



**CITY OF VANCOUVER  
INTERNAL AUDIT REPORT  
Evelyne Saller Centre**

**Distribution:**

Audit Committee    Sandra Singh - General Manager, Arts, Culture and Community Services  
KPMG                Susie Saunders - Managing Director, Non-Market Housing & Social Operations  
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**EXECUTIVE SUMMARY**

March 6<sup>th</sup>, 2020

The audit of Evelyn Saller Centre (“centre”) assessed the centre’s financial and administrative processes to provide reasonable assurance that practices were in compliance with City policies and to evaluate the effectiveness and efficiency of those processes. The audit included cash handling, purchasing, recruitment, time and attendance, and system access management.

Opportunities exist to strengthen internal controls over financial and administrative processes at the Evelyn Saller Centre. The centre provides essential services to the residents of Vancouver’s Downtown Eastside. Strengthening internal controls would enhance operational processes that support the centre’s effective delivery of services.

During the course of this audit, Management has taken a proactive approach in addressing the findings identified in this report. The more significant findings and recommendations include:

**E.1 Review and distribute tasks for administering Trust Accounts**

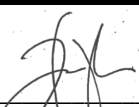
Trust Accounts are a mechanism where funds can be deposited into an account for meal purchases at the Evelyn Saller Centre. Being that this is a valuable service provided by the centre to its patrons, distributing tasks within the Trust Account administration process amongst different employees would improve internal controls and strengthen operational resiliency for business continuity planning.

**E.2 Track distribution of gift cards to patrons to enhance accountability**

Gift cards are distributed to patrons in recognition for volunteer work or as prizes for tournaments organized by the centre. As gift cards are cash-like instruments, safeguards should be in place to ensure they are appropriately accounted for. At the time of the audit, Management had taken steps to address this finding by implementing a process to record gift card distribution to patrons.

**E.3 Standardize the recruitment process for auxiliary employees to promote consistency**

To promote consistency and transparency, a standardized candidate interview and selection process should be formalized and practiced. The process should align with the City’s Human Resource guidelines for recruitment and include defining the type of documentation retained on file and the individuals involved in the recruitment panel.

  
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Tony Hui, CPA, CA, CRMA  
Chief of Internal Audit

  
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Senior Internal Audit

## A. BACKGROUND

The Evelyne Saller Centre (“centre”) provides services to low income and at risk adults living in Vancouver’s Downtown Eastside. Services include a low-cost cafeteria, free showers and laundry, recreational programs, and health support services. The centre provides an average of 850 low cost meals a day; 22,000 showers; and 19,000 loads of laundry.

The centre is part of the City’s Non-Market Housing & Social Operations portfolio within the Arts, Culture and Community Services department. The centre is staffed by both regular and auxiliary employees within the Security, Recreations, Health, and Front Office administration service groups. Cafeteria food services are provided by an external vendor, Aramark.

In 2019, construction began on new facilities for the Evelyne Saller Centre. The new location is scheduled to be opened in 2021. The types of services provided by the centre will remain unchanged at the new location.

## B. SCOPE

The objective of the audit was to evaluate financial and administrative operations and to review internal controls at the centre for compliance with City policies. Our work included:

- Interviews with management and staff at the centre
- Review of the centre’s financial and administrative procedures
- Evaluation of the effectiveness and efficiency of processes
- Sampling of transactions and supporting documentation
- Use of data analytics to identify potential exceptions and outliers

The scope of the audit included the following:

- Cash handling procedures
- Purchasing and procurement practices
- Hiring processes
- Attendance and time management
- IT system access management

The audit was not designed to detect fraud. Accordingly, there should be no such reliance.

## C. CONCLUSION

Opportunities exist to strengthen internal controls over financial and administrative processes at the Evelyne Saller Centre. The centre provides essential services to the residents of Vancouver’s Downtown Eastside. Strengthening internal controls would enhance operational processes that support the centre’s effective delivery of services.

The findings and recommendations identified have been discussed with Management and their responses are incorporated in this report. We thank the team at the Evelyne Saller Centre for their assistance with this audit.

## D. RISK ANALYSIS

The potential risks considered if internal controls were not in place included:

- Inadequate financial controls that lead to misappropriation of funds
- Non-compliance to the financial policies
- Inappropriate use of funds on expenditures
- Inadequate documentation for payroll time and attendance approvals

## E. AUDIT ISSUES, RECOMMENDATIONS AND MANAGEMENT RESPONSES

### E.1 Review and distribute tasks for administering Trust Accounts

Trust Accounts are a mechanism where funds can be deposited into an account for meal purchases at the Evelyne Saller Centre. Patrons, family members of patrons, or other social services agencies can deposit funds into Trust Accounts for use by the patron. The administration of Trust Accounts is handled by one employee who receives, records and prepares deposits for Trust Account funds.

