Client satisfaction assessments / surveys.

Information for decision making is needed in the following areas:

A) Assessment of actual performance results compared to productivity standards (i.e., printing, insertion, enveloping, downtime, etc.). HQ NCS has advised the audit team that by Q3 / Q4 they are anticipating that sufficient data should allow complete assessment and reporting.;

B) Contractor performance results information on the effectiveness of insertion and enveloping functions. Aside from the contract performance result of assessing contractor waste (i.e., spoiled units, cheques, envelopes, etc.), there are no other performance standards and results. This contract covers the three production centres and is valued at \$ 5.1 million for a three year period.

HQ NCS have advised the auditors that they are developing an interface with the SPS and the Data Driven Insertion Servers to collect data on any given payment from extract to completed mail piece. (completion anticipated by fiscal year end); and

C) Current threat and risk assessment (TRA) of DPC operations, systems, and equipment (ref. subsection 3.1.2, recommendation). HQ-NCS recently advised the auditors that they are in the process of developing a TRA that will cover all three production centres.

Conclusions

HQ, regional, and site-specific information for decision making for the Dartmouth Production Centre is adequate, except for the three areas noted in the previous paragraph.

Recommendation

It is recommended that the Assistant Deputy Minister, GOS, in consort with the Assistant Deputy Minister, GTIS:

2. *Ensure the timely identification and implementation of performance results information for each of the following areas:*
 - *Contractor effectiveness and efficiency in the insertion and enveloping functions; and*
 - *Comparison of actual performance results to productivity standards (i.e., printing, insertion, enveloping, downtime, etc.).*

3.2 Atlantic Region Priority Print Site

3.2.1 Management Controls

RDG and RD, Corporate Management controls over the Atlantic Region Priority Print Site printing of priority cheques are adequate. Within this Site, there were a wide range of controls over key activities and processes that were found to be both appropriate and sufficient.

3.2.1.1 Policies and Procedures

Current GOS Directives and financial policies/procedures do not provide suitable guidance to regional offices by defining the nature of a priority payment, the criteria to be used in determining the need for a priority payment, and do not provide a possible listing of priority payment categories and situations (i.e. legal settlements, damage claims, emergency salary advances, etc.).

The RG Directive 1999-8R1, R-April 1, 2001 entitled "Printing Priority Receiver General Cheques at Departmental Sites - Procedures for Financial Information Strategy (FIS) Compliant Departments" focuses on controls over the printing of priority cheques and applies to all federal departments. The A/RD, Corporate Management (CMD), Atlantic Region issued procedures entitled "Priority Payment Procedures for Atlantic Region" which provided direction to ensure consistency in initiating and approving Departmental priority payment situations.

In the regions there could be potential risks of inconsistent and inappropriate interpretation, application, and approval of priority payment situations. The DG, Finance Sector, who has functional direction over regional corporate services units, recently indicated to the auditors her intent to issue suitable guidance to the PWGSC regional offices for PWGSC priority payment situations, to ensure consistent interpretation, application, and approval of priority payment situations.

Conclusion

Without common and suitable guidance being provided by the HQ Finance Sector to the regional offices, there could be potential risks of inconsistent interpretation, application, and approval of Departmental priority payment situations.

Recommendation

It is recommended that the Assistant Deputy Minister, GOS:

3. *Issue suitable guidance to the PWGSC regional offices to ensure consistent interpretation, application, and approvals of PWGSC priority payment situations.*

3.2.1.2 Inventory Controls

Except for some minor observations, cheque inventory controls were found to be in compliance with RGD 1999-8R1 and the Banking and Cash Management Standards Manual (BCMSM). The following minor non-compliance findings were observed:

