



To: Stuart Newton CPA, CA
Comptroller General
Ministry of Finance

Date: August 10, 2016
File no : 112504

From: Dan Peck CFE CIA CPA, CGA
Director, Investigation & Forensic
Office of the Comptroller General
Ministry of Finance

Subject: Bank Deposit Loss - BC Prince George Government Agent Office - Ministry of
Technology, Innovation and Citizens' Services

Introduction

On April 26, 2016 the Ministry of Technology, Innovation and Citizens' Services (the ministry) advised the Investigation Unit (IU), Office of the Comptroller General of an incident that occurred involving the loss of a bank deposit by the Service BC Government Agent Office (GA office or the office) in Prince George, British Columbia.

Specifically, on March 18, 2016 a bank deposit^{s.15,s.17} was prepared for deposit to the bank. However, it was discovered missing^{s.15,s.17} on March 23, 2016.
^{s.15,s.17}

The ministry requested the IU's assistance in determining how the money went missing. The ministry also asked the IU to provide comment on the control improvements put in place following the incident.

For practical reasons, primarily cost and limiting further disruption to the GA office, the IU agreed to assess the ministry's internal investigation, as part of its monitoring role, rather than perform an independent investigation of this incident. The IU also agreed to review the actions taken to enhance controls and reduce the likelihood of recurrence.

Background

The Prince George GA Office routinely receives payments from the public for the various government services it provides. The office has a complement of approximately 10 staff, and is open Monday through Saturday from 8:30 to 4:30 pm, excluding statutory holidays.

Banking procedures are prescribed by the Government Agents Revenue Policies and Procedures (GARPP). Such procedures require that s.15,s.17

Although such policy recommends s.15,s.17, it permits the office to exercise its discretion for operational reasons. However, at a minimum, bank deposits must be s.15,s.17

Purpose and Scope

As directed by the Comptroller General, we provided the ministry with assistance in their internal investigation of a missing bank deposit at the Prince George Government Agent Office. The primary purpose was to assist the ministry in assigning accountability for the loss of monies. The secondary purpose was to review the control improvements implemented by the GA office and offer practical advice, as warranted.

Conclusion

Based on interviews of the Government Agent and headquarters staff we have made several observations. Our observations have been discussed with the ministry and form the basis for our conclusion on this matter.

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Based on our interviews following the reported incident we learned:

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s.15,s.17

accountability for the loss.

March 23, 2016 had s.15,s.17

s.15,s.17

responsible for the loss, whether by error or theft.

Approach

standards:

- Examined relevant banking records, including deposits;
- Reviewed the GARPP;
- Reviewed the work schedules of GA office staff;
- Examined the GA office building access logs;
- Documented the cash handling practices in place prior to the loss incident;
- Assessed control improvements implemented by the GA office following the incident; and
- Examined any other relevant information and documentation, as determined necessary.

Actions Taken by the Ministry

The GA office, with headquarters' support and assistance, took prompt action to investigate this incident. Further, in addition to reminding staff of the requirement to comply with current revenue policies and procedures (GARPP), the Government Agent has implemented several improvements that will considerably strengthen controls over the cash handling procedures within the office, as follows:

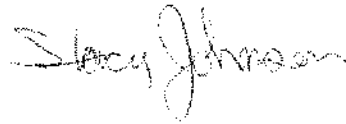
s.15,s.17

IU Response

We commend GA and headquarters' staff for their efforts to investigate and report this matter. Specifically, we note that the GA office submitted a General Incident and Loss Report (GILR) and contacted the local RCMP detachment, as recommended by core government policy, when incidents of this nature occur.

We are also encouraged by recent discussions with the GA and headquarters staff who are considering an update to current GA revenue policies and procedures to strengthen cash handling procedures in GA offices across the province. We believe such efforts could dramatically reduce the likelihood of similar incidents in all GA locations.

If you require additional information or clarification on any areas in this report, please contact me at (250) 387-8542, or Joe Duff at (250) 387-8186.



For

Dan Peck CFE CIA CPA, CGA
Director, Investigation and Forensic
Office of the Comptroller General

pc: Colin McEwan
Assistant Deputy Minister
and Executive Financial Officer
Corporate Services Division
Ministry of Technology, Innovation and Citizens' Services

Teri Lavine
Chief Financial Officer
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Disclaimer

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Ministry of
Finance

Internal Audit &
Advisory Services

MEMORANDUM

To: See attached distribution list

November 14, 2016
File No.: 17-01-INFRA
354839

From: Chris D. Brown
Assistant Deputy Minister
Internal Audit & Advisory Services

Re: 2016/17 Review of Transfers Under Agreement

We are pleased to provide you with our report on the 2016/17 Review of Funding Transfers Under Agreement made under the Building Canada Fund – Communities Component (BCF-CC). Under the BCF-CC Agreement, both the provincial and federal governments have committed \$136 million each (2/3 of the total cost) in support of local government infrastructure projects to communities with populations of less than 100,000 people.

