
**AUDIT
OF
THE CANADIAN EMBASSY
QUITO**

January 2004

Audit Division (SIV)

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EXECUTIVE SUMMARY

An audit of the General Relations (GR), International Business Development (IBD), and Consular and Administration Programs was conducted in Quito during the period February 26 to 28, 2003. The last audit of the Mission was conducted in 1996.

Quito is a well-managed micro-mission. All Canada-Based Staff (CBS) participates in the delivery of the General Relations Program, although the Head of Mission (HOM) undertakes the larger proportion of the work. The Mission has developed excellent relationships with the resident Canadian community with whom it has collaborated in staging a number of successful cultural events. The Mission takes a keen interest in its role of developing and approving projects related to the small Post Initiatives Fund and the \$250,000 Canada Fund for Local Initiatives (CFLI). The CFLI is administered by a contracted coordinator.

The IBD Program is delivered by one CBS and a Locally-Engaged Commercial Officer under the general direction of the HOM. A Canadian company is Ecuador's largest single foreign investor and the growing Canadian corporate presence in the country has substantially increased the demand for services from all mission programs.

The expanding bilateral trade relationship has seen a parallel growth in the number of Canadians resident in Ecuador, currently estimated at over 2,000, which has increased the demand for consular and passport services.

Mission finance and administration are well run and have improved significantly under the current management. Chancery office accommodation has reached capacity, with no further room for expansion. The building infrastructure has severe limitations with respect to fire safety and electrical capacity. Lack of air conditioning compounds the difficult working conditions.

RECOMMENDATION STATUS

A total of 18 audit recommendations are raised in the report; 16 are addressed to the Mission and two are addressed to Headquarters (HQ). Management has responded to each recommendation indicating action already taken or decisions made, as well as future action. Of the 18 recommendations, management has stated that ten recommendations have been implemented. For each of the remaining eight recommendations, management has indicated the initiatives in progress or the intended future action.

MANAGEMENT OF THE MISSION

1.1 Overview

1.1.1 Quito is a well managed micro-mission that provides a high level of service for all mission programs. There are three Canada-Based Staff (CBS) and nine Locally-Engaged Staff (LES) working in the Mission and despite its small size it is considered a full-service mission. Staff members are dedicated and professional and actively participate in a team approach to their duties, led by the Head of Mission (HOM). Morale and communications are good and both CBS and LES participate in weekly meetings chaired by the HOM.

1.1.2 Although Quito delivers a full range of Canadian Government programs, the Program Managers for Immigration and Development Assistance are both based in Bogota. The Program Manager, Development, is in close contact with the Mission on development matters and visits often. The Mission has a dedicated Immigration Assistant who is just able to keep abreast of the growing demand for immigration services. There are neither service standards nor a formalized agreement in place between Bogota and Quito related to immigration program delivery in Ecuador. In consultation with the Immigration Program Manager in Bogota, the Mission should develop an operational agreement on standard operating procedures that would formalize the distribution of immigration responsibilities between the two Missions, and establish service standards.

1.1.3 The HOM has signed a Performance Management Agreement (PMA) with Headquarters, and is thereby committed to a range of expected results and measurable performance targets for the twelve month period ending August 31, 2003. To optimize the Mission's ability to achieve the expected results, similar PMAs should be established with the Management/Consular Officer (MCO) and the International Business Development (IBD) Program Manager.

1.1.4 The growing importance of Ecuador, indicated by a 60% increase in Canadian exports since 1997 and the need to respond to expanding client demand, and the fact that the IT (Information Technology) threshold of knowledge workers has been exceeded argue for the upgrading of the Mission to "small mission" status for IT purposes.

Recommendation for SXD

1.1.5 Upgrade Quito's SIGNET platform from micro-mission to small mission, as appropriate.

SXD Action Plan and Time Frame

- 1.1.5** SXD is in the process of reviewing all micro missions that are at, or exceeding the IT threshold guidelines. The Infrastructure Renewal Project has completed a comprehensive analysis, together with clear recommendations that, if accepted by senior management, will have the effect of resolving most, if not all of the IT concerns that micro-missions currently experience. While Quito was not considered a priority within the group of micro-missions that have exceeded their threshold (as many others are well above the threshold), it will, of course, benefit from the overall solution. Our Bureau Management Committee has reviewed the project, and pending some further refinements and an analysis of how this might impact on our support model, we might be in a position of announcing our direction within the next four months. We will, of course, work closely with the Area Management Advisors in setting our priorities for upgrades. The new IT configuration will improve the flow of data, but does not address the MITNET voice communication issues that some other missions have complained about.

