AUDIT AND EVALUATION DIRECTORATE

DIRECTION GÉNÉRALE DE LA VÉRIFICATION ET DE L'ÉVALUATION

AUDIT OF TRAVEL AND HOSPITALITY
PROJECT NUMBER 2003-65179
## FINAL REPORT
SEPTEMBER 30, 2005

Fisheries and Oceans Canada

Pêches et Océans Canada

Canada

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Department is responsible for ensuring that Travel and Hospitality activities are well-managed, and that suitable management practices and controls are in place and functioning.

In light of increased public scrutiny regarding responsible spending, the audit of Travel and Hospitality was identified in the 2003/04 Risk-Based Audit and Evaluation Plan. The conduct phase of the audit was done from October 2004 to March 2005, with site visits to all regional offices, including the National Capital Region.

The overall objective of the audit was to provide assurance that Travel and Hosptiality were being administered in accordance with departmental and Central Agency policies and directives. The specific objectives of the audit were:

- To assess the adequacy of the overall control framework for the Travel and Hospitality programs and to confirm that DFO has structured administration of these programs with due regard to Treasury Board Secretariat (TBS) and departmental policies and directives;

- To determine the extent to which there is compliance with the Treasury Board Secretariat and DFO policies and directives pertaining travel and hospitality; and

- To identify opportunities for improvement and cost savings where appropriate.

Each of these areas is discussed in detail in the Findings, Conclusions, and Recommendations section of the report. It should be noted that the audit team conducted several briefing sessions to provide information and obtain feedback on findings.

It is important to acknowledge the achievements that have been made in the area of Travel and Hospitality. These include new initiatives such as the new Travel Policy. In addition the department has exceeded the savings targets that have been set for Travel and Hospitality.

SUMMARY OF FINDINGS AND CONCLUSIONS

Travel

The Management Control Framework over Travel Expenditures, for the most part, is in place and is being administered with due regard to Central Agency and departmental policies and directives.   However, both monitoring and the quality of information for decision-making purposes need to be strengthened.

The extent of departmental compliance with the TBS Travel Directive and the DFO Travel Policy is generally high, with the exception of a number of administrative practices. Departmental practices that need to be addressed to ensure full compliance with TBS and DFO policy include pre-authorization of travel, documentation in support of travel expenses, and mandatory publication of travel expenses for selected officials.

Hospitality

The Management Control Framework for Hospitality is guided by policies from Treasury Board and the Department which are designed to provide for additional controls for this expense. However, we are unable to provide assurance on the effectiveness of these controls due to several weaknesses in the Management Control Framework. In particular, our findings suggest that several areas need to be strengthened. These are: monitoring, training and awareness, and accountabilities.

The extent of departmental compliance with the TBS and DFO Hospitality Policies is low, with weaknesses in a number of administrative practices. Departmental practices that need to be addressed to ensure full compliance with TBS and DFO policy include ensuring the pre-authorization of hospitality*,* the respecting of the delegated authorities for the *Financial Administration Act (FAA)* Section 34, improving the documentation in support of hospitality expenses, the mandatory publication of hospitality for selected officials, and the hosting of events in government-owned facilities.

Summary of Travel and Hospitality Policy Compliance

KEY CRITERIA	TRAVEL	HOSPITALITY
Objective No. 1: Assessment of the Management Control Framework		
1. **DFO Policy Consistent with Central Agency**	Criteria Met	Deficiencies identified in DFO Interpretation Bulletin.
2. **Accountabilities Clearly Identified**	Criteria Met	Accountability framework exists, but not being consistently applied.
3. **Communication, Training and Awareness**	No formal training identified for individuals holding FAA Section 34 responsibilities.	No formal training identified for individuals holding FAA Section 34 responsibilities.
4. **Monitoring & Reporting**	No national standards exist for FAA Sections 33 or 34 monitoring.	No national standards exist for FAA Sections 33 or 34 monitoring.
5. **Quality of Information for Management Reporting**	Some reporting capabilities were identified that were not currently being used by management.	Existing reporting and policies will provide management the information it needs.
6. **Risk Management Applied**		Controls and recommendations contained in this report will mitigate risks.
Objective No. 2: Compliance with DFO and TBS Policies		
1. **Pre-authorization of expenditures (FAA Section 32)**	Numerous cases of missing/incomplete documentation for pre-authorizations.	Numerous cases of missing/incomplete documentation for pre-authorizations.
2. **Documentation in Support of Claims (FAA Section 33 & 34)**	Some cases of missing/incomplete supporting documentation.	Several cases of missing/incomplete supporting documentation.
3. **Travel & Hospitality Planning**	DFO employees booked flights later than the GOC average.	DFO would benefit from additional effort in planning, particularly by using government owned facilities.
4. **Mandatory publication of expenses for Senior Executives**	Weaknesses in data gathering procedures. Some cases of expenses not posted on the department's internet site.	Weaknesses in data gathering procedures. Several cases of expenses not posted on the department's internet site.
5. **Travel Service Provider**	Compliance generally high, with some minor problems identified.	N/A

SUMMARY OF KEY RECOMMENDATIONS

The recommendations identified below were assessed by the auditors as being the most critical for improving the level of compliance with the Central Agency and Departmental Travel and Hospitality Policies and should be implemented within the short term (1-8 months).

> *Travel*

- *The Director General, Finance and Administration, in conjunction with the Regional Directors General, should establish a consistent sampling methodology for regional monitoring of travel expense claims that takes into consideration risk and materiality, and should provide a standard checklist to personnel who are responsible for the verification of travel claims pursuant to Section 34 of the FAA.*

- *The Director General, Finance and Administration, in conjunction with the Regional Directors General, should establish a process for recording both the transactions sampled and the results of the verification process pursuant to Section 33 of the FAA.*

- *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance and Responsibility Centre Managers (RCM), should ensure all business travel expenses processed have documentation to support a valid pre-approval.*

> *Hospitality*

- *The Director General, Finance and Administration and Regional Directors of Finance, as part of FAA Section 33 account verification, should maintain statistics on non-compliance of hospitality expenditures relating to Hospitality and Account Verification Policies. These statistics should include RCMs that do not seek approvals in advance and RCMs that do not provide the information required to support their hospitality expenses. Regional Finance should provide follow-up, including reporting RCs with account verification problems to their respective Managers.*

- *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should ensure all hospitality expenses processed have documentation to support a valid pre-approval and/or a written justification for exceptions.*

- *The Director General, Finance and Administration review the existing monitoring process used to capture hospitality expenses incurred by senior officials and to modify the process to include referencing the departmental financial management system, in order to enhance the accurate and complete posting of hospitality data on the Department's website.*

1.0   INTRODUCTION

1.1   BACKGROUND

The Department of Fisheries and Oceans (DFO) depends on travel and hospitality to facilitate the operation of its various Business Lines. DFO spent approximately $41.2 million employee travel, $2.9 million on relocation and $928 thousand on hospitality expenses during the fiscal year 2003/04. A regional breakdown of these expenses is illustrated in figures 1 and 2 respectively.

Figure 1

2003-04 Travel by Region

Gulf, $1,400,881 , 3%
NCR, $8,954,284 , 22%
Newfoundland, $4,770,208 , 12%
Maritimes, $5,097,720 , 12%
Quebec, $4,498,016 , 11%
Central & Arctic, $7,282,388 , 18%
Pacific, $9,194,189 , 22%
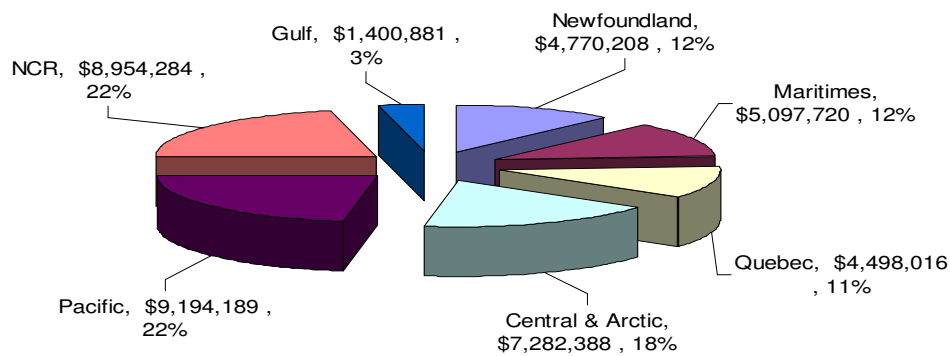
Total 2003/04 Travel = $41,197,687

Figure 2

2003-04 Hospitality by Region

Gulf, $50,986 , 5%
Newfoundland, $58,710 , 6%
Maritimes, $96,323 , 10%
Quebec, $30,749 , 3%
Central & Arctic, $84,656 , 9%
NCR, $497,718, 55%
Pacific, $108,700 , 12%
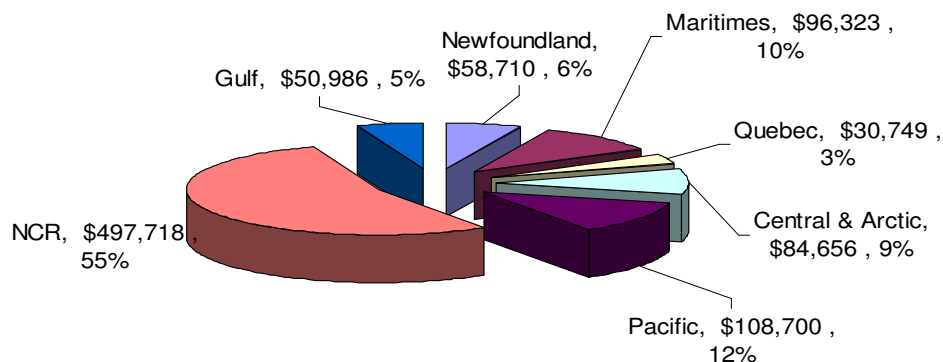
Total 2003/04 Hospitality = $ 927,842

Government travel and hospitality are subject to ongoing interest by the public and media. The public are looking for assurance that public money is well spent. People want more scrutiny and

vigilant oversight over these types of expenditures, which are indications of prudence and probity in the management of public funds.

To provide more transparency pertaining to travel and hospitality expenditures, the Prime Minister announced, on December 12, 2003, a new policy on mandatory disclosure of travel and hospitality expenses for selected government officials. DFO has complied with this policy by posting on the Department's internet site the travel and hospitality expenditures incurred by the Minister, Parliamentary Secretary, and their exempt staff, and by the Deputy Minister and other senior level employees. The information on the internet site is updated every three months.

