

DEPARTMENT OF CANADIAN HERITAGE

Summary of Claimed and Audited Amounts

COUNCIL FOR CANADIAN UNITY Encounters with Canada

For the Period from April 1, 1999 to March 31, 2000

Reference number: 9181-00-0007

AUDITORS' REPORT TO THE DEPARTMENT FOR CANADIAN HERITAGE

We have audited the amounts claimed by the Council for Canadian Unity, as summarized in Schedule 1, for the period from April 1, 1999 to March 31, 2000 in accordance with the financial terms and conditions of the Contribution Agreement dated May 1, 1999 and the two Amendments dated September 1, 1999 and January 7, 2000. Encounters with Canada offers twenty-four weeks of programming at the Terry Fox Canadian Youth Centre throughout the school year to Canadian youth between the ages of fifteen to seventeen years of age. Preparation of claims is the responsibility of the management of the Council for Canadian Unity. Our responsibility is to express an opinion on these claims based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information.

In our opinion, the audited amount of \$1,449,838 presents fairly, in all material respects, the amounts claimed and allowable for the period from April 1, 1999 to March 31, 2000 under the financial terms and conditions of the Agreement and its Amendments. Supporting information and related comments are provided in Schedule 1.

Chartered Accountants
Ottawa, Canada
October 20, 2000

Basis of Payment	Claimed Amounts	Audit Adjustments	Total Audited
Expenditures			
First Claim for April and May 1999			
- Disbursements	\$ 590,309	\$ 182,819	\$ 407,490
- Cash Disbursements	2,623	972	1,651
Second Claim for June to November 1999			
- Disbursements	704,886	14,376	690,510
- Cash Disbursements	937	535	402
Third Claim for December to March 2000			
- Disbursements	350,130	677	349,453
- Cash Disbursements	2,107	783	1,324
Total Expenditures per Claims	1,650,992	-	1,450,830
Amount absorbed by Council for Canadian Unity	(992)	-	(992)
Total funds paid by Department of Canadian Heritage	<u>\$ 1,650,000</u>	<u>\$ 200,162</u>	<u>\$ 1,449,838</u>

AUDIT ADJUSTMENTS

Audit adjustments presented in this report are for expenditures claimed under the Contribution Agreement and the Amendments (the “Agreement”) by the Council for Canadian Unity that either are not eligible under the terms and conditions of the Agreement or are not supported by sufficient supporting documentation (e.g. receipts, original airline tickets).

1. First Claim - Disbursements

- (i) For the following expenditures, the travel occurred prior to April 1, 1999. Per Clause 9.1 of the Agreement only those expenses which occur between April 1, 1999 and March 31, 2000 are allowed to be claimed. Accordingly, an audit adjustment has been made for the following amounts.

Date of Travel	Invoice	Description	Amount
March 6, 1999	19427	Bus Rental – Laidlaw	\$330
March 13, 1999	19577	Bus Rental – Laidlaw	235
March 28, 1999	1430-000226	Bus Rental – Laidlaw	307
March 27, 1999	1430-000225	Bus Rental – Laidlaw	330
March 14, 1999	1430-000152	Bus Rental – Laidlaw	289
March 20, 1999	1430-000103	Bus Rental – Laidlaw	259
March 21, 1999	1430-000003	Bus Rental – Laidlaw	289
March 7, 1999	19576	Bus Rental – Laidlaw	289
Feb.7 - Feb. 13, 1999	99-2	Via – Train Transportation	10,337
Feb. 14 - Feb. 20, 1999	99-3	Via – Train Transportation	8,000
Feb. 21 - Feb. 27, 1999	99-4	Via – Train Transportation	7,406
Feb. 28 - Mar. 6, 1999	99-5	Via – Train Transportation	8,946
Mar. 7 - Mar. 13, 1999	99-6	Via - Train Transportation	7,644
Mar. 14 - Mar. 20, 1999	99-7	Via - Train Transportation	8,695
Mar. 21 - Mar. 27, 1999	99-8	Via - Train Transportation	8,753
Mar. 14 - Mar. 20, 1999	99-07	K&N – Airfare	49,744
Mar. 21 - Mar. 27, 1999	99-08	K&N – Airfare	62,276
Total			\$174,129

(ii) The following audit adjustments relate to Via Rail.

