

Review of Community Centres 2003

Final Report
March 2004

Audit Department

Leaders in building public trust in civic government

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Executive summary

There are seventy-one community centres in Winnipeg with budgets ranging from approximately $25,000 to $1,000,000. The City provides access to city-owned facilities and grants monies for community centres to operate within the responsibilities outlined in the *Universal Funding Formula for Community Centres.* The Community Services Department has responsibility for the overall coordination, grant administration and operation of the seventy-one community centres located in Winnipeg. The Community Services Department collaborates with the General Council of Winnipeg Community Centres (GCWCC) and community centre volunteers in strategic planning and the development of operating procedures and standards.

In the past few years, the Community Services Department has been working toward improving financial and general controls at community centres. They worked with the Financial Accountability Review Task Force to develop standardized financial reporting requirements for community centres.

In 1999, the City of Winnipeg Audit Department carried out a review of the control environment at City of Winnipeg community centres and issued a report entitled *City of Winnipeg Community Centres: A Review of the Control Environment*. In late 2000 as a follow-up to the recommendations in the above-noted report, the Audit Department initiated a review of the level of compliance with the financial standards attained by selected community centres. As a result of this project the report entitled *Community Centres: A Review of Financial Management Practices* was issued.

One of the recommendations contained in this report related to initiating a program of cyclical audits to determine compliance with all the standards on an ongoing basis. An economical solution to initiating a program of cyclical audits was proposed in the fall of 2002. The Audit Department agreed to lead the audit process and train volunteers recruited by Corporate Finance from other City departments to assist in the performance of these audits.

We conducted audits at three Community Centres identified by the Community Services Department. We took a risk-based approach to the audits and focused on compliance with financial accountability and financial reporting standards, compliance with the reporting requirements to qualify for the annual grant from the city and the adequacy of key financial controls at the centres. In addition to the audits, we also followed up on the status of the implementation of prior audit recommendations made to the Community Services Department.

We found that all three centres required considerable improvements in their financial management practices to comply with all of the standards for financial accountability and financial reporting, in particular the timeliness of the submission of the annual financial statements needs to be improved.

We found one Centre complied with all of the reporting requirements to qualify for the annual grant from the city. The other two Centres did not submit all of the reports when required.

We found numerous deficiencies in key financial controls at one of the centres. The key controls at the other two centres were adequate, although three areas for improvement were identified at one of the centres and four areas for improvement were identified at the other.

We were disappointed to find that the majority of the recommendations from our two previous audits had not been implemented. These included the establishment of management agreements for Community Centres and a partnership agreement with the GCWCC. However, we are encouraged by the Community Services Department's renewed commitment to implement the outstanding recommendations in 2004.

Background

There are seventy-one community centres in Winnipeg with budgets ranging from approximately $25,000 to $1,000,000. Each community centre has an elected board of directors consisting of volunteers to govern its activities and provide the day-to-day management of the community centre. Board members are entrusted with public funds and facilities and are accountable to both the community that they serve and to the City of Winnipeg.

The City provides access to city-owned facilities and grants monies for community centres to operate within the responsibilities outlined in the *Universal Funding Formula for Community Centres.* These grants are used to pay for utilities and first-line facilities maintenance. Community centres are responsible for generating their own revenues for programs through registration fees, fund raising events, hall rentals and other activities.

The Community Services Department has responsibility for the overall coordination, grant administration and operation of the seventy-one community centres located in Winnipeg. The Community Services Department collaborates with the General Council of Winnipeg Community Centres and community centre volunteers in strategic planning and the development of operating procedures and standards. The Community Services Department is responsible for the maintenance of the *Standardized Financial Reporting Guidelines for Community Centres* as well as the community centres' compliance with those guidelines. In addition, the Community Services Department works with the GCWCC to facilitate the implementation of City Council-approved policies.

In the past few years, the Community Services Department has been working toward improving financial and general controls at community centres. They worked with the Financial Accountability Review Task Force to develop standardized financial reporting requirements for community centres, and they have recently updated the *Orientation for Community Centres* manual.

In June of 1999, the City of Winnipeg Audit Department carried out a review of the control environment at City of Winnipeg community centres and issued a report entitled *City of Winnipeg Community Centres: A Review of the Control Environment*. In late 2000 as a follow-up to the recommendations in the above-noted reports, the Audit Department initiated a review of the level of compliance with the financial standards attained by selected community centres. KPMG LLP was retained to work jointly with the Department on the project. As a result of this project the report entitled *Community Centres: A Review of Financial Management Practices* was issued.