The rules and principles governing travel are outlined in the Treasury Board Secretariat (TBS) Travel Directive and the DFO Travel Policy. These documents are in place to ensure fair treatment of employees required to travel on government business and to provide for the reimbursement of reasonable expenses such as transportation, accommodations, meals and incidentals.

Hospitality in the federal government encompasses the provision of refreshments, meals, and sometimes entertainment to guests of government departments or agencies. The TBS policy on hospitality is intended to ensure that hospitality is extended in an economical, consistent, and appropriate way when it will facilitate government business or is considered desirable as a matter of courtesy.

The Audit and Evaluation Directorate viewed travel and hospitality as significant operational expenditures that are being incurred by DFO in pursuit of its mandate, therefore an audit of these expenditures was included in our 2003-2004 Internal Audit and Evaluation Work Plan.

1.2   OBJECTIVES AND SCOPE

The overall objective of the audit was to provide assurance that travel and hospitality are being administered in accordance with departmental and Central Agency policies and directives. The specific objectives of the audit were:

- To assess the adequacy of the overall control framework for the Travel and Hospitality programs and to confirm that DFO has structured administration of these programs with due regard to Treasury Board Secretariat (TBS) and departmental policies and directives;

- To determine the extent to which there is compliance with TBS and DFO policies and directives pertaining to travel and hospitality; and

- To identify opportunities for improvement and cost savings where appropriate.

The audit scope included interviews with Directors of Finance, National and Regional Travel and Hospitality Coordinators, Financial Policy Officers, Financial Officers responsible for the processing of expense claims, and frequent travellers and users of hospitality and their respective RCMs in all DFO Regions and at Headquarters (HQ).

1.3   METHODOLOGY

The audit has complied with generally accepted auditing practices and was conducted in accordance with Treasury Board of Canada Secretariat Policy on Internal Audit.

Procedures, guidelines and practices were examined, as well as the monitoring and reporting mechanisms in place. In addition, statistical and criteria-based samples of travel and hospitality expenditures claims submitted during the fiscal years 2002/03 and 2003/04 were examined for data completeness, reasonableness, accuracy, and compliance with TBS and DFO policies and directives.

The audit was carried out in three phases, namely: Planning, Conduct, and Reporting. A summary of activities for each of the phases is outlined below:

Planning Phase

❑ Reviewed applicable departmental and central agency policies and guidelines;
❑ Determined audit scope and methodology;
❑ Developed a detailed audit program;
❑ Developed and obtained approval for the audit Terms of Reference document; and
❑ Developed a detailed Audit Work Plan.

Conduct Phase - Preliminary Survey

❑ Determined whether departmental policies were consistent with Central Agency policies;
❑ Accessed and assessed travel and hospitality expenditure transactions in order to determine the completeness, reasonableness, accuracy, and validity of data and to identify trends in program operations;
❑ Identified and validated key audit and program-related issues with departmental stakeholders (departmental and regional travel and hospitality coordinators, RCMs, and financial officers);
❑ Reviewed travel and hospitality line objects in the Management Reporting System (MRS) database with computer-assisted audit techniques (CAATs) to identify high-dollar transactions, frequent travellers (who travel both in Canada and overseas, to the same location, to desirable locations, etc,) and large extensions of hospitality – selected a random sample of travel and hospitality claims;
❑ Identified and validated initial observations through assessments of documents and electronic data at HQ; and
❑ Finalized the audit program based on initial findings.

Conduct Phase – Detailed Examination

❑ Examined practices, documents and electronic data in all regional offices;
❑ Debriefed relevant stakeholders;
❑ Completed audit working papers;
❑ Identified opportunities to improve travel and hospitality delivery and monitoring practices; and
❑ Produced an Initial Statement of Findings.

Reporting Phase

❑ Validated Initial Statement of Findings;
❑ Produced a Draft Advisory Report;
❑ Debriefed key stakeholders on the Draft Advisory Report; and
❑ Finalized the Audit Report.

Lines of Enquiry and Criteria

An overview of the lines of enquiry and audit criteria used to assess the adequacy of the process framework, practices and tools in place to support Travel and Hospitality can be referred to in Appendix B of the report.

Audit results have been captured in Section 2 and 3 of this report in accordance with the following:

- The Effectiveness of the Management Control Framework; and
- Compliance with Central Agency and DFO policies.

Each of the areas stated above is discussed in detail outlining findings, recommendations, best practices where applicable, and any identified control weaknesses that should be considered and addressed by the Department.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

2.0   TRAVEL

2.1   MANAGEMENT CONTROL FRAMEWORK

The Management Control Framework, for the most part, is in place and is being administered with due regard to Central Agency and departmental policies and direction. However, there are areas of the Management Control Framework that need to be strengthened, specifically, in the areas of training, monitoring, and the quality of information for decision making.

2.1.1   Departmental Policy and Procedures

Criterion: Departmental policy should be consistent with Central Agency policy on Travel.

Finance and Administration released a new departmental travel policy on July 5, 2004. Consequently, the audit compared the new policy to the equivalent Treasury Board Secretariat (TBS) policy and directives, in order to identify any gaps or inconsistencies.

The new departmental policy states that it is subservient to the TBS policy and is intended to clarify, interpret, and facilitate the implementation of the TBS policy and directives.

We found the new policy to be more complete and that it facilitates the implementation of the TBS policy, as it contained the following characteristics that were absent in the former policy:

- A more elaborate and complete set of terms and conditions are outlined for Blanket Travel Authorities, continuous travel to the same location, and booking travel; and
- Roles and responsibilities have been identified from senior management through to the traveller.

We have concluded that the DFO travel policy and directives are consistent with Central Agency policy and directives.

Recommendations

   No recommendations required.

2.1.2   Accountability

Criterion: The accountability framework for the management of travel should be clearly and adequately defined.

Pursuant to departmental travel policy, we found that accountabilities, roles and responsibilities of the Departmental Travel Coordinator, Regional Travel Coordinators, travellers and the RC

managers are clearly identified and properly established. Furthermore, we found all Regions support and recognize the cost reduction efforts implemented by the Departmental Management Committee (DMC).

An accountability framework for the administration of travel expenditures was implemented as follows:

- The Departmental Travel Coordinator is responsible for ongoing management of the travel program in the Department which includes: liaising with Travel AcXess Voyage on department-wide issues as required; monitoring and reporting on the travel program; ensuring Department-wide compliance to the travel policy; and maintaining good communications with the Regional Travel Coordinators.

- The Regional Travel Coordinator is responsible for travel interpretations, monitoring and reporting on travel in the Region, and performing a challenge function.

- RCMs are responsible for authorizing and approving travel in accordance with Sections 32 and 34 of the Financial Administration Act, and monitoring travel expenses for their respective Responsibility Centres.

- Travellers are responsible for obtaining pre-authorization for travel, booking the trip in a cost-effective manner, submitting their travel expense claim to the RC Manager on a timely basis, and reading and understanding the DFO Travel Policy and TBS Travel Directive.

Recommendations

    No recommendations required.

2.1.3   *Communication/Awareness Training*

Criterion: Employee training and communications related to travel should be sufficient to ensure that all affected personnel are fully aware of their roles and responsibilities.

The majority of people interviewed indicated that they were familiar with the travel policies and that they knew where to access this information if required. Travellers and RCMs stated that they were aware of the terms and conditions of the Travel Policy and any questions that they may have regarding travel would be directed to Regional Finance for clarification. Interviewees indicated that their most common questions were concerning Relocation and Isolated Post Allowances, which fall outside the travel policies. Travellers and RCMs that were interviewed indicated that they can reference travel-related information through the regional intranet web site (Travel Directive, Finance 101, Travel Tips, In-the-Loop etc.). Also, some interviewees indicated travel updates are discussed during staff meetings.

Based on interviews with Regional Coordinators, RC managers and travellers, we found that most employees received either no training, informal training only, or on-the-job training regarding travel. Few of the RCMs interviewed indicated that they had attended a formal training session regarding travel.

Of particular concern was the lack of information or training that focuses specifically on monitoring and approval of travel expenses, as well as guidance on the *Financial Administration Act* as it pertains to RCMs Section 34 responsibilities. This circumstance presents a general concern, as RCMs who do not receive proper training on the procedures and expectations of travel and payment certification are more likely to be involved in procedural errors which could result in the approval of ineligible expenses.

While communication and training on various aspects of travel are generally consistent across all Regions, they are not sufficient to ensure that all responsible parties are fully aware of their roles and specific responsibilities.

Recommendations

1.   *Regional Directors General identify where insufficient training may have been provided to staff with travel responsibilities, so as to ensure they receive administrative and procedural knowledge to carry out their responsibilities in compliance with departmental policy.*

2.   *The Director General, Finance and Administration, in conjunction with the Regional Directors General, establish and disseminate a directive which contains a checklist for validating and certifying payment of expenses, including travel, to all managers who hold FAA Section 34 authority.*

2.1.4   Monitoring

Criterion: Monitoring practices and controls should be adequate to ensure compliance with travel policies.

A key element in the effective administration of travel requires that monitoring processes are sufficient to ensure that travel expenses comply with the rules of entitlement. Management oversight serves to ensure that an organization's financial controls are adequate to protect it against both financial loss and non-compliance with a range of legislation. This audit focused on the monitoring and control practices related to Sections 33 and 34 of the *FAA* and the Treasury Board Secretariat Policy on Account Verification.

Spending Authority - Section 34 Financial Administration Act (FAA)

To obtain reimbursement for travel expenses incurred for business travel, a DFO employee must prepare a travel claim, along with all supporting documents (receipts), and submit this documentation to their respective Responsibility Centre Manager (RCM) for approval. Once the

RCM has reviewed the travel claim and signed it for Section 34 of the FAA to certify the expenditures, the travel claim is subsequently forwarded to Finance for further processing and verification prior to issuing a payment.

The Treasury Board Secretariat (TBS) Policy on Account Verification states that: (1) the primary responsibility for verifying individual accounts rests with the officer who has the authority to confirm and certify entitlements pursuant to FAA Section 34, and (2) persons with this authority are responsible for the correctness of the payment requested and the account verification procedures performed.

The level of due diligence applied by RCMs in validating travel expenses was inconsistent throughout the Department. From our interviews with Administrative Assistants, Travellers, and RCMs, we learned that some RCMs do a thorough review of each travel claim prior to signing Section 34, while others have delegated the review and challenge function to an Administrative Assistant where the RCM does little or no review prior to signing off on the travel expense claim.

We also observed that there was an absence of an acceptable nationally recognized standard or guideline for managers with Section 34 signing authority and for Administrative Assistants delegated with the responsibility for verifying the accuracy and completeness of the travel expense claims.

While cases of non-compliance from our testing were relatively low, there were instances where information and support documentation were missing. This included: Travel Authority and Advance Forms, Travel Itineraries, Section 34 approvals, and receipts to substantiate expenses.