Date of Travel	No.	Reason for Adjustment	Amount
May 3, 1999	99-14	Claimed both a one-way and a return ticket. Adjustment is for the one-way ticket.	\$188
March 22, 1999	99-08	Duplicate travel ticket (#160502, 176593)	245
Total			\$433

(iii) The following audit adjustments relate to K&N Travel. For further details see Schedule 2, B#1.

Week	Invoice #	Part #	\$ per Encounters	\$ per K&N	Amount-Difference
99-12	782572	9912-024	\$1,081	\$782	\$299
99-12	782573	9912-025	1,081	782	299
99-12	782574	9912-042	1,081	782	299
99-12	782575	9912-045	1,081	782	299
99-12	782576	9912-048	1,081	782	299
99-12	782582	9912-084	1,081	782	299
99-12	782779	9912-100	1,081	782	299
99-12	783010	9912-101	1,081	782	299
99-13	782735	9913-001	1,081	782	299
99-13	782736	9913-002	1,081	782	299
99-13	782737	9913-032	1,081	782	299
99-13	782739	9913-033	1,081	782	299
99-13	782740	9913-051	1,081	782	299
99-13	783059	9913-103	1,081	782	299
99-13	783315	9913-118	1,081	782	299
99-14	783097	9914-005	1,081	782	299
99-14	783121	9914-012	1,081	782	299
99-14	783122	9914-053	1,081	782	299
99-14	783124	9914-033	1,081	782	299
99-14	783318	9914-114	1,081	782	299
99-14	783319	9914-115	1,081	782	299
99-14	783363	9914-069	1,081	782	299
99-14	783366	9914-073	1,081	782	299
99-14	783642	9914-100	1,081	804	276
99-14	783643	9914-101	1,081	804	276
99-14	783644	9914-102	1,081	804	276
99-14	783645	9914-103	1,081	804	276
99-14	783646	9914-104	1,081	804	276
Total					\$8,257

Total Audit Adjustment for First Claim – Disbursements

\$182,819

2. First Claim – Cash Disbursements

The following audit adjustments are for expenditures where insufficient documentation was available for examination.

Date of Travel	Description	Reason for Adjustment	Amount
May 10, 1999	Misc. Transportation – Cheque #1182	No receipt provided. Personal declaration only.	\$116
May 24, 1999	Misc. Transportation – Cheque #3487	No receipt provided. Personal declaration only.	490
February 1, 1999	Misc. Transportation – Cheque #3219	This expense was incurred before April 1, 1999. Ineligible per clause 9.1 in the Agreement.	366
Total			\$972

Total Audit Adjustment for First Claim – Cash Disbursements

\$972

3. Second Claim - Disbursements

(i) The following audit adjustments relate to train travel on Via Rail.

Date of Travel	Description	Reason for Adjustment	Amount
October 16, 1999	Train Ticket - 99.18.119	Two tickets, same name, same number, same price.	\$107
November 21, 1999	Train Ticket - 99.24.104	Duplicate ticket voucher	118
Total			\$225

(ii) The following audit adjustments relate to K&N Travel. For further details see Schedule 2, B#1.