One of the recommendations contained in this report related to initiating a program of cyclical audits to determine compliance with all the standards on an ongoing basis. The Community Services Department supported this recommendation, subject to financial resources being provided to cover the incremental costs of cyclical compliance audits.

An economical solution to initiating a program of cyclical audits was proposed in the fall of 2002. The Audit Department agreed to lead the audit process and train volunteers recruited by Corporate Finance from other City departments to assist in the performance of these audits. This solution was advantageous to all three departments:

- The Audit Department leveraged resources from other City Departments to assist in the performance of the audit.
- Corporate Finance provided financial staff with a developmental opportunity to acquire new skills.
- The Community Services Department implemented an audit process without incurring significant additional costs.

Objectives

The objectives of these reviews are captured below:

1. To determine the level of compliance in the following areas as contained in *The Standardized Financial Reporting for Community Centres* document:

    - minimum standards of financial accountability,
    - monthly financial statements, and
    - annual audited/reviewed financial statements.

2. To determine the level of compliance with the reporting requirements necessary to qualify for the full amount of the annual grant allocation. These requirements are noted in the *GCWCC Accountability Manual, Standardized Financial Reporting Section, Attachment F.*

3. To review the adequacy of key financial controls at the selected community centres.

In addition, we followed-up on the status of the implementation of prior audit recommendations made to the Community Services Department.

Scope and approach

We conducted our reviews at three Community Centres identified by the Community Services Department. We interviewed the President, Treasurer, General Manager (if applicable) and other board members and staff of each community centre. In addition, we examined community centre financial controls, records and documents on a test basis to determine compliance with the financial accountability standards and reporting requirements and to gain an understanding of the adequacy of the key financial controls at each community centre.

Subsequent to the interviews, records for each community centre were obtained for the most recently completed fiscal year. Audit procedures were conducted on these records and, where possible, additional work was performed on the current year's records at the community centre.

The results of the review of each Community Centre were provided to the Board of Directors with a copy to the Community Services Department.

We met with Community Services Department staff and management to follow-up on the status of the implementation of our recommendations from our two previous reports*: City of Winnipeg Community Centres: A Review of the Control Environment* (1999) and *Community Centres: A Review of Financial Management Practices.* (2001)

Risk assessment

Risk is broadly defined as a circumstance or event that will have an impact on the achievement of business objectives. The objective of the community centre is to provide a broad range of recreational and leisure activities for persons of all ages resident in the centre's designated area through the management and operation of the facilities and grounds. Many of the activities carried out at the community centres have financial implications attached to them and some of them involve the handling of cash. Cash is an asset that does not require the conversion to another form to be of value to whomever holds it. It is, therefore, more susceptible to misappropriation and theft than any other type of asset. As a result, we focused our audit on the following financially related risks associated with the operation of a community centre:

- inadequate financial reporting,
- misappropriation of cash,
- inappropriate investment practices, and
- inadequate safeguarding of assets.

The potential impacts associated with these risks are:

- unauthorized use of community centre funds,
- financial loss due to misappropriation or inappropriate investment decisions, and
- inappropriate use or loss of community centre assets.

Policies and procedures to mitigate these risks are documented in the *GCWCC Community Centre Accountability Manual* and in the *Standardized Financial Reporting for Community Centres* document. These manuals provide guidance to the Board to help them develop and maintain adequate processes to mitigate the risks identified. We have identified some gaps in these documents and made the necessary recommendations below.

It is important to note that without the support and diligence of the community centre Boards these documents by themselves will not achieve significant risk mitigation. The Board must ensure these policies and procedures are implemented and followed.

Overall conclusions

Compliance with Financial Accountability Standards

Minimum Standards of Financial Accountability

Two of the Centres reviewed complied with three of the six minimum standards of financial accountability and one of the Centres complied with only two of the six standards.

At two Centres, there was no evidence that a Treasurer was duly elected or appointed to the Treasurer position. At one of the same Centres and at the Centre with a duly elected or appointed Treasurer, a detailed job description had not been provided to the Treasurer. At two of the Centres, committees dealing with finances were not reporting to the Board on a monthly basis as required.