Payment Authority - Section 33 of the Financial Administration Act)

According to the TBS Policy on Account Verification, (1) responsibility for the system of account verification and related financial controls rests ultimately with those officers who are delegated with payment authority pursuant to FAA Section 33, and (2) Financial Officers with payment authority pursuant to FAA Section 33 must provide assurance of the adequacy of the Section 34 account verification and be in a position to state that the process is in place and is being properly and conscientiously followed.

All Regional Finance groups monitor travel expenses pursuant to Section 33 of the FAA. We noted, however, that there was no consistent standard in place for regional monitoring. For example:

- One Region audited all travel claims over $500;
- One Region audited 100% of the travel claims;
- One Region audited only 4% of the claims selected randomly; and
- In another Region a pre-audit is performed on all travel claims received during a specific day of the week and all other claims received during that week were checked against four elements only (i.e., name, address of the employee, FAA Section 34 signature, and valid financial coding).

We also observed that all Regional Finance groups inform travellers or RCMs of non-compliance with travel policies and correct errors. With the exception of two Regions, it is not a common practice to track error rates to determine whether they are at an acceptable level or to diagnose travel practices for improvements.

We have concluded that monitoring practices and controls are present to detect non-compliance with travel policies. However, the effectiveness of the Account Verification audit process is reduced as it does not promote a comprehensive verification of high-risk claims and there is no standardized or consistently applied approach to capture lessons learned from the audits that are performed by Finance. Implementation of standardized statistical sampling based on risk assessment would reduce the volume of processing low-risk transactions by targeting the high-risk travel expense claims and potentially improving the cost-effectiveness of travel administration.

Recommendations

3.   *The Director General, Finance and Administration, in conjunction with the Regional Directors General, should establish a consistent sampling methodology for regional monitoring of travel expense claims that takes into consideration risk and materiality, and should provide a standard checklist to personnel who are responsible for the verification of travel claims pursuant to Section 34 of the FAA.*

4.   *The Director General, Finance and Administration, in conjunction with the Regional Directors General, should establish a process for recording both the transactions sampled and the results of the verification process pursuant to Section 33 of the FAA.*

2.1.5   Quality of Information for Management Decision-Making

Criteria: Travel information processing system(s) should be used to the fullest extent possible to meet management information needs. Reporting to management should be conducted in a comprehensive, consistent, and timely manner.

Quality information is a prerequisite to enabling management to exercise its oversight role. If management is to monitor travel in the Department, it must receive or have access to periodic reports on the status of travel for their respective sectors.

The Department's Management Reporting System (MRS) is the main source of information used by Sector and Regional Heads and Responsibility Centre Managers to monitor individual travel expenditures. In addition, some Regions developed a report to track the overall cost of travel in an effort to monitor reduction targets established by Headquarters.

From our analysis of MRS data and reports, we determined that MRS is useful for tracking travel expenditures by responsibility centre, sector or project. However, we also observed that MRS is unable to provide macro information that provides an overview description of travel expenditures and frequent travel patterns (i.e., frequent travellers, high-dollars spenders, destinations, durations, city pairs between which most travel took place, and savings obtained and foregone, etc.). We believe that making this type of information available to senior managers would allow them to make more informed decisions regarding travel expenditures.

The new Government Travel Service Provider, Travel AcXcess Voyage, is now required to track detail and summary information relating to travel reservations. The Service Provider consolidates this information annually by Government department and subsequently releases a statistical report to each department's Finance and Administration group. This statistical report is an overview of the department's performance in travel management and provides a snapshot of areas where a department is doing well and areas needing more attention to effect change and improve savings. Corporate Finance at DFO does not distribute the report or share its contents. In addition to the annual statistical report, the Government Travel Service Provider can make available to the Department upon request various ad hoc reports relating to specific travel expenditures. We found the information in the report to be very useful, and that distribution of this report to senior management at Headquarters and the Regions could assist the Department in reducing travel expenditures.

There is a gap in the information required by senior management to analyze travel. This gap can be filled by information that is available through the Government Service Provider.

Recommendations

5.   *The Director General, Finance and Administration, should make available to the senior management at Headquarters and the Regions the annual report from the Travel Service Provider and either obtain or develop standardized travel information reports that can be easily accessed and are practical for the management and monitoring of travel expenditures.*

2.2   COMPLIANCE WITH THE TRAVEL POLICY

The extent of departmental compliance with the TBS Travel Directive and the DFO Travel Policy in place for the period under audit is generally high, with the exception of a number of administrative practices. Departmental practices that need to be addressed to ensure full compliance with TBS and DFO policy include: (1) pre-authorization of travel, (2) documentation in support of travel expenses, and (3) mandatory disclosure of travel expenses for selected officials.

2.2.1 Pre-authorization of travel expenditures- Section 32 of the FAA.

Criteria: Travel should be authorized in advance to ensure that these expenses are incurred in accordance with the provisions of the TBS and departmental policies. In special circumstances travel expenses must be authorized for non-standard items and emergencies.

A) Travel Authority

Most business travel by departmental employees is to be formally authorized in advance of taking a business trip unless another Business Travel Authority type is in place. The Travel Authority and Advance (TAA) form is used to approve travel. The TAA is essential for the planning and control of travel expenses as it contains relevant information on the various facets of travel: travel time, air and ground transportation, accommodation, meals, incidentals and all other expenses involved in travel. This information enables the manager to approve the travel

conditions, control financial commitments and ensure that the expenses claimed are eligible for reimbursement.

We found that in 32% of our sample, there was no signature for approving the travel in advance. In 35% of our sample, there was either no TAA on file or the TAA was missing key information such as major costs (accommodation, flight or meal costs) or the trip itinerary.

The lack of pre-approval documentation was even more apparent for large groups attending out-of-town workshops/meetings and for aircraft charters (e.g. Coast Guard crew changes).

Due to the significance of some of these expenses involved (many over $10,000) we believe that proper pre-authorization is critical to ensure cost control. Testing of travel expense claims has shown that most expenses claimed were reasonable and eligible. However, the Treasury Board Account Verification Policy requires that departments must establish that relevant contract or agreement terms and conditions have been met and that the travel policy was followed.

B) Blanket Travel Authority

When an employee's travel is frequent in nature, the travel policy allows the employee, through the use of a Blanket Travel Authority (BTA), to receive a pre-authorization to travel without having to seek pre-approval on a trip-by-trip basis.

According to the travel policy, all Blanket Travel Authorizations are to be properly authorized using the "Travel Authority and Advance" form. The TAA must include a written justification for the Blanket Travel Authority and specify limits, if any, for its use (for example: geographic location, timeframe, dollars, etc.). The Blanket Travel Authority must be reviewed and approved annually.

In our review of the travel policy and practices related to the administration of Blanket Travel Authorities we observed the following anomalies:

- In several sectors within one region, most employees had a Blanket Travel Authority, including employees who seldom or never traveled, such as administrative assistants and secretaries.
- Several regions use a spreadsheet to consolidate Blanket Travel Authorization information. However, to authenticate the information contained in the spreadsheet a TAA form signed by the RCM and the traveller should be on file. In some regions this information was not being retained.
- The DFO travel policy does not clearly provide guidance on conditions that would lead to the use of Blanket Travel Authorities. There is no requirement that states that a BTA should only be used for routine travel, where it would be administratively beneficial and the risks of unnecessary or inappropriate travel expenditures would be minimal.

Due to the frequent travel of certain employees (e.g., Conservation & Protection Officers who travel on an almost daily basis within their region and/or to the same destinations), we believe that a Blanket Travel Authority that restricts travel to particular territories and modes of transportation is an efficient and appropriate way to pre-authorize travel.

However, for those employees who travel on a less-frequent basis, we do not believe that the efficiencies gained by preparing a Blanket Travel Authorization outweigh the potential risks of unnecessary or inappropriate travel expenditures that an individual TAA is intended to prevent.

The Department's travel policy needs provide better clarification on the usage, content, and administration of Blanket Travel Authorities.

C) Travel Authorization Numbers

To book air travel with AMEX, the Government Travel Service (GTS) provider, a Travel Authorization Number (TAN) is required. A TAN is a key control mechanism in the travel process as AMEX agents will not make travel arrangements without a valid TAN. TAN holders only provide a TAN to an employee with a valid travel authorization. Responsibility Centres are required to obtain a list of TAN's from Finance, record the TANs in a log, and maintain the log in a secure location.

When the travel arrangements are made, the flight is automatically pre-paid by the Department through AMEX. DFO receives a monthly invoice from AMEX for all airfare charges, these invoices are subsequently distributed to RC's for reconciliation purposes. From our discussions relating to reconciliation practices performed by RCs, we found that the common practice of RCs was to reconcile the monthly AMEX charges to their expenditures in the financial system without reconciling the Travel Claims to the TAN log. Also, credits for cancelled flights were monitored with the TAN log only on an ad-hoc basis. Reconciling AMEX charges with expenditures only verifies that amounts charged through AMEX relate to travel done within an RC. From the perspective of an audit trail, it was extremely difficult to match airfare expenditures paid to AMEX with amounts reimbursed to employees for travel expenses. The Department's financial system does not have the capability to link these two expenditures without doing a manual search.

To properly monitor travel expenditures for account verification purposes, it is important to include both payments in the reconciliation process, not only the amount paid to the traveller. A better practice would be to:
>   a) reconcile the travel claim (including support documentation for the flight) with the TAN log to verify that the flight taken matches the location in the TAN log and the TAA; and then,
>   b) reconcile AMEX charges to the TAN log.

We believe that the common reconciliation practice used by RCs to monitor TANs is not sufficient to prevent or detect the misuse of TANs

Another area of concern was the safeguarding of TANs and other prepaid transportation. TANs are essentially "blank cheques" and therefore need to be protected from potential abuse. We learned from interviews with some RCMs and Administrative Assistants that TANs are kept on shared computer hard drives and also in unlocked cabinets. TANs, as well as other prepaid transportation arrangements such as prepaid ferry and small-aircraft ride vouchers, ought to be treated like cash and properly safeguarded.

In summary, the controls over travel arrangements made by DFO employees could be strengthened if proper documentation for pre-authorization was prepared and retained for all business travel. Furthermore, without proper pre-authorization, RC managers are unable to properly control expenditures, nor make proper spending commitments pursuant to Section 32 of the FAA. Procedural improvements are needed to ensure TANs are safeguarded from misuse.

