

April 6, 2011

To: Malcolm Bromley, General Manager, Vancouver Parks & Recreation
From: Tony Hui, Manager, Internal Audit Division
Copy: King Wan, Assistant Internal Audit Manager
Subject: Vancouver Parks & Recreation - 2010 Year-End Financial Statement and Operations Review

At your request, we have reviewed the Vancouver Parks & Recreation (VP&R) Statement of Revenues and Expenses as at December 31, 2010. The financial information presented in the Statement of Revenues and Expenses is the responsibility of VP&R management. The preparation of periodic financial information necessarily includes some amounts which are based on management's judgement and best estimates with respect to future financial transactions.

The engagement is performed based on the following specifically agreed upon procedures:

- Agreed the financial information to the records and accounts in the general ledger of the City of Vancouver (City);
- Reviewed the working papers prepared by VP&R management for any reclassifications;
- Discussed with VP&R management and analyzed financial information for reasonableness and consistency with City accounting policies;
- Performed variance analysis based on the Council approved budgets and obtained explanations from VP&R management where appropriate;
- Inquired as to the accounting, budget and other internal controls of VP&R to obtain reasonable assurance that transactions are properly authorized and accurately recorded, and that assets of the VP&R are properly safeguarded and accounted for to maintain the integrity of financial records; and
- Made inquiries and obtained written representation from the VP&R management to identify any deviations from accounting policies and procedures that would affect the integrity of the Statement of Revenues and Expenses.

These procedures are not designed to detect fraud. Accordingly there should be no such reliance.

Based on the results of the above procedures, we found that the Statement of Revenues and Expenses was prepared, in all material respects, consistently with the City's corporate accounting policies and with the information in the City's general ledger.

We have the following recommendations for management's consideration:

Financial Presentation

The Operating Statement - Revenues and Expenses for the period ending December 2010 is presented to the VP&R Board in three different formats. The presentation for the "Expense Breakdown by Type" is not easy to follow. To a reader unfamiliar with these various reports it could be confusing. With the planned restructuring in VP&R, management staff should consider a new financial reporting format that would reflect the new VP&R organization.

Inventory Count

VP&R accounting staff discovered a discrepancy in the 2010 VanDusen Gardens opening inventory balance. The difference was due to missed items during the year-end inventory counts. Although the final tally was corrected, better staff training (e.g. using 2 counters etc.) would increase accuracy. A year-end inventory count procedure should be established and reviewed with all staff involved in year-end counts to ensure proper procedures are followed.

Year-End Adjustments

Year-end financial adjustments are generally done by the VP&R financial staff but some accounting entries are handled by the City accounting group. Normally, there is no problem and discrepancies are resolved quickly. During our review we noted a couple of instances where both the City and VP&R applied tax on a billing for the use of its facilities. This was eventually reversed so that only one tax was applied. In another situation, the City made an adjusting entry without informing the VP&R. This was discovered and the accounting record was adjusted later.

It is recommended that a formal year-end accounting adjustment protocol be established between VP&R and the City accounting group to eliminate potential duplications in future.

Restricted Donations

Restricted donations to the VP&R carry specific requirements. For example, a \$50,000 donation by Ann Mathers' estate in 1996 specified that the donation was to be used for Farmyard operations. As late as 2010 this amount was still not used and the Farmyard was scheduled for closure in early 2011. This problem was resolved when the farm animals were relocated to various sites and the funds were applied thus satisfying the specification of this legacy donation. Management should ensure periodic review of the restricted donations to ensure requirements are met timely and as specified.

Sign Off to the General Manager

Best business practices recommend that key processes are reviewed and signed off by persons responsible for each of the areas. The General Manager of VP&R should establish an internal process where his direct reports, upon completion of VP&R's year-end processes, certify that to the best of their knowledge, there were no misrepresentations in law, contractual agreements, and known internal control weakness that would affect the integrity of the financial statements as presented by management.

Budgeting

We noted that a number of large revenue and expense items were not budgeted for 2010. For example, the actual electricity revenue at the Marinas in 2010 was in the range of \$44,000. Similarly, the Board, Support Services & Admin revenue line has over \$270,000 and that was also not in the budget. This amount represents revenues from licence fees, cost recoveries and Recreation Association share of costs reimbursed to VP&R. To enhance accountability and control, management should review the Park Board Global Budget and establish budget targets for all significant revenue and expense items where practical.

Accounts Payable (P2P Project)

The Accounts Payable (P2P) project is a Vancouver Services Review initiative to consolidate all City accounts payable functions. Currently VP&R has controls in place before any progress bill payment is made to ensure that all project requirements are met. Items such as WCB (WorkSafe) and other contractor declarations are monitored and validated by the VP&R staff. Transition of the accounts payable function to the City should be scrutinized to ensure that all key and essential VP&R control procedures are maintained.

