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STATEMENT OF ASSURANCE

We have completed the internal audit of travel and hospitality practices at the Department of Justice Prairie Region (those offices in Calgary, Edmonton, Saskatoon, and Winnipeg) and Quebec Region (the office in Montréal and a small office in Ottawa). The objectives of this audit were to review and assess the following:

- a) The adequacy of the regional management framework in place pertaining to travel and hospitality, including processes and practices related to planning, organizing, controlling, directing, communicating, and the management of human, financial, and materiel resources.
- b) The extent to which the Department's policies and directives relating to travel (including those relating to the Blanket Travel Authority) and hospitality comply with Treasury Board requirements and are communicated to regional departmental personnel.
- c) The extent to which departmental guidelines and procedures relating to travel (including, for example, the request for travel authority and advance, approval of travel, use of travel cards, the verification of expenses, and the issuance of payment) comply with all aspects of the Treasury Board Travel Directive and are being adhered to.
- d) The extent to which departmental policy and procedures relating to hospitality comply with all aspects of the Treasury Board Hospitality Policy.
- e) The appropriateness and adequacy of the travel and hospitality procedures followed by regional accounting operations.

The internal audit was conducted in accordance with the Treasury Board Policy on Internal Audit and the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

The audit examined selected processes and transactions that resulted in travel and hospitality expenditures being incurred in the Prairie Region (those offices in Calgary, Edmonton, Saskatoon, and Winnipeg) and in the Quebec Region (the office in Montréal and a small office in Ottawa) during the 2003-04 and 2004-05 fiscal years.

The examination was conducted between July and September 2005, and covered activities that occurred during the examination period.

The audit team assessed the management control framework of the Prairie and Quebec regions against criteria established by the Canadian Institute of Chartered Accountants.

We concluded that

- the majority of travel expense claims examined adhered to Treasury Board guidelines,
- travellers did not always meet requirements for completing the travel authority and advance form,
- hospitality files were incomplete,
- in the majority of cases hospitality expenses appeared to be for appropriate functions,
- the management framework currently in place needs improvement, and
- regional accounting operations need to improve their procedures with respect to travel and hospitality.

We cannot provide complete assurance that the two regions comply with all Treasury Board policies, directives, and guidelines for travel and hospitality. Although the majority of the travel expense claims reviewed do comply with Treasury Board travel directives, in our opinion there are a number of weaknesses in existing regional controls and processes that need to be addressed.

In our professional judgment, sufficient and appropriate audit procedures have been conducted and the appropriate evidence gathered to enable us to provide a high level of assurance concerning the conclusions reached in this report. The conclusions were based on a comparison of the situations as they existed at the time of the audit as measured against the audit criteria. It should be noted that the conclusions are only applicable for the entities examined.

EXECUTIVE SUMMARY

A large number of employees and individuals who are associated with the work of the Department of Justice are required to travel on government business, both within Canada and abroad. In addition, the Department may, on occasion, extend hospitality when it facilitates government or departmental business, or when it is considered desirable as a matter of courtesy.

This assurance audit was undertaken to determine whether travel and hospitality expenditures incurred during the 2003–04 and 2004–05 fiscal years complied with the requirements of the Treasury Board (TB) Travel Directive and Hospitality Policy. This report documents the findings of the audit of travel and hospitality practices and processes in the Prairie and Quebec regions.

Main Findings

- Based on the review of the Quebec and Prairie regions travel and hospitality files, it is our opinion that some departmental travellers are not following TB directives and policies. As reported in the 2005 audit of travel and hospitality, the Department should develop and promulgate directives and procedures on travel, and policies and procedures on hospitality, consistent with Treasury Board requirements. This will help to ensure that employees who are traveling or providing hospitality are aware of and complying with TB travel- and hospitality-related directives.
- The Department does not have clearly defined controls over the administration of its travel-related and hospitality-related activities. The Department's Financial Management Division should introduce additional monitoring and verification measures, as recommended in the previous report, to assist departmental managers and staff to identify and manage risks more efficiently.
- Travellers are required to complete a travel authority and advance form and have it approved before travelling, in order to comply with the requirements of the TB Travel Directive. The audit team found evidence that travel authority and advance forms were not always

completed before travel, that prior approvals were not always obtained, and that required information was not always provided on the forms.

- The audit team found a few instances where the Department reimbursed or paid for expenses that were not compliant with TB requirements. In all of the cases identified, the amounts were not significant.
- We found some instances in which there was insufficient evidence to indicate that the traveller had paid the amounts invoiced. Before reimbursing travellers, the Department should ensure that there is sufficient evidence that the travellers had paid out the amounts invoiced.
- We found a few instances in which departmental travellers did not use hotels listed in the *Government Accommodation and Car Rental Directory*. The Department should issue a directive that all travellers use only the hotels listed in it, unless they can provide adequate justification or receive prior authorization for using other accommodations.
- Requests to provide hospitality are not always approved in advance, or at the appropriate management level. The Department should ensure that hospitality claims submitted for payment are supported by documentation that complies with TB requirements.

The management response to the recommendations contained in this report was provided by the Director General, Finance, Administration and Programs on April 28, 2006.

1. INTRODUCTION

The Department of Justice currently employs over 4,500 people, including lawyers and other employees who work in some 30 federal departments and agencies and in 13 regional offices and sub-offices across Canada. A large number of employees and other individuals who are associated with the work of the Department are required to travel on government business, both within Canada and abroad. In fiscal year 2004–05 the Department spent approximately \$11.5 million on travel.

In October 2002, Treasury Board published a new Travel Directive that supersedes both the previous Travel Directive and its Travel Administration Guide.

The Department may extend hospitality to public servants and non-public servants when it facilitates government or departmental business, or when it is considered desirable as a matter of courtesy. In fiscal year 2004-05, the Department spent approximately \$441,000 on hospitality.

1.1 Previous Audit

An assurance audit of travel and hospitality in headquarters, in the Atlantic, Ontario, and British Columbia regional offices, and in the Yellowknife office was conducted in 2004-05. It included an assessment of the Department's management control framework against criteria established by the Canadian Institute of Chartered Accountants. Travel and hospitality claims for the 2002-03 and 2003-04 fiscal years were reviewed. At that time we were not able to provide complete assurance that the Department complied with all Treasury Board policies, directives, and guidelines for travel and hospitality. Although the majority of the travel expense claims reviewed did comply with TB travel requirements, in our opinion there were a number of weaknesses in existing departmental controls and processes that needed to be addressed. To avoid duplicating recommendations, this report references recommendations from the 2005 report when appropriate.

1.2 Organizational Structure

The Financial Management Division at headquarters is responsible for developing travel guidelines and hospitality policies for the entire Department, and for providing advice and processing travel and hospitality requests for headquarters. Regional financial services operate independently. The Department of Justice Delegation of Financial Signing Authorities Chart identifies the authority of departmental managers for both travel and hospitality.

1.3 Audit Objectives

The objectives of this audit were to review and assess:

- a) The adequacy of the regional management framework governing travel and hospitality, including processes and practices related to planning, organizing, controlling, directing, communicating, and managing human, financial, and materiel resources.
- b) The extent to which the Department's policies and directives relating to travel (including those relating to the Blanket Travel Authority) and hospitality comply with TB requirements and are communicated to regional departmental personnel.
- c) The extent to which departmental guidelines and procedures relating to travel (including, for example, requests for travel authority and advances, approval of travel, use of travel cards, the verification of expenses, and the issuance of payment) comply with all aspects of the TB Travel Directive and are being adhered to.
- d) The extent to which departmental policy and procedures at the regional level relating to hospitality comply with all aspects of the TB Hospitality Policy.
- e) The appropriateness and adequacy of the travel and hospitality procedures followed by regional accounting operations.

1.4 Scope of the Audit

The scope of the audit included all activities pertaining to travel and hospitality in the Prairie and Quebec regions for fiscal years 2003-04 and 2004-05. The Prairie Region includes the regional offices in Saskatchewan (Saskatoon), Manitoba (Winnipeg), and Alberta (Calgary and Edmonton). The Office of the Senior Regional Director, Prairie Region, is in Winnipeg. The regional corporate services section is headquartered in Edmonton. The Quebec Region includes an office in Montréal, where the regional corporate services section is headquartered, and a small office in Ottawa.

The fieldwork for the audit took place between July and September 2005, and files from fiscal years 2003-04 and 2004-05 were examined.