Recommendations

6. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance and Responsibility Centre Managers, should ensure all business travel expenses processed have documentation that demonstrates the expenses were properly pre-authorized.*

7. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should ensure that employees and RCMs are aware of the need to complete TAAs with all required information, including the most accurate possible estimate of the cost of travel and the trip itinerary, at the time the TAA is approved.*

8. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance and RCMs, should ensure that where Blanket Travel Authorities are used by travellers, that travel claims make explicit reference to the fact that they are using a Blanket Travel Authority, and that the signed Blanket Travel Authority documentation be readily accessible for verification.*

9. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance amend the travel policy to indicate that Blanket Travel Authorities should be used for routine or frequent travel and not for employees who seldom or never travel. A communiqué should be issued to reflect this change in the policy.*

10. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, ensure, via their sampling methodology under FAA section 33, that at the time of certification of the Travel Expense Claim under FAA Section 34, the expenses claimed be verified as in accordance with the approved travel conditions in the TAA.*

11. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance and RCMs, should develop standardized procedures for the safeguarding of Travel Authorization Numbers, including reconciliations to the monthly bills and reconciliations to employee travel claims.*

12. *The Director General, Finance and Administration, should assess the feasibility of modifying DFO's financial system to match a TAN to a travel claim payment of an employee electronically.*

2.2.2   *Documentation in support of travel expense claims/Sections 33 & 34 of the FAA and Reasonableness and Eligibility of Travel Expenditures*

Criteria: Travel expense claims should have the requisite level of detail for certification of expenses by managers under FAA Section 34 and for account verification under FAA Section 33 by finance personnel.

Expenditures incurred for travel should be in compliance with the Travel Policy, represent value to the Crown, and represent fairness to the employee.

Upon returning from business travel, a traveller is required to submit a fully completed travel expense claim with supporting documentation, including original receipts and an explanation for any travel practice that deviates from travel norms or guidelines.

The majority of the travel expense claims reviewed contained adequate support documentation to substantiate compliance with policies and reasonableness of expenditures claimed. We did find instances where information and support documentation were missing, specifically: travel itineraries; supporting documentation for air travel; photocopies accepted instead of original receipts; Section 34 approvals; and missing receipts to substantiate expenses.

An area of specific concern relates to Foreign Travel. Our testing of foreign travel expense claims revealed some cases where there were insufficient details on file to justify practices that deviated from travel norms or guidelines and consequently it was difficult to determine the reasonableness of the expense claims. For example:

- *Length of stay before or after a conference* - We found cases were employees extended their stay after a conference, booked annual leave and did not claim any additional expenses for their trip beyond those incurred for business. These arrangements were adequately documented and pre-authorized by a senior executive or RCM. In contrast, we found instances where several employees attended an international conference, with some employees staying only for the days of the conference, while other employees remained abroad beyond the duration of the conference and claimed expenses with no supporting documentation to indicate that other official business was being conducted.

- *Meal Allowances* - We found instances where travellers claimed for meals that were included as part of the overall cost of attending the conference. This practice was revealed through obtaining the detailed conference itinerary that should have been included as part of the support documentation for the travel expense claim. Section 3.4.9 of the Treasury Board Secretariat Travel Directive states: *"A meal allowance shall not be paid to a traveller with respect to a meal that is provided."* Meal allowances based upon this type of circumstance should not have been reimbursed without a reasonable explanation documented on file.

- *Foreign Exchange Rates* – Two cases were observed where employees purchased small amounts (less than $100) of currency at a foreign hotel at an unfavourable rate. These employees then used this unfavourable rate to claim all their foreign expenses (e.g. meal per diems, accommodation, etc.). These employees paid for their expenses by credit card and with cash that was converted at rates of exchange that were more

favourable. The TBS Travel Directive states: *"The costs incurred in converting reasonable sums to foreign currencies shall be reimbursed, based upon receipts, from all transactions and sources"*. There was no explanation on file to substantiate why the unfavourable rate of exchange was accepted.

Another area of specific concern relates to Isolated Post Travel. In several of the regions, staff deliver services and reside in remote locations of Canada, "Isolated Posts". These employees are entitled to certain types of travel and travel allowances for themselves and their families. These include travel for medical purposes and vacation allowances to travel to non-remote locations.

Total travel expenses for **Isolated Posts-Medical** for DFO during 2003-04 were $205,404.

Travel is reimbursed for medical purposes where certain criteria are met. In most cases, detailed explanations were provided which supported the expenses and to show that they complied with the Isolated Posts Directive. In one case, however, a traveller claimed Isolated Post Medical Leave expenses of approximately $6,000 to be with his spouse for the birth of a child. This included hotel expenses, meals and incidentals for 27 days. No pre-approval or documentation such as a doctor's certificate or detailed explanation was on the file justifying these prolonged expenses.

Total travel expenses for **Isolated Posts-Vacation** for DFO during 2003-04 were $403,385.

Isolated Post "100 % Vacation Travel Assistance" is provided to employees and their dependants who live in isolated posts to have one or two vacation trip expenses paid for.   These employees are entitled to certain travel related expenses, including based on the lesser of:
- A "Maximum Entitlement" which is the travel costs between their "headquarters" (i.e. their Isolated Post) and their "point of departure" as described in the Isolated Post Directive (the point of departure is often a major city which is closest to their Isolated Post); and
- The actual travel costs they incurred to go on their vacation.

While all of the claims related to Vacation Travel Assistance provided support documentation for the actual travel costs incurred for their vacation, several did not provide support for the travellers' maximum entitlement. This information is key for evaluating the extent to which actual travel costs can be reimbursed as required by the Isolated Post Directive. In order for a request of 100% Vacation Travel Assistance to be properly evaluated before approval, support documentation needs to be included with each travel claim requesting Vacation Travel Assistance, including:

- A description of the circumstances under which the travellers may claim their maximum entitlement;
- Documentation to support the travel costs, including airfare associated with the maximum entitlement, such as an estimate or quote from a travel service provider; and
- A worksheet calculating the travellers' maximum entitlement.

More effort needs to be made in providing support documentation to justify practices that deviate from travel norms or guidelines. Further, we also have concerns regarding missing support documentation which put into question the due diligence of departmental staff when exercising

their authority under the FAA when they are approving transactions without all information being available.

Recommendations

13.   *The Director General, Finance and Administration, in conjunction with Regional Directors General, require that travellers participating on any overseas international trip be required to attach with their travel expense claim detailed conference agendas, as well as other source document such as personal agendas to support any other official business beyond the identified conference period.*

14.   *The Director General, Finance and Administration, require that travellers participating on any trip related to an Isolated Post Allowance be required to attach to their travel authorization a description of their circumstances under which they are entitled to use this Isolated Post travel. Travellers requesting 100% Vacation Travel Assistance should attach documentation to support the travel costs they are requesting, including airfare associated with their maximum entitlement, such as an estimate or quote from a travel service provider, as well as a worksheet calculating the traveller's maximum entitlement.*

2.2.3   Travel Planning

Criterion: Travel should be conducted in an economical way to facilitate government business.

In general, travel arrangements made in advance will result in lower costs to the traveller, and ultimately the Department. In particular, airlines in Canada generally have significantly lower rates available to travellers who make their arrangements a reasonable time prior to the trip (i.e., more than 14 days in advance). In addition, travellers indicated during our interviews that, by planning ahead, they were able to maximize the value of one trip by combining several meetings on the same day(s), and eliminate the need for additional trips to the same destination. We analyzed the DFO and Government of Canada (GOC) travel data to determine the extent by which air travel not planned in advance resulted in additional costs. Refer to Table 1.

Table 1

2003/04 DFO vs GOC Air Travel Planning
<u>DFO</u>   <u>GOC</u>

Number of Transactions by Days Prior to Travel

	<u># of Tickets</u>		<u># of Tickets</u>	
0-7 Days Prior	5,817	36%	83,075	31%
8-13 Days Prior	3,081	19%	54,710	20%
14-20 Days Prior	2,882	18%	47,266	17%
21+ Days Prior	4,333	27%	87,123	32%
	16,113	100%	**272,174**	100%

Cost of Transactions by Days Prior to Travel

	<u>Cost</u>		<u>Cost</u>	
0-7 Days Prior	$3,899,880	33%	$71,788,009	29%
8-13 Days Prior	$2,286,575	19%	$48,835,703	19%
14-20 Days Prior	$2,127,156	18%	$42,425,561	17%
21+ Days Prior	$3,585,407	30%	$88,540,162	35%
	$11,899,017	100%	**$251,589,435**	100%

Percentage of Fare paid over Highest Fare by Days Prior to Travel

	% of High Fare	**% of High Fare**
0-7 Days Prior	51%	53%
8-13 Days Prior	43%	44%
14-20 Days Prior	38%	41%
21+ Days Prior	35%	39%

Source: BTI Canada (from PWGSC)

Flights booked by DFO employees less than a week in advance resulted in the Department paying 51% of the highest possible airfare. However, flights booked more than 20 days in advance cost only 35% of the highest possible airfare. Although the airline industry has changed its fee structure significantly since 2003/04, early reservations are still the safest option to ensure the lowest airfare available.

During interviews, travellers and RCMs indicated that they make an effort to organize travel arrangements well in advance of their trip. However, several described genuine situations where they were unable to do so as a result of the urgent and unpredictable nature of a trip, resulting in more expensive airfares.

In our audit sample, we found several instances of high airfare costs (more than $3,000 for domestic and more than $5,000 for foreign). For one region, we identified 15 flights that cost $81,000 more than the lowest available flight as indicated by the travel provider, or an average of $5,400 extra per flight. For many of the 15 flights there was no explanation on file to justify the extra costs. Therefore, we are not able to quantify, nor validate whether, the high costs were cause of inappropriate planning or other reasons such as unavailability of the flight or emergency situations that required travel bookings on short notice.

Because planning travel in advance is an area of potential savings for the Department, employees should provide an explanation for significant deviations between the airfares they incur and the lowest possible airfare.

Recommendations

15.   *The Director General, Finance and Administration amend the travel policy to require air travellers ensure, as per the Treasury Board Directive, that the lowest available airfares appropriate to particular itineraries be sought and bookings be made as far in advance as possible.*

2.2.4   Mandatory Publication of Travel Expenses for Selected Officials

Criterion: All travel expenses for selected government officials, including the deputy ministers and senior public servants should be published on the department's internet site.

On December 12, 2003, the Prime Minister announced a new policy on the mandatory publication of travel and hospitality expenses for selected government officials. DFO's web site provides information on the travel and hospitality expenses incurred within the Department of Fisheries and Oceans by the Minister, Parliamentary Secretary, and their exempt staff, and by senior level employees at the Deputy Minister, Associate Deputy Minister, Assistant Deputy Minister, and equivalent levels.

In response to this new policy, the appropriate officials receive a call letter each quarter from Corporate Finance requiring them to complete and sign a form outlining the details of all of their travel expenditures for the period and to certify that the information contained therein is accurate and complete. The information is then compiled by Corporate Finance and posted on the internet by the Communications Branch for public disclosure.