Monthly Financial Statements

Two of the Centres reviewed complied with the majority of the seven monthly financial statement guidelines although improvements were required in a few areas. The other Centre did not comply with the majority of the monthly financial statement guidelines.

Two of the Centres reviewed were not showing opening balances on their monthly financial statements. The monthly financial statements for all three Centres reviewed were not signed by a board member as evidence that the Board reviewed them, and two Centres did not indicate on their financial statements the dates they were presented to the Board as required.

Annual Audited/Reviewed Financial Statements

Two of the Centres reviewed complied with the majority of the six annual audited/reviewed financial statement guidelines, although improvements were required in a few areas. The other centre complied with only three of the six guidelines.

Two of the Centres reviewed had not submitted their annual statements within 120 days after their year-end, and two of the Centres were netting some of the figures on their annual statements.

Compliance with Reporting Requirements

One of the Centres reviewed complied with all eight of the necessary reporting requirements; one complied with six of the reporting requirements, and the other complied with only four of the reporting requirements.

The areas of non-compliance were in the provision of the charitable donations report, volunteers report, inventory listing and the program report.

Key Financial Controls

Numerous deficiencies in key financial controls at one of the centres were identified. The key controls at the other two centres were adequate, although three areas for improvement were identified at one of the centres and four areas for improvement were identified at the other. Several recommendations were made to the Community Centres as a result of our review of the key financial controls at all three centres.

Follow-up on Community Centre Audits

A total of twenty-three recommendations were made as a result of the two previous Community Centre reports completed by the Audit Department. Twelve were made in the 1999 report and eleven were made in the 2001 report. At the time of carrying out the current community centre audits only three of the twenty-three recommendations had been completely implemented, good progress had been made on six other recommendations and little or no progress had been made on the implementation of the remaining fourteen recommendations. Some of the recommendations where little or no progress has been made deal with the establishment of fundamental accountability tools such as, management agreements between the City of Winnipeg, the GCWCC and the Community Centres and community centre annual budgets. The Community Services Department now has plans in place to address all the recommendations that had not been fully implemented and has committed to implement the recommendations in 2004.

We are encouraged by the Community Services Department's renewed commitment to implementing all of the recommendations from the previous audit reports.

Acknowledgements

We want to acknowledge and thank the many professional staff and volunteers from the community centres, GCWCC and the Community Services Department who cooperated so fully on this project. We also express our thanks to Russ Woods of the Corporate Finance Department and Christie Turchyn of the Property Assessment Department who assisted us in carrying out the reviews. We believe that effective financial management and accountability for public funds will be enhanced through implementation of the recommendations arising from this review.

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December 2003

Observations and recommendations

In this section we highlight four observations related to our review of the Community Centres that require attention from the Community Services Department. The last three of these observations were previously reported in a prior audit.

Internal Control Checklist for Treasurers

We found that at all three Centres, the Presidents and/or Treasurers were pre-signing cheques on all or some of their bank accounts. We also found at all three Centres that there was some confusion as to who had signing authority on the investment accounts and, at one Centre, after a change in the Board, the bank signing authorities were not immediately updated.

The practice of having one authorized signer pre-sign cheques negates the control of requiring two signers to ensure the propriety of the expenditures and ensure that authorizations for the expenditure are in accordance with the Centre's policy. In addition, the Board must know who all signing officers are at all times and update them immediately when there are changes to the Board in order to safeguard the Centre's assets and ensure all expenditures and investment decisions are properly authorized.

The volunteer treasurers of the City of Winnipeg's Community Centres have varying degrees of education and experience with respect to accounting and financial management. To assist them, we have compiled an Internal Control Checklist for treasurers and others involved in finance and accounting. This list has been compiled from our observations and recommendations from audits of Community Centres and is attached as Appendix A.

Recommendations

1. We recommend that the *Informal Control Checklist for Treasurers* be distributed to the Boards of all City of Winnipeg Community Centres.

2. We recommend that Boards be reminded that the practice of pre-signing cheques is not acceptable.

Community Services Department Response

The Community Services Department will send the recommended Control Checklist and reminder notice relative to the practice of pre-signing cheques with the 2003 annual feedback letters to all Community Centre Treasurers.

Investments

We found that all three community centres reviewed had invested funds in various financial instruments. All three Centres indicated that the Board made all investment decisions relating to these funds, although at two of the Centres there was some question as to who had the signing authority on the investment account.

