

**Department Audit and Evaluation Branch
Department of Indian Affairs and Northern Development**

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**Audit of Accounts Receivable
Yukon Region**

**98/13
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Executive Summary

Purpose

The purpose of this audit was to examine departmental practices for accounts receivable in the Yukon Region and to provide senior management with a comprehensive assessment of the collection, deposits and management of the revenues and resulting accounts receivables due to the Crown, in compliance with the legislative requirements and central agency and departmental directives.

Background

The Yukon Region issues permits and licenses and collects revenues under several acts and related regulations. In most cases revenues are collected when the permits and licenses are issued. Timber dues and Yukon Water Board license fees are billed to clients thereby creating accounts receivables from revenue-related transactions. At the time of the audit, approximately 70% of the region's accounts receivables were revenue-related. In dollar terms this represented approximately \$860,000. The other 30% (approximately \$370,000) was from non-revenue transactions such as recovery of salaries for secondments to other government departments (OGD's) or recovery of social assistance payments that are the responsibility of the Yukon Territorial Government (YTG). Approximately 30% (\$400,000) of the accounts receivables are considered "old balances," being two or more years old.

For several years the Yukon Region had been maintaining its accounts receivable manually because of deficiencies in the accounts receivable module of the Departmental Accounting System (DAS). The region implemented an off-the-shelf accounting package (Acc Pac) in February 1998 to strengthen its accounts receivable procedures given a significant potential increase in timber dues transactions. A new DAS module designed to meet regional and headquarters management information needs is scheduled for testing in April 1999.

General Assessment

Over the past year, the region has been able to establish effective procedures to ensure the timely, accurate and complete recording and safeguarding of accounts receivable transactions in compliance with legislative and central agency and departmental directives. This came about by the region allocating priority and resources to this area. It would not be possible for Accounting Operations to maintain its current level of effective control without maintaining the resources now assigned to this function. In order to fully establish sound receivables management practices, the region needs to focus on collection and write-offs to clean up the "old balances" and stay on top of current accounts.

Summary of Findings

Effective procedures are in place to ensure the timely, accurate and complete recording and safeguarding of accounts receivable transactions. For example, the Head, Accounting Operations reviews billings and cash receipts data for accuracy before it is posted electronically. However, the new procedures have not been fully documented to ensure continuity and training of new staff. Inadequate procedures in the past such as not ensuring timely matching of billings and receipts information, have contributed to the region having “old balances” of approximately \$400,000.

The Acc Pac system implemented locally by the region is maintained well. For example, monthly statements are now regularly sent to clients to verify accuracy of balances produced by the system. The accounts receivable staff have not been trained on all the features of the Acc Pac system that would be of an assistance to them.

Procedures are now in place for collection and write-off by Accounting Operations. For example, monthly statements are sent out and documentation to write off \$59,000 worth of small, old balances has been prepared. Attention to collection in the past would likely have avoided some of the \$59,000 write-off. Collection roles and responsibilities of Accounting Operations and operational responsibility managers require clarification.

The region was compliant in the three key areas examined, namely: interest calculations, write-off procedures and receipt and deposit of public monies. Acc Pac processes interest calculations slightly different from the prescribed method which will require manual checking where partial payments are made on large balances.

There may be an opportunity to reduce the accounts receivable workload associated with Yukon Water Board fees. Yukon Water Board fees generally cover five year permits at \$30.00 per year. If the \$150.00 could be collected up front, a considerable amount of administrative efficiency would be realized in processing of accounts receivables and will reduce processing errors.

Key Recommendations

The Director, Corporate Services, should ensure that:

- S** all accounts receivable control procedures are documented and reviewed with all parties involved in these activities;
- S** adequate training is provided to appropriate staff on the Acc Pac G/L module and that regular reporting on accounts receivable is implemented using this module; and,
- S** a procedure is established to review Acc Pac interest calculations on larger balances where a partial payment occurs during a month. If the difference is over a certain amount, as determined by the region, an adjustment should be processed.

The Regional Director General should:

- S** ensure roles and responsibilities for collection are clarified between Accounting Operations and operational responsibility managers; and,
- S** follow up with the manager of the Yukon Water Board on the possibility of up-front payment of permit fees to alleviate the workload involved in processing so many small dollar value transactions annually.

Background

The 1998-1999 Departmental Audit and Evaluation Plan, approved by the Departmental Audit and Evaluation Committee (DAEC), includes an audit of Accounts Receivables in the Yukon Region. The last audit conducted in this area was in 1993 entitled the “Audit of Management of Receivables”. The report recommended that the department should develop and implement a comprehensive accounts receivable system.

Since that time a Policy on Receivables Management was issued by the Treasury Board Secretariat (TBS) on October 31, 1995. It provides direction to ensure that all government accounts receivables are managed efficiently and effectively by all departments identified under section 2 of the *Financial Administration Act*.