1.5 Methodology and Approach

In executing the audit, the audit team

- reviewed departmental documentation for travel and hospitality to gain a sound understanding of the Department's policies, directives, guidelines, procedures, and reporting mechanisms as they relate to travel and hospitality;
- interviewed and consulted with departmental management and staff in the audited regions to gain an in-depth knowledge of the Department's requirements for activities related to travel and hospitality;
- reviewed and analyzed the new TB Travel Directive and the TB Policy on Hospitality to determine the Department's degree of compliance with them;
- developed specific audit criteria and an audit program to assess the soundness of the Department's management control framework, risk management strategies, and practices to monitor, control, and report on its travel and hospitality activities;
- conducted on-site visits (these included visits to the offices in Edmonton, Calgary, Saskatoon, Winnipeg, and Montréal) to review the Department's travel and hospitality files.

The audit team identified a total of 5,730 travel transactions and 549 hospitality transactions for 2003-04 and 2004-05 in the five offices. Because the number of transactions was very high, the audit team used a standard formula¹ to calculate a sample size with a 95 percent confidence level. (A 95 percent confidence level means that 95 out of 100 items sampled will accurately represent the population being sampled.)

1.6 Overview of Travel and Hospitality Expenditures

Tables 1 and 2 provide a breakdown of the total travel and hospitality expenditures incurred by the offices examined during fiscal years 2003-04 and 2004-05. It should be noted that the prepaid transportation amounts are the amounts paid directly by the Department to American Express

¹ The formula was obtained from University of Florida Fact Sheet PEOD-6 (Program Evaluation and Organizational Development), November 1992: http://edis.ifas.ufl.edu/BODY_PD006 and from the "Calculating Sample Size and Margin of Error Table" from Northern Arizona University, http://www.prm.nau.edu/prm447/sample_size.

which pays transportation companies such as airlines and Via Rail. These amounts are accounted for as prepaid on the travel expense claim.

Table 1
Travel and Hospitality Expenditures for FY 2003-04, Audited Offices

	Quebec Region	Edmonton	Winnipeg	Saskatoon	Calgary	Total per G/L*
Travel Public Servants (PS)	205,312	112,092	46,299	53,607	8,452	425,761
Travel Non-PS	3,168	977	3,217	135	0	7,497
Transportation Services (Prepaid)	63,969	112,730	87,055	40,080	6,071	309,906
Travel Public Servant Trainees	51,831	59,751	24,349	28,469	22,232	186,632
Travel Public Servant Trainers	0	1,476	1,048	8,683	0	11,207
Prepaid Transportation/Training	4,604	26,805	11,083	17,591	14,461	74,544
Travel Conferences PS	35,975	9,364	14,151	878	624	60,992
Travel Conferences non-PS	0	0	0	0	0	0
Prepaid Transportation/ Conferences	1,903	5,221	8,828	0	0	15,953
Total Travel	366,762	328,414	196,030	149,444	51,841	1,092,491
Hospitality Training/Development	12,037	0	470	1,054	6	13,566
Hospitality	11,930	21,201	3,392	4,195	1,087	41,805
Total Hospitality	23,967	21,201	3,862	5,249	1,093	55,371

* G/L = General Ledger

Figures have been rounded to the nearest dollar, so may not total.

Table 2
Travel and Hospitality Expenditures for FY 2004-05, Audited Offices

	Quebec Region	Edmonton	Winnipeg	Saskatoon	Calgary	Total per G/L*
Travel Public Servants (PS)	253,928	115,020	58,806	40,964	21,021	489,740
Travel Non-PS	3,187	245	516	0	0	3,948
Transportation Services (Prepaid)	70,621	99,199	66,256	34,848	12,818	283,742
Travel Public Servant Trainees	44,869	75,296	24,628	37,459	19,340	201,591
Travel Public Servant Trainers	0	0	1,063	663	0	1,726
Prepaid Transportation/Training	-1,262	44,264	9,510	32,451	14,910	99,873
Travel Conferences PS	19,376	693	1,444	744	0	22,258
Travel Conferences non-PS	0	0	0	0	0	0
Prepaid Transportation/ Conferences	5,304	483	0	269	0	6,056
Total Travel	396,021	335,201	162,224	147,398	68,089	1,108,933
Hospitality Training/Development	9,632	0	1,617	0	241	11,490
Hospitality	7,561	17,296	6,898	5,596	446	37,797
Total Hospitality	17,193	17,296	8,515	5,596	687	49,287

* G/L = General Ledger

Figures have been rounded to the nearest dollar, so may not total.

The negative amount for Prepaid Transportation/Training in Quebec resulted from an expenditure adjustment into another category.

Table 3
Dollar Value and Percent of Audited Transactions, Fiscal Years 2003-04 and 2004-05

Transactions	FY 2003-04	FY 2004-05	Total both FYs
Travel	280,664 (25.7%)	339,432 (30.6%)	620,097 (28.21%)
Hospitality	12,791 (23.1%)	11,496 (23.3%)	24,287 (23.2%)

Figures have been rounded to the nearest dollar, so may not total.

These percentages represent the size of the sample relative to the total travel or hospitality expenditure.

Auditors calculated their sample sizes from the non prepaid accounts. Transactions selected for audit were taken from the Travel and Hospitality accounts and not the prepaid transportation accounts. Therefore the percentage of transactions reviewed shown in Table 3 above was calculated using non prepaid dollar amounts.

Table 4
Number and Percent of Claims and Events Audited

	FY 2003 04	FY 2004 05	Both FYs
Travel claims	125 (4.2%)	146 (5.3%)	271 (4.7%)
Hospitality events	12 (3.7%)	12 (5.3%)	24 (4.4%)

Note: One travel claim may include several expenses that result in multiple transactions being entered into the financial system. The financial system does not tally individual claims and events, only transactions. Therefore, the total number of claims is not known.

These percentages represent the number of transactions audited relative to the total number of travel or hospitality transactions.

2. FINDINGS—MANAGEMENT CONTROL FRAMEWORK

To assess the adequacy of the travel and hospitality management framework in place at the Department's Quebec and Prairie regions, we used the Canadian Institute of Chartered Accountants' (CICA) Criteria for Control (see Appendix A). The CICA Criteria for Control assesses an organization's activities against four areas:

- purpose—objectives to be achieved
- commitment—consistency in its practices
- capability—information, resources, skills
- monitoring and learning—reviewing its performance with a view to improving

Each area includes a number of criteria against which an organization's activities can be assessed.

2.1 Purpose

The CICA Criteria of Control outlines activities that an organization performs to help it achieve its objectives. That is, does it have effective mechanisms in place. This section examines the Department's guiding policies and its risk management of its travel and hospitality activities.

Guiding Policies

Policies ensure that managers and employees know what is expected of them. They describe prohibited or inappropriate actions, and clearly define roles and responsibilities.

The Department's Intranet site has links to the TB travel and hospitality policies and directives. However, based on the audit team's review of a sample of travel and hospitality files, we conclude that some travellers are not fully familiar with TB requirements. In the audit team's opinion, this has contributed to the Department adopting some travel and hospitality practices that are inconsistent with the TB policies. We found that:

- travellers do not always complete the travel authority and advance (TAA) form before travelling, and
- documentation supporting travel claims is not always complete.

The government's Travel Modernization Project was implemented on April 1, 2004. Travel modernization allows for a new way to manage government business travel, and guides all employees and managers in achieving fair, reasonable and modern travel practices across the public service.² Prior to implementing travel modernization, the government released a new Travel Directive in October 2002. The most significant changes between the old and new travel directives occur in the relationship between the manager and the employee. The new travel directive allows consideration of the needs of both the manager and travelling employee when arranging business travel. Decisions on travel are still authorized by managers; however, these decisions result from a shared understanding of the needs of the travelling employee.³

Risk Management

According to the CICA, "an organization needs to identify its significant internal and external risks on an ongoing basis so that it can react to or initiate changes in an appropriate and timely manner." CICA's Guidance on Control also states that "while it is rarely cost-beneficial to try to identify all risks, such identification needs to be comprehensive enough to provide reasonable assurance that those risks which may significantly affect objectives have been identified."

Identifying and managing risks are integral components of good management and decision-making at all levels. These activities also support principles of responsible spending. Audits are useful tools in assisting departments to identify risks and ensuring that necessary measures are taken to mitigate risks associated with departmental functions.

Our analysis of the management control framework and our examination of travel and hospitality transactions lead us to conclude that risk identification is a part of the management of travel and hospitality in the offices visited. It is our view that these regional offices have developed some measures for identifying and managing risks. Some of the risks that the Department may face include

- unauthorized expenditures,
- non-compliance with TB Policies and Directives,
- unjustified or fraudulent travel and hospitality claims,

² TBS Travel Modernization Training Manual, page 40.

³ TBS Travel Modernization Training Manual, page 60.

- excessive expenses,
- not achieving appropriate results for work performed, and
- incorrect management reporting.