One of the Centres reviewed had been carrying a significant investment for over 10 years. The majority of the funds had been invested in equity mutual funds, which are best suited for long-term purposes and may include significant risk in the short term. The history of this investment indicates that there had been significant losses and gains over the 10-year history of the investment. An analysis completed by the previous Treasurer at this Centre indicated that over the life of the investment a reasonable return had been realized. This analysis appeared to be reasonable; however, the primary objective for the investment of community centre funds should be the preservation of capital and liquidity. The current Treasurer at this Centre recognized

that these funds should be invested in lower risk investments and was in the process of transferring all their invested funds from equity mutual funds to Guaranteed Investment Certificates (GICs).
The Treasurers from the other two Centres were aware that investments should be limited to low risk instruments that are designed to preserve the capital of the funds invested. We confirmed that the investments at these Centres were in low risk financial instruments.

A recommendation relating to the investment of cash by community centres was made in our report entitled *Community Centres: A Review of Financial Management Practices* dated March 2001. At that time, the Community Services Department had agreed with the recommendation and noted that they *"will develop guidelines for the investment of excess funds to be incorporated into the orientation manual for community centre volunteers".*

We understand that the Community Services Department has begun to develop guidelines but has yet to complete them.

Recommendation

We recommend that the Community Services Department make it a priority to develop guidelines for the investment of excess funds. These guidelines should outline a risk/reward balance and include consideration of liquidity needs. In addition, these guidelines should discuss security over such balances and the ability to access the funds as required. This type of measure would help protect the community centre's funds and ensure that the community centre maximizes the interest earned on cash balances.

Community Services Department Response

The Community Services Department will develop guidelines for the investment of excess funds. The Investment Guidelines will be issued and included as an amendment to the Standardized Financial Reporting for Community Centres Handbook in 2004.

Criminal Background Check

Criminal background checks are not carried out on board members. When interviewed, the president and treasurer of all three Centres agreed that criminal background checks should be carried out on at least the president and treasurer. Some thought that criminal background checks should be carried out on all persons that have signing authority on any community centre bank account.

A recommendation relating to criminal background checks was made in the report entitled *Community Centres: A Review of Financial Management Practices* dated March 2001. At that time the Community Services Department agreed with the recommendation and noted that they *"will require criminal record checks for the president and treasurer of each community centre".*

We understand that some work has been done on the development of a process to implement criminal background checks, but nothing has been formally implemented.

Recommendation

We recommend that a process for obtaining criminal background checks for the Treasurer and President of all community centres be established as a priority.

Community Services Department Response

Recognizing that many board members may have signing authority, the Community Services Department will be discussing with GCWCC the possibility of requiring all board members to sign a consent form permitting

that a criminal record check be performed. Funding sources for random criminal record checks will be explored in 2004.

Fraud

We asked each president and treasurer what steps they would take if they discovered a fraud occurring at their Centre, whether or not they had received any guidance on how to handle fraud, and if they would like to see some guidance in the *GCWCC Community Centre Accountability Manual?* They all indicated that they had not received any guidance and would like to see some guidance in the *Accountability Manual.*

A recommendation was made in the report entitled *Community Centres: A Review of Financial Management Practices* dated March 2001. At that time the Community Services Department agreed with the recommendation and noted that they *"will consult with the Corporate Finance Department and Winnipeg Police Service in the development of formal guidelines to deal with fraud related issues".*

We understand that formal guidelines to deal with fraud related issues have not yet been developed.

Recommendation

We recommend that priority be given to establishing formal guidelines to deal with fraud related issues at community centres. Guidelines for community centres should be incorporated into the *Orientation for Community Centres* Manual and/or the *GCWCC Community Centre Accountability Manual.*

Community Services Department Response

The City is currently finalizing an employee fraud Administrative Directive. It is anticipated that this directive will be used as a "foundation" to establish some guidelines for community organization volunteers. A list of "Do's and Don'ts" related to fraud related issues will be produced as well as some basic "Steps On What To Do If Fraud Is Suspected" and will be included as an amendment to the Standardized Financial Reporting for Community Centres Handbook in 2004.

Follow-up on the implementation of prior audit recommendations

In the past few years, the Community Services Department has been working toward improving financial and general controls at community centres. They worked with the Financial Accountability Review Task Force to develop standardized financial reporting requirements for community centres, and they have updated the *Orientation for Community Centres* manual.