The Trust Account mechanism is a valuable service provided by the centre to its patrons. To improve internal controls and to strengthen operational resiliency for business continuity planning, tasks within the Trust Account administration process should be documented and distributed amongst more than one employee. Where this is not practical, detailed management oversight and timely review could act as a compensating control.

#### **Recommendation:**

**E.1.1 The Senior Manager of the Evelyne Saller Center should review and modify the distribution of tasks involved with administering Trust Accounts. The procedures to administer Trust Accounts should be formalized and documented. This should be completed by October 31, 2020.**

#### **Management Response:**

Please check one:

Agree with the findings

Disagree with the findings

Please check one:

Agree with the recommendations

Disagree with the recommendations

#### **Management Action Plan:**

*Management agrees with the findings and recommendations. An Administration Handbook is currently being developed. The Handbook will include SOPs for all procedures including a revised and formalized procedure for administration of trust accounts and the separation of duties. Where separation of duties is not possible, Management review will be implemented. The target date for the revised trust account procedure is October 15, 2020.*

### E.2 Track distribution of gift cards to patrons to enhance accountability

Gift cards are distributed to patrons in recognition for volunteer work or as prizes for tournaments organized by the centre. In 2018 and 2019, approximately \$7,000 gift cards were purchased for distribution to patrons. Gift cards distributed range from \$5 to \$15 to retailers such as Safeway, Tim Hortons or Subway.

Although gift card purchases were appropriately approved for distribution, there was no consistent process for recording who gift cards were distributed to. As gift cards are cash-like instruments, safeguards should be in place to ensure they are appropriately accounted for.

At the time of the audit, Management had taken steps to address this finding by implementing a process to record gift card distribution to patrons.

**Recommendation:**

**E.2.1 The Senior Manager of the Evelyne Saller Centre should ensure appropriate controls and safeguards are in place over gift cards. This includes:**

- implementing a process where patrons sign to acknowledge their receipt of gift cards,
- ensuring that inventories of gift cards are stored in a locked safe when awaiting distribution, and
- reconciling gift card purchases to gift cards distributed on a regular basis.

**This should be completed by August 31, 2020.**

**Management Response:**

Please check one:

Agree with the findings

Disagree with the findings

Please check one:

Agree with the recommendations

Disagree with the recommendations

**Management Action Plan:**

*Management agrees with the finding and recommendation. Discussions regarding a new gift card tracking process took place early in the year with a focus on stricter documentation of the distribution of the gift cards. A new tracking system will be put in place by August 14, 2020 (or by such time that gift cards are once again being distributed at the Centre, whichever comes first). The master tracking system will include: name of card, date of purchase, unique identifying number on the card, value of the card, reason for distribution, name & signature of recipient, name and initials of staff member distributing the card. The new tracking system will be the responsibility of the Community Programmer and will be reviewed quarterly by the Senior Manager. In addition, there will be an overall review of the use of gift cards at the Centre with the view to finding more cost effective and innovative ways to recognize patrons and volunteers.*

**E.3 Standardize the recruitment process for auxiliary employees to promote consistency**

Between 2018 and 2019, 12 auxiliary employees were hired at the Evelyne Saller Centre. However, documents related to the recruitment process such as the job posting, candidate selection criteria or interview questions could not be located for all new hires.

For the new hires where recruitment files were located, the following was observed:

- the hiring process may not have involved the hiring department's direct supervisor
- the interview panel included auxiliary employees
- preventative measures to mitigate perceived or real conflict of interest were not taken during a new employee's orientation process

To promote consistency and transparency, recruitment of auxiliary employees should follow a standardized candidate interview and selection process that aligns with the City's Human Resource guidelines for recruitment. Documentation of this process should be retained on file. In addition, the City's policy on "Hiring and Employment of Relatives and others in Personal Relationships" should be adhered to.

**Recommendation:**

**E.3.1 The Senior Manager of the Evelyne Saller Center should standardize the process for the recruitment of auxiliary employees. This includes defining the type of documentation retained on file and the individuals involved in the recruitment panel. These procedures should align with the City's overall Human Resource guidelines for recruitment. This should be completed by July 31, 2020.**

**E.3.2 The Senior Manager of the Evelyne Saller Center should remind supervisors and employees on the City's policy on Hiring and Employment of Relatives and others in Personal Relationships (AE-022-01). This should be completed by July 31, 2020.**

**Management Response:**

Please check one:

Agree with the findings

Disagree with the findings

Please check one:

