
**Edmonton Police Service
Charitable and Fund Raising Activities
Review**

December 2005

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Edmonton Police Service Charitable and Fund Raising Activities Review

1. Introduction

The Edmonton Police Service (EPS) requested that the Office of the City Auditor (OCA) provide a review of EPS charitable and fund raising activities as these initiatives have increased in nature and scope over the past several years.

The EPS is actively involved in several non-profit and charitable activities that are related directly or indirectly to policing activities. Some of these activities are undertaken in attempts to meet the objectives of a particular EPS program. Others arise as a result of citizen and member efforts to assist in community and/or organization objectives. These activities are currently approved by the head of the EPS Branch, Unit, Section or Detail depending on the extent of the involvement or effort expended by that entity.

EPS is involved in a variety of these charitable and fund raising activities, ranging from presenting courses for a fee to collecting donations. Monies received from these activities are to be submitted to EPS Finance and expenditures are to be authorized and approved in accordance with EPS payment procedures.

At the time of the review, EPS was in the process of drafting policies and procedures to provide central control and to document the role of EPS in charitable and fund-raising activities. During the review, the OCA provided comments to EPS on these drafts. EPS is faced with the challenge that very high accountability is required of its members in order to protect the integrity of EPS. The OCA has based its recommendations on this premise.

2. Objectives

This review focused on those activities sponsored or performed by EPS that involve collecting donations, sponsorships and fund raising. The objectives for this review were to:

2.1. Assess Cash Handling Practices and Procedures

Cash handling practices and procedures for selected activities were reviewed to determine whether cash resources are handled in a manner consistent with established City requirements and are adequately safeguarded against loss. This consisted of an objective review and evaluation of the cash handling practices and procedures related to the receiving, transporting, storing, depositing, recording and safeguarding of EPS money (including cash, cheques, and credit cards) for these activities.

2.2. Assess the Program Selection Process

The philosophies and priorities used by EPS in the development of EPS programs involving donations, fund raising and sponsorships were assessed to determine the degree to which they support EPS's mandate and objectives.

2.3. Review Programs

2.3.1. Review Revenues and Expenditures

Revenues and expenditures for selected programs were reviewed for completeness, accuracy, authorization, and propriety.

2.3.2. Review Controls

Controls in place for these programs were reviewed to determine whether activities are properly accounted for and EPS's interests are adequately protected.

2.4. Assess Program Monitoring and Reporting

The procedures and controls used to monitor programs and provide feedback were reviewed for adequacy and effectiveness.

3. Scope and Methodology

The scope of this review was limited to the review of EPS's charitable and non-profit programs involving donations, sponsorships, and fund-raising receipts and related expenditures that were in existence in 2003. To complete this review, the OCA undertook:

- A review of the overall cash handling procedures practiced in these activities.
- A program evaluation of selected EPS charitable and non-profit activities including compliance with the EPS business plan, accounting issues, internal controls, etc.
- A review of reporting procedures for these activities, including monitoring, feedback, restrictions on donations and activities, etc.
- A review of the financial information for the selected EPS charitable and non-profit activities including an analysis of SAP accounting documents.
- A review of the Draft Policy on External Funding prepared by EPS.
- Interviews of various parties including personnel in charge of the selected EPS charitable and non-profit activities.

4. Observations and Analysis

The observations and recommendations included in this report acknowledge a high degree of accountability by EPS. This enhanced level of accountability is necessary to protect the image and integrity of EPS. It is generally understood and accepted that EPS involvement in non-core programs is instrumental to building better and safer communities and delivering quality programs and services. However, since there are

costs associated with these programs and services, EPS needs to periodically review and assess the cost effectiveness of their involvement in specific activities and whether they continue to meet the criteria established for such activities.

The OCA observations and recommendations are grouped into two categories – program governance and program operations.

4.1. Program Governance

Effective governance results in the formulation and administration of policies and programs that are consistent with EPS priorities and strategies. Program governance includes the strategic direction, review, and approval of the programs, which are managed through the activities of advisory boards, overview groups, working groups, and program committees.

Program growth over the past number of years and the operating autonomy of different police divisions and units requires increased effectiveness in program governance. EPS management identified this as an issue and proactively drafted a policy for donations and sponsorships and requested the OCA's involvement in this review.

4.1.1. Program Selection and Evaluation Criteria

Program selection and evaluation criteria should exist for non-core programs involving police personnel, assets or image. Typical program selection and evaluation criteria could include impacts (psychological, sociological, financial, etc.) to both the community and EPS. For example, criteria could be something like: providing a positive role model to individuals and groups, providing a future base for police recruitment, providing education and safety for vulnerable groups, etc.