In June of 1999 the Audit Department carried out a review of the control environment at City of Winnipeg community centres and issued a report entitled *City of Winnipeg Community Centres: A Review of the Control Environment*. Then in late 2000 the Audit Department initiated a review of the level of compliance with the financial standards attained by selected community centres. As a result of this review the report entitled *Community Centres: A Review of Financial Management Practices* was issued in March of 2001. A total of twenty-three recommendations were made, twelve in the 1999 report and eleven in the 2001 report. The Community Services Department (CmSD) has provided a detailed response on the status of the implementation of each recommendation in the section that follows.

City of Winnipeg Community Centres: A Review of the Control Environment

Recommendation
The City of Winnipeg should develop and implement a formal policy that sets out principles and standards of operations for community centres including funding requirements.

Status of Implementation
In 2004 the City of Winnipeg (CmSD) will begin the process of developing a template for a management agreement that will set out the principles and standards of operation for Community Centres including their funding requirements.

Recommendation
The City of Winnipeg and the GCWCC should continue to revise the *Accountability Manual* and the *Orientation for Community Centres* manual. All critical information relevant to the management and financial control of the community centre operations needs to be clearly presented and easily accessed within a “user-friendly” document.

Status of Implementation
Original revisions to the Accountability Manual and the Orientation for Community Centres Manual were completed in fall of 2001. Annual reviews and updates of Accountability Manual and the Orientation for Community Centres Manual will become part of the yearly process effective 2003.

Recommendation
The City of Winnipeg and the GCWCC should define their partnership through a management agreement with their respective organizations.

Status of Implementation
The City of Winnipeg (CmSD) will be proceeding on the development of a partnership agreement with General Council of Winnipeg Community Centres (GCWCC) to define roles and responsibilities in 2004.

Recommendation
The City of Winnipeg and the GCWCC should assist community centres in annual business planning processes including the development of standard budgeting practices.

Status of Implementation
Steps will be taken to include annual budgets and potentially business plans as reporting requirements during the update to

the Standardized Financial Reporting for Community Centres Handbook.

Recommendation
The GCWCC should encourage all community centres to adopt a standard operating constitution. These documents should be reviewed annually and revised as necessary.

Status of Implementation
GCWCC completed a review of all 71 Community Centre constitutions during 2003 and provided feedback to each centre regarding recommended changes. Community Centres are also now required to submit any constitutional changes annually to the City and GCWCC. Yearly reviews will be conducted at annual general meetings.

Recommendation
The City of Winnipeg should consider discussions with the City's Legal Services regarding the development of a by-law(s) concerning the management and operation of community centres.

Status of Implementation
Discussions will be held in 2004 with Legal Services on requirements for by-laws(s) concerning the management and operation of Community Centres.

Recommendation
City of Winnipeg and the GCWCC must work closely with the community centre boards to clearly define each parties' role and responsibilities within the accountability relationship. These roles and responsibilities must be understood and agreed upon to provide the context for all parties to perform and respond. Development of an operating agreement that incorporates existing frameworks should take into consideration the required authority, roles and responsibilities and accountability for all parties.

Status of Implementation
The development of a Management Agreement Template will occur in 2004. In consideration of the template, all party authority roles and responsibilities will be outlined.

Recommendation
The City of Winnipeg should ensure that the annual orientation for community centre board members is mandatory.

Status of Implementation
The City of Winnipeg and GCWCC continue to communicate the need to attend orientation sessions to new board members. Requests for these orientations have increased over the past years.

Recommendation
The GCWCC, in conjunction with the City of Winnipeg, should continue to reinforce the benefits of their training workshops. These workshops focus on the skills needed to support the performance of community centre board members such as improving management and financial controls and understanding and reinforcing of the importance of due diligence responsibilities. The workshops should be mandatory for all newly appointed board members.

Status of Implementation
GCWCC and the Community Services Department's Finance and Administrative Services Division will explore the possibility of providing a financial training workshop at each District meeting per year for Treasurers. It would focus on reporting requirements, financial controls, cash management, etc.

"One on One" training sessions are available to the centres upon request of the Finance and Administrative Services Division.