- There was insufficient documentary evidence to support the monthly (Cheque Custodian) and quarterly independent stock count of cheque forms (BCMSM, Chap.1, Sect.8, s/s H) (RGD 1999-8R1, R- April 1, 2001, Sect. 9.5.2 and 9.5.3). The A/RD, CMD, Atlantic Region has indicated the Manager, Systems and Revenue will ensure both cheque custodians are fully aware of, and comply with, the requirements for monthly and quarterly stock count of cheque forms. The Manager, Systems and Revenue will sign off on the stock count and verify the supporting documentation on a monthly basis. The auditors found the physical stock count agreed with HQ and regional records.;
- Damaged and /or unusable cheque forms were not being stamped "VOID" (RGD 1999-8R1, R April 1, 2001, Sect. 9.6.2 a and BCMSM chapter 4.1). The Manager, Systems and Revenue will ensure both cheque custodians are fully aware of the requirement to stamp all damaged or unusable cheques with "VOID". These activities will be verified as part of the monthly stock count;
- Spoiled cheque forms were not being destroyed on a timely basis (BCMSM, chapter 1, Sect. 8, s/s 6T) (RGD 1999-8R1, R-April 1, 2001, Sect 9.6.2 b). The Manager, Systems and Revenue will ensure damaged or unusable cheque form stock is being destroyed on a quarterly basis and there are appropriate documents on hand to support the destruction;
- A Cheque Form Inventory Control Register (PWGSC 7526) was not being used to record cheque forms in storage, used, transferred and destroyed. Existing logs do not capture this complete information. The Manager, Systems and Revenue will ensure logs conform to the requirements of the Cheque Form Inventory Control Register (PWGSC 7526) and they are being

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maintained in an accurate and timely manner. This will be completed as part of the monthly review of the stock count.

3.2.1.3 Signature Stamp Controls

Signature stamps were adequately controlled and we observed full compliance with RGD 1999-8R1 and the Banking and Cash Management Standards Manual.

3.2.1.4 Training and Awareness

The Manager, Information Technology Operations (ITO), GTIS responsible for the oversight control of the Cheque Custodian and Alternate Cheque Custodian, was not sufficiently aware of the compliance and operational requirements associated with cheque form inventory control. The Manager, ITO, will be meeting with the Cheque Custodian to improve his understanding of the process key controls, and compliance requirements for the priority print function.

The Alternate Cheque Custodian's shift work has resulted in his limited "hands-on" experience with the priority print function. The Manager, ITO, plans to modify the Alternate Cheque Custodian's schedule to allow more "hands-on" exposure.

3.2.2 Risk Management

Atlantic Region Priority Print Site risks are being adequately managed.

3.2.3 Information for Decision Making

Staff associated with the Atlantic Region Priority Print Site had sufficient information available to control this function. However, other than from the results of internal audit reviews, HQ and Atlantic Region Managers in PWGSC have not identified the information needed to ensure regular compliance with RGD 1999-8R1, R- April 1, 2001.

Conclusion

PWGSC management could be at some risk due to the absence of sufficient information on a regular basis to determine the extent of compliance with RGD 1999-8R1, R-April 1, 2001.

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Recommendation

It is recommended that the Assistant Deputy Minister, GOS:

4. *Implement performance measures, at Headquarters and the regions, to assess regular compliance with the Receiver General Directive 1999-8R1, R- April 1, 2001 by PWGSC managers and Priority Print Site personnel.*

4 Appendix A - Management Control Framework Main Audit Criteria

Governance

Strategic Leadership

Senior management should establish strategic direction by providing a clear mission and appropriate organizational objectives, in light of mandate and vision.

Senior management should establish performance expectations by clearly articulating intended results.

Governance Framework

Senior management should govern the entity, through appropriate management committees to enable the achievement of departmental objectives and intended results.

Accountability Framework

Senior management should assign responsibility throughout the organization and establish the related accountability for intended results.

Departmental Culture

Senior management should establish and adhere to a code of conduct ethics and values that leads the departmental culture by defining acceptable practices and by avoiding conflicts of interest.

Monitoring & Reporting Performance

Senior management should monitor and report departmental activities and performance against organizational objectives and intended results.

Organizational Capability

Organizational Authority and Responsibilities

The delegation of authority and responsibilities should be appropriate for the structure and objectives of the organization.

Management controls should be assigned and exercised commensurate with authority and responsibilities.

Appropriate and clear reporting relationships should be established.

Human Resources Management

The organization should effectively manage the recruitment, training and retaining of its staff commensurate with the needs of the Department.

An appropriate workplace occupational health and safety program should be in place and properly implemented.

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Financial resources management

Key financial activities should be authorized.

Appropriate tracking systems should exist to enable the monitoring and reporting of financial activity.

Physical Assets, System Technology and Intellectual Property

The organization should have clear policies for the management and control of physical assets, systems technology and intellectual property because they are important contributors to achieving organizational, program and operating objectives and intended results.

Physical assets, information systems, to identify relevant operational and financial information about internal and external events, other technology and intellectual property needed to perform the activities of the organization should be in place and operate as intended.