Some of the measures used in the audited regional offices to manage these risks include

- reviewing travel claims before payment;
- using an automated travel system (called the Travel Expert System) in the Prairie Region to create, monitor, and report on travel claims;
- questioning expenditures, where appropriate, when financial staff reviewing the travel claims; and,
- reviewing signature cards to ensure proper delegation of Section 34 of the *Financial Administration Act* (FAA).

However, our examination of some files found that the management control framework and risk management need to be strengthened. For example, we found instances in which

- business travel was combined with personal travel, and the Department paid for the personal travel expenses, or there was no documentation supporting questionable expenses;
- travel expense claims submitted by staff who attended courses did not include documentation indicating that staff had attended the training;
- journal vouchers to correct General Ledger (G/L) codes did not always contain detailed documentation to substantiate the correction;
- the Travel Claim form used in the Quebec regional office does not include information on prepaid transportation expenses, the purpose of the trip or the expected departure and return times;
- some travel claims did not show evidence that hotel invoices were paid in full; and,
- not all travel claims were reviewed for accuracy and compliance to policies and directives.

By increasing its control and monitoring activities, the Department will be in a better position to identify risks earlier and take the necessary corrective actions rapidly. Control and monitoring activities would include ensuring that

- a significant percentage of the travel claims are reviewed for accuracy and compliance with policies and directives;
- original invoices are attached to the travel claims before the claims are paid;
- expected questionable expenses are approved in advance of any trip; and
- attendance at registered seminars is verified before expenses are reimbursed.

We found that departmental staff do perform some monitoring to identify possible errors in travel expense claims. For example, verifications and Section 34 approvals (pursuant to spending authorities outlined in the FAA) of travel claims are done. Any staff member can perform verifications as long as that person is independent of the transaction and is not the same person who authorized the travel. In the 2005 Travel and Hospitality audit, it was recommended that the Department *introduce appropriate monitoring and additional verification measures to assist Departmental managers and staff to identify and manage risks more efficiently*. Implementation of that recommendation will contribute to an improvement in current practices. (Travel and Hospitality Report, 2005: Recommendation 3.)

2.2 Commitment

The audit team used the CICA's criteria to assess the Department's commitment to maintaining the integrity of its travel and hospitality processes. Specifically, the audit focused on

- the authority, responsibility, and accountability of all individuals travelling or providing hospitality on behalf of the Department;
- adherence to policy requirements and consistency of processes; and
- departmental documentation.

Authority, Responsibility, and Accountability

The TB's Travel Directive and its Hospitality Policy clearly outline the responsibilities for federal government managers and employees. The delegation of authority implies that managers are accountable for intended results. It assumes that responsibility centres have sufficient knowledge and expertise to ensure the ongoing integrity of their processes.

The Department's Delegation of Financial Signing Authorities Chart identifies managers' authorities for both travel and hospitality. This document also identifies the functional authorities of financial services for payment under Section 33 of the FAA.

The Financial Management Division at headquarters is responsible for

- developing travel directives and guidelines, and hospitality policies for the Department,
- providing advice, and
- processing travel and hospitality requests for payment from headquarters staff.

Regional financial services operate independently in the regional offices.

Interviews and file reviews conducted during the audit indicated that there are a number of gaps and weaknesses in the knowledge of and adherence to governmental travel and hospitality requirements in the regional offices visited. Details of our findings are presented throughout this report.

File Documentation

Throughout this report we refer to file documentation. These files are the actual travel and hospitality claims. File documentation is an integral part of travel and hospitality processes. It ensures the integrity of the processes and provides a complete audit trail. We found that required information was sometimes absent in the travel and hospitality files reviewed. For example, we found travel files that did not contain pre-approved travel authorizations, reasons for travel, or justifications for using hotels not included in the government accommodations directory. Furthermore, some of the hospitality files we examined had incomplete documentation. Some hospitality files were missing such information as pre-approval of a hospitality event, a count of attendees by category (e.g., guests or public servants), or the reason for the hospitality event (see findings later in this report under “Travel Authority and Advance Form,” “Review of Travel Expense Claims,” and “Hospitality Policy”).

In addition, we found inconsistencies in defining what is considered travel and what is considered training or conferences. In September 2002, the Associate Deputy Minister distributed a memo defining the term “Conference.” This memo was posted on the departmental Intranet and was last updated in February 2005. One office has taken that definition very literally and charges meals, transportation, incidentals, and the conference registration fee to travel (G/L code 1501), when a conference does not meet the strict definition provided by the ADM. Other offices charge conference registration to the appropriate G/L code and charge meals, transportation, and incidentals to the travel G/L code.

It is our opinion that consistent practices are needed across the Department to ensure that TB policies for travel and hospitality are followed. Without consistent practices the Department is at risk of having files that do not fully support payments for travel and hospitality expense claims. In the 2005 audit report, it was recommended *that travel and hospitality policies, directives, and procedures consistent with TB requirements be developed and distributed*. Implementation of that recommendation will contribute to an improvement in current practices. (Travel and Hospitality Report, 2005: Recommendation 1.)

2.3 Capability

The CICA framework outlines the criteria that an organization must use to maintain the integrity of its operations. This section of the audit assessed the control mechanisms in place at the Department of Justice and the reliability of travel- and hospitality-related information in the Department's financial system.

Control Mechanisms

The CICA states, "control activities are routines established to provide assurance that processes operate as designed and meet the requirements of the organization's policies." Examples of common control activities include approving, reporting, analyzing, reconciling, reviewing, and following up on specific operations and functions undertaken within the organization.

All departmental staff who have been delegated authority under Section 33 (payment authority) of the FAA are required to ensure that the TB Policy on Account Verification and the Payment Requisitioning Regulations are adhered to. To meet these requirements, departmental staff must ensure that appropriate financial controls are maintained. They must also perform adequate tests on all accounts for which they authorize payments.

The primary responsibility for verifying individual accounts rests with departmental staff who have the authority to confirm and certify entitlements pursuant to Section 34 (spending authority) of the FAA. Departmental staff who have Section 34 authority are responsible for the correctness of the payment requested and for the account verification procedures performed.

The responsibility for the account verification system and related financial control rests ultimately with those officers who are delegated payment authority pursuant to Section 33. These officers must provide assurance of the adequacy of the Section 34 account verification and must also be able to state that the process is in place and is being properly and conscientiously followed.

In the Quebec Region, Financial Services reviews all claims, and there were indications on files that some expenses had been questioned. However, the individuals verifying the claims do not always initial or sign to confirm that the verification has been completed.

In the Prairie Region, we observed that the Finance Officer in the Edmonton office conducts two on-site audits every year. Visits are made to the Winnipeg, Saskatoon, and Calgary offices to review travel and hospitality expenditures. The Finance Officer reviews a randomly-selected set of files/claims in each office and issues a written report on the findings. However, we found that

the sample selected was not statistically significant. The Finance Officer's February 2005 audit identified these findings:

- a few hospitality claims were approved after the event;
- a few hospitality claims did not identify the date on which an event was held;
- five files had no pre-authorization of travel documented.

In part, for this audit, we used the Edmonton Finance Officer's reports to identify potential risk areas. In addition to reviewing a random sample of claims in the Saskatoon, Winnipeg, and Calgary offices, the Edmonton Office reviews all travel claims submitted within the Edmonton office. Not all the offices are consistent in their verification methods. For example, the Winnipeg office uses a form of statistical sampling to review travel claims, and it does not verify any travel claim under \$200. It verifies one out of three travel claims between \$200 and \$1,000, and audits all claims over \$1,000. (See Overall Performance.)

We found that some claims were processed without supporting documentation or without appropriate justification (see "Findings—Travel" and "Findings—Hospitality"). These findings have led us to conclude that controls should be enforced to ensure the integrity of the operations for travel and hospitality, and to provide consistency in processing claims. It is our opinion that regular verifications of travel and hospitality claims, conducted on (statistically valid) samples, would contribute to

- improving the efficiency of the process,
- ensuring compliance with TB requirements, and
- ensuring consistent practices are followed throughout the Department.

Such verifications should be designed to provide an increased level of confidence in departmental compliance with TB requirements and should be included in any travel and hospitality policy that may be developed. In 2005, it was recommended that the Director General, Finance, Administration and Programs, *ensure departmental consistency and compliance with TB policy requirements for travel and hospitality by developing and implementing policies and procedures to conduct verifications on statistically valid samples of individual travel and hospitality files*. Implementation of that recommendation will contribute to an improvement in current practices. (Travel and Hospitality Report, 2005: Recommendation 5.)

Information System

Integrated Financial and Materiel System

All transactions related to travel and hospitality are entered into the Department's financial system, the Integrated Financial and Materiel System (IFMS). To select files for review during this audit, we used lists of transactions produced by the IFMS system. In reviewing these lists, we made the following observations.