The Yukon Region issues permits and licences and collects revenues under the following federal legislation:

- (a) *Territorial Lands Act*, which entails the:
 - Territorial Road Regulations;
 - Territorial Dredging Regulations;
 - Territorial Land Regulations;
 - Territorial Quarry Regulation;
 - Land Use Regulations; and,
 - Yukon Timber Regulations.
- (b) *Yukon Waters Act*; which entails the Yukon Water Board Regulations
- (c) *Yukon Quartz & Placer Mining Act*, and;
- (d) *Federal Real Property Act*.

In most cases revenues are collected when the permits and licenses are issued. Timber dues and Yukon Water Board license fees are billed to clients thereby creating accounts receivables from revenue-related transactions. At the time of the audit, approximately 70% of the region’s accounts receivables were revenue-related. In dollar terms this represented approximately \$860,000. The other 30% (approximately \$370,000) was from non-revenue transactions, such as recovery of salaries for secondments to other government departments (OGD’S) or recovery of social assistance payments that are the responsibility of the Yukon Territorial Government (YTG).

For several years the Yukon Region had been maintaining its accounts receivable manually due to deficiencies, such as invoices with the same number in the accounts receivable module of the Departmental Accounting System (DAS). The region implemented an off-the-shelf accounting package (Acc Pac) in February 1998 to strengthen its accounts receivable procedures given a

significant potential increase in timber dues transactions. A new departmental module designed to meet management information needs is scheduled for testing in April 1999.

A profile of the region's accounts receivables at the time of the audit is set out in the following Exhibit 1.

Exhibit 1: Accounts Receivable Profile

As at January 22, 1999

| Aging | Type | | |
|----------------|--------------------|--------------------------|-----------|
| \$ | <i>Non-Revenue</i> | | \$ |
| 1994 and prior | 144,700 | OGD (old 1994 and prior) | 71,000 |
| 1994/95 | 36,500 | OGD (new 1997 to date) | 41,000 |
| 1995/96 | 116,200 | YTG | 173,000 |
| 1996/97 | 103,900 | Various SA clients | 21,000 |
| 1997/98 | 561,900 | Provincial/state | 51,000 |
| 1998/99 | 269,800 | Other | 10,000 |
| | | | 367,000 |
| | | <i>Revenue</i> | |
| | | Water Board Fees | 99,000 |
| | | Timber Dues | 767,000 |
| | | | 866,000 |
| | 1,233,000 | | 1,233,000 |

Objectives

The objectives of this audit were to assess:

- S** the system of controls for ensuring timeliness, accuracy and completeness relating to the collection, receipt and deposit of revenue-related and non-revenue transactions;
- S** the system for recording and reporting accounts receivables and the plans for integrating the current system with DAS;
- S** the processes for collection and writing-off of outstanding accounts receivables;
- S** the degree of compliance with various legislative, central agency and departmental authorities and directives; and,
- S** management practices related to receivables management including best practices within the region that can be shared with other regions and functional guidance provided by headquarters.

Scope

The scope of this audit included the accounts receivable activities in the Yukon Region and the initiatives underway at headquarters to develop a new accounts receivable module for DAS. In addition, there were discussions with representatives of the Yukon Water Board regarding procedures for Yukon Water Board receivables.

Methodology

The approach for this audit included establishing Accounts Receivable Management and Control Criteria described in the attached Appendix A. Existing control procedures were documented in flowcharts in the attached Appendix B and selected control features based upon the criteria (e.g. matching, posting, approval procedures, etc.) were tested to ensure they were working as intended. Collection of large outstanding balances was examined by the review of transaction records and enquiries made with representatives of the client organizations. They were mostly other government departments including Public Works and Government Services Canada, and Government of British Columbia. We also interviewed managers and staff to discuss issues such as roles and responsibilities for accounts receivable collection.

Detailed Findings and Recommendations

Adequacy of Controls Over Transactions

Effective controls, such as those for matching, posting and approval, are in place to ensure the timely, accurate and complete recording and safeguarding of accounts receivable transactions. However, weak controls in the past have contributed to some old balances that may now be uncollectible.

In 1998-99 the region had undertaken to strengthen its controls over the timeliness, accuracy and completeness of accounts receivable transactions. This effort was driven largely by a realization that the dramatic increase in timber harvesting would generate significant revenues for the Crown and require a more effective system of controls. Effective accounts receivable procedures would ensure Crown interests were addressed both from a financial perspective and a community relations perspective. Community relations was important because rate increases in timber dues were not being well received by stakeholders.

Past control weaknesses included a lack of effective procedures to match amounts received to amounts billed. Inadequate matching procedures had been in place for many years. As illustrated in Exhibit 1, regional accounts receivable reports indicated approximately \$71,000 billed to OGD's in 1993/94 and prior years is still not received. In fact, it is very likely the amounts have been received but were never properly matched to the billing.

The timber dues have also had matching problems. Partial payments were often received by District Offices before invoices were even produced. Therefore, the receipt prepared by the District Office could not include an invoice reference number for subsequent matching purposes. The resulting overstatement in some timber dues client accounts was being corrected at the time of the audit.