Non-core programs are currently undertaken without being evaluated against criteria approved by EPS senior management and/or the Edmonton Police Commission. Each division or unit initiates programs at its discretion. The OCA observed that non-core programs are not consistently evaluated against uniform criteria resulting in the potential to allocate resources to low priority areas. Also, without a high level review and approval process, EPS could become associated either directly or by implication with a program that could damage their image and/or integrity. EPS management, the Edmonton Police Commission, community and other stakeholder representatives should work jointly to develop these criteria. (*Recommendation #1*)

4.1.2. Program Charter

A program charter should exist for every program (including those involving charitable donations and fundraising activities) that involves police personnel, assets or image. A typical program charter would include the following components: initiation and approval, objectives, chain of authority, stakeholders, partners, timeframe, deliverables, accounting framework, budgeted amounts for revenue and expense line items, Canada Revenue Agency (CRA) implications, program termination plan, disposition of excess funds, and reporting.

Currently non-core programs are taken on without any formal charter or approval process. Also, programs can be initiated without senior management knowledge or support. Some (but not all) current programs have at least some degree of documentation and terms of reference associated with them. A draft policy entitled Policy for External Funding has been approved and will be implemented early in 2006. This policy contains the elements that should be included in a program charter. Personnel from EPS non-core programs, EPS finance and EPS senior management have worked jointly to develop the Program Charter template. (Recommendation #2)

4.1.3. Reporting

A reporting framework should be in place to meet all of the governance requirements of EPS non-core programs. This would include reporting to all internal and external stakeholders and could include the following types of information:

- Financial position and results of operations
- Program metrics, budgets, benchmarks
- Statement that monies were received and expended in accordance with the Program Charter

Currently, a formal governance structure is not in place and a reporting framework has not been identified. Stakeholder expectations may go unrealized because of a lack of reporting. The possibility also exists that EPS senior management could be unaware that EPS engages in projects or programs that are not explicitly sanctioned or approved by senior management. (Recommendation #2)

4.1.4. Administration

All non-core programs should follow general department-wide policies and guidelines to help ensure:

- Proper cost centre or internal order assignment
- Proper receipting and depositing of amounts received
- Proper accounting for revenue, accruals and cut-off
- Adequate variance analysis and other reporting requirements

Non-core program personnel are not consistently aware of the formal policies or guidelines that apply to their program, although they are expected to carry out all the administrative duties of the program. Our analysis of accounting documents for the review period did not indicate any significant errors or irregularities regarding any of the above, however there is a potential for significant incorrect and/or inconsistent accounting and administration of non-core EPS programs. (Recommendation #3)

4.2. *Program Operations*

Whereas program governance is the responsibility of senior management and/or the Police Commission, program implementation (operations) is the responsibility of

program managers or administrators. Program operations include the provision of services and products, receipts, expenditures, etc. in accordance with the program's charter, objectives, goals, etc.

The OCA identified the following issues that require Senior Management attention.

4.2.1. Cash Handling – Receiving and Receipting

Controls should exist to ensure that all monies pledged or donated are received and properly accounted for. Income tax receipts should be provided only for fully qualifying donations and should be reconciled to revenues recorded in the program accounting records.

There are no established controls for receiving and receipting non-core program revenues that are not received directly by EPS Finance. Deposit documentation does not reference non-core program cash receipts issued by non-core program staff; it only references cash receipts issued by EPS Finance. This puts EPS at risk for lost or stolen program receipts and/or CRA sanctions or fines for issuing ineligible receipts. Procedures and policies related to reporting, administration, accounting (including receipts, deposits, reconciliation, and petty cash disbursements) and banking facilities need to be consistently followed by non-core programs. (*Recommendation #3*)

4.2.2. Cash Handling – Deposits and Reconciliations

All funds received should be promptly deposited and bank reconciliations should be independently prepared and approved.

Due mainly to the growth in these types of programs over the past number of years and the autonomy of different police divisions and units, deposit procedures in the non-core programs are not formalized or consistent; each area or program determines how and when deposits are made. No reconciliation is performed, for example, of deposit amounts to issued receipts. Consequently, there is potential for program funds to be lost, stolen and/or misallocated. (*Recommendation #3*)

4.2.3. Cash Handling – Cash Disbursements

All program cash disbursements should be in accordance with established *Petty Cash Disbursement* policies and procedures. For example, all cash disbursements should be made from an imprest petty cash fund, not from program receipts.