Agree with the recommendations

Disagree with the recommendations

**Management Action Plan:**

*E.3.1. Management agrees with the finding and recommendation. Earlier in the year the process for recruitment of all staff was being reviewed and comprehensive files for all steps in the process were developed. However, Arts, Culture & Community Service has recently moved to centralized recruitment which ensures good record keeping, adherence to protocol, and a completely transparent process.*

*E.3.2. Management agrees with the finding and recommendation. The policy on Hiring and Employment of Relatives and others in Personal Relationships (AE-022-01) and a high level review of the recruitment process will be reviewed at the July 29, 2020 Leadership Team meeting.*

**E.4 Define policies on scheduling and staffing requirements**

**Shifts for auxiliary employees** are scheduled based on the employee's availability, skillset and requirements of the centre. However, the centre's policies and procedures related to shift scheduling were not clearly defined or documented.

In addition, **staffing protocols for regular employees** were not clearly defined. These protocols include having at least one senior staff on shift during the centre's hours of operation, and the level of coverage required by senior staff during peak vacation periods (e.g. July, August and December).

Management has taken steps to address this finding by developing new policies related to staff-in-charge and implementing a scheduling process to track availability for auxiliary team members.

**Recommendation:**

**E.4.1 The Senior Manager of Evelyne Saller Centre should review the centre’s policies and procedures related to scheduling and managing staffing levels. The new policies should be documented and communicated to team members. This should be completed by August 31, 2020.**

**Management Response:**

Please check one:

Agree with the findings

Disagree with the findings

Please check one:

Agree with the recommendations

Disagree with the recommendations

**Management Action Plan:**

*Management agrees with the finding and recommendation. In February 2020 a new policy was developed, Scheduling of Vacant Shifts, and has been followed since that time. The policy covers procedures for scheduling of all shifts, overtime approvals, and management review. The new policy does not address coverage requirements by senior staff and will be amended to include these guidelines. The policy will be amended by August 28, 2020.*

**E.5 Ensure compliance with the Cash Handling Procedures to enhance safeguards**

Employees and external vendors who handle cash on behalf of the City should be familiar with the Corporate Cash Handling Procedures Manual (“manual”). Overall, key cash handling practices of the various groups that handle cash at the centre were in compliance with the manual, however the requirements related to “Section 2: Cash Registers” on cash register security and “Section 3: Vaults and Safes” on safe combinations were not consistently adhered to.

In addition, the contract between the City and the centre’s food services provider, Aramark, does not contain terms that include compliance with the City’s Cash Handling Procedures Manual.

**Recommendations:**

**E.5.1 The Senior Manager of the Evelyne Saller Centre should review “Section 2: Cash Registers” and “Section 3: Vaults and Safes” to ensure compliance with the City’s Cash Handling Procedures Manual. This should be completed by October 31, 2020.**

**E.5.2 The Senior Manager of the Evelyne Saller Centre should ensure that all employees who handle cash at the centre, including the Recreations team and Aramark cashiers, review and sign-off the City’s Corporate Cash Handling Procedures Manual annually. This should be completed by August 31, 2020.**

**E.5.3 The Managing Director of Social Development should ensure that the contract with the Evelyne Saller Centre’s food services vendor includes terms that require compliance with the City’s Cash Handling Procedures Manual. This should be completed by March 31, 2021.**

**Management Response:**

Please check one:

Agree with the findings

Disagree with the findings

Please check one:

Agree with the recommendations

Disagree with the recommendations

**Management Action Plan:**

*E.5.1. Management agrees with the finding and recommendation. The Cash Handling Compliance Checklist was reviewed and signed-off by the Senior Manager on March 16, 2020. It was noted that the procedures in the front office are in compliance with "Section 3: Vaults and Safes". The Senior Manager will initiate changes related to the Recreation Office for completion by October 31, 2020.*

*E.5.2. Management agrees with the finding and recommendation. Aramark staff reviewed the Corporate Cash Handling Procedures Manual on cash handling practices on March 5, 2020. The Manual will be reviewed with Recreation staff by August 14, 2020.*

*E.5.3. Management agrees with the finding and recommendation. The current contract with Aramark runs until January 31, 2021 and does not speak specifically to cash handling; however, as per item E.5.2. Aramark has demonstrated a willingness to adhere to the practices laid out in the Corporate Cash Handling Procedures Manual. These expectations will be formalized by the Senior Manager by October 31, 2020. The terms of the new contract will include specific reference to cash handling practices outlined in the Corporate Cash Handling Procedures Manual.*

**E.6 Ensure compliance with Purchasing Card policy on equipment purchases**

In 2019, two equipment purchases were made using P-Cards that did not comply with the City's Corporate Purchasing Cards policy (AF-010-01). This included a projector system valued over \$2,000, which is above the P-Card transaction spending limit, and a freezer purchased for the centre's involvement in the extreme weather response. Large equipment purchases should be evaluated for its longer-term benefits, and purchased through the Procurement process or coordinated through the Real Estate & Facilities Management (REFM) department.