Initiatives to improve accounts receivable controls lead to Accounting Operations staff reviewing their own procedures and the procedures performed by other responsibility centres such as the Yukon Water Board, District Offices and Forest Resources for revenue-related transactions and Social Assistance and Human Resources for non-revenue transactions.

The controls now in place for the revenue-related transactions (Yukon Water Board and timber) are documented in flowcharts attached as *Appendix A*. The controls now being established, both in terms of basic and supervisory controls, were considered effective to ensure the timely, accurate and complete recording and safeguarding of accounts receivable transactions.

To operate the accounts receivable control procedures now in place has required an increase in resources allocated to accounts receivable within Accounting Operations. While there may be some further efficiencies in control procedures, it would not be possible for Accounting Operation to maintain its current level of effective control without maintaining the resources now assigned to this function.

The ineffective controls of the past will likely require some additional write-off of amounts that might otherwise have been collected. Therefore, it is important not to get into this position again.

Recommendation

1. The Director, Corporate Services, should ensure all accounts receivable control procedures are documented and reviewed with all parties involved in these activities.

System to Record and Report Accounts Receivables

The Acc Pac system is maintained well to track individual account balances.

Since February, 1998 the Yukon Region has been using Acc Pac software to record and report accounts receivables. This computer software system provides considerable efficiency over the region's previous manual system given the large number of individual accounts (approximately 700) and the requirement to now charge interest. The computer accounting package also provides for more overall control because Acc Pac provides appropriate audit trails and its programming procedures cannot be manipulated, as it was possible with the manual procedures and database software used by the region before Acc Pac.

The Yukon Region uses the Acc Pac Accounts Receivable (A/R) module to record and report all transactions related to individual accounts receivable clients. This module is used to produce aged listings and monthly statements for clients. The region has also installed the Acc Pac General Ledger (G/L) module which can link with the Accounts Receivable module and produce additional reports on revenue to date by type and summary balances of accounts receivable. For example, the G/L could help produce management information such as illustrated in Exhibit 1, which had to be calculated manually for the audit report.

The region has not had training on how to operate the G/L module. Linking the G/L and A/R modules in a more fully functioning manner can produce reports for responsibility centre managers so that they can help ensure the overall accuracy and validity of reported balances. Accounts Receivable reports could also be provided to Headquarters which does not have easy access to regional information while the new accounts receivable module is still under development.

With a new DAS accounts receivable module on the horizon, it was still considered advisable to upgrade the region's skills in Acc Pac G/L because it will allow the region to have a fully functioning accounts receivable system if there are any significant delays to the new DAS accounts receivable module.

Recommendation

2. The Director, Corporate Services, should ensure that adequate training is provided to appropriate staff on the Acc Pac G/L module and that regular reporting on accounts receivable is implemented using this module.

Process for Collection and Write-Offs

The region has developed and is following improved revenue collection and write-off procedures with some further attention required to clarifying roles and responsibilities. However, inadequate procedures in the past has lead to unnecessary write-offs and there is the potential for further write offs as a result of past practices.

The installation of the Acc Pac accounts receivable module in the past year has made it feasible to start sending monthly "Statements of Account" (statements) to clients as a collection procedure. The monthly statements were started in August, 1998 and generated the collection of some older balances. The department also processes the billings for the Yukon Water Board (YWB). A recent change in YWB procedures requiring payment of all outstanding accounts receivables before a new water licence is granted has also improved collection.

Issuing monthly statements also identified a large number of clients for which contact has been lost. This became known when the statements were returned as undeliverable mail. This, in turn, lead to an initiative to write-off the undeliverable accounts. There were approximately 250 accounts totalling approximately \$59,000. The balances were under \$2,000 and they were more than three years old. There is no doubt that some of the 250 accounts being written off might have been collected had the practice of issuing monthly statements been initiated earlier.

It was also observed that Accounting Operations is taking initiative to contact by telephone the clients with large balances outstanding for several years.. During the course of the audit this lead to the collection of a \$46,000 account receivable from the Province of British Columbia that was over two years old. However, roles and responsibilities for collection and write-off activities had not been firmly established in the region as to when and what actions should be taken by operational responsibility managers and Accounting Operations staff. Without this clarification there is a risk that good client relations may be adversely affected if someone without full knowledge of the circumstances contacts a client for collection.

Timber dues averaged \$30,000 per client and approximately \$770,000 in total with most accounts being 1 - 2 years old. Therefore, collection will be an important issue for timber dues. Some collection difficulty can be anticipated simply because amounts owing for timber dues took the operational responsibility centre managers over a year to finalize and send out invoices.

Recommendation

3. The Regional Director General should ensure roles and responsibilities for collection are clarified between Accounting Operations and operational responsibility centre managers.