- A single trip can have several resource commitment numbers. For example, separate numbers are assigned for the transportation, for the travel claim, and for a journal voucher if the expense is reimbursed by another cost centre. Consequently, it is difficult to reconcile all relevant information for one trip by simply reviewing the paper file. It is necessary to consult IFMS.
- There are inconsistencies in the manner in which certain travel-related transactions are processed. For example, in the Saskatoon office, two travel claims could have been charged to training, but were charged to travel instead. And, as explained earlier in this report, there is also inconsistency in coding expenses for conferences.

It is our opinion that the information in the financial system does not reflect the proper allocation of expenses. More controls should be exercised by the Financial Management Division to ensure that proper and consistent financial codes are used when reporting expenses. In the 2005 report, it was recommended, that *a directive be distributed to departmental staff requiring that travel and hospitality transactions be coded to the appropriate General Ledger account*. Implementing this recommendation should contribute to an improvement in this area. (Travel and Hospitality Report, 2005: Recommendation 6a.)

Travel Expert System

As mentioned previously, the Prairie Region uses the Travel Expert System (TES). This system is designed to assist employees in preparing and processing travel requests and travel claims. It processes travel requests and claims for all travel within Canada, and abroad. It is also used to monitor travel claims.

We observed that the TES:

- reduces calculation errors;
- requires less manual intervention in processing travel claims;
- requires a travel authorization number before an employee can input travel information;

- authorizes travel claims electronically without requiring handwritten signatures; and
- routes travel claims electronically.

While TES is available to the entire Department, only a few sections in headquarters and the Prairie Region actually implemented it because most users considered TES cumbersome. However, the Prairie Region claims that the TES saves time, reduces paperwork, and ensures greater accuracy.

As part of the travel modernization initiative, Public Works and Government Services Canada is supposed to provide an automated expenditure management tool for processing and approving travel claims. April 2006 is the expected government-wide implementation date.

2.4 Monitoring and Learning

Finally, the CICA framework provides criteria for organizations to monitor their performance and, from this knowledge, learn how to improve. This section of the audit assessed the Department's efforts to monitor travel and hospitality transactions at the organizational level.

Overall Performance

The TB Travel Directive clearly defines departmental responsibility for internal monitoring.

The employer shall in consultation with the employee, ensure that travel arrangements are consistent with the provisions of this directive and ensure that all travel arrangements comply with relevant federal government legislation and employer policies, such as Employment Equity, Official Languages.⁴

During our interviews, staff in the offices visited acknowledged that some verification is done at the office level for both travel and hospitality transactions. This was confirmed through our review of travel claims. However, we found that the verification methods are inconsistent. For example, as previously discussed under "Control Mechanisms" we found that Winnipeg verified a sample of travel claims; while Edmonton, Calgary, and Saskatoon verified all travel claims.

It is our opinion that the regional offices should take a more pro-active role by increasing their efforts to apply consistent verification methods to travel and hospitality transactions. Doing so will ensure that there are consistent practices for processing, recording, monitoring, and

⁴ Travel Directive, Section 1.5.

reporting travel and hospitality transactions across the Department. All monitoring efforts should be followed up with appropriate actions to mitigate the identified risks or problems. As recommended in the 2005 report, the Director General, Finance, Administration and Programs, should ensure that *travel and hospitality transactions are monitored, issues and trends are identified, and appropriate measures are taken to mitigate risks*. Implementing this recommendation should contribute to an improvement in this area. (Travel and Hospitality Report, 2005: Recommendation 7.)

3. FINDINGS—TRAVEL

Increasingly, the Department uses communications technologies such as conference calls and e-mail to conduct business over large distances. However, in many instances travel is still required. Once a decision to travel is made, the Department and the employee should use travel management practices that support the principles outlined in the Travel Directive and that are in keeping with travel industry trends and realities.

When preparing to travel, employees are responsible for planning and conducting their travel according to TB directives. Standardized forms have been developed to ensure that proper audit trails are established. These forms include the Travel Authority and Advance Form, Travel Expense Claim Form (see Appendix C), and the Record of Travel Expenses (see Appendix D). These forms must be properly completed for all travel activities. However, the Travel Expense Claim Form used by the Quebec regional office is different from the form used by the rest of the Department. (See “Quebec Office Travel Procedures” for details of this difference.)

Before making air or rail travel arrangements, an employee authorized by the Department to travel (whether employee, witness, or consultant) must obtain a travel authorization number (TAN), which signifies that the travel has been approved by the Department. At the time of the audit, after the TAN was obtained, the traveller was required to complete a Travel Authority and Advance Form (TAA). This form indicates travel approval and identifies the type of transportation and accommodations to be used. After the travel is completed, a Travel Expense Claim and a Record of Travel Expenses must be submitted within 15 working days before payment or reimbursement of expenses can occur.

This section of the audit report focuses on a number of travel-related issues and the extent of the Department’s adherence to TB directives. Each subsection first describes the TB directive or requirement, then presents the audit findings, and concludes with recommendations.

3.1 Treasury Board Travel Directive

The TB Travel Directive was developed by the Government of Canada in partnership with the collective agreement bargaining representatives of the National Joint Council.⁵ The purpose of the Travel Directive is to ensure fair treatment of employees who are required to travel on federal government business. The provisions contained in the Travel Directive are mandatory and provide for the reimbursement of reasonable expenses incurred while travelling on government business, thereby ensuring that employees do not personally pay for expenses incurred.

The Travel Directive applies to Public Service employees of departments and agencies listed in Schedules I, I.1, and II of the FAA and to other individuals travelling on government business, including exempt staff, unless their travel is governed by another authority. Individuals who are not members of the Public Service and who travel on behalf of the Government are not entitled to the full provisions of the Travel Directive. They are entitled to the provisions in those subsections that refer to “travellers” rather than “employees,” and to the rates and allowances contained in the appendices of the Travel Directive. The TB Travel Directive provides direction on such things as meal and incidental rates and allowances. It is the responsibility of all employees involved in travel activities to be familiar with the Travel Directive.

The Travel Directive states that “Business travel shall be authorized in advance in writing to ensure all travel arrangements are in compliance with the provisions of this directive.”⁶

It should be noted that the Treasury Board Special Travel Authorities dictate the standards and conditions of travel for DMs, GICs, EXs, and contractors.

Edmonton Office Travel Checklist

To complement the Travel Directive, the Edmonton office has developed a Travel Checklist. This checklist is used to ensure that travellers obtain all the required information before travelling. For example, the checklist indicates that the traveller should:

- obtain a Traveller Identification Number (TIN) before travelling,
- use the government’s accommodation directory to locate government-contracted hotels,
- complete a TAA for all required trips, and
- obtain receipts for all expenses incurred.

⁵ Created in 1944, the National Joint Council today includes 17 Public Service bargaining agents, the Treasury Board and a number of separate employers as official members. Through the National Joint Council, the parties work together to resolve problems and establish terms of employment that apply across the Public Service.

⁶ Travel Directive Section 1.1.2.

In addition, the Edmonton office also has printed instructions that are to be used by Prairie Region offices for Witness Travel. These instructions highlight that all travel arrangements should be processed through the Department and that TANs are required for all witness travel. The instructions also detail meal allowances and the use of the Government Accommodation and Car Rental Directory.

Winnipeg Office Travel Procedures

In February 2003, the Winnipeg office documented its travel procedures and distributed copies to employees to ensure that all employees prepare TAAs and Travel Claims consistently. The procedures cover the complete process from the issuance of a TAN number to Finance processing the Travel Claim through the IFMS.

Quebec Office Travel Procedures

Many regional employees who are lawyers have blanket authorization to travel, with some geographic restrictions. For example, some employees are entitled to travel throughout Canada, while others are restricted to the Province of Quebec and Ottawa.

Blanket travel authorization means that an employee does not have to obtain separate authorizations for each trip. Blanket travel authorization is usually reserved for employees who must do a significant amount of travel.

When a TAA form is completed, it provides basic information on the trip. Because the Quebec Office does not require a TAA form when employees have blanket authority to travel, this information is not collected. From an audit point of view, this situation is exacerbated by the fact that the Quebec regional office does not use the standard Travel Expense Claim form. The form used in Quebec does not identify prepaid transportation expenses, the purpose of the trip, the mode of transportation, or the time of departure.

Findings

Our audit of travel transactions in the regional offices reviewed found the following:

- The offices audited are compliant with meal and incidental rates and allowances contained in the appendices of the TB Travel Directive.