We took a sample of eight senior DFO officials during one fiscal quarter to determine the level of compliance with the new policy. We found only a few business trips taken by senior officials that were not publicly disclosed on the internet due to administrative oversight. However, the intent of the policy is to post all business travel for selected officials, and by not doing so DFO is failing to comply with the mandatory disclosure policy.

Under the current practice, it is the responsibility of each senior official (or delegate) to complete the required information and return it to Corporate Finance within a specified period. There was no monitoring done by Corporate Finance to determine that all payments made for travel were disclosed on the Department's internet site.

In general, we found that the current call letter process relies too heavily on the travellers and their personnel.

Recommendations

16.   *The Director General, Finance and Administration review the existing monitoring
        process used to capture travel expenditures incurred by senior officials and modify the
        process to enhance the accurate and complete posting of travel data on the Department's
        website.*

2.2.5 Government Travel Service Provider

*Criterion: All travel arrangements should be made with the Government Travel Service
Provider.*

According to the DFO Travel Policy, all DFO travellers shall use the services of the government-contracted Government Travel Service (GTS) provider, Travel AcXess Voyage (AMEX), when available. For travel north of 60 degrees and any other remote travel, travellers may continue to use their existing travel supplier arrangements.

We found that the majority of DFO employees were using GTS to book their air travel. However, we did note a few minor exceptions where travellers made their own flight arrangements. In order to reserve an airline ticket with GTS, travellers need a TAN. Some situations were identified during our interviews where the need to travel on short notice occurred on the weekend outside normal working hours, thus a TAN was not available to the employee.

Many travellers are unsatisfied with the service provided by AMEX, as was the case with its predecessor. Travellers cited long wait times on the phone, inability to get the lowest airfare available directly from the air carrier, failure to make accurate reservations, and costly service charges to the Department. One regional travel coordinator had forwarded over 70 e-mails received from unsatisfied travellers in his region to the travel policy group at Headquarters.

During interviews, we found that many travellers were not aware that the DFO Travel Policy states: "*When booking car rental and/or accommodation reservations <u>only</u>, the traveller shall use the services of the government contracted travel provider, Travel AcXess Voyage (AMEX), where available. If not available, the traveller may book directly with a service provider from the Government Accommodation and Car Rental Directory.*" Consequently, many travellers indicated that they had booked rental cars and hotel rooms without using GTS.

In general, DFO employees are using the GTS to make travel arrangements. However to fully comply with the policy, all travel arrangements, including accommodations and car rentals, should be made using GTS.

Following the completion of the conduct of the audit, the Department's Administration, Material and Administrative Services Branch informed us that
- satisfaction surveys have been sent out by PWGSC to travellers to determine their overall satisfaction with the service and where Travel AcXess Voyage can improve upon their service
- communiqués via In-the-Loop have been issued reminding DFO travellers that they are required to make all travel arrangements, including accommodations and car rentals, with Travel AcXess Voyage.

Recommendations

No recommendation required.

3.0   HOSPITALITY

3.1   MANAGEMENT CONTROL FRAMEWORK

The Management Control Framework for Hospitality is guided by policies from Treasury Board and the Department which are designed to provide for additional controls for this expense. However, we are unable to provide assurance on the effectiveness of these controls due to several weaknesses in the Management Control Framework. In particular, our findings suggest that several areas need to be strengthened: monitoring, management reporting, training and awareness, and accountabilities.

3.1.1   Departmental Policy and Procedures

Criterion: Departmental policy on hospitality should be consistent with Central Agency policy.

Departmental policy and directives regarding hospitality were compared with the equivalent Treasury Board of Canada Secretariat (TBS) policies and directives in order to identify any gaps or inconsistencies. We found that, while the departmental policy is consistent with TBS policy, there were two issues that could lead to an undermining of the policies.

The first finding concerns a conflict between the DFO Information Bulletin and TBS and DFO Hospitality Policies regarding a DFO directive on hospitality. Specifically, DFO Information Bulletin 2000-2: *Hospitality Expenses Related to Attendees in Travel Status* states that:

> *"When one or more attendees of a hospitality function are also in travel status and entitled to a meal allowance, the total cost of the hospitality function may be reduced by the appropriate meal allowance prescribed by TB for each person in travel status. This net cost of the function may be used to determine the approval level required in accordance with the Delegated Financial Signing Authorities and the TB Hospitality Policy."*

While this bulletin goes on to state that this is accepted by Treasury Board, the Treasury Board policies for Travel and Hospitality do not allude to it. In fact, Treasury Board Hospitality Policy defines a hospitality function as:

> *"The total cost of all forms of hospitality sponsored by the government, associated with an event. An event may cover a single meal or, such as in the case of a conference, may include various forms of hospitality over a number of days."*

Moreover, this policy also states that departments must ensure that hospitality expenses are recorded under economic object 0482. Therefore, through this policy and the definition of a hospitality function, Treasury Board policy in effect forbids splitting hospitality expenses between travel for daily meal allowances and hospitality with respect to attendees on travel status. Thus, we found the DFO Information Bulletin to be in conflict with Treasury Board Policy.

In practice we found that most Regions use the provision of the Information Bulletin as justification for separating hospitality expenses from daily meal allowances for their traveling

attendees**.** This interpretation encourages hospitality extenders to hold events outside their headquarters area, so the organizers need not seek pre-approvals from higher levels of management. This practice could result in higher overall travel costs (e.g., hotel rooms, accommodation) for the Department.

The second finding concerns an issue with the Treasury Board Hospitality Policy and Treasury Board Travel Policy. The Travel Policy, *Module 1 - Travel within Headquarters Area - No overnight stay*, section 3.1.9 states

> *"Unless otherwise covered by terms and conditions of employment or collective agreements, meal expenses incurred within the Headquarters Area shall not normally be reimbursed.*
>
> *Meal expenses, based on receipts, may be reimbursed [within TBS limits] . . . when employees are required to attend formal full-day conferences, seminars, meetings or hearings and where meals are an integral part of the proceedings."*

In one region, this section of the TBS Travel Policy was misinterpreted. Meals were provided and paid for by the Department during a formal full-day meeting. Management decided to treat this expense as a travel expense even though the meeting took place within the regional Headquarters Area. As noted above, part of the Treasury Board Hospitality Policy states that all functions where hospitality is provided shall be coded to the hospitality economic object. In this situation, delegated authorities for hospitality were not followed and these meals were not coded as hospitality expenses. When these amounts are coded as travel expenses, Department hospitality expenses are understated. Not only does this mean that the Financial Statements may be inaccurate but, more importantly, it also means that DFO management is relying on incorrect figures to approve and manage hospitality.

Recommendations

17.   *The Director General, Finance and Administration, revoke DFO Interpretation Bulletin 2000-2 and that the Departmental Hospitality and Travel Policies be amended to indicate that whenever hospitality is extended, including during meetings in the Headquarters Region, the expense be treated as hospitality in all cases. In addition, the Director General, Finance and Administration, issue a communiqué to make all DFO employees aware of these policy clarifications.*

3.1.2   Accountability

Criterion: The accountability framework for extending hospitality should be clearly and adequately defined.

The roles and responsibilities for the administration of hospitality expenses include:

- Hospitality providers must obtain authority in advance, ensure that the policy requirements for extending hospitality are met, and obtain appropriate supporting documentation.

- RCM can approve routine hospitality expenses up to $1,500; Associate DM/ADM/RDG must approve special hospitality expenses up to $1,500; DM approval is required up to $5,000; the Minister's approval is required for expenses over $5,000.
- Regional Finance is responsible for hospitality interpretations, monitoring, and reporting on hospitality in the Region, and for performing a challenge function.

Based on our interviews with hospitality providers, RCMs and Regional Finance, and on our review of hospitality claims, we concluded that the accountability structure and the approval matrix for authorizing hospitality expenses were not widely understood throughout the Department. In our review of the Hospitality Policy, while we found that the approval authority matrix for hospitality was clearly defined, the roles and responsibilities were not clearly laid out in detail as in the departmental Travel Policy.

During our file review, we found that the majority of claims in all regions were missing pre-approvals, had incomplete supporting documentation, and had invalid or missing Section 34 signatures. Furthermore, some Regions implemented practices, such as inappropriately delegating the pre-approval and signing authority to lower levels, which contravenes the TBS and DFO Hospitality Policies.

Recommendations

18.   *The Director General, Finance and Administration review and revise as necessary all Departmental and Regional hospitality guidelines to ensure a level of clarity and definition of roles and responsibilities comparable to that in the departmental Travel Policy.*

3.1.3   Communication/Awareness Training

Criterion: Employee training and communications related to hospitality should be sufficient to ensure that all affected personnel are fully aware of their roles and responsibilities.

We interviewed finance officers in each Region and individuals who frequently extended hospitality as part of their duties. We found that while all employees had on-line access to the policies and contacted Regional Finance occasionally, no formal training regarding the hospitality policy was available. The majority of our interviewees relied on their on-the-job experience, consultations with Regional Finance, administrative staff support, and on-line references. Given the high rate of non-compliance with the policy discovered during our audit, we believe that formal training would increase awareness of the proper procedures for extending hospitality and increase the level of compliance throughout the Department.

Recommendations

19.   *We recommend that the Director General, Finance and Administration develop material explaining accountabilities and responsibilities relating to hospitality, to be delivered to all RCMs as part of their Finance 101 training.*

3.1.4   Monitoring

Criterion: Monitoring and reporting of hospitality should be sufficient for departmental management to adequately identify, assess, manage and control hospitality-related activity.

Spending Authority (Section 34 *Financial Administration Act*)

The hospitality policy requires various levels of Section 34 approval that depend on the cost and nature of the hospitality event. In reviewing practices and procedures for monitoring claims in each DFO Region we identified several weaknesses in 26.8% of the files reviewed, relating to Section 34. In these cases, there was either no Section 34 signature or the RCM signing was also a participant, which contravenes TBS policy as noted below.

TBS Policy on Account Verification 4f) states:

> *"No person shall exercise spending authority (Section 34) with respect to a payment from which he or she personally can benefit, directly or indirectly."*

Payment Authority (Section 33 *Financial Administration Act*)

As discussed previously under Section Travel - 2.1.4 Monitoring, Account Verification for Section 33 of the *FAA* varies by Region. Some Regions perceived hospitality expenditures as higher risk than travel expenditures and as a result increased their monitoring sample size accordingly, while other Regions maintained the same level of monitoring for both. We found that the extent of non-compliance with hospitality policies was high in all Regions and therefore conclude that the monitoring conducted for Section 33 was not effective in preventing these errors and ensuring compliance with the policies. (See section 3.2 Compliance with the Hospitality Policy)

A key element in the effective administration of hospitality requires that monitoring is effective enough to ensure compliance with government policies. In general, the monitoring practices in place for hospitality are not adequate enough for ensuring compliance with policies.