Compliance

The region was compliant with legislative requirements and central agency and departmental directives in three key areas examined, namely: interest calculations, write-off procedures, and receipt and deposit of public monies.

Compliance requirements were examined in the following key areas:

- S interest calculations (as per Treasury Board Secretariat Circular No. 1996-03, and Financial Administration Act - Interest and Administrative Charges Regulations SOR/96-188);
- S write-off procedures (as per Financial Administration Act - Debt Write-off Regulations SOR/94-602, and Departmental Financial Manual - Chapter 7.6); and,
- S receipt and deposit of public money (as per Financial Administration Act - Receipt and Deposit of Public Money Regulations SOR/98-128).

The region was observed to follow the requirements of the above authorities. However, it was found that the method of calculating interest in the Acc Pac software was not exactly the same as the method prescribed by Treasury Board. The difference related to averaging the effect of a partial payment during a month instead of calculating interest using the number of days in the month before and after the partial payment. The different methods would create immaterial differences on small balances such as Yukon Water Board accounts. Therefore no adjustment of small balances should be considered. However, the effect on larger balances such as timber accounts should be reviewed for possible adjustment if the difference is over a certain amount that could be set by the region.

Recommendation

4. The Director of Corporate Services should ensure that a procedure is established to review Acc Pac interest calculations on larger balances where a partial payment occurs during a month. If the difference is over a certain amount, as determined by the region, an adjustment should be processed.

Management Practices

There may be an opportunity to reduce the accounts receivable workload with up front payments of Yukon Water Board (YWB) fees.

The department provides accounts receivables services to the YWB which charges its clients permit fees for water used in mining activities. A significant portion of the region's workload for accounts receivable relates to YWB clients which number in the hundreds and usually for small balances of \$30.00 per year.

A YWB permit can be for a period from 3 - 25 years but most are for 5 years. The first year is collected in advance and clients are billed for each subsequent year. Most permits are for \$30 per year so if a 5-year permit was collected in advance, the client would have to pay \$150 up front. Collecting in advance would not only free up Accounting Operations staff and YWB staff for other priorities, it would also ensure collection. Currently, many accounts become uncollectible because the business operations which make use of the 5-year permit frequently do not last five years and the client moves on without providing a new address or simply has no interest in paying a permit fee for something no longer used.

The possibility for payment up front was discussed with the Manager of the YWB and there was agreement that this could be considered.

Recommendation

5. The Regional Director General should follow up with the Manager of the Yukon Water Board on the possibility of up-front payment of permit fees to alleviate the workload involved in processing so many small dollar value transactions annually.

Appendix A:
Accounts Receivable Management and Control Criteria

Granting Credit and Invoicing:

1. Only credit-worthy clients should be granted credit
2. Invoices should be issued timely for all permits, fees, etc., and should be pre-numbered to establish recording completeness

Reconciling Receivables and Cash Receipts:

1. All receivables and cash receipts should be matched and recorded accurately and timely in the Departmental Accounting System
2. Accounts should be established by debtor name to enable determination of debtor's total debt
3. Control accounts should be established to ensure integrity and reliability of individual accounts
4. Duties of granting credit, maintaining accounting records and handling and reconciling cash should be separated

Receipt, Safeguarding and Deposit of Monies:

1. Cheques and other negotiable instruments should be endorsed immediately
2. All monies should be recorded on a Cash Blotter (which should be initialed by the recording clerk and a second person)
3. All funds should be safeguarded until deposited timely

Approvals:

Processing should include appropriate approaches to verify accuracy and provide authorization.

Audit Trails:

The temporary accounting system should provide adequate audit trails.

Collection:

1. Monthly statements should be issued
2. Clients should be contacted on a timely basis for collection

Charging Interest and Write-offs:

1. Balances should be reported on an aged basis
2. Regular (monthly) review and action should be done by managers responsible for balances
3. Periodic review and action should involve senior management
4. Interest should be charged as required according to policy
5. Write-offs should be processed as required according to policy

Management Practices:

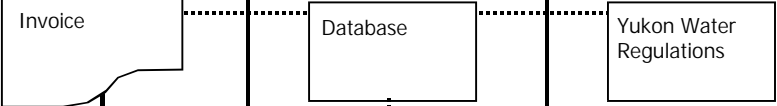
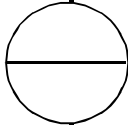
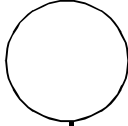
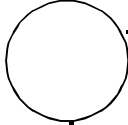
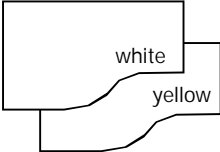
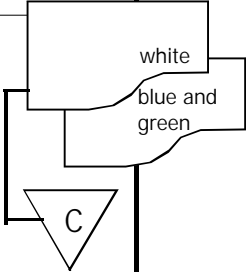
1. Policies and procedures should be documented locally and departmentally to ensure consistent application.
2. Staff performing accounts receivable functions should be appropriately trained.
3. Sufficient resources should be assigned to match workload requirements.