Recommendation
The City of Winnipeg and the GCWCC should continue to ensure that communication processes convey timely information on the operating performance and control environment of community

centres. These processes may be formal, as in periodic meetings or reports, or informal, as with *ad hoc* discussions on newly identified concerns or issues.

Status of Implementation
Communication among CDRS staff, community centres, and Finance & Admin staff has greatly improved. A monthly checklist of reporting requirements has been implemented for the Recreation Technicians and Community Centres to ensure that centres are submitting their reports on a more timely and comprehensive basis. Periodic financial reviews by Finance and Administration Services Division staff have resulted in annual formal feedback letters to the community centres regarding their compliance, improvements, and deficiencies.

Recommendation
The City of Winnipeg should require community centre treasurers to provide monthly financial reports to their boards and the City of Winnipeg. Appropriate and timely information demonstrates the community centre's diligence in reporting on the performance achieved, as well as what has been learned from monitoring operational processes.

Status of Implementation
A monthly and annual checklist of reporting requirements to the Community Centre Boards is now used by Community Centre Treasurers and supported by Community Development & Recreation Services staff. Monthly and annual financial submissions to the Community Services Department for review are required before the Community Centre operating grant is released.

Recommendation
A periodic review of the effectiveness of the community centre control environment should be considered by the City of Winnipeg and the GCWCC. A control assessment can be conducted either informally through direct contact, or formally through the performance of spot audits or by self-assessment. Regardless of how such a review is performed, the results should be reported to the City of Winnipeg and the GCWCC to complete the "accountability loop".

Status of Implementation
A creative solution has been arranged with the Audit Department to conduct at least two spot audits per year. Audit has agreed to manage the spot audits, with the assistance of short-term, temporary secondment staff from various City departments. For the three audits conducted in 2002/2003 the staff from Assessment and Corporate Finance actually performed the audit of the community centres.

Audit reports, with recommendations, have recently been received. The City is awaiting formal responses from the community centres regarding the recommendations. Following those responses, a follow up meeting with GCWCC the Community Services Department and Community Centres will be arranged to ensure compliance with the recommendations and/or to assist the centres in implementing the noted changes.

Community Centres: A Review of Financial Management Practices

Recommendation
We recommend that a criminal background check be considered for all board members and be mandatory in the case of the treasurer and president.

Status of Implementation
In 2004 Board members will be requested to sign a consent form permitting that a criminal record check be performed. The Community Services Department will be discussing with GCWCC how to best

implement this recommendation. Funding for random criminal record checks will also be explored in 2004 with consideration for annual criminal record checks for the President and Treasurer.

Recommendation
We recommend that the treasurers and bookkeepers receive mandatory financial training from the City or the GCWCC. This would improve the consistency of financial controls and financial reporting at each community centre. In addition to discussing the appropriate role of the treasurer, training might include sessions on budgeting, financial reporting, and financial controls.

We further recommend that governance and risk awareness training be mandatory for all community centre board members when they are elected or appointed to the board.

Status of Implementation
GCWCC currently provides assistance to all community centres including training sessions as required, and as requested. After Council adoption of the Standardized Financial Reporting for Community Centres Handbook in 2004 the City will meet with GCWCC regarding communicating these new standards and how it can be incorporated into GCWCC training sessions. The Finance and Administration Division will explore the possibility of providing a financial training session at each District Board meeting once per year for Treasurers.

Recommendation
We recommend that the City develop conflict of interest guidelines and provide these guidelines to community centre boards and that board members be required to adhere to such guidelines.

Status of Implementation
The City of Winnipeg (CmSD – Finance and Administrative Services Division) will develop conflict of interest guidelines. This will be amendment for the Standardized Financial Reporting for Community Centres Handbook and distributed in 2004.

Recommendation
We recommend that guidelines for investment of excess funds be provided to community centres. These guidelines should outline a risk/reward balance and include consideration of liquidity needs. In addition, these guidelines should discuss security over such balances and the ability to access the funds as required. This type of measure would help protect the community centre's funds and ensure that the community centre maximizes the interest earned on cash balances.

Status of Implementation
The Investment Guidelines will be developed by the Finance and Administrative Services Division of the Community Services Department and will be included in an amendment to the Standardized Financial Reporting for Community Centres Handbook in 2004.

Recommendation
We recommend that the standards be amended to eliminate the requirement for the establishment of a finance committee and an internal audit committee. The board, as a whole, generally performs these roles. As well, the creation of these committees may not be practical given the size and volunteer nature of the community centres.