Recommendations

20.   *The Director General, Finance and Administration and Regional Directors of Finance, as part of FAA Section 33 account verification, should maintain statistics on non-compliance of hospitality expenditures relating to Hospitality and Account Verification Policies. These statistics should include RCMs that do not seek approvals in advance and RCMs that do not provide the information required to support their hospitality expenses.*

21.   *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should develop standardized account verification procedures for hospitality expenditures that include a sampling methodology that considers risk and materiality and a standard checklist for verification of a hospitality expense claim. They should provide a copy to all individuals with responsibilities under Section 33 of the FAA.*

22.   *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should develop standardized account verification procedures for hospitality expenditures that include a standard checklist for verification of a hospitality expense claim. They should provide a copy to all individuals with responsibilities under Section 34 of the FAA.*

23.   *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, remind RCMs with responsibilities under Section 34 of the FAA of their obligation to ensure that expenditures are properly authorized and supported by proper documentation in accordance with the financial delegation instrument.*

3.1.5   Reporting and Quality of Information for Management Decision-Making

Criteria: Hospitality data processing systems are used to their fullest extent to meet management information needs. Reporting to management is conducted in a comprehensive, consistent and timely manner.

Pursuant to the guidance policies set by DMC, each Region is tracking its own reduction targets for hospitality expenditures. Regional Finance officers use MRS to track expenses monthly or quarterly, and certain RCs who frequently extend hospitality are also tracking expenditures independently to ensure that they are spending within their limits. DFO reduced its hospitality expenditures by 38% in 2003/04 compared with the previous year, greatly surpassing the reduction target of 25%.

Because all large or unusual hospitality events require the pre-approval of senior management or the Minister, we feel that the information provided by the data processing systems and tracked by the Regions, combined with the adherence to policies as they exist, together with implementation of the recommendations contained above relating to coding hospitality, training and tracking of compliance, will provide the information that management needs.

Recommendations

No recommendation required.

3.1.6   Risk Management

Criterion: Risks should be identified, assessed, and managed.

We found that specific risks regarding hospitality were identified and managed either formally or informally, with varying degrees of success/risk reduction, on a region by region basis. While no Regional Office had applied a formal risk management strategy, RCMs and Financial Officers interviewed in all Regions had informally identified risks and had taken action or were in the process of taking action to manage or mitigate risks. These risks included:
- Public perception of government hospitality expenditures;
- External stakeholder expectations regarding hospitality differ from what is expected within the public sector. (e.g., foreign guests, private sector counterparts);
- The same individual(s) or group frequently extending hospitality;

- Ineligible or unreasonable expenses;
- Hospitality expenditures paid for with Acquisition Credit Cards;
- Disguising hospitality expenditures with improper Line Object Financial Coding; and
- Improper interpretation of the policies.

However, in spite of the identification and mitigating actions to control these risks by frequent extenders of hospitality, our file reviews found that the policy requirements put in place to reduce many of these risks were not consistently followed: 68 % of claims were not approved in advance and 62% were missing key information. Further, where risk management is run on an informal basis, the opportunity to successfully mitigate ineffective procedures or inappropriate behaviour is reduced.

The recommendations made in previous sections of this report will assist in the mitigation of risk to hospitality identified by RCs, for example:
- Formal training which includes responsibilities relating to hospitality for RCMs;
- A risk-based account verification policy for FAA Section 33; and
- Monitoring, reporting and follow-up with RCs and RCMs with compliance issues relating to the Hospitality and Account Verification Policies.

Recommendations

No recommendation required.

3.2   COMPLIANCE WITH HOSPITALITY POLICY

The extent of departmental compliance with the TBS and DFO Hospitality Policies is low with weaknesses in a number of administrative practices. Departmental practices that need to be addressed to ensure full compliance with TBS and DFO policy include the pre-authorization of hospitality*,* the respecting of the delegated authorities for *FAA* Section 34, the documentation in support of hospitality expenses, the mandatory publication of hospitality expenses for selected officials, and the hosting of events in government-owned facilities.

3.2.1   Pre-authorization of Hospitality Expenditures/Section 32 of FAA.

Criteria: Hospitality expenses are authorized in advance to ensure that these expenses are extended in accordance with the provisions of the TBS and departmental policies. In special circumstances hospitality expenses must be post-authorized for non-standard items and emergencies.

To minimize the opportunities for personal gain and other abuses of the system, it is critical that TBS and departmental policies and guidelines for pre-authorization of hospitality expenses be followed. However, our review of claims and policies suggests that more rigour needs to be applied to hospitality pre-authorizations to ensure compliance.

In a sample of 220 hospitality claims, we found that 49.5% did not contain an application to extend hospitality. Out of the 111 claims that did have forms, 22.5% were missing key information. Out of these same 111 claims, 38.7%, the amount spent on hospitality exceeded the

amount that was pre-approved by a delegated authority. In addition, 68% of high-dollar claims (i.e. the criteria-based sample of 113 claims) did not have proper pre-authorizations (e.g. no application form, not signed by delegated authority, approved after the event).

We found that one Region had Blanket Hospitality Authorities available for events costing less than $50. Their effect was that hospitality extenders did not need to seek authorizations for individual events. While an individual transaction of less than $50 is not material with respect to the delegated authorities of RCMs, the discretionary and sensitive nature of hospitality expenditures places them in a higher risk category. Blanket Hospitality Authorities in this Region had the potential to allow an RC to host an unlimited number of events costing less than $50. Furthermore, we found a few cases where, even though the expenses exceeded $50, blanket hospitality authorities were used with no additional approvals or justifications.

Unlike travel, which for many employees is a daily occurrence facilitated with Blanket Travel Authorities; hospitality should be infrequent for the vast majority of RCs. The administrative benefits of having a blanket authority do not outweigh the risks of potential abuse.

In another Region, the Regional Management Committee (RMC) delegated the approval authority for hospitality to RCMs for most situations, including those where the Hospitality Policy requires higher approval. Again, when Regions circumvent the approval process in the hospitality policy in order to facilitate the administration of hospitality expenses, this undermines the rationale for having stringent policies on hospitality expenses.

Recommendations

24. *The Director General, Finance and Administration, issue a communiqué to all Regional Directors General requesting that the individual Hospitality Approval Authorities are adhered to in the Regions. At the same time, all Blanket Hospitality Authorities should be limited to officials approved by the Deputy Minister.*

25. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should ensure all hospitality expenses processed have documentation that demonstrates the expenses were properly pre-authorized and/or a written justification for exceptions.*

3.2.2   Documentation in support of hospitality expense claims/Sections 33 & 34 of FAA.

Criterion: Hospitality expense claims have the requisite level of detail for certification of expenses by managers under FAA Section 34 and for account verification under FAA Section 33 by finance personnel.

A properly completed Hospitality Claim contains the following information:

- Purpose of hospitality;
- List of participants;
- Location;
- Actual cost; and
- Signature of the appropriate official delegated under Section 34 of *FAA*.

From our sample of 220 hospitality claim forms, we found that 38.2 % contained all the information required by policy.

Of particular concern, a Section 34 signature conforming to the Hospitality Approval Authority was not found in 26.8% of claims in the sample: either the signature was not provided, belonged to the claimant, or belonged to a participant.

TBS Policy on Account Verification section 4f) states:

> *"No person shall exercise spending authority (Section 34) with respect to a payment from which he or she personally can benefit, directly or indirectly."*

This means, if the manager participates at an event for which he had delegated approval authority, approval is to be sought from a higher level manager who was not a participant.

We also found many cases of deficient supporting documentation. In 68 cases, or 30.9% of those examined, we were unable to determine the nature of the goods or services purchased (e.g. credit card slips that only showed the total cost of the purchase or receipts weren't attached). Moreover, government employees are eligible to be recipients of hospitality only in specific circumstances, so in order to determine if hospitality expenses are allowable, the names and organizations of all recipients of the hospitality must be listed. However, in 99 cases (45% of those examined), neither the names nor the positions of the participants were listed on the Hospitality Expense Claim.

Several other types of irregularities were found in our high-dollar criteria-based sample. For example:
- Several claims where the necessary higher-level approvals had not been sought until after the event had occurred.
- Instances where financial coding was used to make the hospitality portion of the expenditure less than the key threshold amounts that would trigger a higher level approval. For example, a $2,900 invoice from a caterer could be coded as two transactions for $1,450 each to avoid requiring the DM to approve an event costing more than $1,500.
- At one event more than $100,000 (including $44,000 for meals and other related expenses) had been coded entirely to travel instead of hospitality. No hospitality forms were prepared and approval from higher levels was not sought.

These irregularities make it difficult for management to keep track of hospitality expenses. Specifically, some Regional finance personnel expressed concerns that it was difficult to monitor for hospitality if the correct financial codes are not being applied to expenses. Reports generated from the Financial System would give an inaccurate picture of not only hospitality but also other expenses.

Recommendations

> *See recommendations in sections 3.1.2 – Accountability and 3.1.4 – Monitoring.*

3.2.3 Hospitality Planning

Criterion: Hospitality should be conducted in an economical and appropriate way to facilitate government business.

When conferences and meetings for DFO employees and non-government individuals are held, government policy allows hospitality to be extended in certain circumstances. Because the government already incurs costs to own and operate its own facilities, hosting such events in them is sometimes an economical way to provide meals and refreshments. This is why the TBS Hospitality Policy states that departments and agencies must use government-owned facilities when they are appropriate and available.

Our findings, however, suggest that this practice is often not followed. In our sample, 69% of the hospitality events reviewed were held outside government facilities. Furthermore, in our criteria-based sample of high-dollar hospitality events, we found that 75% (85 cases out of 113) were held at a conference centre or hotel.

In each DFO Region we interviewed representatives from RCs who had extended hospitality during our audit period. The majority of our interviewees stated that government-owned facilities suitable for hosting national scope meetings or conferences in their Regions were scarce. The most common reasons given were lack of space, lack of service for room set-up, and lack of proper audio-visual equipment. Furthermore, some interviewees said that they were not aware of the existence or availability of government-owned facilities located in other departments or agencies.

The above findings suggest that DFO could be spending more than necessary on certain types of hospitality events.

Recommendations

26. *The Regional Directors, Finance and Administration, contact PWGSC for a listing of all available government-owned meeting rooms for their respective region and have the listing posted on the regional intranet site.*

27. *The Director General, Finance and Administration, in conjunction with the Regional Directors General, issue a communiqué to all relevant employees drawing attention to the policy on the use of government-owned facilities and to the local lists, and to the importance of using them for hospitality events whenever practical.*

3.2.4   Mandatory Publication of Hospitality Expenses for Selected Officials

Criterion: All hospitality expenses for selected government officials, including the Deputy Ministers and senior public servants are published on the internet.