Policy capacity

The organization should have an appropriate policy framework and the capacity to monitor and adapt effectively to changing pressures, manage risks appropriately and ensure that learning from operational experience forms an important basis of the policy development process and for identifying management learning needs.

Communication

The organization should have effective and transparent communication processes to support its values and ethics, and the achievement of organizational, program, operational and project objectives and intended results.

Operational Delivery

Processes for Business, Services, and Products

Well-articulated processes, consistent with the organizational objectives and intended results, for the delivery of business outputs and results, services and products, should exist, be documented, understood, used and monitored.

Appropriate policies, procedures and control mechanisms should exist and be applied properly to each of the organization's programs, operations, projects and activities.

Quality control and quality assurance functions should exist and operate as intended.

Appropriate application systems should be in place and used to support the delivery of business outputs and results, services, products and activities.

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Operational Policies and Procedures

Program, operational and project policies and procedures should exist, be documented, understood, used and monitored for their continued relevance, and changes made, as necessary, in response to changing conditions.

Functional Expertise

Functional expertise should be placed to support, and enhance its effectiveness and efficiency, of the delivery of business, services and products.

Risk Management

Risk Identification

Risks should be identified in relation to clearly articulated and commonly understood objectives.

Key strategic, operational and project risks/opportunities that influence the achievement of critical objectives should be identified and categorized appropriate to the business entity.

Risk Identification should include a preliminary comparative analysis (High/Medium/Low) of the key risk areas, as to their likelihood and impact in relation to damages and liability, operational effects and reputation loss.

Risk Assessment

Risks should be assessed to determine the likelihood and impact of an undesirable effect to arrive at a residual level of risk.

Risk Response

The choice of risk response (i.e. avoid, transfer, accept, mitigate) and mitigation investment should be based on an appropriate balance of risks, opportunities, stakeholder needs/tolerances and the cost-effectiveness of initiatives.

Risk mitigation activities should be designed and implemented to reduce, or otherwise manage, risk at levels determined to be acceptable to management.

Risk mitigation measures should provide evidence that risk is being effectively managed.

Continuous Monitoring and Learning

Risk should be managed within a supportive environment that promotes effectiveness, supports sensible risk taking and encourages continuous learning.

Ongoing monitoring activities should be conducted to periodically reassess risk and the effectiveness of risk management controls;

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Context, Communications, Reporting and Review

The context, communications, reporting and review aspects of risk analysis should be considered as an ongoing element of the risk management process.

Information for Decision-Making and Reporting

Leadership

The organization should provide leadership in the area of performance management by developing and communicating conceptual and formal support through vision and mission statements, related policies and objectives, clear values and ethics, and an organizational culture that supports, encourages and rewards performance management.

Environment

A formal corporate environment that facilitates performance management should be in place.

Understanding and Commitment

There should be awareness and knowledge of performance management among managers & staff.

Resources

Sufficient and appropriate human/financial resources and fixed assets should be dedicated to support performance management and a performance measurement system.

Integrity of Information

The organization should generate accurate and relevant performance information for decision-making and reporting.

5 Appendix B - Main Compliance Criteria

Priority Print Sites

The management and operation of Priority Print Sites should be in compliance with Receiver General Directive 1999-8R1.

Production Centre - Inventory and Signature Authorization Controls

The management and operation of the Cheque Production Centre activities associated with inventory control of cheque forms and signature authorization controls (both physical and electronic), should be in compliance with procedures in the Banking and Cash Management Standards Manual.

Production Centre - Payment Processing

The processing of payments should be in compliance with Standard Payment System User Guide, ISO 9002 standards, other Print Operations Support bulletins and various service level standards.

**2001-709 Audit of Payment Issue Products
Final Report**

6 Appendix C - DPC Incident Analysis (Per FY)

**Analysis of Incidents
(Dartmouth Production Centre)**

Fiscal Year	Problem Type	Number of Incidents	Total Number of Payments Affected (all incidents)
2001-2002	Contractor insertion/enveloping	10	16,599
	GTIS - Dartmouth Production Centre	2	434
	GOS - HQ	0	0
	Canada Post	5	414
	Other	0	0
	Total	17	17,447
2000-2001	Contractor insertion/enveloping	8	287,306
	GTIS - Dartmouth Production Centre	24	287,974
	GOS - HQ	8	728,055
	Canada Post	2	134,637
	Other	4	329,416
	Total	46	1,767,388

Source : GTIS, NCS SuperSite - Print Operations Incident Reporting (July 22, 2002)