Week	Invoice #	Part #	\$ per Encounters	\$ per K&N	Amount-Difference
99-15	786878	9915-032	\$1,081	\$911	\$169
99-15	786879	9915-033	1,081	911	169
99-15	786880	9915-034	1,081	911	169
99-15	786881	9915-041	1,081	911	169
99-15	786882	9915-042	1,081	911	169
99-15	786883	9915-043	1,081	911	169

99-15	786884	9915-044	1,081	911	169
99-15	786885	9915-087	1,081	911	169
99-15	786886	9915-090	1,081	911	169
99-15	786887	9915-132	1,081	911	169
99-15	786888	9915-133	1,081	911	169
99-15	786973	9915-122	1,081	911	169
99-15	787899	9915-993	1,081	911	169
99-16	787143	9916-042	1,081	911	169
99-16	787144	9916-064	1,081	911	169
99-16	787145	9916-065	1,081	911	169
99-16	787146	9916-072	1,081	911	169
99-16	787147	9916-114	1,081	911	169
99-16	787148	9916-115	1,081	911	169
99-16	787149	9916-116	1,081	911	169
99-16	787150	9916-117	1,081	911	169
99-16	787151	9916-118	1,081	911	169
99-16	787152	9916-119	1,081	911	169
99-16	787187	9916-018	1,081	911	169
99-16	787188	9916-019	1,081	911	169
99-16	787198	9916-021	1,081	911	169
99-16	787199	9916-020	1,081	911	169
99-17	787412	9917-026	1,081	875	206
99-17	787413	9917-027	1,081	875	206
99-17	787414	9917-028	1,081	875	206
99-17	787415	9917-034	1,081	875	206
99-17	787416	9917-035	1,081	875	206
99-17	787417	9917-036	1,081	875	206
99-17	787449	9917-048	1,081	875	206
99-17	787450	9917-039	1,081	875	206
99-17	787450	9917-040	1,081	875	206
99-17	787454	9917-055	1,081	875	206
99-17	787455	9917-111	1,081	875	206
99-17	787455	9917-080	1,081	875	206
99-17	787720	9917-113	1,081	875	206
99-17	787721	9917-114	1,081	875	206
99-17	787722	9917-112	1,081	875	206
99-17	787965	9917-993	1,081	875	206
99-19	788161	9919-003	1,081	839	242
99-19	788162	9919-004	1,081	839	242
99-19	788164	9919-006	1,081	839	242
99-19	788165	9919-034	1,081	839	242
99-19	788166	9919-036	1,081	839	242
99-19	788167	9919-038	1,081	839	242

99-19	788171	9919-041	1,081	839	242
99-19	788172	9919-042	1,081	839	242
99-19	788175	9919-043	1,081	839	242
99-19	788176	9919-044	1,081	839	242
99-19	788241	9919-047	1,081	839	242
99-19	788253	9919-045	1,081	839	242
99-19	788254	9919-046	1,081	839	242
99-19	788669	9919-994	1,081	839	242
99-20	788347	9920-014	1,081	839	242
99-20	788350	9920-015	1,081	839	242
99-20	788353	9920-017	1,081	839	242
99-20	788354	9920-018	1,081	839	242
99-20	788355	9920-029	1,081	839	242
99-20	788356	9920-053	1,081	839	242
99-20	788366	9920-055	1,081	839	242
99-20	788367	9920-056	1,081	839	242
99-20	788368	9920-057	1,081	839	242
99-20	788369	9920-060	1,081	839	242
99-20	788370	9920-070	1,081	839	242
99-20	788419	9920-990	1,081	839	242
Total					\$14,151

Total Audit Adjustment for Second Claim – Disbursements

\$14,376

4. Second Claim – Cash Disbursements

The following audit adjustments are for expenditures where insufficient documentation was available for examination.

Travel Date	Description	Reason for Adjustment	Amount
November 9, 1999	Misc. Transportation – Cheque # 1920	No receipt provided.	\$150
November 9, 1999	Misc. Transportation – Cheque # 1928	No receipt provided for the transportation. Only acknowledgement of funds received by student.	235
October 4, 1999	Misc. Transportation – Cheque # 1739	No receipt provided for the transportation. Only acknowledgement of funds received by student.	150

Total Audit Adjustment for Second Claim – Cash Disbursements

\$535

5. Third Claim - Disbursements

- (i) The following audit adjustments relate to train travel on Via Rail.