Recommendations for the Mission

- 1.1.6** Develop an operational agreement on standard operating procedures with Bogota regarding the share of immigration responsibilities for Ecuador.
- 1.1.7** Prepare Accountability Agreements for the MCO and the IBD Program Manager.

Mission Action Plans and Time Frames

- 1.1.6** An operational agreement on standard operating procedures to formalize immigration responsibilities between Quito and Bogota has been drafted and is in the final stages of negotiation with the Immigration Program Manager in Bogota. Remote CAIPS was installed in Quito in April 2003 and was implemented in November 2003 after training on the new system was received.
- 1.1.7** An Accountability Agreement for the MCO is now in place and the Accountability Agreement for the IBD Program Manager, who arrived at the mission on September 15, 2003, will be in place at the end of December 2003.

GENERAL RELATIONS PROGRAM

2.1 Overview

2.1.1 The HOM performs the majority of activities related to political and cultural events with some assistance from both Canada-Based Officers, who are already very busy with activities related to their own programs. Although there is no specific plan for GR activities, there are a number of GR related activities described in the HOM's PMA. The Mission has provided some political, economic and cultural reporting as opportunities have arisen. There is a small Post Initiatives Fund (PIF) of \$1,500 which has funded small cultural events. A recent success was a concert series performance by a Quebec-based group of musicians.

Recommendation for the Mission

2.1.2 Develop a General Relations plan which encompasses the activities of the HOM and Canada-Based Officers.

Mission Action Plan and Time Frame

2.1.2 A General Relations plan will be developed in conjunction with the MCO and the IBD Program Manager who arrived at the mission on September 15, 2003. Mission expects to have the plan in place by January 15, 2004.

INTERNATIONAL BUSINESS DEVELOPMENT PROGRAM

3.1 Overview

3.1.1 The IBD Program is vital to Canadian interests in Ecuador and Latin America. A Canadian company is Ecuador's largest single foreign investor and cumulative Canadian investment in Ecuador is estimated to be \$2 billion, primarily in the oil and gas sector. A Canadian firm has a controlling interest in the largest construction project in the country, a pipeline which will cross the northern part of the country from east to west. The Canadian Commercial Corporation (CCC) has made Ecuador its market of concentration in South America and CCC is a key player in the contract negotiations for a major engineering project. The Mission has a close working relationship with CCC.

3.1.2 Numerous interventions with the Government of Ecuador are carried out by the HOM and Mission staff to alleviate and clarify a large number of important regulatory issues that impact Canadian firms doing business in the country. Keeping pace with the high-level of commercial activity is taxing Mission's resources to the maximum. The New Approach is being implemented in Quito.

3.1.3 The IBD Program is well managed under the leadership of the HOM, and supported by the Foreign Service Development Program Officer (FSDP) and a locally engaged Commercial Officer. The HOM handles all projects greater than \$50 million. *** In Ecuador, the HOM is highly respected by local, Canadian and foreign interlocutors. The IBD team is recognized as being an integral component of the success achieved by Canadian firms in Ecuador. The program however is overstretched given the ever increasing number of enquiries and demands for service being received from Canadian business clients. The need is evident for creating an "Info Centre" to handle the growing volume of enquiries and requests for advocacy/trouble-shooting services in support of Canadian business interests. The Trade Commissioner Service (TCS) Client Surveys have consistently given a high performance rating to the Mission. Nevertheless, the Mission is now reaching a point of diminishing return given the increase in client demands and existing resource constraints. A business case and rationale has been drafted to justify an additional LE 05 Commercial Assistant in order to meet the increasing client demand.

Recommendation for AAM and LSR

3.1.4 Give positive consideration to the Mission's request for an incremental Commercial Assistant position.

AAM and LSR Action Plan and Time Frame

3.1.4 LSR has reviewed the business case and rationale drafted by the Mission to justify an additional LE-05 Commercial Assistant in order

to meet the increasing client demand. In consultation with the Latin America and Caribbean Bureau (LGD), the case will be considered within the context of the bureau and branch review, currently underway, of current IBD resources and in light of the strategic plans for the sub-regions. A final decision should be made by the end of the first quarter 2004.