- Regional office management is not completely familiar with the TB Travel Directive, as evidenced by the fact that travellers have not documented travel circumstances that deviate from the norm.
- In the Quebec regional office some employees have been allowed to travel to distant locations by car even when air transportation is available because a car rental was needed at the destination. However, travel by car entails additional costs (i.e., additional meals, incidentals, and accommodation) and there was no cost analysis on file to confirm that travel by car was more economical. These situations as well as any others that deviate from the norm must be approved before the trip takes place and must be documented on file.

Based on our findings, it is our view that corrective action is needed to ensure that staff are familiar with the TB Travel Directive. The recommendations throughout this report are designed to address this observation.

Recommendations and Management Response

- 1. It is recommended that the Director General, Finance, Administration and Programs issue a directive to all regional directors and headquarters responsibility centre managers indicating that travel conducted under circumstances that deviate from the norm, even when conducted under blanket travel authorizations, be pre-approved and documented to file.**

I agree. By May 2006, an information bulletin will be issued on this matter.

3.2 Travel Authority and Advance Form

The TAA form must be completed before an employee begins a trip. Completing this form establishes the terms and conditions of travel as recommended by the employee's supervisor. A TAA may be used as a standing authority to travel or on a per-trip basis. Many of the Public Service unions have emphasized that it is in the employee's best interest to have each trip individually authorized to ensure that there is a clear agreement about an employee's whereabouts and about his or her travel entitlements.

The TB Travel Directive states that the Department is responsible for authorizing and determining when business travel is necessary, and for ensuring that all travel arrangements are consistent with the provisions of the Travel Directive. Once travel is approved, following consultation between the Department and the employee, the determination of travel arrangements shall best accommodate the employee's needs and interests and the Department's operational

requirements. The Travel Directive goes on to state that business travel will be authorized in advance in writing to ensure that all travel arrangements are in compliance with its provisions. In special circumstances, travel can be post-authorized by the Department.⁷ For example, emergency travel may be post-authorized, if it is subsequently found to be necessary by the Department. However, written justification for such post-authorization must accompany the travel expense claim in order for the reimbursement to be processed.

Managers are accountable for the travel terms they recommend and approve. They have no discretion to adjust claims to suit individual situations that occur outside the provisions of the Travel Directive. Employees are equally responsible in that they are expected to request only those provisions to which they are entitled. Only Ministers are excluded from the provisions of the Travel Directive. It is noted that some provisions which vary from the Travel Directive are outlined in the Special Travel Authorities which apply to DMs, GICs, EXs, and contractors.

The TAA should identify all aspects of travel entitlements, such as the class (e.g., excursion, economy, business class), the mode of travel (private or rented vehicle, air, rail), the type of accommodation (private, government facilities, motel, or hotel) and the estimated cost of the trip. The dates of personal travel taken in conjunction with a business trip must also be specified in the TAA so that all personal expenses incurred become the employee's responsibility.

Completing the TAA is mandatory because it serves to authorize the trip(s) and document the terms and conditions of business travel and personal travel when it is added to a business trip.

Findings

There should be one TAA for every travel expense claim. Our audit of 271 travel expense claims (from the audited offices) found that the TAAs did not comply in some ways with the requirements of the Travel Directive.

- Of the 271 claims audited, 5 were missing TAAs.
- In 15 instances, the TAAs were completed after the trip was taken.

Even though the findings show that only a small number of travel claims were non-compliant with the Travel Directive, it is our opinion that some corrective action is required to ensure that TAAs are properly completed and to demonstrate the Department's compliance with the Travel Directive.

⁷ Travel Directive Section 1.1.

In the 2005 audit report, it was recommended that:

- *all travel authority and advance forms be completed and pre-approved,*
- *all travel authority and advance forms that do not comply with the requirements of the Travel Directive be returned to the originator for corrective action, and*
- *originators of the non-compliant forms be advised that until an amended, approved form is received, their travel will not be authorized.*

(Travel and Hospitality Report, 2005: Recommendation 8.)

Implementing this recommendation should contribute to an improvement in this area.

3.3 Use of Canadian Airline Carriers

The Travel Directive⁸ states that employees on government business travel shall use government-approved suppliers, services, and products selected in support of government business travel when these are available. The Directive also states that preference shall be given to Canadian Suppliers.

Findings

Our review of a sample of airline flights indicated that, where it could be confirmed, Canadian airline carriers had been used for the whole trip or for at least one leg of the trip.

3.4 Use of Government Travel Services

The Travel Directive does not specifically state that commercial air travel must be booked through the Government Travel Service (GTS), nor does it indicate where to book rail and sea travel. It states only that employees on government business travel will use government-approved suppliers, services, and products selected in support of government business travel when these are available.⁹ However, in the TB Common Services Policy, the government-approved supplier for travel services is defined and categorized as a mandatory service which must be used by government.¹⁰ With the implementation of the travel modernization initiative, which is now referred to as the Shared Travel Services Initiative (STSI), the government-approved supplier is Travel AcXess Voyage through the GTS. In February 2005 TB reaffirmed

⁸ Travel Directive Section 1.6.2.

⁹ Travel Directive Section 1.6.1.

¹⁰ Common Services Policy Appendix E.

that the new supplier and services are mandatory for those departments and agencies that are governed by the Special Travel Authorities and/or the Travel Directive.

The approved standard for air travel is the lowest available airfare appropriate to particular itineraries, booked as far in advance as possible.¹¹

The previous Travel Administration Guide stated that cancellation penalties may be levied by airlines when reduced-fare tickets cannot be used as issued. The Department may pay for cancellation or change penalties (including the disposal of non-refundable tickets) provided the changes or cancellations resulted from business-related situations. The new Travel Directive does not mention reimbursement for cancellation or change penalties.

A fee is charged for each transaction (whether reservation, cancellation, or change) made through the Shared Travel Services. The charges for travellers based in Canada, the United States, or Mexico for calendar year 2005 range between \$15.00 and \$70.00 per transaction.

Findings

Our review of a sample of airline flights and train reservations yielded the following findings.

- We observed very few cancellation or change penalties.
- One manager in the Quebec regional office books his own travel directly with a service provider rather than using the Government Travel Services and uses his Travel Card to pay. He explained that it was less expensive to operate this way. There is a note on file dated May 2004 from headquarters indicating that the issue should be resolved shortly. In February 2005, the Departmental Coordinator sent an e-mail to all administrators/business managers/regional finance directors regarding the need to use the Government Travel Services Directory whenever an employee travels on government business.
- With the exception of the Quebec Regional Office, 159 of 161 travel claims indicated that the GTS had been used. For those two instances, there was no justification on file for not using the GTS. The Quebec Regional Office regularly purchases Via Rail's BIZPACK, without using the GTS. With the exception of one manager who makes his own reservations, there were only a few itineraries or copies of electronic tickets on travel files. Without this type of documentation, the only way we knew if travellers had traveled by air or train was if they

¹¹ Travel Directive Section 3.2.11(a).

included “taxi to airport” or “taxi to train station” on their travel claims. Furthermore, we had to check the hotel bills to identify the destinations.

- In one instance, an employee from the Edmonton office incurred personal travel on a trip to Ottawa and the Department paid for the personal travel. In another instance, an employee from the same office elected to travel to another location over a weekend rather than travel home for the weekend. In that instance, it cost the Department more money than if the employee had stayed at the business location for the weekend. There was no cost justification found for the weekend trip.
- There were two instances in which a traveller attending a training seminar did not identify the training location and, therefore, we could not determine whether the traveller stayed in the same hotel where the training occurred or stayed in another hotel. Section 3.3.1 of the Travel Directive states that an employee must stay in the institutional accommodation when attending activities in that institution. No authorization from the employer was found in the file.
- We found one instance in which an employee’s personal travel after a business trip was noted in a travel claim, but we could not find a photocopy of a personal cheque from the employee to reimburse the Department for the personal trip. We brought this to the attention of the Edmonton office and were advised that the matter would be looked into.

In the 2005 audit report, it was recommended that *appropriate measures be taken to recover any expenses or reimbursements to travellers that were not justified.* (Travel and Hospitality Report, 2005: Recommendation 10.)

It was also recommended in the 2005 report that compliance with the Travel Directive be ensured by *undertaking cost-benefit analyses to determine what savings would accrue to the Department if an employee stays over a Saturday night, and by including cost justifications in employees’ travel files, including justifications for travelling to another city instead of returning to their home base when they are required to continue their business the following week.* (Travel and Hospitality Report, 2005: Recommendation 9.)

Implementing these recommendations should bring improved compliance and correct any such situations.

Recommendations and Management Response

- 2. It is recommended that the Director General, Finance, Administration and Programs, issue a reminder to all staff that all travellers must use GTS when booking travel arrangements on all public carriers.**

I agree. By May 2006, an information bulletin will be issued on this matter.

3.5 Timeliness of Reservations

The Travel Directive, section 3.2.11a, directs that bookings should be made as far in advance as possible.