We would like to thank Meg Elliott, A/Director of Corporate Services, and her staff for their cooperation and assistance during this review.

The above observations have been discussed with the appropriate members of management.



Tony Hui
Manager, Internal Audit Division

Vancouver Board of Parks and Recreation
Operating Statement for the period ending December 31, 2010 (unaudited)
Revenues and Expenses by District

As at February 11, 2011 (City accounting entries not finalized)

	2010 Budget	2010 Actual	Surplus / (Deficit)	Percent of Budget	2009 Budget	2009 Actual	Surplus / (Deficit)	Percent of Budget
Stanley District								
Revenues	(17,277,500)	(18,954,072)	1,676,572	109.7%	(16,193,900)	(18,652,504)	2,458,604	115.2%
Expenditures	25,617,200	26,846,613	(1,229,413)	104.8%	24,617,900	25,588,824	(970,924)	103.9%
	8,339,700	7,892,540	447,160	94.6%	8,424,000	6,936,320	1,487,680	82.3%
Queen Elizabeth District								
Revenues	(9,527,800)	(10,846,717)	1,318,917	113.8%	(8,843,200)	(8,773,597)	(69,603)	99.2%
Expenditures	26,524,200	26,558,990	(34,790)	100.1%	25,641,000	25,624,054	16,946	99.9%
	16,996,400	15,712,272	1,284,128	92.4%	16,797,800	16,850,457	(52,657)	100.3%
Vancouver East District								
Revenues	(14,483,600)	(14,466,116)	(17,484)	99.9%	(13,967,800)	(13,851,925)	(115,875)	99.2%
Expenditures	28,116,600	29,111,872	(995,272)	103.5%	30,117,800	30,298,444	(180,644)	100.6%
	13,633,000	14,645,756	(1,012,756)	107.4%	16,150,000	16,446,519	(296,519)	101.8%
Planning & Operations								
Revenues	(124,600)	(277,415)	152,815	222.6%	(119,800)	(169,767)	49,967	141.7%
Expenditures	14,501,230	14,372,221	129,009	99.1%	14,788,764	15,823,952	(1,035,188)	107.0%
	14,376,630	14,094,806	281,823	98.0%	14,668,964	15,654,185	(985,221)	106.7%
Corporate Services & Special Projects								
Revenues	(737,200)	(1,209,616)	472,416	164.1%	(7,800)	(821,589)	813,789	10533.2%
Expenditures	7,394,700	7,943,684	(548,984)	107.4%	5,160,650	5,194,757	(34,107)	100.7%
	6,657,500	6,734,068	(76,568)	101.2%	5,152,850	4,373,168	779,682	84.9%
Park Board Totals								
Revenues	(42,150,700)	(45,753,937)	3,603,237	108.5%	(39,132,500)	(42,269,382)	3,136,882	108.0%
Expenditures	102,153,930	104,833,380	(2,679,450)	102.6%	100,326,114	102,530,031	(2,203,917)	102.2%
Net	60,003,230	59,079,443	923,787	98.5%	61,193,614	60,260,649	932,965	98.5%

**Vancouver Board of Parks and Recreation
Operating Statement for the period ending December 31, 2010 (unaudited)
Expense Breakdown by Type**

As at February 11, 2011 (City Accounting entries not finalized)

	Budget	Actual	Surplus / (Deficit)	% spent
Revenue	(42,150,700)	(45,753,937)	3,603,237	108.5%
Expenses:				
Payroll	68,730,300	70,419,132	(1,688,832)	102.5%
Supplies, Services, Transfers & Other Expenses	21,443,330	23,708,838	(2,265,509)	110.6%
Utilities	5,881,800	4,844,965	1,036,835	82.4%
City Equipment	6,098,500	5,860,445	238,055	96.1%
Total Expenses	102,153,930	104,833,380	(2,679,450)	102.6%
Net Park Board Budget before adjustments	60,003,230	59,079,443	923,787	98.5%
Less adjustments per Global Budget arrangement:				
Utilities	5,861,800	4,844,965	1,036,835	
Loan Payments	1,492,400	1,739,295	(246,895)	
City Equipment	6,098,500	5,860,445	238,055	
Insurance	445,300	379,109	66,192	
Fringe Benefit Clearing	(33,000)	(200,811)	167,811	
Net adjustments per Global Budget arrangement	13,885,000	12,623,002	1,261,998	2.1%
Net Park Board Surplus / (Deficit) after adjustments	46,118,230	46,456,441	(338,212)	-0.6%

Vancouver Board of Parks and Recreation
Operating Statement for the period ending December 31, 2010 (unaudited)
Revenues and Expenses by Program (Not including utilities, city equipment, loans, insurance or FB clearing accounts)
 As at February 11, 2011 (City accounting entries not finalized)

