

**TSB Management Response and Action Plan
Internal Audit of Hospitality Expenses
November 2006**

TSB management accepts the findings of this audit and generally agrees with the recommendations made by auditors. The detailed management responses and action plans are described in the following tables.

Recommendation #1	The TSB policy could be improved by revising and clarifying the policy in a number of areas.
Management Response	Management agrees with the need to clarify certain aspects of the policy and procedures, as well as to modify the hospitality form.
Actions Planned	1 - Review and update TSB hospitality policy and procedures, as well as the hospitality approval/claim form. 2 – Inform all managers and administrative officers of the new policy and procedures.
OPI	Manager Finance and Administration
Timeline	1 - Completed by December 2006 2 – Completed by January 2007

Recommendation #2	Provided that it is cost-effective to do so, the TSB should consider developing a Web-based (or spreadsheet-based) form where: some calculations can be performed automatically; the user is alerted with the appropriate level of authority based on the information provided; and the user is required to choose from a drop-down menu for certain sections of the form where consistency is desired.
Management Response	Management does not consider having an advanced functionality web-based form as a priority and there are currently no plans to invest in the development of such a form. However, a basic spreadsheet-based form will be developed with automatic calculations.
Actions Planned	Develop and implement a new hospitality form.
OPI	Manager, Finance and Administration
Timeline	Completed by December 2006

Recommendation #3	Training courses open to staff at all levels should be provided. Training material should contain background information, which, when properly applied, would provide a better understanding of potential issues related to the expenditure of funds, promote compliance with the established policy and procedures and improve the accountability over hospitality expenditures.
Management Response	Management agrees with the need for training.
Actions Planned	1 - This topic will be addressed with administrative officers at the Annual Admin Officers Conference. The revised draft policy and procedures, and revised form will be introduced at that time. 2 - More detailed training will be arranged for frequent users of hospitality forms.
OPI	Manager Finance and Administration
Timeline	1 - Completed by November 2006 2 - Completed by March 2007

Recommendation #4	The hospitality request and claim form (TSB 1521) should be fully and accurately completed as intended. The form should be accompanied by a sufficiently detailed list of participants and by sufficiently detailed original receipts at all time.
Management Response	Management agrees with the auditors' recommendation.
Actions Planned	1 - Review and update TSB hospitality policy and procedures, as well as the hospitality approval/claim form. 2 - This topic will be addressed with administrative officers at the Annual Admin Officers Conference. A reminder of the procedural requirements will be provided at that time. 3 – Inform all managers on the new policy, procedures and form.
OPI	Manager Finance and Administration
Timeline	1 – Completed by December 2006 2 – Completed by November 2006 3 - Completed by January 2007

Recommendation #5	Signing authority in regards to the limitations set in the policy should be respected and applied accordingly on a consistent basis. Where the final costs exceed the original approver's level of authority, a new approval, from an appropriate level of authority, should be obtained after the fact.
Management Response	Management agrees with the auditors' recommendation.
Actions Planned	<p>1 - Review and update TSB hospitality policy and procedures, as well as the hospitality approval/claim form.</p> <p>2 - This topic will be addressed with administrative officers at the Annual Admin Officers Conference. A reminder of the procedural requirements will be provided at that time.</p> <p>3 - Remind all managers of policy requirements.</p>
OPI	Manager Finance and Administration
Timeline	<p>1 - Completed by December 2006</p> <p>2 - Completed by November 2006</p> <p>3 - Completed by January 2007</p>

Recommendation #6	The TSB should regularly monitor the actual costs per person for meal-related hospitality functions to ensure that it does not exceed the average per-person cost specified in Appendix A of the TSB policy (pursuant to Subsection 7.5.1 thereof).
Management Response	Management agrees that actual costs per person must not exceed the maximum amounts allowed in the policy. However, management does not see the need for regular monitoring as the amounts spent on hospitality are relatively small and well within the established guidelines. Efforts will rather be placed on the few larger expenditure transactions to ensure those cases are in compliance with the policy requirements.
Actions Planned	Implement a pre-event review process by Finance for all hospitality requests with a cost higher than \$1,000.
OPI	Manager Finance and Administration
Timeline	Completed by January 2007

Recommendation #7	Emphasis should be put on ongoing efforts to improve controls related to the processes. Overall controls should include ensuring that sufficient details regarding the purpose of the expense are provided with the claim, verifying the reasonableness of the claim and ensuring that the appropriate general ledger accounts are used, while at the same time ensuring compliance with the approved delegation of financial signing authorities.
Management Response	Management agrees with the auditors' recommendation.
Actions Planned	Finance will review and reinforce its pre-payment review process to ensure that all claims are reviewed in details and that no payment is made without complete and accurate information.
OPI	Coordinator Financial Services
Timeline	Completed review by December 2006 and then on-going

Recommendation #8	TSB should clearly define the policy and procedures for the provision of meals at major occurrence investigation sites and ensure that all appropriate staff and managers are aware of the proper handling required for such transactions.
Management Response	Management agrees with the auditors' recommendation.
Actions Planned	1 - A detailed policy and procedures will be developed for this type of situations and added as an appendix to the main TSB policy on hospitality. 2 - Specific references to this appendix will be added to the Manual of Investigations and the related administrative checklists.
OPI	Manager Finance and Administration
Timeline	1 – Completed by December 2006 2 - Completed by March 2007