Status of Implementation
The Department concurs in the recommendation to eliminate the establishment of Finance and Internal Audit Committees as a recommendation in the Financial Accountability Standards.

Recommendation
To reduce confusion relating to the requirement to include opening balances in the monthly reports, we recommend that the guideline be amended to read as follows: *"The previous month end balance sheet should be presented as part of the monthly reporting package."*

Status of Implementation
The Department also agrees that the requirements for monthly financial reports to be clarified to ensure that the opening and closing balances are presented.

Clarification has been provided to Community Centres over the past year, and this amendment/clarification of reporting requirements is being included in the comprehensive 2004 update of the Standardized Financial Reporting for Community Centres Handbook.

Recommendation
We recommend that each community centre be required to submit the annual budget for the community centre to the Community Services Department. We believe that the requirement to submit the annual budget will encourage all community centres to prepare and use budgets as a financial management tool.

Status of Implementation
The Department supports the recommendation that community centres develop and submit an annual budget to the Department. Budgets will form part of the new reporting requirements contained in Council adopted amendments to the Standardized Financial Reporting for Community Centres Handbook. It may be necessary to provide an exception based upon the Community Centre operation.

Recommendation
Consideration should be given to increasing grant funding for community centres to be allocated to accounting services related to financial reporting requirements.

Status of Implementation
The Department will implement and evaluate the effectiveness of the financial reporting training sessions for community centre
treasurers prior to considering any increases in operating grants for accounting services.

A number of measures are being initiated to "bridge the gap" between the state of the current financial reporting submissions and ideal reporting. Regular feedback on the community centre's financial submissions, combined with monitored adherence to the Standardized Financial Reporting for Community Centres Handbook and training sessions [conducted by both GCWCC and the City] will assist in the endeavour. With clearer reporting requirements and adequate training, the need for external bookkeeping services will be less necessary as additional City funds would have to be requested to hire external bookkeeping services for the centres.

Recommendation
We recommend that formal guidelines be established by the Community Services Department to deal with fraud related issues at community centres. Guidelines for community centres should be incorporated into the *Orientation for Community Centres* Manual.

Status of Implementation
The City is currently finalizing an employee fraud Administrative Directive. It is anticipated that this directive will be used as a "foundation" to establish some guidelines for community organization volunteers. A list of "Do's and Don'ts" related to fraud related issues will be produced as well as some basic "Steps On What To Do If Fraud Is Suspected" and will be included as an amendment to the Standardized Financial Reporting for Community Centres Handbook in 2004.

Recommendation
The Community Services Department has hired a Community Centres Coordinator who will be responsible for reviewing all financial statements received from the community centres. We agree with this direction and suggest that the Coordinator focus on

- Any unusual reporting matters identified in either the notes to the financial statements or the report from the independent accountant/auditor
- Working capital concerns
- Financial viability concerns
- Any other unusual items

We recommend that Recreation Technicians receive training to assist in the review of monthly financial reports so that any unusual items can be detected as early as possible and brought forward to the Department for investigation and appropriate action.

Status of Implementation

The financial submission checklist was implemented in 2002 and is being used regularly by the C.D.R.S. staff and community centres. Missing documents are followed up promptly by C.D.R.S. staff, which makes the financial review process more effective and efficient. Regular meetings and frequent communication between C.D.R.S. and Finance and Administrative staff occur so as to discuss the status of the centres' financial submissions.

Recommendation

We recommend that the Community Services Department initiate a program of cyclical compliance audits to determine compliance with all of the standards on an on-going basis. The Department should follow up any non-compliance issues with the individual community centres to help them to develop processes that will enable them to comply with the standards. Furthermore, instruction manuals and training programs should be refined to incorporate issues that arise through the review process.

Status of Implementation

An arrangement with the Audit Department was made in 2002 for the Audit Department to lead a minimum of two community centre audits per year with the assistance of other City departments [short term temporary secondments]. The Community Services Department has received three audit reports [in September 2003] and are following up directly with the Community Centres including support from GCWCC, Audit Department, and Community Services Department Staff. The regular feedback to community centres on their monthly/annual submissions will make reference to the audit recommendations, as appropriate.