Program	2010 Revenue			2010 Gross Expenses less Utilities, City Equip, Insurance, FB			2010 Net Expenses / (Net Revenues) under PB control			
	Budget	Actual	Surplus / (Deficit)	Annual Budget	Actual	Surplus / (Deficit)	Annual Budget	Actual	Surplus / (Deficit)	% spent
Reserve Funds: Donations, Sponsorship & SPRF	(965,800)	(1,380,764)	414,964	965,800	1,374,089	(408,289)	0	(6,674)	6,674	
Parking	(4,437,200)	(4,575,656)	138,456	468,100	652,250	(184,150)	(3,969,100)	(3,923,406)	(45,694)	98.8%
Marinas	(2,434,800)	(2,800,306)	365,506	1,271,600	1,575,509	(303,908)	(1,163,200)	(1,224,798)	61,598	105.3%
Golf	(9,802,300)	(9,070,212)	(732,088)	5,428,900	6,210,820	(781,920)	(4,373,400)	(2,859,392)	(1,514,008)	65.4%
Pitch & Putts	(1,430,900)	(1,139,149)	(291,751)	788,200	867,267	(79,067)	(642,700)	(271,881)	(370,819)	42.3%
Concessions	(3,351,300)	(3,098,913)	(252,387)	2,361,600	2,377,884	(16,284)	(989,700)	(721,029)	(268,671)	72.9%
Restaurants & Leases	(2,080,700)	(2,156,396)	75,696	99,100	97,457	1,643	(1,981,600)	(2,058,939)	77,339	103.9%
Board, Support Services & Admin	(8,100)	(278,614)	270,514	10,779,400	10,788,549	(9,149)	10,771,300	10,509,935	261,365	97.6%
Total Income Operations & Admin	(24,511,100)	(24,500,010)	(11,090)	22,162,700	23,943,825	(1,781,125)	(2,348,400)	(556,186)	(1,792,214)	23.7%
Destination Parks: Stanley Park, QE Park, VanDusen Gardens	(3,907,600)	(3,833,415)	(74,185)	8,862,700	8,836,632	26,068	4,955,100	5,003,218	(48,118)	101.0%
Neighbourhood Park and Beach Maintenance	(123,900)	(24,837)	(99,063)	7,847,600	8,152,281	(304,681)	7,723,700	8,127,444	(403,744)	105.2%
Street Trees, Nursery & Wildlife Services	(132,600)	(113,072)	(19,528)	4,831,300	4,996,644	(165,344)	4,698,700	4,883,572	(184,872)	103.9%
Sanitation & Janitorial	(56,200)	(30,473)	(25,727)	2,097,300	2,028,085	69,215	2,041,100	1,997,613	43,487	97.9%
Building & Facility Maintenance	(124,600)	(277,415)	152,815	9,427,930	9,475,180	(47,251)	9,303,330	9,197,766	105,564	98.9%
Total Parks & Operations	(4,344,900)	(4,279,211)	(65,689)	33,066,830	33,488,823	(421,994)	28,721,930	29,209,612	(487,683)	101.7%
Community Centres	(2,705,900)	(3,196,324)	490,424	16,624,100	16,358,078	266,022	13,918,200	13,161,754	756,446	94.6%
Fitness Centres	(2,041,500)	(2,700,682)	659,182	1,691,100	2,042,408	(351,308)	(350,400)	(658,275)	307,875	187.9%
Rinks & Central Ice Services	(2,054,200)	(2,559,268)	505,068	3,207,300	3,604,874	(397,574)	1,153,100	1,045,606	107,494	90.7%
Indoor Pools	(4,896,400)	(6,441,497)	1,545,097	8,137,700	8,827,443	(689,743)	3,241,300	2,385,946	855,354	73.6%
Outdoor Pools	(915,300)	(859,789)	(55,511)	1,553,600	1,636,265	(82,665)	638,300	776,476	(138,176)	121.6%
Centralized Recreation Services: Arts & Multicultural, Access Services, Special Events & Film, Rangers, Playgrounds, Fields, Sports	(681,400)	(1,217,155)	535,755	1,825,600	2,308,663	(483,063)	1,144,200	1,091,508	52,692	95.4%
Total Recreation	(13,294,700)	(16,974,715)	3,680,015	33,039,400	34,777,730	(1,738,330)	19,744,700	17,803,014	1,941,686	90.2%
Park Board Total	(42,150,700)	(45,753,937)	3,603,237	88,268,930	92,210,378	(3,941,448)	46,118,230	46,456,441	(338,212)	100.7%

Vancouver Board of Parks and Recreation

Operating Statement for the Donation Program

Statement as at Dec 31, 2010 (unaudited)