3.1.5 Although the performance of the IBD Program is high, as reflected in the Trade Survey, there is still a need to improve communications within the Program so that staff is kept current with upcoming issues and lessons learned regarding day-to-day problems. To this end, IBD staff suggested that quarterly meetings would be beneficial. A retreat format could also be considered.

Recommendation for the Mission

3.1.6 Convene quarterly productivity meetings for the IBD staff.

Mission Action Plan and Time Frame

3.1.6 Mission is planning the first quarterly meeting of IBD staff to be held on January 17, 2004. The meeting will take the form of a retreat.

CONSULAR AND ADMINISTRATION PROGRAMS

4.1 Overview

4.1.1 The Consular and Administration Programs are well managed by an *** AS-03 MCO ***. Quito has had several high level visits in the past year, and the Mission developed formal procedures to ensure that all of the logistics and protocols associated with such visits are handled in an efficient manner.

4.2 Consular Program

4.2.1 The Consular Program is managed on a day-to-day basis by a long-serving LE-07 Consular Officer. There are an Honorary Consul and a new Consular Assistant operating in Guayaquil. Currently the Consular Officer in Quito spends a significant amount of time on the telephone helping this new Assistant who has not yet been trained.

Recommendation for the Mission

4.2.2 Arrange consular training for the Consular Assistant in Guayaquil.

Mission Action Plan and Time Frame

4.2.2 The Consular Assistant in Guayaquil has since been to Quito on two separate occasions for one-on-one training with Quito's Consular Officer. The Assistant also attended the two-day National Warden's Conference organized by the Mission in March 2003 which covered a wide range of consular issues. Mission contacted Consular Training Section (JPPT) regarding upcoming training opportunities who then informed the Mission that the Assistant is wait-listed for the next Consular Specialist Course. Mission's Training Plan has been updated accordingly.

Service to Canadians and Passports

4.2.3 A network of 15 wardens has been updated and re-invigorated in the past year to satisfy the needs of the growing number of resident Canadians, and as a contingency for the *** and natural disasters (earthquakes and volcanic eruptions) prevalent in Ecuador. An annual "Wardens' Conference" was hosted at the Embassy for the first time in March 2003.

4.2.4 Consular service standards are met and often exceeded in Quito with respect to serving an increasing number of Canadians needing consular assistance.

The most common consular cases are medical evacuations, deaths and robberies, which are on the increase.

4.2.5 Between February 2002 and January 2003, the Mission issued 307 passports. Passports were reconciled to the latest inventory certified on February 26, 2003.

4.3 Human Resources

4.3.1 Human resources are well managed. Appraisals and reliability checks are up to date and personnel files are complete. On May 30, 2003, the Mission submitted to the Locally-Engaged Staff Division (HRL) updated information regarding LES benefits in Quito. This information will allow HRL to complete its benefits review and to finalize the Mission's LES Handbook.

4.4 Physical Resources

4.4.1 The three CBS are suitably housed in two apartments and a single family home situated in a gated community. All Staff Quarters (SQs) are Crown-Leased and are appropriately secured. Landlords are responsible for the overall maintenance of these SQs and property files are in good order. The MCO updated the property database (PRIME) on January 24, 2003.

4.4.2 The Chancery is in leased accommodation on the fourth floor of an older office building in the centre of Quito. The Chancery lease situation is complex because there are two separate leases with two different landlords and both leases expire in late 2006. The building is fraught with problems, several of which involve health and safety issues. The Mission lacks a modern fire alarm system as there are only battery operated smoke detectors. The building has no fire exit signs. There is poor ventilation throughout the building, and as there is no central air conditioning available (only a sporadically operating wall unit), air quality is poor. The Chancery is quite warm in the early afternoon when the sun is at its highest. The electrical system is at capacity, circuit breakers frequently trip, and no additional equipment can be added. Electrical surges are taking their toll on office equipment.

4.4.3 There has been an office building boom in Quito, resulting in office rents that are quite competitive. The Physical Resources Bureau (SRD) indicated that it would make sense to move when the existing leases expire. In order to be prepared, the Mission should begin surveying the market for potential Chancery locations which meet the specifications required for a mission operating at the small mission level.