A fairly new government policy decrees that hospitality expenses for selected officials must be posted on the website to increase transparency to the public. We found from our samples that DFO is not consistently complying with this policy, with the result that the Department is not being as transparent as the policy decrees, thereby becoming unnecessarily vulnerable to criticism from the media and the public. Such criticism can undermine the image of the Department and its ability to work cooperatively with outside organizations as well as lower the morale of DFO employees. Also, dealing with criticism takes up valuable time that could be used better in running the activities of or developing policies for the Department.

The audit procedure to evaluate the extent to which hospitality information is posted on the Department's Internet Site was the same as that used to evaluate the extent to which travel information is posted. The same sample of transactions incurred by eight senior DFO officials was also examined for one fiscal quarter to determine the level of compliance with the new policy. We found that only 16 transactions related to hospitality events (38%) were posted on the internet out of 42 hospitality transactions paid for according to the departmental financial system. Most of these were incurred via acquisition cards, petty cash or journal voucher transactions.

We also have some concerns with the accuracy of the information posted. Based on interviews done with staff from three of the eight offices in our sample, we found that only one office relied on the departmental financial system to ensure completeness and accuracy of the amounts posted on the internet before forwarding the list of hospitality events to Finance. While Finance requests this information for posting on the Department website, it did not monitor the information it received to determine whether all hospitality payments were disclosed.

Recommendations

28.   *We recommend that the Director General, Finance and Administration review the existing monitoring process used to capture hospitality expenditures incurred by senior officials and to modify the process to include referencing the departmental financial management system, in order to enhance the accurate and complete posting of hospitality data on the Department's website.*

4.0 MANAGEMENT ACTION PLAN

	TRAVEL		
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
2.1 MANAGEMENT CONTROL FRAMEWORK	In June 2004, DFO issued an updated travel policy and travel card policy consistent with the new government-wide shared travel services initiative. The updated policies clarified authorities and accountabilities, roles and responsibilities, set out business rules and established general monitoring requirements. In August 2004, guidelines were issued to DFO regional finance offices establishing additional requirements and procedures for the control and monitoring of travel cards. These policies addressed at least in part, some of the audit findings.		
2.1.3. *Communication/Awareness Training* 1. *Regional Directors General identify where insufficient training may have been provided to staff with travel responsibilities, so as to ensure they receive administrative and procedural knowledge to carry out their responsibilities in compliance with departmental policy.*	A Financial Management Training Course is currently being delivered to all managers with financial signing authority. Module 4 covers travel. The course is mandatory and provides appropriate training on travel responsibilities as well as other financial matters to ensure that all managers understand their accountabilities, the policies and the proper procedures. All managers are expected to have taken the course by April 2006. It will then be delivered on an ongoing basis to all new managers as part of receiving their signing authorities.	Director General, Finance & Administration/ Regional Directors General	Already underway
	A similar course will be developed for other staff, such as administrative assistants, to ensure that they	Regional Directors General	The course will be ready by

TRAVEL			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
	also have the required level of knowledge of central agency and departmental policies and procedures. It will also be delivered on an ongoing basis. In both cases, courses will include the updated policies and bulletins.		December and delivery will start in the new fiscal year.
2. *The Director General, Finance and Administration, in conjunction with the Regional Directors General, establish and disseminate a directive which contains a checklist for validating and certifying payment of expenses, including travel, to all managers who hold FAA Section 34 authority.*	A directive and checklist will be distributed to all regions and will be incorporated into the DFO Travel Policy.	Director General, Finance & Administration	December 2005
2.1.4 Monitoring 3. *The Director General, Finance and Administration, in conjunction with the Regional Directors General, should establish a minimum sampling methodology for regional monitoring of travel expense claims that takes into consideration risk and materiality, and provide a standard checklist to personnel who*	All regional finance offices currently audit travel claims but use different processes and sampling methodologies. A standard sampling methodology and standard checklist will be developed for national use. In the meantime, until the national sampling methodology is ready, travel expenses will be	Director General, Finance & Administration/ Regional Directors General	January 2006 Immediate

	TRAVEL		
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
are responsible for the verification of travel claims pursuant to Section 34 of the FAA.	audited the following way: • All claims over $750.00 (excluding airfare)* • All Foreign Travel Expense Claims • 100% of Isolated Posts Claims • 10% of all claims under $750.00 • 20% of Travel Authority Number Registers *Securing the best fare for airline tickets is addressed in the response to recommendation 15.		
4. *The Director General, Finance and Administration, in conjunction with the Regional Directors General, should establish a process for recording transactions sampled and the results of the verification process pursuant to Section 33 of the FAA.*	As part of the sampling procedures, reviewers will be required to record results according to a common template. Departmental results, by region, will be analyzed and reported to Regional Directors, Corporate Services on a quarterly basis and annually to the Departmental Management Committee.	Director General, Finance & Administration/ Regional Directors General	January 2006

TRAVEL			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
Reporting and Quality of Information for Management Decision-Making 5. *The Director General, Finance and Administration, should make available to the senior management at Headquarters and the Regions the annual report from the Travel Service Provider and either obtain or develop standardized travel information reports that can be easily access and are practical for the management and monitoring of travel expenditures.*	Maximum travel expenditure budgets have been in place for Sectors and Regions for two years and are being tracked and reported in the monthly Departmental Financial Report. This was the mechanism used to reduce overall travel expenses by almost 20% over the past two years. This mechanism will be maintained. More detailed reports will soon be available through the government travel service provider. These detailed reports will be provided to senior management on a quarterly basis to facilitate monitoring of travel expenses, and on an annual basis to the Departmental Management Committee.	Director General, Finance & Administration	Underway. January 2006

TRAVEL			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
2.2 COMPLIANCE WITH THE TRAVEL POLICY ***2.2.1 Pre-authorization of travel expenditures/Section 32 of FAA.*** 6. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance and Responsibility Centre Managers, should ensure all business travel expenses processed have documentation that demonstrates the expenses were properly pre-authorized.*	Section 4.1 of the updated 2004 DFO Travel Policy reaffirmed the requirements for pre-authorization of all travel. The policy will be amended to require that the Travel Authority and Advance form be attached to all travel expense claims. In addition, the policy will be amended to require that all other supporting documents (eg Conference agendas, personal work agendas, related leave and medical documentation) be attached to travel expense claims. This will apply to both domestic and international travel. A bulletin will be issued to all managers and employees regarding these requirements.	Director General, Finance & Administration	December 2005
7. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should ensure that employees and RCMs*	A bulletin will be issued to remind all managers and employees that the Travel Authority and Advance form and all required supporting documentation has to be fully completed and authorized, including having the most accurate estimate possible of the	Director General, Finance & Administration	December 2005

TRAVEL			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
are aware of the need to complete TAAs with all required information, including the most accurate possible estimate of the cost of travel and the trip itinerary, at the time the TAA is approved.	itinerary and the cost of the trip.		
8. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance and RCMs , should ensure that where Blanket Travel Authorities are used by travellers, that travel claims make explicit reference to the fact that they are using a Blanket Travel Authority, and that the signed Blanket Travel Authority documentation be readily accessible for verification.*	A directive will be issued to Regional Directors Corporate Services to ensure a robust internal control system is in place for Blanket Travel Authorities and that they are readily available for audit purposes.	Director General, Finance & Administration	December 2005
9. *The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance amend the travel policy to indicate that Blanket Travel Authorities should*	The DFO Travel Policy will be amended to make explicit and clear when a Blanket Travel Authority should be used. A bulletin will be issued to all managers and employees to explain this requirement. In the interim, Regions will be requested to review all	Director General, Finance & Administration	December 2005 Immediate

TRAVEL			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
be used for routine or frequent travel and not for employees who seldom or never travel. A communiqué should be issued to reflect this change in the policy.	existing Blanket Travel Authorities to confirm that they are required. Any that are not required will be revoked.		
10. The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, ensure, via their sampling methodology under FAA section 33, that at the time of certification of the Travel Expense Claim under FAA Section 34, the expenses claimed be verified as in accordance with the approved travel conditions in the TAA.	The DFO Travel Policy will be amended to emphasize that managers who approve Financial Administration Act, Section 34 ensure that the expense claim is in accordance with the approved Travel Authority and Advance or that an explanation for changes is attached to the travel claim. A bulletin will be issued to all managers and employees which will explain this requirement.	Director General, Finance & Administration	December 2005
11. The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance and RCMs, should develop standardized procedures for the safeguarding of Travel Authorization Numbers, including reconciliations to the	A bulletin on standardized safeguarding procedures of Travel Authorization Numbers (TAN) will be issued, through Regional Directors, Corporate Services, to all employees with TAN responsibilities. A standardized national process will be put in place	Director General, Finance & Administration/ Regional Directors, Corporate Services	January 2006

	TRAVEL		
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
monthly bills and reconciliations to employee travel claims.	to ensure reconciliation of employee travel claims with travel authorization number registers and related credit card statements. This will be done on a sampling basis as it has to be done manually.		
12. The Director General, Finance and Administration, should assess the feasibility of modifying DFO's financial system to match a TAN to a travel claim payment of an employee electronically.	An assessment will be done of the feasibility and cost of modifying DFO's financial system so that the reconciliation noted under recommendation #11, can be done electronically.	Director General, Finance & Administration	February 2006 for the assessment
2.2.2 Documentation in support of travel expense claims/Sections 33 & 34 of the FAA and Reasonableness and Eligibility of Travel Expenditures *13. The Director General, Finance and Administration, in conjunction with Regional Directors General, require that travellers participating on any overseas international trip be required to attach with their travel expense claim detailed conference agendas, as well as personal agendas to support any other official business beyond the*	This has already been covered under the response to recommendation #6.	Director General, Finance & Administration	December 2005

TRAVEL			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
identified conference period. 14. *The Director General, Finance and Administration, require that travellers participating on any trip related to an Isolated Post Allowance be required to attach to their travel authorization a description of their circumstances under which they are entitled to use this Isolated Post travel. Travellers requesting 100% Vacation Travel Assistance, they should attach documentation to support the travel costs they are requesting, including airfare associated with their maximum entitlement, such as an estimate or quote from a travel service provider, as well as a worksheet calculating the traveller's maximum entitlement.*	The travel policy will be amended to clarify the nature and extent of the documentation required to support travel entitlements claimed under the Isolated Post Directive. A bulletin will be issued to managers and employees to explain the documentation requirements.	Director General, Finance & Administration Director General, Finance & Administration	December 2005 December 2005
2.2.3 Travel Planning			
15. . *The Director General, Finance and Administration amend the*	Managers and employees have the responsibility to ensure they abide by the standards for air travel	Director General, Finance &	December