Appendix B:

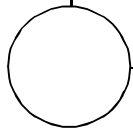
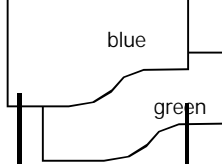

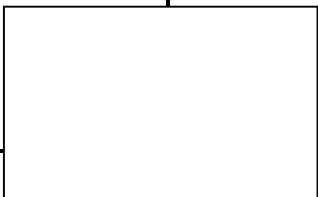
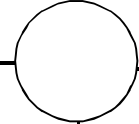
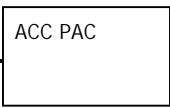
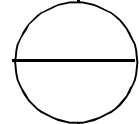
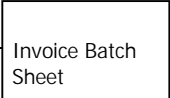
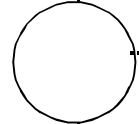
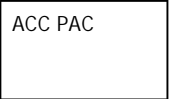
Flowcharts of Transaction Controls

- Yukon Water Board License Fees
- Timber Dues

Yukon Accounts Receivable: Water Board

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|--|--|---|-----------------------|-----------------|
| Invoicing | | | | |
| 1. Water Board Clerk generates invoice from database which tracks annual due date and prints invoice 3 months in advance according to Yukon Water Regulations | |  | | |
| 2. Invoice number recorded on invoice from block of numbers provided by Account Operations | |  | | |
| 3. Invoice date, due date, client particulars and financial coding printed by system | |  | | |
| 4. Clerk makes photocopies of invoice for distribution: - 2 white copies - 1 blue copy - 1 green copy | |  | | |
| 5. Distribution: - 2 copies to client (one to be yellow) - blue and green copies to Account Operations - one copy to customer file (for record of unpaid) |  |  | | |

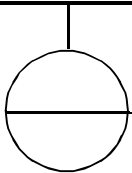
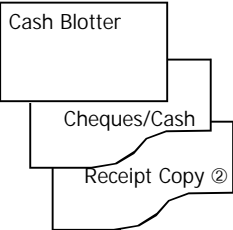
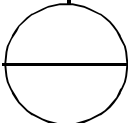

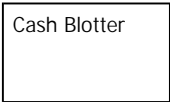
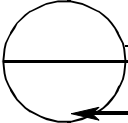

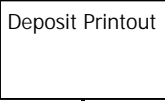

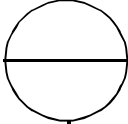
Yukon Accounts Receivable: Water Board

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|---|--------|---|---|---|
| <p>6. Periodically (2 to 3 times per month) the blue and green copies are bundled and sent over to Account Operations</p> | |  |  | |
| <p>7. Green copy is filed numerically in support of future collection activity</p> | | |  | |
| <p>8. Finance Clerk #1 inputs receivable to ACC PAC by creating a client account (new clients) and posting particulars</p> <p><i>Note: LATEST date on invoice is input in Date field invoices are prepared in advance such that the latest date (due date) can be up to 3 months ahead of the invoice date.</i></p> | |  |  |  |
| <p>9. Invoice Batch Summary sheet is printed and given to Head Accounts Operations with back-up who initials to approve before posting</p> | | |  |  |
| <p>10. Finance Clerk #1 posts invoice batches</p> | | |  |  |

Yukon Accounts Receivable: Water Board

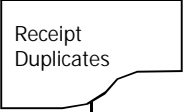
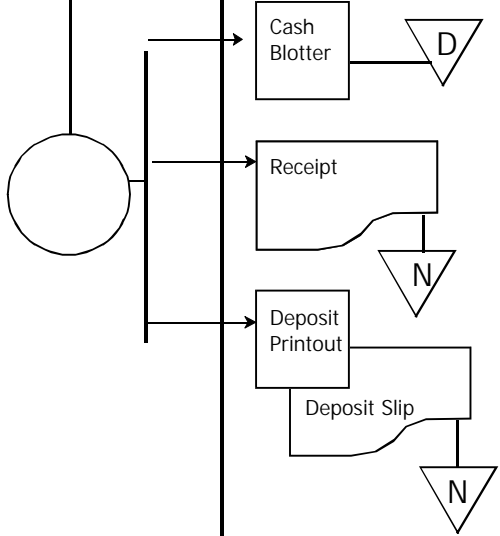
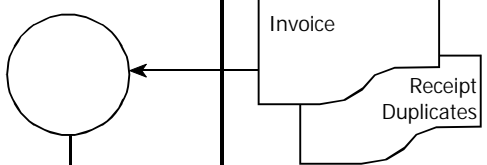
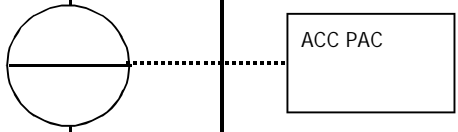
| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|--|---------------|----------------------------------|-----------------------|-----------------|
| 11. Filing awaiting cash receipts | | | | |
| Cash Receipts | | | | |
| 12. Most clients pay water invoices at the Water Board and are provided with a pre-numbered receipt | cheques, cash | | | |
| 13. Details (amount, date, invoice number) recorded on receipt and clerk signs and distributes receipt copies <ul style="list-style-type: none"> - Copy 1 to Client - Copy 2 to Accounting Operations - Copy 3 stays in the Receipt Book | | | | |
| 14. Clerk stamps cheques "For Deposit Only" | | | | |
| 15. Clerk prepares cash blotter and initials | | | | |