Recommendation for the Mission

4.4.4 Conduct a market study of suitable office locations in Quito.

Mission Action Plan and Time Frame

4.4.4 Mission will continue to push for a Chancery move at the earliest possible date, for all of the reasons outlined above. It should also be noted that building security is poor and the layout is not functional (the men's public washroom is in the secure zone; the conference room can only seat six; there is no office for emergency/contract staff, interns or visiting CBS). Because there are diplomatic break clauses in both leases, it is not necessary to wait until the leases expire.

Mission is always looking at suitable office locations, and will gladly conduct a more formal study over the course of the next few months.

4.5 Information Management

4.5.1 The MCO is responsible for the overall management of information and technology, and also acts as the SSA (Signet Support Assistant). The Regional System Administrator (RSA) is in Lima and his visits to Quito are infrequent. The MCO, although quite technically inclined, has not had the SSA training and expressed an interest in doing so during one of her visits to HQ.

Recommendation for the Mission

4.5.2 Provide SSA informatics training to the MCO.

Mission Action Plan and Time Frame

4.5.2 In April 2003, the Lima-based RSA visited Quito and provided some one-on-one SSA training to the MCO. Additional training was taken by the MCO at the MCO Conference in Ottawa in November 2003.

4.5.3 The Techserve listing is updated regularly. The Mission has 11 users and is just above the threshold for changing from a micro-mission to a small mission with respect to SIGNET architecture.

4.6 Finance

4.6.1 Finances within the Mission are well managed by the MCO and a Locally-Engaged Accountant (LE-06). The Accountant has been with the Mission since July 2001 and she has a sound knowledge of accounting practices and is reasonably comfortable with IMS. The Accountant has received some training on the Department's accounting practices and IMS. General training on Government Accounting, specifically the rules and regulations dealing with FSDs (Foreign Service Directives), Travel,

Hospitality, the Financial Administration Act and financial reporting, would also be beneficial.

Recommendation for the Mission

4.6.2 Provide Financial Management training at HQ to the Accountant as soon as possible.

Mission Action Plan and Time Frame

4.6.2 Mission has contacted the Canadian Foreign Service Institute (CFSI) regarding additional in-Canada training for the Accountant, and is standing by for details on the next Financial Management Course being offered in Ottawa in English. Mission's Training Plan has been updated accordingly.

4.6.3 The Mission changed banks in the in Fall of 2002. This has proven to be a good decision for a variety of reasons: bank charges have been greatly reduced; direct deposit is now available; and the location of the new bank is closer to the Embassy, thereby enhancing cash security. The Mission issues approximately 750 cheques annually and cheques normally have two signatories, the MCO and one other CBS. The HOM can sign alone. There is a \$250 petty cash fund managed by the Accountant, which was verified and reconciled during our visit. To some degree, the Mission uses the "Commitment" feature in IMS to manage its budget. The MCO plans to establish new commitments at the start of fiscal year 2003-2004. The Mission is making payments to four suppliers through the "direct debit" method, which is contrary to departmental policy.

Recommendations for the Mission

4.6.4 Make greater use of commitments in IMS to manage the budget, especially for large contracts and leases.

4.6.5 Cease all direct debit supplier payments and establish other means of payment.

Mission Action Plans and Time Frames

4.6.4 At the start of this fiscal year (FY 03-04), Mission fully implemented the use of commitments in IMS. Over 15 commitments have been established for travel, hospitality, couriers, telephones, cellphones, security services, Honorary Consul operating expenses, condominium fees, electricity, gasoline, residential rent, office rent, etc.

4.6.5 Direct debit supplier payments with both TV cable and water companies were cancelled in March 2003 and are now being paid by cheque.

Due to restrictive and inefficient billing procedures imposed upon Mission by the local telephone company, Mission has been obliged to maintain direct debit payment with this supplier to avoid interruptions in its telephone service. The only other means of payment would be in cash which is not feasible for the Mission. However, Mission monitors this account closely and to date, there has never been a discrepancy between the billed amounts and the amounts being debited.

Accounting Procedures

4.6.6 A full month of accounts were reviewed and found to be in good order. Minor adjustments were suggested to improve transparency and to enhance internal controls. Procedural clarity can be improved by marking "PAID" on invoices in order to indicate transaction status. The e-mails requesting funds transfers should be readily available and filed with the monthly bank reconciliation documents. A copy of the IMS monthly AB payments report (direct deposit transactions listing) for LES Salaries should be kept on the debit file, along with the individual payments made to LES. These payments currently appear as a single "lump sum" on the bank statement.