TRAVEL			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
travel policy to require air travellers ensure, as per the Treasury Board Directive, that the lowest available airfares appropriate to particular itineraries be sought and bookings be made as far in advance as possible.	(economy class), as set out in the Treasury Board directive. Section 5.13 of the updated 2004 DFO Travel Policy reaffirmed that economy class travel is the normal mode of air travel for DFO travellers. A bulletin will be issued to all managers and employees to emphasize that the lowest available airfares appropriate to particular itineraries shall be sought and bookings shall be made as far in advance as possible.	Administration	2005 December 2005
2.2.4 Mandatory Publication of Travel Expenses for Selected Officials *16. The Director General, Finance and Administration review the existing monitoring process used to capture travel expenditures incurred by senior officials and modify the process to enhance the accurate and complete posting of travel data on the Department's website.*	The process for reporting travel expenditures incurred by senior officials will be reviewed and amended to improve the accuracy and completeness of postings. The process changes will include random sampling to ensure accuracy. This is effective immediately.		October 2005 October 2005

HOSPITALITY			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
3.1 MANAGEMENT CONTROL FRAMEWORK ***3.1.1 Departmental Policy and Procedures*** *17. The Director General, Finance and Administration, revoke DFO Interpretation Bulletin 2000-2 and that the Departmental Hospitality and Travel Policies be amended to indicate that whenever hospitality is extended, including during meetings in the Headquarters Region, the expense be treated as hospitality in all cases. In addition, the Director General, Finance and Administration, issue a communiqué to make all DFO employees aware of these policy clarifications.*	A communiqué was issued on August 26, 2005 revoking interpretation Bulleting 2000-2 and clarifying the definition of a hospitality expense and how DFO accounts for it.	Director General, Finance & Administration	Completed
3.1.2 Accountability *18. The Director General, Finance and Administration review and revise as necessary all Departmental and Regional hospitality guidelines to ensure a*	A new Treasury Board Hospitality Policy is expected by the end of this Fiscal Year at which time the DFO Policy will be adjusted accordingly and will provide additional clarity and definitions of roles and responsibilities.	Director General, Finance & Administration	3 months following approval of new TB Policy on

HOSPITALITY			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
level of clarity and definition of roles and responsibilities comparable to that in the departmental Travel Policy.	In the meantime, the existing DFO policy will be amended to clarify roles and responsibilities.		Hospitality December 2005
3.1.3 Communication/Awareness Training *19. We recommend that the Director General, Finance and Administration develop material explaining accountabilities and responsibilities relating to hospitality, to be delivered to all RCMs as part of their Finance 101 training.*	This material is already part of Module 4 of the mandatory Financial Management Training Course being delivered to all managers. It will also be included in the course being developed for other staff. See response to recommendation #1 for details.	Director General, Finance & Administration/ Regional Directors General	October 2005 The course will be ready by December. Delivery will start in the new fiscal year.
3.1.4 Monitoring *20. The Director General, Finance and Administration and Regional Directors of Finance, as part of the Section 33 account verification, maintain statistics on non-compliance of hospitality expenditures relating to Hospitality and Account*	A bulletin will be issued to managers who have the authority to approve hospitality requests to remind them of the requirement for pre-approval of hospitality. A directive will be issued to Regional Directors Corporate Services, to maintain the required statistics, and a national template will be developed	Director General, Finance & Administration/ Regional Directors General	January 2006

HOSPITALITY			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
Verification Policies. These statistics should include RCMs that do not seek approvals in advance and RCMs that do not provide the information required to support their hospitality expenses.	to facilitate department-wide roll-ups. Departmental results, by Region, will be analyzed and reported to Regional Directors, Corporate Services on a quarterly basis, and annually to the Department Management Committee.		
21. The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should develop standardized account verification procedures for hospitality expenditures that include a sampling methodology that considers risk and materiality and a standard checklist for verification of a hospitality expense claim. They should provide a copy to all individuals with responsibilities under Section 33 of the FAA.	All regional offices currently audit hospitality claims but use different processes and sampling methodologies. A standard sampling methodology and standard checklist will be developed for national use. In the interim, until the standard sampling methodology is ready, hospitality expense claims will be audited according to the following: - All claims over $300.00 - 10% of claims under $300.00	Director General, Finance & Administration	January 2006 Immediate
22. The Director General, Finance and Administration, in conjunction	A checklist will be developed and will become part of the DFO Hospitality Policy.	Director General, Finance &	December 2005

HOSPITALITY			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
with the Regional Directors of Finance, should develop standardized account verification procedures for hospitality expenditures that include a standard checklist for verification of a hospitality expense claim. They should provide a copy to all individuals with responsibilities under Section 34 of the FAA.	A bulletin to all managers and employees will be issued regarding these requirements.	Administration	
23. The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, remind RCMs with responsibilities under Section 34 of the FAA of their obligation to ensure that expenditures are properly authorized and supported by proper documentation in accordance with the financial delegation instrument.	The mandatory Financial Management Training Course currently underway will remind managers of their responsibilities under Section 34 of the FAA. A bulletin will also be issued to all managers to explain documentation requirements for hospitality claims.	Director General, Finance & Administration	October 2005 December 2005

HOSPITALITY			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
3.2 COMPLIANCE WITH HOSPITALITY POLICY ***3.2.1 Pre-authorization of Hospitality Expenditures/Section 32 of FAA.*** *24. The Director General, Finance and Administration issue a communiqué to all Regional Directors General requesting that the individual Hospitality Approval Authorities are adhered to in the Regions. At the same time, all Blanket Hospitality Authorities should be limited to officials approved by the Deputy Minister.*	A communiqué will be issued to all Sector Heads, Regional Directors General and Regional Directors of Corporate Services to remind them of the departmental authority delegations. DFO will develop a standardized policy and a process for the Deputy Minister's approval of blanket hospitality authorities. In the meantime, any existing blanket hospitality authorities not already approved by the Deputy Minister will be suspended.	Director General, Finance & Administration	October 2005
25. The Director General, Finance and Administration, in conjunction with the Regional Directors of Finance, should ensure all hospitality expenses processed have documentation that demonstrates the expenses were	These provisions are already part of the DFO Hospitality Policy. A communiqué will be issued to all managers and employees to remind them of these provisions.	Director General, Finance & Administration	December 2005

HOSPITALITY			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
properly pre-authorized and/or a written justification for exceptions.			
3.2.2 **Documentation in support of hospitality expense claims/Sections 33 & 34 of FAA.** • *See recommendations in sections 3.1.2 – Accountability and 3.1.4 – Monitoring and Reporting.*	See Management Action Plan related to recommendation 18 (Sections 3.1.2 and 3.1.4)		
3.2.3 **Hospitality Planning** 26. *The Regional Directors, Finance and Administration, contact PWGSC for a listing of all available government-owned meeting rooms for their respective region and have the listing posted on the regional intranet site.*	A listing will be obtained from PWGSC and posted.	Director General, Finance & Administration	November 2005
27. *The Director General, Finance and Administration, in conjunction with the Regional Directors General, issue a communiqué to all relevant employees drawing attention to the policy on the use of government-owned facilities and*	A communiqué will be issued to managers and employees to draw attention to the policy on the use of government-owned facilities and to the local lists.	Director General, Finance & Administration	November 2005

HOSPITALITY			
RECOMMENDATIONS	**MANAGEMENT ACTION PLAN**	**OFFICER OF PRIME INTEREST**	**INITIAL TARGET DATE**
to the local lists, and to the importance of using them for hospitality events whenever practical.			
3.2.4 Mandatory Publication of Hospitality Expenses for Selected Officials *28. We recommend that the Director General, Finance and Administration review the existing monitoring process used to capture hospitality expenditures incurred by senior officials and to modify and implement a process to include referencing the departmental financial management system, in order to enhance posting of hospitality data on the Department's website site.*	The process for reporting hospitality expenditures incurred by senior officials will be reviewed and amended to improve the accuracy and completeness of postings. The process changes will include random sampling to ensure accuracy. This is effective immediately.	Director General, Finance & Administration	October 2005 October 2005

APPENDIX A: AUDIT CRITERIA

1. Line of Enquiry – Management Control Framework

Key Audit Criteria

1.1   *Departmental Policy and Procedures* – Departmental policy and procedures should be consistent with the TBS policy.
1.2   *Accountabilities* – The accountability framework for the travel and hospitality programs should be clearly and adequately defined and implemented.
1.3   *Communications/Awareness/Training* – Communications and training for the travel and hospitality programs should be consistent and sufficient to ensure that all parties involved are fully aware of their roles and responsibilities.
1.4   *Monitoring* – Monitoring practices and controls should be adequate to ensure compliance with travel and hospitality policies.
1.5   *Reporting and Quality of Information for Management Decision-Making* – The travel and hospitality data processing system(s) should be used to their fullest extent to meet management information needs. Reporting to management should be conducted in a comprehensive, consistent, and timely manner.
1.6   *Risk Management* – Risks should be identified, assessed, and managed.

2.   Line of Enquiry – Compliance with Policy

Key Audit Criteria

2.1   *Pre-authorization of travel and hospitality expenditures/Section 32 of FAA* – Travel and hospitality expenses should be authorized in advance to ensure that these expenses are incurred/extended in accordance with the provisions of the TBS and departmental policies. In special circumstances hospitality must be post authorized by the employer and travel expenses must be authorized for non-standard items and emergencies.
2.2   *Documentation in support of travel and hospitality expense claims/Sections 33 & 34 of FAA* – Travel and hospitality expense claims must have the requisite level of detail for certification of expenses by managers under FAA Section 34 and for account verification under FA Section 33 by finance personnel.
2.3   *Travel and hospitality planning* – Travel and hospitality should be conducted/extended in an economical and appropriate way to facilitate government business or is considered desirable as a matter of courtesy.
2.4   *Mandatory publication of travel and hospitality expenses for selected officials* – All travel and hospitality expenses for selected government officials, including deputy ministers and senior public servants should be published on the internet.
2.5   *Travel related expenditures (Training, Isolated Travel Vacation, Aircraft Charters, Weekend Travel and Relocation Expenses), Section 32, FAA* – These expenses should be authorized in advance to ensure that they are incurred in accordance with the provisions of the TBS and departmental policies.
2.6   *Reasonableness/Eligibility of Expenditures* – Expenditures incurred for travel are in compliance with the Travel Policy, represent value to the Crown, and represent fairness to the employee.
2.7   *Use of Government Travel Service Provider* – All travel arrangements should be made with the Government Travel.