Yukon Accounts Receivable: Water Board

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|---|--------|---|---|---|
| <p>16. Cash blotter, receipt copy #2, cheques and cash are sent to Account Operations in internal mail same day– initialed by messenger (sent whenever > \$500)</p> | |  |  | |
| <p>17. Finance Clerk #2 checks all details match, signs cash blotter for such</p> | | |  | |
| <p>18. Finance Clerk #2 prepares deposit slip and records deposit slip number on cash blotter</p> | | |  |  |
| <p>19. Messenger makes deposit at bank and returns signed deposit slip to Finance Clerk #2</p> | | |  |  |
| <p>20. Finance Clerk #2 enters deposit into DAS temporary file, prints deposit printout and passes all documents to Head, Accounting Operations to review and approve</p> | | |  |  |
| <p>21. Head, Accounting Operations reviews all deposit details and electronically releases entry of input into DAS and initials deposit printout</p> | | |  | |

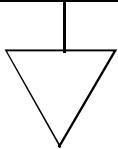


Yukon Accounts Receivable: Water Board

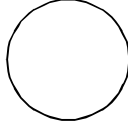
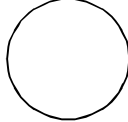

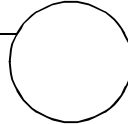
| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|---|--------|----------------------------------|---|-----------------|
| 22. Finance Clerk #2 makes copies of all receipts for Finance Clerk #1 to record in Accounts Receivable System where required | | |  | |
| 23. Cash blotters, receipts and deposit slips, and deposit printouts are filed | | |  | |
| 24. Finance Clerk #1 matches receipt duplicate with invoice in the invoice binder (Step 11) and staples together | | |  | |
| 25. Finance Clerk #1 enters and posts receipts into ACC PAC following same procedure as invoice steps 8 -1 0 | | |  | |

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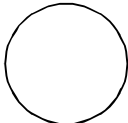
Yukon Accounts Receivable: Water Board

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|---|--------|----------------------------------|---|-----------------|
| 26. Receipt duplicate and invoice (green) are filed | | |  | |

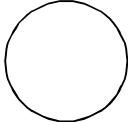
Month End

| | | | | |
|---|---|--|--|--|
| 27. Finance Clerk #1 1. Reconciliation - posting journal received for distribution of revenue type and sub-types - Head, Account Operations checks General Ledger to batches | | |  | |
| ii) Post Interest - monthly rate obtained from PWGSC website - run batch and Head reviews before | | |  | |
| iii) Statements - mailed to all clients |  | |  | |

Periodic

| | | | | |
|---|--|--|---|--|
| 28. Write-offs - Statements sent twice and those returned by mail listed for Write-offs - Water Board was given list to see if they had new address for clients - Write-off forms prepared according to Finance Manual | | |  | |
|---|--|--|---|--|

Yukon Accounts Receivable: Water Board

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|---|--------|-------------------------------------|---|-----------------|
| Annual | | | | |
| 29. Check of missing invoice numbers by ACC PAC | | |  | |

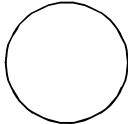
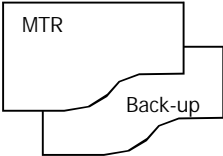
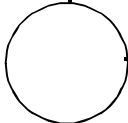

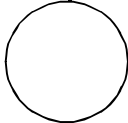

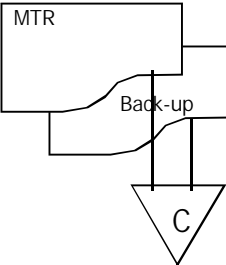
Yukon Accounts Receivable: Timber Dues

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|---|--------|----------------------------------|-----------------------|-----------------|
| Timber Permits | | | | |
| <p>Timber applications are made in the summer each year. Approval of timber permits is subject to accounts for previous permits being fully paid. There is no revenue from the timber permitting process. However, revenue is generated by stumpage dues and reforestation charges as set out in Sections 4 and 7 of the Timber Regulations of the Territorial Lands Act.</p> <p><i>Section 4 – Commercial Timber Permits</i></p> <p>S Self-reporting of timber activity is required by the 15th of the following month on Monthly Timber Return. Dues owing are payable by the 35th day following month-end of the activity month</p> <p><i>Section 7 – Timber Harvest Agreements and Personal Use</i></p> <p>S Permits can be for personal use and there are no dues</p> <p>S Permits can be in conjunction with Timber Harvest agreements to which dues will be payable. Payment due date is not stipulated in the Regulations but is generally the normal government due date of 30 days after the invoice date (i.e. before interest will be applied)</p> | | | | |