Recommendation for the Mission

4.6.7 Improve financial process documentation to ensure that transaction status is indicated, and that all supporting documents are properly filed and readily accessible.

Mission Action Plan and Time Frame

4.6.7 Since March 2003, all minor process improvements suggested by the Audit Team have been implemented. 'PAID' is now being stamped on all paid invoices; emails requesting fund transfers are now being filed along with the monthly bank reconciliation documents; the IMS monthly AB report for LES Salaries is being kept on the debit file; and the MCO is using the spreadsheet "Review of Immigration Revenues (Cash Register) POS+" to track immigration revenue more closely.

4.6.8 Sound accounting procedures are in place for consular and immigration revenues and payments. Some vendors have two active Vendor Codes in the system. Vendors come to pick up their cheques from the Receptionist ***.

Recommendations for the Mission

- 4.6.9** Ensure that Vendors have only one IMS code, and that the Accountant's IMS profile permits her to block Vendor codes.
- 4.6.10** Vendor payment cheques remaining with the Receptionist at the close of business should be returned to the Accountant for safekeeping.

Mission Action Plans and Time Frames

- 4.6.9** Mission was recently informed by Financial Management Services (SMFF) that according to new IMS security 'roles', the Accountant cannot have the ability to both print cheques and create/modify Vendor Master records. SMFF has therefore taken away her ability to create/modify Vendors; this function will now be performed at HQ. While this change will reduce the Accountant's efficiency, Mission understands that IMS security is paramount.

As a result of these new IMS access restrictions, the Accountant had to send the list of the 22 duplicate vendor codes to Communications and Client Support (SMSC) to have them blocked there, which she did on July 29, 2003. Mission received confirmation from SMSC that this has been completed.

- 4.6.10** Since March 2003, payment cheques are being returned to the Accountant at the end of each day for safekeeping.
- 4.6.11** Mission Hospitality files were reviewed and found to be in good order. All hospitality expenses are filed away with the Mission operational expenses files except for the HOM's file, which is kept separately.

Recommendation for the Mission

- 4.6.12** Establish a separate hospitality file for each individual.

Mission Action Plan and Time Frame

- 4.6.12** Since April 1, 2003, Mission has been maintaining separate hospitality files for each individual. Order numbers in IMS have also been created to track each individual's hospitality expenditures.
- 4.6.13** The Honorary Consul in Guayaquil has a standing advance of US \$1,000 for consular operations. On a monthly basis, the Mission reconciles this account and issues a cheque to the Honorary Consul that is deposited into his personal bank

account. The consular expenses in Guayaquil are virtually all non-discretionary and average approximately CAD \$2,200.00 per month which exceeds the above approved standing advance.

Recommendation for the Mission and AAM

4.6.14 Increase the Honorary Consul's standing advance to US \$2,000.

Mission and AAM Action Plan and Time Frame

4.6.14 As of April 1, 2003, the Honorary Consul's standing advance was increased to US \$1,500. The MCO and Mission Accountant felt that this amount would be sufficient to cover monthly operating expenses.

Contracts

4.6.15 The MCO oversees the contracting process in the Mission. Typically, before approving a new contract, the selection is discussed with the HOM and/or the IBD Program Manager. The contracting and selection process needs to be formalized, and contract files should contain documentation that demonstrates a transparent and equitable process, including justification for the selection and method for rating candidates.

Recommendation for the Mission

4.6.16 Formalize the Mission's contracting process and, as a minimum, document the justification for all selections.

Mission Action Plan and Time Frame

4.6.16 Since March 2003, Mission has implemented the use of EXT 1129 'Managerial Checklist for Service Contracts' for all proposed contracts. This checklist must be completed by the Project Officer and signed off by the other two CBS at the Mission before the contract is signed.

MISSION RESOURCES FACT SHEET

Human Resources (FTEs)

Program	CBS	LES	Total
HOM/GR	1	0.5	1.5
IBD	1	1.5	2.5
Consular	0.3	1	1.3
Administration	0.6	4	4.6
Immigration	0.1	1	1.1
Total	3	8	11

Physical Resources

Assets	Crown-Leased	Crown-Owned
Chancery	1	0
SQs	3	0
Vehicles	0	2

Financial Information 2002-2003

LES Salaries	\$202,971
Operational	453,614
CBS Salaries	173,383
CBS Overtime	5,500
Capital	22,500
Total	\$857,968