Date of Travel	Description	Reason for Adjustment	Amount
February 5, 2000	Train Ticket - 20.01.093	Two tickets; same name, same number, different prices. (\$156.22 and \$143.38)	\$156
February 26, 2000	Train Ticket - 20.04.001	No ticket available.	128
January 19, 2000	Train Ticket - 20.08.069	Two tickets, same name, same number, same price.	109
March 26, 2000	Train Ticket - 20.09.131	Two tickets, same name, same number, same price.	109
March 26, 2000	Train Ticket - 20.09.132	Two tickets, same name, same number, same price.	109
Total			\$611

- (ii) The following audit adjustments relate to K&N Travel.

Week	Invoice #	Part #	Reason for Adjustment	Amount
20-04	182354	2004-053	Amount per Encounters sub-ledger is \$447 versus amount per K&N of \$418.	\$29
20-02	182113	2002-104	Amount per Encounters sub-ledger is \$887 versus amount per K&N of \$849.	37
Total				\$66

Total Audit Adjustment for Third Claim – Disbursements

\$677

6. Third Claim – Cash Disbursements

For the following audit adjustments no receipt was provided for the transportation costs. The only documentation was acknowledgement of the funds received by the student.

Date of Travel	Description	Amount
March 22, 2000	Misc. Transportation - Cheque # 2489	\$360
February 14, 2000	Misc. Transportation - Cheque # 2315	197
February 27, 2000	Misc. Transportation - Cheque # 2358	226

Total Audit Adjustment for Third Claim – Cash Disbursements

\$783

A. OVERVIEW OF THE ACCOUNTING SYSTEM AND INTERNAL CONTROLS

In this section, we provide a brief overview of the accounting system of Encounters with Canada.

Organization

The main staff involved with this project were as follows:

Controller/Director of Finance
Accountant
Director of Transport

Transportation Costs

When a participant signs up for the week-long event (a “Seminar”) with Encounters with Canada, the participant’s information is entered into a participant database. Nine weeks before the Seminar occurs the information is transferred into a travel database. Six to eight weeks before the Seminar the Director of Transport arranges the appropriate travel for each of the participants which include air, rail and bus travel.

K&N Travel

All air travel is arranged through K&N Travel. Several weeks before the Seminar, K&N will mail the airline tickets to the Director of Transport. The Director of Transport enters the ticket information into the travel database and mails the ticket to the participants, however, no copies of the tickets are maintained.

Usually after three events, the Director of Transport will prepare a summary of airline expenses categorized by Seminar. This summary is forwarded to K&N. K&N will compare the summary of expenses to their information about the airline tickets sent to Encounters with Canada. After review, K&N will draw down the advance by the applicable amount. Encounters with Canada do not receive an invoice for the airline tickets.

Via Rail

All train travel is arranged with Via Rail. Several weeks before the Seminar, Via Rail will mail the train tickets to the Director of Transport. The ticket information is entered into the travel database before mailing the ticket to the participants. The ticket comes with a voucher that confirms the name, destination and the price of the ticket. The vouchers are used to prepare the summary of train expenses and payments are issued based on those summaries. Encounters with Canada normally pay Via Rail every thirty days based on the summary of train expenses. Via Rail sends a Statement of Account to CCU to confirm the

amount paid.

Station Centrale

All bus travel is arranged with Station Centrale (9053-0684 Quebec Inc.). Station Centrale requires cash payment up front prior to the delivery of the bus tickets. The Director of Transport pays for and receives the tickets five to six weeks prior to the Encounter. He will enter the ticket information into the travel database before mailing the ticket to the participants. The Accountant reconciles the cash payments made to Station Centrale to the summary of expenses for bus travel.

Laidlaw

Tour buses are rented from Laidlaw to pick-up and drop-off the participants to the airport, bus or train station at the beginning and end of each Encounter. Invoices from Laidlaw are received and paid monthly. Encounters with Canada keeps a copy of the invoice.

Reimbursement by Cash

Encounters with Canada pays cash directly to the participants when they have paid their own way to get to the Seminar. The only documents retained are a personnel declaration of the expense. The expenses are usually for bus or train travel. This situation arises when the participant signs up during the week prior to the Seminar or the participant has lost their original ticket.