Findings

Our review of a sample of TAAs indicated that all the trips incurred economy airfares. However, we could not determine in all instances whether the economy airfares were the lowest possible airfares because we did not have access to past airline fares.

Because employees of the Quebec Region often travel to Ottawa by train and on short notice, the regional office purchases BizPacks from Via Rail. Each BizPak contains either six or ten vouchers that can be used by anyone and exchanged for one-way rail tickets. Prices are the same as if the reservation had been made five days ahead of the actual trip.

3.6 Overnight Stops

The Travel Directive¹² states that itineraries will be arranged to allow for either a suitable rest period and/or an overnight stop after travel time of at least nine consecutive hours. It also states that a suitable rest period shall not be unreasonably denied. Stopovers may ensure that the employee is rested on arrival and may also eliminate the requirement to provide business-class upgrades. Business/executive-class travel is available when the conditions in the Travel Directive are met and the employee requests it. For example, business/executive class travel for international trips is justified if the employer requires the employee to fly continuously on one or more planes for periods in excess of nine hours.¹³

¹² Travel Directive Section 3.3.10.

¹³ Travel Directive Section 3.4.11a.

The decision to take a stopover en route or upgrade travel must be made when the trip is authorized and should be documented to avoid any subsequent misunderstandings between the employee and the employer.

Findings

We found one travel claim in which an overnight stop was claimed. The traveller claimed \$50 for private accommodation for one night without an explanation documented on the travel claim. Discussions with management revealed that the traveller stopped to leave a child with relatives to attend to the Department's business. According to Accounting Services, this type of situation is considered personal travel and the expenses claimed must be reimbursed to the Department. In our opinion, this is reasonable.

3.7 Upgraded Air Fares

The ability to book first-class air travel was eliminated in the budget speech of February 25, 1992, with only the Deputy Minister given authority to make exceptions to deal with highly unusual circumstances. It also specified that the use of business/executive class air travel is costly and Deputy Ministers should reduce the use of business class travel. Both these provisions are outlined in the Special Travel Authorities.

The same section of the Special Travel Authorities indicates that the Treasury Board authorized the use of business-class air travel for trips of 850 air kilometres or more one way by the following groups and levels, and above:

- outside the National Capital Region: EX-1, LA-2A, PM-MCO 4, GC3 and CGQ3;
- in the National Capital Region: by EX-2, GX, LA-2B, excluded MD-MOF-4, MD-MSP-3, DS-7A, GC4 and GCQ4 as well as equivalent senior RCMP and military personnel.

Findings

We found one travel claim in which the traveller paid for business-class airfare. The travel authorization showed appropriate approval for the business-class airfare.

3.8 Use of Travel Advances

The Government of Canada has introduced individual travel cards (ITCs), which employees are encouraged to use to pay for government business-related travel expenses. ITCs are expected to be used by employees who take more than two business trips per year, or one extended trip.

Although it is not mandatory for employees to use an ITC, their use is encouraged since they provide for more effective cash management for the Department and for the government. In fact the increased use of the government travel card will:

- result in increased volume rebates;
- allow employees to select their choice of loyalty programs;
- provide access to cash advances and traveller's cheques through ATMs;
- improve insurance coverage while on travel status;
- provide for lost document and ticket replacement; and,
- provide a number of enhanced features for car rentals.

ITCs are expected to be the principal means of paying for travel costs; however, employees may be provided with a travel advance to cover expected travel expenses when government-approved services are not prepaid or cannot be paid with an ITC.

The Travel Directive states that if an employee chooses to not obtain or to not use an ITC, provision of an advance shall be discussed between the employer and the employee and, in such cases, travel advances are not to be unreasonably denied.

All such advances must be justified by the employee and are to be made in accordance with the Accountable Advance Regulations. The amount of the advance is determined by the employer and must be based on a cautious estimate of the expected travel expenses. The advance may not exceed the anticipated travel expenses.

Standing travel advances may be provided only in exceptional cases and should not exceed the anticipated travel expenses for a six-week period (depending on the estimated length of the usual travel periods). Trip advances are available to supplement standing travel advances so that these advances can be kept to a minimum.

The need for a standing travel advance must be continually reassessed. If a standing travel advance is still considered necessary, it must be recalculated in light of the employee's actual and projected travel requirements. Standing travel advances are to be immediately recalled when no longer required.

Findings

Our review of travel claims indicated that ITCs were used in 82 of 271 travel claims.

The audit determined that ten travellers who were given travel advances, incurred travel expenses that were greater than the amount of the advance.

Recommendations and Management Response

3. It is recommended that the Director General, Finance, Administration and Programs, remind all departmental travellers of the benefits of using the Individual Travel Cards.

I agree. By May 2006, an information bulletin will be issued on this matter. The Departmental Travel Coordinator will also be distributing information packages within the Department to promote the government's travel products and services, including the Individual Travel Card by December 2006.

3.9 Review of Travel Expense Claims

The Travel Directive requires that employees be familiar with its provisions. Employees are to consult and obtain authorization to travel in accordance with the Directive and to inform the employer or its suppliers of his/her needs regarding accommodation. The Directive also requires the traveller to complete and submit travel expense claims with the necessary supporting documentation after completing the travel. The following is a list of requirements that we reviewed as part of our assessment of travel expense claims:

- In travel situations exceeding one month, the traveller may submit interim travel expense claims before completing the travel. It is also the traveller's responsibility to cancel reservations as required, safeguard travel advances and funds provided, and make outstanding remittances promptly.¹⁴
- Government-approved travel forms shall be used in seeking business-travel authority and travel claims shall be submitted with any necessary supporting documentation.¹⁵

¹⁴ Travel Directive Section 1.5.

¹⁵ Travel Directive Section 1.8.

- All overpayments, namely amounts reimbursed or paid to travellers, that are not in accordance with the terms of the Travel Directive, are to be recovered from the traveller as a debt owing to the Crown.¹⁶
- All receipts submitted in support of travel expenses must be the original documents or the customer carbon copy (or monthly statement) of credit card expenditures. Photocopies are not acceptable.
- An employee who loses receipts on a given trip may sign a personal declaration explaining the loss of the receipt and place this either on the travel claim or on an attached note.¹⁷
- Travellers are required to indicate on the TAA any personal travel that will be taken in conjunction with a business trip. Costs associated with personal travel are not reimbursable by the employer, regardless of the traveller's classification level or group. In addition, when travel routings are indirect due to employee airline preferences, the employee ceases to have an entitlement to business-class travel regardless of the number of hours travelled. In these cases, the value of the fare paid by the Crown is based on the most economical fare available on or about the date that the employee was authorized to travel, but it is not to exceed full-fare economy.
- In all cases in which a rented vehicle is used, coverage for collision damage is mandatory.¹⁸ This coverage is free if the car rental is paid using the government-sponsored travel card. If an employee does not have a government travel card, the same coverage must be purchased from the car rental agencies, in the form of a collision damage waiver. Because collision damage waiver coverage is mandatory, employees involved in accidents when using rental vehicles become personally liable for all damages if they do not have this coverage. The employer shall not reimburse such costs.
- The Government Accommodation and Car Rental Directory is published for government employees and provides travellers with an easy reference to an acceptable standard of accommodation at approved rates. Government hotel directories shall serve as a guide for the cost, location, and selection of accommodation.¹⁹

¹⁶ Travel Directive Section 1.3.

¹⁷ Travel Directive Section 1.4.

¹⁸ Travel Directive Section 2.2.2.

¹⁹ Travel Directive Section 3.3.1

- Employees provided with international telephone-card privileges, or who have made use of government international telephone network facilities for home communication, shall not claim the cost of telephone calls home.²⁰
- To determine the appropriate currency conversion rates, employees are to furnish receipts for the costs associated with foreign currency conversions, or the Department should use the average Bank of Canada currency exchange rate. The rate shall be the average of the rates applicable on the initial date into the country and the final date out of the country.²¹

Findings

Our review of a sample of travel expense claims indicated the following:

- As mentioned previously, the Quebec regional office uses a different travel claim form (JUS-426 2002/08). This form records only the file number or the client department. It does not record the purpose of the trip, the destination, prepaid expenses, the mode of transportation, or the time of departure and return. It is, therefore, difficult to reconcile the expenses claimed or to confirm if, for example, a meal was provided on the plane, whether the employee used another mode of transportation, or whether the employee was entitled to a meal claim based on the time of departure and return.
- In one of the files reviewed, the traveller claimed a foreign exchange rate that was different from the Bank of Canada's. While there is indication that the employee verifying the claim requested information on the difference between the two, there was a note on file indicating that the amount claimed by the employee should indeed be reimbursed.
- Twenty-three of 271 travel claims were not supported by original receipts. Furthermore, we did note that in eight of those instances, hotel invoices did not clearly indicate that they were paid by the traveller. In these instances, we have assumed that the employee used the hotel's express check-out services and submitted a preliminary invoice as evidence of payment for the hotel room rather than wait to receive a final statement from the hotel.
- We also noted seven instances in which the Department paid expenses that were not supported either by a paid receipt or a personal declaration. Most of the missing receipts were taxi receipts. However, in one file, an employee claimed \$11.00 for using a travel card to obtain cash. Discussions with management identified that the amount of the cash withdrawal

²⁰ Travel Directive Section 3.4.6

²¹ Travel Directive Section 3.4.4

was \$500. American Express charges 2% for the cash withdrawal plus a \$1.00 transaction fee. Therefore the employee was charged \$11.00. There was no proof on file to indicate the calculation of the \$11.00 charge. . In another file, the employee did sign a declaration, but it was not signed under Section 34 of the FAA.