The purpose of this engagement was to provide reasonable assurance to the ministries' executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The Ministry of Transportation and Infrastructure, in conjunction with the Ministry of Community, Sport and Cultural Development, requested Internal Audit & Advisory Services review seven projects from the 2016/17 fiscal year. The claims that have been processed and paid as well as pending claims for the seven projects, which were funded under the BCF-CC program, were reviewed during the period from July to September 2016.

Total claims of \$31,062,995 were examined and there was a high degree of compliance with program eligibility requirements across the seven projects. Two errors were identified resulting in ineligible expenditures of \$20,345.84 which represents 0.07% of the total claim amount reviewed. The net amount to be recovered by the ministries is \$12,142.88.

Please find detailed observations and recommendations below, along with the list of projects selected for review in Appendix 1.

Observations and Recommendations

The following proponents claimed an invoice which was subsequently revised. The difference between the original invoice and revised invoice was not adjusted in the subsequent claims resulting in an over claim.

- Regional District of Okanagan-Similkameen – West Bench Improvement Treated Water Supply & Upgrade (Project #22426) – \$6,550.52 (Appendix 2) (2/3 Fed/Prov. \$2,946.00).
- Dewdney Area Improvement District – Construction of Hatzic Pump Station (Project #41708) – \$13,795.32 (2/3 Fed/Prov. \$9,196.88).

The above errors have been communicated and agreed with the proponents.

Recommendations:

1. **The Ministry of Community, Sport and Cultural Development should recover \$2,946.00 from Regional District of Okanagan-Similkameen.**
2. **The Ministry of Transportation and Infrastructure should recover \$9,196.88 from Dewdney Area Improvement District.**

Detailed Action Plan

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
1.	The Ministry of Community, Sport and Cultural Development should recover \$2,946.00 from Regional District of Okanagan-Similkameen.	The Ministry of Community, Sport and Cultural Development has received additional invoices from the Regional District of Okanagan-Similkameen for eligible project expenses not originally claimed. As the Regional District has sufficient other eligible project expenses to offset the over claim, there is no need for repayment.	MCSCD	Completed
2.	The Ministry of Transportation and Infrastructure should recover \$9,196.88 from Dewdney Area Improvement District.	The Ministry of Transportation and Infrastructure (Emergency Management BC) has contacted the Dewdney Area Improvement District and will recover \$9,196.88.	MOTI	January 31, 2017

We would like to thank the management and staff of the Ministry of Transportation and Infrastructure and the Ministry of Community, Sport and Cultural Development, as well as the representatives of the projects we reviewed, for their assistance and cooperation throughout this review.

A handwritten signature in black ink, appearing to read "Chris D. Brown", with a horizontal line underneath.

Chris D. Brown, CPA, CA, CIA
Assistant Deputy Minister
Internal Audit & Advisory Services

Attachments

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Appendix 1 – List of Projects Selected for Review

Program	Project #	Proponent	Project Name	Total Eligible Costs	Funding (Fed + Prov)	Ministry
BCF-CC	41708	Dewdney Area Improvement District (Mission)	Hatzic Pump Station Construction	\$3,754,974	\$2,503,298	MOTI Flood
BCF-CC	44892	City of Langford	Willing Park Stormwater	\$1,098,399	\$732,266	MOTI Flood
BCF-CC	44885	District of Hope	Wastewater Treatment Plant	\$461,160	\$307,440	MOTI Flood
BCF-CC	44894	City of Prince George	Slope Erosion	\$1,187,000	\$791,332	MOTI Flood
BCF-CC	22426	Okanagan-Similkameen Regional District (Penticton)	West Bench Improvement District Treated Water Supply and Upgrade	\$5,070,000	\$3,380,000	MCSCD
BCF-CC	22653	Sunshine Coast Regional District (Pender Harbour)	South Pender Harbour Water Treatment Plant	\$6,090,000	\$4,060,000	MCSCD
BCF-CC	22511	City of Nanaimo	South Fork Water Treatment Plant	\$26,739,129	\$17,826,086	MCSCD
Total				<u>\$44,400,662</u>	<u>\$29,600,422</u>	

Claims reviewed \$31,062,995 70%

**Appendix 2 – Regional District of Okanagan-Similkameen – West Bench
Improvement Treated Water Supply & Upgrade (Project #22426)**

The supplier invoice was revised with net eligible costs reduced from \$42,893.23 to \$36,342.71, representing a difference of \$6,550.52. This results in a net over claim amount of \$4,418.00 as calculated below:

Total net eligible claim amount	\$5,072,133
Less: Revised invoice adjusted amount	(6,551)
Total adjusted net eligible claim amount	5,065,582
Less: Total eligible costs	5,070,000
Net over claim amount	\$ 4,418
2/3 Fed/Prov.	\$2,946