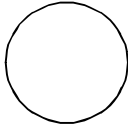
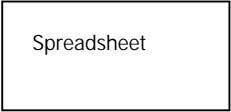
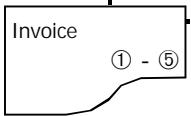
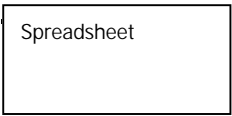
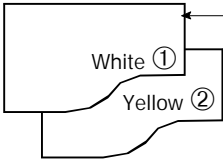
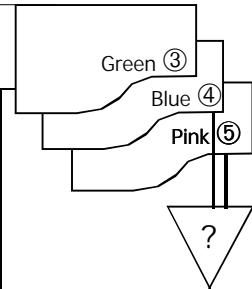
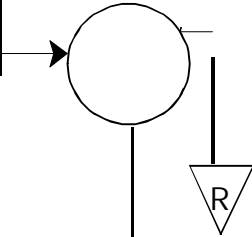
Yukon Accounts Receivable: Timber Dues

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|---|--------|---|-----------------------|-----------------|
| Revenue and Receipts Recognition | | | | |
| 1. District Offices receive Monthly Timber Return (MTR) partial payment of the current or previous month could be received at the same time | | | | |
| 2. District Office staff check calculations and accompanying paperwork and prepare a three-copy receipt for any payment amount received | | | | |
| 3. Copy #1 of receipt is given to client <i>Note: Sometimes a payment will be from a 3rd party in the process who distributes money owed to the permit holder directly to DIAND on behalf of the permit holder. The receipt is made out to the permit holder / third party and will include the Timber Permit reference # for matching to the amount owing by the permit holder according to the Monthly Timber Return.</i> | | | | |
| 4. Funds received are recorded on Cash Blotter and deposited (if Dawson or Watson Lake) or sent to Account Operations for Deposit according to steps 14 through 17 re: Water Board Flowchart | | Note: Receipt Copy 2 given to Finance Clerk #1 for future matching to invoice and | | |

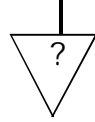
Yukon Accounts Receivable: Timber Dues

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|--|--------|---|--|---|
| 5. By the 20 th of the month the MTR, receipt copy #2 and backup are received by the Regional Office Forest Resources Technician (FRT) | |  | |  |
| 6. The FRT will reconcile the MTR data to data provided by Scaling Sites (if available) to verify data reported on MTR. FRT investigates any differences | |  |  | |
| 7. FRT enters details of dues payable (revenue) and amounts received into a database | |  |  | |
| 8. MTR and back up filed by client | |  | | |

Yukon Accounts Receivable: Timber Dues

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|--|--|---|---|---|
| <p>9. By the 30th of the month the FRT is able to send Account Operations a spreadsheet which identifies the revenue by client (permit holder) and the related receipts on that revenue</p> | |  |  | |
| <p>10. Finance Clerk #3 prepares invoice from the spreadsheet information and...</p> | | |  |  |
| <p>11. Invoice distribution</p> |  | |  | |
| <p>12. Finance Clerk #1 receives copy #3 of invoice and spreadsheet and matches with copy #2 of receipt</p> | | |  | |
| <p>13. Finance Clerk #1 posts to ACC PAC according to Steps 7 through 9 of Water Board Flowchart</p> | | | | |

Yukon Accounts Receivable: Timber Dues

| | Client | Originator (Forest Resources) | Accounting Operations | District Office |
|-------------------------|---------------|--|---|------------------------|
| 14. Documents are filed | | |  | |

Terms of Reference

Terms of Reference

Audit of Accounts Receivable - Yukon Region

Background: The 1998-1999 Departmental Audit and Evaluation Plan, approved by the Departmental Audit and Evaluation Committee (DAEC), includes an audit of Accounts Receivables in the Yukon Region. The last audit conducted in this area was in 1993 entitled the “Audit of Management of Receivables”. The report recommended that the department should develop and implement a comprehensive accounts receivable system.

Since that time a Policy on Receivables Management was issued by the Treasury Board Secretariat (TBS) on October 31, 1995. It provides direction to ensure that all government accounts receivables are managed efficiently and effectively by all departments identified under section 2 of the *Financial Administration Act*.

The Yukon Region issues permits and licences and collects revenues under the following federal legislation:

- *Territorial Lands Act*, which entails the
 - Territorial Road Regulations;
 - Territorial Dredging Regulations;
 - Territorial Land Regulations;
 - Territorial Quarry Regulation;
 - Land Use Regulations; and
 - Territorial Timber Regulations.
- *Yukon Waters Act*;
- *Yukon Quartz & Placer Mining Act*, and;
- *Federal Real Property Act*.