- We determined in three cases that a traveller combined business and personal travel and that the Department paid for some personal expenses, such as ground transportation, accommodation, and meals.
- Minimal use was made of rental vehicles and, in those cases where a rented vehicle was used, there was appropriate insurance coverage.
- Thirteen travellers used private motor vehicles. Except for employees with blanket authorities, prior authorization had been received.
- While some travellers did not stay at a hotel (for example, employees who stayed with friends and family), 132 travellers stayed at hotels listed in the Government Accommodation and Car Rental Directory. Those travellers who did not stay in listed hotels either stayed in private accommodations or stayed in higher-priced hotels for which costs were offset by savings in taxi fares or meals that were provided by conferences.

As recommended earlier in this report, the regional accounting operations should review expense claims and determine if recovery actions should be taken. (See “Use of Government Travel Services.”)

A recommendation was made in the 2005 travel and hospitality audit report that the Director General, Finance, Administration and Programs issue a directive to all regional directors and headquarters responsibility centre managers to ensure that:

- a) employees participating in events sponsored by the Department provide appropriate supporting documentation for hotel room invoices submitted on their behalf by the hotels to the Department;*
- b) all invoices are indicated as paid in full or are supported by a credit card invoice before the traveller is reimbursed; and*
- c) both employees and non-employees use only the hotels listed in the Government Accommodation and Car Rental Directory unless they can provide adequate justification or receive prior authorization for using other accommodations. (Travel and Hospitality Report, 2005: Recommendation 11.)*

Implementing this recommendation should improve matters in this area.

Recommendations and Management Response

- 4. It is recommended that the Director General, Finance, Administration and Programs, ensure that the entire Department uses the same Travel Expense Claim form so that travel files are appropriately documented and that claims are supported by the required information.**

I agree. With the government-wide initiative to implement a tool for recording and tracking travel expenditures, known as the Expense Management Tool (EMT), a standardized Travel Expense Claim form will be introduced. The Department's implementation of EMT is expected by the end of 2007-08. In the interim, by May 2006 an information bulletin will be issued reminding staff that they must use the Travel Expense Claim form in the Department's Forms Catalogue or in the eTravel/Travel Expert System.

4. FINDINGS—HOSPITALITY

This section provides audit findings based on our examination of the Department’s adherence to various TB directives and policy requirements related to hospitality expenses and claims.

4.1 Hospitality Policy

The TB Hospitality Policy states that “it is government policy to extend hospitality in an economical, consistent, and appropriate way when it will facilitate government business or is considered desirable as a matter of courtesy.” The policy was developed to ensure that economy and consistency in offering hospitality are maintained throughout the Public Service.

According to Appendix A of the policy, hospitality is normally defined as breakfast, lunch, dinner, reception, and/or refreshments. In exceptional circumstances, hospitality may also include tickets to theatres or sporting events, room rentals, and incidentals such as flowers.

Appendix B of the policy sets out the meal allowance for hospitality, which is calculated using the allowances in the TB Travel Directive.

Findings

The Department has not developed internal procedures to guide employees in completing required Forms when they incur hospitality-related expenses. Departmental employees must rely on their own interpretation of the TB Hospitality Policy and/or the advice of employees from the Financial Management Division at headquarters.

In our examination of departmental hospitality expense claims, we made the following observations.

- In all the hospitality files reviewed the reason for hospitality was documented either on the authority to extend hospitality or the hospitality claim forms. Costs were incurred according

to Appendix B of the TB Hospitality Policy and in the majority of cases, the hospitality functions were in compliance with the policy.

- In 3 of 19 files reviewed, we found that there were no documents confirming that hospitality was approved in advance or by the appropriate level of authority, as specified in Appendix C of the TB Hospitality Policy and in the departmental Delegation of Financial Signing Authorities Chart.
- While the policy requires departments and agencies to use government-owned facilities when appropriate and available, 10 of 19 hospitality events examined did not use government-owned facilities and no cost-benefit analysis or justifications were found in those files.
- Appendix B of the TB Hospitality Policy outlines per-person cost limits for hospitality functions. Exceeding the cost limits requires approval by an appropriate departmental authority. In the 19 files reviewed we found no evidence that the maximum per-person cost limits were exceeded.
- Section 4 of the policy requires that departments ensure that departmental records contain sufficient information on each function:
 -
 - the circumstances, including any requiring special authority (i.e., any that deviate from the norm);
 - the form of hospitality
 - breakfast
 - lunch
 - dinner
 - reception
 - refreshments, or
 - serving beverages (with or without food);
 - the cost;
 - the location (i.e., in a government facility, commercial or other establishment);
 - the number of attendees listed by category (i.e., guests or government employees); and
 - approvals by the appropriate delegated officials (see Appendix C).

We noted that the 19 files we reviewed did not all include the above information.

As stated in the 2005 report, *It is our opinion that implementing the recommendations made in the 2005 travel and hospitality audit report to develop an internal policy/directive on hospitality, using a checklist for organizing and processing expense claims, and increasing control and*

monitoring of hospitality-related activities will ensure more consistency and compliance with TB requirements. (Travel and Hospitality Report, 2005: page 36.)

Recommendations and Management Response

5. It is recommended that the Director General, Finance, Administration and Programs issue a directive to all regions that:

- a) all hospitality events must be approved in advance, and**
- b) a cost benefit analysis must be documented when hospitality is provided in non-government facilities.**

I agree. The Department's hospitality procedures are currently under review and will require further internal consultation before being distributed to staff. The review and consultation process is expected to be completed by October 2006. The procedures will include the requirement that all hospitality events must be approved in advance and that the use of non-government facilities must be supported by a cost-benefit analysis.

5. CONCLUSIONS

The audit team has concluded that while the majority of the files examined on hospitality and travel in the Quebec and Prairie region offices do comply with TB travel directives and hospitality policy, there are a number of weaknesses in existing departmental controls and processes that need to be addressed. As noted in the previous audit report on travel and hospitality particular attention should be given to ensure that:

- departmental travel directives and procedures and hospitality policies and procedures are updated and/or developed to ensure that the TB travel and hospitality requirements are consistently met;
- all TAAs are properly completed and authorized before travel occurs;
- processes are established to ensure that all travel expense claims submitted by travellers are audited and reviewed in a consistent manner across the Department;
- all travel and hospitality claims are supported by suitable documentation;
- travel claims submitted without appropriate documentation or for expenses not permitted by TB directives and/or guidelines are rejected unless adequate justification is approved and included with the travel claim;
- all amounts found owing to the Department are quickly collected;
- measures are taken to ensure that all requests to provide hospitality are approved in advance of the event and are approved by the appropriate level of departmental management.

In the majority of the regional offices visited, travel expense claims do comply with the TB Travel Directive.

6. RECOMMENDATIONS AND MANAGEMENT RESPONSE

1. **It is recommended that the Director General, Finance, Administration and Programs issue a directive to all regional directors and headquarters responsibility centre managers indicating that travel conducted under circumstances that deviate from the norm, even when conducted under blanket travel authorizations, be pre-approved and documented to file.24**

I agree. By May 2006, an information bulletin will be issued on this matter.

2. **It is recommended that the Director General, Finance, Administration and Programs, issue a reminder to all staff that all travellers must use GTS when booking travel arrangements on all public carriers.29**

I agree. By May 2006, an information bulletin will be issued on this matter.

3. **It is recommended that the Director General, Finance, Administration and Programs, remind all departmental travellers of the benefits of using the Individual Travel Cards.32**

I agree. By May 2006, an information bulletin will be issued on this matter. The Departmental Travel Coordinator will also be distributing information packages within the Department to promote the government's travel products and services, including the Individual Travel Card by December 2006.