The OCA observed that in some programs, cash disbursements were made directly from program receipts instead of from an established Petty Cash Fund. This was due to program directors not being aware of procedures for making petty cash disbursements. As a result of these practices, program revenues and expenses could be understated. Also, supporting documentation for disbursements could be insufficient or non-existent. (*Recommendation #3*)

4.2.4. Program Bank Accounts

All program receipts should be deposited into and expenditures should be made from COE bank account(s) managed by Treasury Management, Finance Branch.

In our sample of programs reviewed, we found that two programs had separate bank accounts where EPS personnel had signing authority. Both of these programs have been wound down. The concern with separate bank accounts is that bank signing authorities, expenditure requests and authorizations may not be in accordance with established EPS and COE policies and procedures. (*Recommendation #3*)

5. Recommendations

5.1. Program Governance

Recommendation #1	Management Response and Action Plan
<p>The OCA recommends that program selection and evaluation criteria be developed for EPS non-core programs.</p>	<p>Accepted</p> <p>Comments: Develop criteria taking into consideration:</p> <ul style="list-style-type: none"> • EPS Strategic Priorities • Public impact/benefits • Availability of EPS resources <p>Planned Implementation:</p> <ul style="list-style-type: none"> • June 30, 2005 – initial draft for feedback • December 2005 – final acceptance • January 2006 - implementation <p>Responsible Party: Executive Services</p>

Recommendation #2	Management Response and Action Plan
<p>The OCA recommends that a Program Charter template be developed to ensure that each type of program is administered consistently.</p>	<p>Accepted</p> <p>Comments: Develop template to outline: (a) Administrative Framework <ul style="list-style-type: none"> • Program initiation/approval • Program objectives • Chain of Authority • Stakeholders/partners • Timeframes & deliverables • Disposition of excess funds • Reporting requirements & process (b) Financial Framework <ul style="list-style-type: none"> • Accounting processes • Budgeted revenues and expenses • Tax implications • Financial Reporting </p> <p>Planned Implementation: (a) <ul style="list-style-type: none"> • June 30, 2005 – initial draft for feedback • December 2005 – final acceptance • January 2006 – implementation (b) May 2006</p> <p>Responsible Party: <ul style="list-style-type: none"> • Executive Services relative to actions under (a) • Finance & Supply Services relative to actions under (b) • Primary ownership assigned to Executive Services </p>

Program Operations

Recommendation #3	Management Response and Action Plan
<p>The OCA recommends that non-core program operations follow existing policies and procedures developed for core programs.</p>	<p>Accepted</p> <p>Comments:</p> <p>Review EPS policies and processes, and where applicable establish new procedures and awareness training to ensure the consistent application of EPS policies in:</p> <p>(a) Program Administration</p> <ul style="list-style-type: none"> • Proper cost centre or internal order assignment • Proper receipting and depositing of amounts received • Proper accounting for revenue, accrual and cut-off • Adequate variance analysis and other reporting requirements <p>(b) Cash Handling – Receiving & Receipting</p> <ul style="list-style-type: none"> • Establish controls to ensure all monies pledged or donated are received & accounted for • Establish guidelines for issue of income tax receipts <p>(c) Cash Handling – Deposits & Reconciliation</p> <ul style="list-style-type: none"> • Timely deposits and independent reconciliation <p>(d) Cash Handling – Cash Disbursements</p> <ul style="list-style-type: none"> • Program cash disbursements should be in accordance with Accounts Payable & Petty Cash Policies & Procedures <p>(e) Cash Handling – Bank Accounts</p> <ul style="list-style-type: none"> • Program receipts should be deposited into and expenditures made from COE bank accounts managed by Corporate Treasury Branch <p>Planned Implementation:</p> <ul style="list-style-type: none"> • May 2006 <p>Responsible Party: Finance & Supply Services</p>

6. Conclusions

Overall, the programs reviewed by the OCA followed EPS and COE procedures for expenditures. However some of the revenue aspects did not comply with approved procedures. The diversity of personnel involved in collecting and recording revenue resulted in a variety of methodologies used and, consequently, different levels of assurance that all revenue was collected and reported accurately. Although no incidences of inappropriate transactions were identified, EPS involvement in any program has the potential to impact the integrity of EPS. Therefore, EPS must strive to maintain high standards to ensure that the likelihood of any improprieties is minimized.

EPS has developed implementation plans that are acceptable to the OCA.

The OCA thanks all EPS personnel involved in this review for their cooperation and assistance throughout the review.