For example, in the case of the *Territorial Lands Act*, individuals and companies are required to obtain a Land Use Permit before undertaking the short term use of federal land. There are fees associated with Class A and Class B Land Use Permits issuances and royalty fees associated with quarry permits.

Need: The objective of this audit is to provide senior management with a comprehensive assessment of the collection, deposits and management of the revenues and resulting accounts receivables due to the Crown, in compliance with the legislative requirements and central agency and departmental directives.

Scope: The scope of this audit will cover a review of the management practices and controls as they relate to the accounts receivables function at the Yukon Region, the Northern Affairs Program and the Financial Policies, Systems and Accounting Directorate, Corporate Services. The audit will also assess the degree of

compliance with the *Financial Administration Act*, Treasury Board Guidelines, departmental policies and directives. It will cover the fiscal period April 1, 1995 to March 31, 1998.

- Issues:**
- re there adequate management practices and controls over the collection, receipt and deposit of revenues due to the Crown and resulting accounts receivables from oil, mining, forestry, sand and gravel, issuance of permits, licences and travel or other accountable advances?
 - Is there adequate degree of compliance with various legislative requirements and the central agency and departmental directives?
 - To what extent is functional guidance provided by headquarters to the Yukon Region in terms of legislative requirements, collecting, accounting and reporting of revenues and accounts receivables?
 - What is the process for collection, or writing-off, of outstanding accounts receivables?
 - Are the accounts receivables and collections being recorded on a timely basis, if not what is being planned to improve the recording process?
 - Are the accounts receivables being recorded in the Departmental Accounting System (DAS), if not, what software or manual system is being used for recording the accounts receivables? Are there plans for integrating the current system with DAS?
 - What are the best practices within the region that can be shared with other regions?

Approach: The audit will be conducted in the following three phases:

- preliminary survey and evaluation;
- fieldwork and analysis (Recommend that the visit to the region be conducted in January or February 1999); and
- reporting.

Resources: The project will be implemented using contracted resources and will be managed by the Departmental Audit and Evaluation Branch (DAEB).

Cost: In addition to DAEB resources, it is estimated that the contracted resources will cost \$32,000.

Timeframe: The planning phase of the audit will begin in the fall of 1998, while the regional visits will be conducted in January/ February 1999.

Approved by:

Terry Sewell
Regional Director General
Yukon Region
October 22, 1998

Action Plan

PROJECT TITLE / TITRE DU PROJET
REGION OR SECTOR / RÉGION OU SECTEUR

:Audit of Accounts Receivable Yukon Region
:Yukon Region

| (1) RECOMMENDATIONS / RECOMMANDATIONS | (2) REPORT / RAPPORT PAGE NO. | (3) ACTION PLAN / PLAN D'ACTION (If space provided is insufficient please continue on blank sheet. / Si vous manquez d'espace, veuillez continuer sur une page blanche.) | (4) RESPONSIBLE MANAGER / GESTIONNAIRE RESPONSABLE (TITLE / TITRE) | (5) PLANNED COMPLETION DATE / DATE PRÉVUE DE MISE EN OEUVRE |
|---|--|--|---|---|
| 1. The Director, Corporate Services, should ensure all accounts receivable control procedures are documented and reviewed with all parties involved in these activities. | 5 | Consultation with all parties involved in Accounts Receivable will be undertaken. Accounts Receivable procedures will updated and disseminated to all parties involved. | Director, Corporate Services | October 31,1999 |
| 2. The Director, Corporate Services, should ensure that adequate training is provided to appropriate staff on the Acc Pac G/L module and that regular reporting on accounts receivable is implemented using this module. | 6 | Training for staff on the ACC Pag G/L module reports has been completed. Regular updating on Accounts Receivable is now being provided to clients. | Director, Corporate Services | May 31, 1999 |
| 3. The Regional Director General should ensure roles and responsibilities for collection are clarified between Accounting Operations and operational responsibility centre managers. | 7 | This will be undertaken in conjunction with Recommendation #1 | Regional Director General | October 31,1999 |
| 4. The Director of Corporate Services should ensure that a procedure is established to review Acc Pac interest calculations on larger balances where a partial payment occurs during a month. If the difference is over a certain amount, as determined by the Region, an adjustment should be processed. | 7 | Procedures have been established to review interest calculations on larger balances where partial payment occurs during a month | Director, Corporate Services | May 31, 1999 |

PROJECT TITLE / TITRE DU PROJET
 REGION OR SECTOR / RÉGION OU SECTEUR

:Audit of Accounts Receivable Yukon Region
 :Yukon Region

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|--|--|--|---|---|
| 5. The Regional Director General should follow up with the Manager of the Yukon Water Board on the possibility of up-front payment of permit fees to alleviate the workload involved in processing so many small dollar value transactions annually. | 8 | Follow up with the Manager of the Yukon Territory Water Board on the possibility of up-front payment of permit fees will take place | Regional Director General | October 31, 1999 |