**Recommendation:**

**E.6.1 The Senior Manager of the Evelyne Saller Centre should remind P-Card cardholders on acceptable purchases detailed in the Corporate Purchasing Cards policy (AF-010-01). This should be completed by July 31, 2020.**

**Management Response:**

Please check one:

Agree with the findings

Disagree with the findings

Please check one:

Agree with the recommendations

Disagree with the recommendations

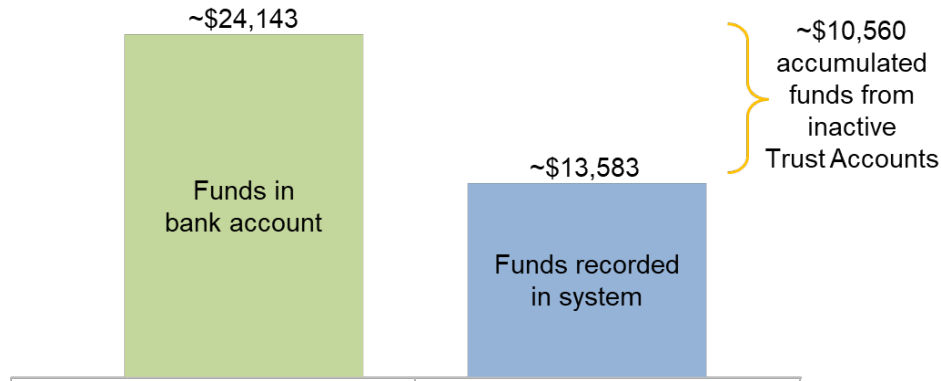
**Management Action Plan:**

*Management agrees with finding and recommendation. As part of the current CoV operating deficit due to the COVID response all P-Card purchases are being pre-approved by the Senior Manager on a case-by-case basis. The Corporate Purchasing Cards Policy (AF-010-01) will be reviewed at the July 29, 2020 Leadership Team meeting.*

## **E.7 Develop a policy for inactive Trust Account balances**

Trust Accounts are a mechanism where funds can be deposited into an account for meal purchases at the Evelyne Saller Centre. Patrons, family members of patrons, or other social services agencies can deposit funds into Trust Accounts for use by the patron. Trust Account usage and balances are tracked by the centre through a City managed IT system. A separate bank account is used for holding Trust Account funds until meals are purchased.

In reconciling Trust Account balances as of December 31, 2019, we noted there were more funds in the bank account than the amount recorded in the system:



Based on discussions with Management, the difference could be related to inactive Trust Accounts where funds have accumulated over time and not withdrawn by patrons. Trust Accounts are reviewed by the centre on a quarterly basis for inactivity and balances from remaining funds can be refunded to the patron or agency. However, there is no policy on how to handle funds from inactive Trust Accounts when funds are not claimed after a period of time.

### **Recommendation:**

**E.7.1 The Managing Director of Social Development should review the difference between the Trust Account funds recorded in the system and the bank account, and develop a policy on how to manage funds from inactive Trust Accounts at the Evelyne Saller Centre. This policy should define how funds are managed if not claimed after a certain period of time. Once the policy is determined, it should be applied to the current balance of inactive Trust Accounts. This should be completed by March 31, 2021.**

### **Management Response:**

Please check one:

Agree with the findings

Disagree with the findings

Please check one:

Agree with the recommendations

Disagree with the recommendations

### **Management Action Plan:**

*Management agrees with finding and recommendation. A policy will be developed and a process will be developed and implemented to ensure that inactive Trust Account balances are managed transparently and efficiently in keeping with best practice. The completion date is February 28, 2021.*



## **F. OTHER OBSERVATIONS**

### **F.1 Update policies and procedures**

Various policies and procedures at the centre require review and update. During the audit, Management has started to review policies and procedures to determine where changes were required. Updates have already been made to policies relating to staff-in-charge, code red and shift scheduling.

#### **Management Comments:**

*The process to review and update all ESC policies is currently underway with a target completion date of January 31, 2021.*

### **F.2 Review user access to the Back Office application to maintain system integrity**

The centre uses an IT managed application called Back Office to track Trust Accounts, meal purchases, and recreation and health statistics. While user accounts reviewed in this audit were deemed appropriate, Management should routinely review Back Office users going-forward to ensure access is restricted to appropriate individuals based on their job roles.

#### **Management Comments:**

*As part of the process to review and update all ESC policies all SOPs and manuals will also be reviewed and updated. The above noted recommendation will be included in the Administration SOPs for management of trust accounts.*