4. **It is recommended that the Director General, Finance, Administration and Programs, ensure that the entire Department uses the same Travel Expense Claim form so that travel files are appropriately documented and that claims are supported by the required information.36**

I agree. With the government-wide initiative to implement a tool for recording and tracking travel expenditures, known as the Expense Management Tool (EMT), a standardized Travel Expense Claim form will be introduced. The Department's implementation of EMT is expected by the end of 2007-08. In the interim, by May 2006 an information bulletin will be

issued reminding staff that they must use the Travel Expense Claim form in the Department's Forms Catalogue or in the eTravel/Travel Expert System.

5. It is recommended that the Director General, Finance, Administration and Programs issue a directive to all regions that:39

- a) all hospitality events must be approved in advance, and**
- b) a cost benefit analysis must be documented when hospitality is provided in non-government facilities.**

I agree. The Department's hospitality procedures are currently under review and will require further internal consultation before being distributed to staff. The review and consultation process is expected to be completed by October 2006. The procedures will include the requirement that all hospitality events must be approved in advance and that the use of non-government facilities must be supported by a cost-benefit analysis.

APPENDIX A

The CICA Criteria of Control

APPENDIX A—THE CICA CRITERIA OF CONTROL

The Canadian Institute of Chartered Accountants' (CICA) Criteria of Control are based on the premise that an organization performs activities guided by an understanding of its **purpose** (the objectives to be achieved) and supported by **capabilities** (information, resources, supplies, and skills). The organization must be **committed** to consistently and repeatedly performing the identified task well. A committed organization **monitors** its performance and the environment to **learn** how to improve.

The following criteria constitute a management framework that can be used to assess any activity in an organization.

Purpose

- Objectives should be established and communicated.
- Significant internal and external risks faced by an organization in the achievement of its objectives should be identified and assessed.
- Policies designed to support the achievement of an organization's objectives and the management of its risks should be established, communicated, and practised so that people understand what is expected of them and the scope of their freedom to act.
- Plans to guide efforts in achieving the organization's objectives should be established and communicated.
- Objectives and related plans should include measurable performance targets and indicators.

Commitment

- Shared ethical values, including integrity, should be established, communicated, and practised throughout the organization.
- Human resource policies and practices should be consistent with an organization's ethical values and with the achievement of its objectives.
- Authority, responsibility, and accountability should be clearly defined and consistent with an organization's objectives so that decisions and actions are taken by the appropriate people.
- An atmosphere of mutual trust should be fostered to support the flow of information between people and their effective performance toward achieving the organization's objectives.

Capability

- People should have the necessary knowledge, skills, and tools to support the achievement of the organization's objectives.
- Communication processes should support the organization's values and the achievement of its objectives.
- Sufficient and relevant information should be identified and communicated in a timely manner to enable people to perform their assigned responsibilities.
- The decisions and actions of different parts of the organization should be coordinated.
- Control activities should be designed as an integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.

Monitoring and Learning

- External and internal environments should be monitored to obtain information that may signal a need to re-evaluate the organization's objectives or control.
- Performance should be monitored against the targets and indicators identified in the organization's objectives and plans.
- The assumptions behind an organization's objectives should be periodically challenged.
- Information needs and related information systems should be reassessed as objectives change or as reporting deficiencies are identified.
- Follow-up procedures should be established and performed to ensure appropriate change or action occurs.
- Management should periodically assess the effectiveness of control in its organization and communicate the results to those to whom it is accountable.

APPENDIX B

Travel Authority and Advance Form

APPENDIX B—Travel Authority and Advance Form (GC-72)

Paper copy on request

APPENDIX C

Travel Expense Claim

APPENDIX C—Travel Expense Claim (GC-73)

Paper copy on request

APPENDIX D

Record of Travel Expenses

APPENDIX D—Record of Travel Expenses (GC-74)

Paper copy on request

APPENDIX E

Audit Verification Checklist for Travel

APPENDIX E—AUDIT VERIFICATION CHECKLIST FOR TRAVEL

CHECKLIST FOR TRAVEL	
Fiscal Year: _____	
Responsibility Centre: _____	
Document Reference Number: _____	
Total \$ Value of Transactions Reviewed: _____	
ITEM	Yes/No
1.1 Was travel authorized in advance?	
1.2 Is the reason for travel documented?	
1.3 Was a standing authority used?	
1.4 Does the TAA include the mode (air, train, private car)?	
1.4.1 Does the TAA include type of travel (e.g., APEX, economy, business class)	
1.5 If business airfare was used, was it justified?	
1.6 Does the TAA include the type of accommodation (e.g., commercial, private)?	
1.7 Was the booking made early in order to get the cheapest possible airfare?	
1.8 Was a Canadian carrier used? If not, is the reason on file?	
1.9 Were routings indirect to accommodate employee airline preferences?	
1.10 Was the employee on a duty travel during a weekend? If yes, was a cost-benefit analysis done?	
1.11 Does the TAA include dates of personal travel taken in conjunction with business travel?	
1.12 Was the Government Travel Services used to book air travel?	
1.13 Was a travel advance used?	
1.14 Was the advance less than the estimated travel expenses?	
1.15 Was the reason for the travel advance documented?	
1.16 Was an individual travel card (ITC) used?	
1.17 Will the employee be given a residence rather than lodging?	
1.18 Was the employee allowed to travel home over the weekend rather than stay at the work location?	
1.19 Was there 9 hours of continuous flight and, if so, was there an overnight stop?	
1.20 Did the employee go to alternate locations on weekends instead of going home?	
1.21 If a personal vehicle was used, was it justified?	
2.1 Is a travel expense report on file? If not, find document.	
2.2 If travel was not previously authorized is the justification on file?	

CHECKLIST FOR TRAVEL	
2.3	Are original receipts attached? If not, is there a personal declaration?
2.4	Were claims paid after approval by a delegated signing authority? If not, find out why.
2.5	Does the travel expense claim show any substantive, material changes compared with the original TAA?
2.6	If upgraded travel costs were unauthorized, was the difference paid back?
2.7	If a car was rented, was the price according to the PWGSC listed price?
2.8	Did the auto rental include payment for collision damage?
2.9	Were there any other charges claimed and paid that were not justified?
2.10	Did childcare assistance apply?
2.11	Was documentation for foreign exchange included in receipts?
2.12	Was there reimbursement for meals while at home base?
2.13	Were there any overnight stops and were they authorized?
2.14	Were meals reimbursed for travel of less than one day? If yes, are actual receipts attached?
2.15	Did the employee travel home for the weekend?
2.16	Are there transportation costs for overtime? Was the overtime authorized?
2.17	If a travel advance was used, how long after the trip was it paid back to the Department? (Must be within 15 days after trip was completed.)
2.18	Is there Section 33 (FAA) approval indicating that there are sufficient funds in the Department's appropriation to pay the travel claim?
2.19	Is there Section 34 (FAA) approval indicating that the travel actually occurred?
2.20	Is there evidence that the claim was audited?
COMMENTS	

APPENDIX F

Audit Verification Checklist for Hospitality

APPENDIX F—AUDIT VERIFICATION CHECKLIST FOR HOSPITALITY

CHECKLIST FOR HOSPITALITY	
Fiscal Year: _____	
Organization: _____	
Document Reference Number: _____	
\$ Value of Transactions: _____	
Items	Yes/No
1.1 Was hospitality approved in advance and by an appropriate level of authority?	
1.2 Was the reason for hospitality documented?	
1.3 Were government-owned facilities used?	
1.4 Is the location of the event a non-government location? If yes, were cost-benefits analyses done prior to travel?	
1.5 Was the hospitality in other settings approved in advance by the Deputy Minister?	
1.6 Did the request for hospitality include all required information (purpose, forecasted costs)?	
1.7 Were costs according to Appendix B of Hospitality Policy?	
1.8 If maximum per person cost limits are exceeded, was prior approval obtained from the Deputy Minister or Assistant Deputy Minister ?	
1.9 Is there information on circumstances that deviate from the norm? If so, try to identify reasons.	
1.10 Is there appropriate information on the form of hospitality (e.g., breakfast, reception)? If not, is the reason on file?	
1.11 Were proper invoices submitted? If not, follow-up.	
1.12 Are the number of attendees listed by category (e.g., guests, government employees)? If not, follow-up.	
1.13 Was hospitality offered only to government employees?	
1.14 Was the hospitality to government employees provided in accordance with policy?	
1.15 If the function was attended by guests, was the number of employees greater than number of guests?	
1.16 Was the spouse of the person attending the function included in costs? If yes, was this approved by the Deputy Minister?	
1.17 Was the function an exception to policy?	
1.18 Was there Section 34 (FAA) approval indicating that the event actually occurred?	
1.19 Is there evidence that the claim was audited?	
Comments	