



**Submission to:**  
Audit Committee

<b>Meeting date:</b>	<b>Agenda item</b>	<b>Lead/s</b>	<b>For:</b>
June 03, 2024	4	Nancy Chisholm Ingrid Wu	Information
<b>Subject:</b> Finance Issues and Systems Update			

This report provides a summary of the AOM's financial systems and processes, recent issues and ongoing plans for improvement.

### **Financial Systems and Processes**

The AOM has a comprehensive system of financial controls, approvals and processes in place. Processes are followed and systems are used correctly. Finance staff regularly review and discuss processes and systems and the auditors examine them as well.

### **Challenges and Issues**

Despite the processes in place, there have been a few errors over the past year that have prompted us to plan additional changes.

One error was discovered during the audit, when we realized that the AOM had overcharged the AOMBT for rent in 2023. There was an agreement in place for the rent amount, but the AOM invoiced the AOMBT for a different amount. The AOMBT paid the incorrect amount. The error is being resolved with an adjustment to the AOMBT's rent charges in 2024. This error seems to have been due to the staff member preparing the invoice misunderstanding the amount of the rent to be charged.

When preparing our annual HST return for 2023, we discovered that the AOM had not made its quarterly HST payments. These payments had been made every year in the past and there was no indication of why they stopped in 2023. There was a \$700 penalty for the missed payments. We have implemented two tracking systems to ensure that these and other routine payments are not missed in the future.

Another error involved an incorrect payment amount for a locum. For transparency, the locum involved is the Treasurer. The payment was approved and paid according to the policies and practices. The error was discovered many months after the payment, when we were preparing for the MOH grant audit. We are in the process of resolving the error. It was due to a mistake in entering the amount of the payment in the accounting system. The error was difficult to detect in

the supporting documents and the payment was approved, with none of the approvers noticing it.

### **Context**

It is my understanding that the AOM has had occasional errors in financial transactions in the past and that they were resolved reasonably easily.

Errors can happen occasionally in any system; however, our goal is to make systems and processes as foolproof as possible and keep errors to a minimum. Errors are costly in terms of organizational resources – tracking and resolving errors uses staff time.

For context, it may be helpful to know that the auditor recently made a few errors in the AOM's tax return. As a non-profit organization, the AOM must file tax returns but does not pay income tax. There would be no financial consequences if a tax return was incorrect. These errors were found by AOM staff before the tax return was filed. They included an incorrect address and phone number for the AOM and incorrect amounts for employee and director remuneration. The AOM had provided the auditor with the correct information and remuneration amounts, but they were incorrect on the tax return. The auditor corrected the return. The errors appeared to be related to an automated system that was taking information from the AOMs financial statements and putting it in the tax return form.

### **Causes**

While the causes of errors may be unique, factors that contribute to them include:

- Unclear or confusing documentation
- Overworked staff
- Rushed transactions, lack of time to double check work
- Complex processes and administrative systems
- Non-finance staff handling financial documentation

### **Improving Systems and Processes**

We have been working on improving processes, beginning last year with the change to QuickBooks Online and a simplified chart of accounts. Goals of changes to our systems and processes include reducing the amount of data entry by having systems that integrate (i.e. talk to each other) and simplifying processes.

We recently introduced an automated approval system called ApprovalMax. This system provides a seamless internal approval process with clear documentation and should make approvals easier and faster.

The AOM currently has a decentralized payable system where invoices are handled by each department and submitted to finance for payment. This structure was intended to give departments control over their expenses and ensure that expenses are allocated to the correct account. Drawbacks to this approach include that staff without an accounting background may

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make inadvertent errors and there can be delays as invoices are moved from departments to finance - and sometimes back again.

Future plans include implementing a system to integrate QuickBooks and with the online bank system to further automate payments, reducing the amount of data entry and the potential for error as well as possibly centralizing payments with the finance department. Our plan is to assess whether ApprovalMax makes the processing more efficient. If we determine that the process is still not as smooth as it could be, we will consider centralizing payments in the finance department. This approach would likely result in improvements but would also have challenges.

We also continue to improve and streamline our financial reports.