Cash Management

There are two bank accounts associated with this project maintained at the Royal Bank of Canada. One account is the main account for the CCU and the other is an account solely for Encounters with Canada. Monies are transferred from the CCU account into the Encounters with Canada as the money is needed prior to the cheques being written. Funds for the program are normally received on a reimbursement basis from Canadian Heritage.

For the period under review, the signing authorities were Director General and the President and CEO.

Preparation of Progress Claims

The progress reports are based on the summary of expense reports and are prepared by the Accountant every two to six months. The progress reports are reviewed and approved by the Director General, prior to submission to Canadian Heritage.

B. COMMENTS ON MATTERS ARISING & ADDITIONAL TERMS OF REFERENCE

1. Audit Adjustment for K & N Travel

The audit adjustment for the travel arranged through K&N Travel relates to the difference between the amount recorded by CCU in the travel database records and the amount invoiced by K&N for the airline ticket. As seen above in Schedule 1 #1 & #3, CCU has charged a higher amount for these flights in the database than the actual amount invoiced by K&N Travel.

The airline ticket and invoice from K&N does not agree to the amount charged by CCU in the general ledger for the travel. CCU did not identify this error as no photocopies of the airline tickets or copies of the invoices were kept by CCU. During our audit we examined the invoices at the K&N Travel office.

CCU Management, after their discussions with the Director of Transport, informed us that there was a crash of the travel database which resulted in lost data. The subsequent reconstruction of the data resulted in these discrepancies, however, there is no audit evidence to substantiate this assertion.

K&N has refunded some lump sum amounts to CCU, however, no reconciliation work has been performed by CCU to identify what these refund amounts relate to. Also CCU has not attempted to identify and resolve the differences with K&N.

This area of control weakness needs to be corrected immediately and the resolution of the discrepancies cleared with K&N Travel. These discrepancies should be reconciled and resolved by someone independent from the present staff dealing with the travel documentation. In the future, CCU should perform regular reconciliations between their records and K&N records.

The Controller has issued revised procedures on August 23, 2000 to address certain control issues arising from this audit. The revised procedure to reconcile the CCU records with K&N records and resolve any differences between the two is still outstanding at the time of this report.

2. Period Covered by the Expenditures

Expenditures relating to travel prior to the start of the Agreement have been claimed by Encounters with Canada. For example, expenses dating back to February 7, 1999 have been charged through the claims. Per Clause 9.1 of the Agreement, the expenditures must occur between April 1, 1999 and March 31, 2000.

The total amount claimed did not exceed the amount of \$1.65 million as stipulated in the Agreement because once the expenses were incurred up to this amount, the Controller stopped claiming expenses to the project for the year to March 31, 2000. For instance, the last K&N Travel invoice claimed was week 20-05 (February 27 – March 5, 2000) and of the total invoice amount of \$61,314 for week 20-05 only \$32,453 was actually claimed in the 1999/2000 year. Weeks 20-6, 7, 8 and 9 were not claimed but did occur during the period covered under the claim.

An audit adjustment of \$174,129 has been made in the report (see Schedule 1 page 2) for the expenditure which occurred prior to April 1, 1999.

3. Original Airline Ticket for Cash Disbursements

Encounters with Canada reimburses a participant for paying their own transportation costs and in certain instances the only documented evidence of the transaction is the student's acknowledgement of funds received. Encounters with Canada should obtain the original ticket before payment is made.

Matters for the Attention of the Project Officer

Management Response - Council for Canadian Unity Encounters with Canada

Since 1982, the Council for Canadian Unity (CCU) has received financial assistance from the Department of Canadian Heritage through annual contribution agreements that cover a large proportion of travel expenses for the participants who take part in the Encounters with Canada program. These agreements have run annually from April 1st to March 31st.