	Jan 1, 2010 Opening Balance	Revenue 2010	Expenses 2010	Net 2010	Dec 31, 2010 Closing Balance
Park Amenities					
Amenities In Perpetuity	(778,325)	(166,922)	62,041	(104,882)	(883,206)
Bench & Table Donations	(865,952)	(327,158)	221,704	(105,454)	(971,407)
Fountain Donations	(19,518)	(4,557)	1,548	(3,009)	(22,527)
VanDusen Bench Donations	(9,200)	(22,312)	4,093	(18,219)	(27,419)
Total Park Amenities	(1,672,995)	(520,950)	289,386	(231,564)	(1,904,558)
Park Monuments					
David Oppenheimer Statue Maintenance	(4,788)	0	0	0	(4,788)
Inukshuk Lighting Upgrade	(24,485)	(698)	1,942	1,243	(23,242)
Khenko Public Art Work - Maintenance	(9,576)	0	7,335	7,335	(2,241)
Komagata Maru Incident Monument	0	(25,000)	22,630	(2,370)	(2,370)
Vancouver Foundation - Park Fdn / Harry W Jerome Fun	(19,575)	(1,824)	1,552	(272)	(19,846)
Total Park Monuments	(58,424)	(27,522)	33,459	5,937	(52,487)
Park Conservation					
David Lam Park Cherry Tree Project	0	(200,000)	35,495	(164,505)	(164,505)
In Memory Funds	(22,955)	(15,327)	1,820	(13,506)	(36,461)
Oppenheimer Park Fund	(1,594)	0	0	0	(1,594)
Stanley Park Conservation Fund	(16,849)	(31,431)	1,336	(30,094)	(46,943)
Stanley Park Environmental Art Project	(1,000)	(3,000)	1,738	(1,262)	(2,262)
Stanley Park Hollow Tree Fund	(100)	0	0	0	(100)
Tree Donations	(67,937)	(2,938)	5,613	2,675	(65,262)
VanDusen Donations	(51,264)	(1,462)	28,810	27,348	(23,916)
Total Park Conservation	(161,700)	(254,157)	74,814	(179,343)	(341,043)
Recreation Programming					
Active Communities Project	(16,896)	(6,125)	10,801	4,676	(12,220)
Fraserview Junior Golf Program	(2,420)	(920)	2,890	1,970	(450)
Granville Lawn Bowling	0	(4,225)	1,975	(2,250)	(2,250)
Total Recreation Programming	(19,316)	(11,270)	15,666	4,396	(14,920)
Special Projects					
Accessible Playground Project Kitsilano Beach	(85,000)	(285,000)	125,095	(159,905)	(244,905)
Miscellaneous Fundraising	(27,128)	(200)	2,500	2,300	(24,828)
Park Board Skate Plaza	(9,636)	0	0	0	(9,636)
Sport Court Project	0	(20,000)	0	(20,000)	(20,000)
Windswimmer Project At Kitsilano Pool	(4,095)	0	0	0	(4,095)
Total Special Projects	(125,860)	(305,200)	127,595	(177,605)	(303,465)
Total Endowments	(659,492)	(58,690)	52,062	(6,628)	(666,121)
Total Donation Program	(2,697,786)	(1,177,789)	592,982	(584,808)	(3,282,594)

Vancouver Board of Parks and Recreation
Operating Statement for the Stanley Park Restoration Program
Statement as at Dec 31, 2010 (unaudited)

<u>Revenues</u>	January 1, 2010 Opening Balance	December 31, 2010 Revenue and Expenditures	December 31, 2010 Closing Balance
Donations: Private and Corporate	\$ (3,449,987)	\$ -	\$ (3,449,987)
City of Vancouver	(2,000,000)	0	(2,000,000)
BC Government	(2,000,000)	0	(2,000,000)
Government of Canada	(2,000,000)	0	(2,000,000)
Log Sales	(652,710)	0	(652,710)
Interest Income	(512,013)	(18,651)	(530,664)
Revenues Total	(10,614,710)	(18,651)	(10,633,361)
<u>Expenditures</u>			
Forestry - Site Clearing/Preparation Contractors	2,179,770	0	2,179,770
Forestry - Site Clearing/Preparation Consultants	461,550	0	461,550
Forestry - Emergency Response	746,512	0	746,512
Legacy	226,952	32,764	259,716
Public Consultation/Plan Development/Administration	1,383,290	144,823	1,486,913
Prospect Point Road Realignment	2,623,816	17,415	2,641,231
Seawall/Escarpment/Circulation	2,120,790	2,843	2,123,633
Expenditures Total	9,742,680	197,845	9,899,325
Net Project Total	\$ (872,030)	\$ 179,194	\$ (734,036)