Appendix A

Internal Control Checklist for Treasurers

CASH	• Cash on hand at the Centre must be kept to a minimum. Deposit all receipts as soon as possible. • Deposit receipts intact. (i.e. Ensure receipts are traceable to a particular deposit slip. Use pre-numbered receipts and note the numbers of the receipts that are included in each deposit. Note the form of payment on each receipt.) Do not pay expenses using cash receipts. • Ensure cash and financial records are adequately physically safeguarded at all times by storing them in a locked restricted area when not in use. Limit the number of people who have access to both cash and financial records and never leave them unattended.
PETTY CASH	• Petty cash funds must be kept at a small set amount established by the Board. Any funds used must have receipts to support the expenditure. • Petty Cash replenishments should be in the exact dollar amount needed to bring the fund to the pre-established amount and this should be supported by exactly the same amount in receipts for proper allocation in the accounting records.
BANK	• Writing cheques payable to 'Cash' must be prohibited. • All expenditures made must be by cheque except for very small amounts paid out of Petty Cash. • The Board must establish who the authorized signing officers will be and advise its financial institutions. Two authorized signatures must be required on all banking documents (except deposits). The Board must know who the signing officers are at all times and the Centre's financial institution must be advised immediately of changes in signing officers. • Cheques must never be pre-signed. Signing officers should only sign cheques after they have reviewed the related supporting documentation. • All Board members including the Treasurer must be aware of and adhere to limitations stated in the Centre's Constitution, by-laws or policies as to when Board authorization of expenditures is required. • All bank accounts should be reconciled on a monthly basis.

INVESTMENTS	• The Board should establish an Investment Policy for the Centre to ensure the Board only makes investments that are within the established parameters. • Similar to bank statements and reconciliations, investment statements reconciled to the accounting records should be provided to the Board monthly. • The Board must establish who the authorized signing officers will be and advise its financial institutions. Two authorized signatures must be required on all banking documents (except deposits). The Board must know who the signing officers are at all times and the Centre's financial institution must be advised immediately of changes in signing officers.
ACCOUNTS RECEIVABLE	• If the Centre is owed money by another party, this should be reflected in the records as an account receivable. Such accounts must be followed up to ensure they are collected in a timely manner.
CAPITAL ASSETS	• Community Centres who record capital assets in their financial statements must ensure they are kept up-to-date for additions and disposals. Depreciation must also be calculated and recorded on at least an annual basis.
ACCOUNTS PAYABLE	• Ensure purchase orders are used and documented in accordance with the Centre's policy. • Ensure all invoices received for payment are accumulated in one file and paid in a timely manner. Paid invoices should be marked or stamped 'Paid' and the date and cheque number should be noted on the invoice.
GST	• Community Centres must ensure they have a strong understanding of the GST status of their Centre to ensure the appropriate amounts are being charged. Adequate records of GST paid on expenses or capital purchases must also be maintained. • Centres must work with their external accountants/auditors to ensure adequate records are being maintained and establish responsibility for filing returns in accordance with the filing requirements established by Canada Customs and Revenue Agency (CCRA). Treasurers must also ensure that remittances are made or refunds are collected in a timely manner according to the returns filed.
SOURCE DEDUCTIONS	• Treasurers or another designated individual must ensure that the appropriate amounts are deducted from employees' gross pay and remitted together with the

	employer portion in accordance with CCRA's requirements. Remittances must be made in a timely manner according to the remittance schedule provided by CCRA. • **NOTE**: Source deductions and GST are withheld and collected respectively, on behalf of CCRA. These are, in effect, trust funds, which cannot be used to assist Centres to fund operations. • The Treasurer must ensure source deduction payable accounts are clearing regularly and that Record of Employment and T4's are prepared and filed as required.
ANNUAL FILINGS	• Depending on the structure of the Community Centre, Centres may be required to complete and file an Annual Companies Return, T2 Corporation Income Tax Return and Non-Profit Organization Information Returns. Centres must work with their external accountants/auditors to ensure the appropriate returns are being prepared and filed in a timely manner.
COMPUTER CONTROLS	• Treasurers must ensure any records that are maintained on a computer are adequately safeguarded. This includes restricting access to the data through the use of passwords and restricting physical access to the computer by keeping it in a locked area with limited access. • Back-ups copies of financial records must be made regularly and be stored off-site. • If the computer is also used for email or internet access, virus scan software should be acquired, installed and kept current to protect against virus contamination or destruction of data.