Over the years, Canadian Heritage has entered into agreements with CCU to provide financial assistance to young Canadians to travel to and from Ottawa to participate in the Encounters with Canada program. Canadian Heritage would establish the maximum amount of funding for a given year based on available budgets and any additional travel costs incurred by the CCU were paid by CCU. In the year covered by the audit, the Department of Canadian Heritage covered up to \$1,650,000 in travel expenses while total travel costs for the fiscal year 1999-2000 were \$1,884,000. Canadian Heritage is the only federal funding source for the Encounters with Canada program.

In February 2000, the Departments of Canadian Heritage and Human Resources Development Canada decided to undertake a joint audit of the Council for Canadian Unity's youth programs: Encounters with Canada, Experience Canada and Summer Work Student Exchange, as the organization had received federal funding for over an extended period of time. This letter responds to the observations made by the auditor with respect to Encounters with Canada.

Issue 1:

In April 1999, CCU submitted invoices to the Department in the amount of \$174,495 for travel expenses that occurred during months covered by the previous years contribution agreement. Early in 2001, CCU amended the claims by removing the \$174,495 claimed in the wrong fiscal year. Receipts for an equivalent amount of travel expenses for Encounters with Canada participants occurring within the eligible period for funding were later submitted.

All invoices were reviewed and accepted by the Department during a financial monitoring visit conducted on May 9, 2001. Participant information and date traveled was also compared against invoices to ensure accuracy.

Issue 2:

According to CCU, a database crash occurred in 1999-2000 and information pertaining to air travel was lost. When the missing data was re-entered into the system, errors were made. As a result, when the auditors verified 70 % of the invoices they identified discrepancies between amounts entered into the transport database (and subsequently paid to K & N Travel and claimed to the Department of Canadian Heritage) and the invoices found at K & N Travel. These discrepancies represented a total of \$22,474.

A full reconciliation for the fiscal year 1999-2000 was performed in early 2001 to identify where these overpayments were made and to ensure that the remaining information was accurate. It was concluded that there were no other overpayments. K & N Travel has since reimbursed this

Matters for the Attention of the Project Officer

amount to CCU. The overpayment made by Canadian Heritage to CCU has been addressed by withdrawing the claims in the amount of \$22,474 and replacing them with invoices for equivalent expenses not previously submitted, which had occurred during the eligible agreement period.

All invoices were reviewed and accepted by the Department during a financial monitoring visit conducted on May 9, 2001.

Issue 3:

The audit identified \$1,269 in erroneous accounting specifically relating to VIA Rail expenses. The majority of the errors were as a result of the cost of tickets entered twice in the database and subsequently the cost of the tickets was claimed twice. The Department of Canadian Heritage accepted receipts of an equivalent value, which had not previously been claimed, for transportation costs that occurred within the eligible period.

All invoices were reviewed and accepted by the Department during a financial monitoring visit conducted on May 9, 2001.

Amended Procedure:

While CCU had ticket information in their database, they were not receiving invoices from K & N Travel Agency nor were they keeping copies of tickets and therefore it was difficult to track when expenditures had been incurred or have back up documentation should another system failure occur. CCU has addressed this issue by instituting a new practice of receiving all invoices from the Travel Agency on a weekly basis. The invoices are then reconciled against their database reports. The implementation of this practice was confirmed through a financial monitoring visit conducted by the Department on May 9, 2001.

Issue 4:

The report identifies expenditures incurred as a result of personal declarations submitted by parents and/or participants totalling \$1,924 for which no invoices were obtained. The federal government recognizes that a personal declaration completed by a recipient is an acceptable practice in the case of lost or missing invoices.

Amended procedure:

Since Encounters with Canada is a program that organizes travel every year for over 3,000 young individuals, they are regularly faced with the incidence of lost tickets and missing receipts. While it would be impossible to eliminate fully the problem of lost tickets and invoices, the CCU has participants sign-in upon arrival at the Terry Fox Centre which corroborates their presence and thus their travel to Ottawa. Furthermore, because of the vast experience that the Council for Canadian Unity has with travel arrangements, they are able to assess the reasonableness of the amounts being claimed and will continue to require personal declarations where claims are not supported by a receipt.