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AUDIT AND EVALUATION  
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DE LA VÉRIFICATION  
ET DE L'ÉVALUATION

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AUDIT OF THE ACTIVITIES OF THE YUKON  
TRANSBOUNDARY RIVERS AREA OFFICE  
PROJECT # 2005-6B007  
FINAL ADVISORY REPORT  
JANUARY 17, 2006



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## **1.0 EXECUTIVE SUMMARY**

### ***1.1 Background***

The Yukon Transboundary Rivers Area Office (YTRAO) located in Whitehorse in the Yukon Territory is an area office of the Pacific Region of Fisheries and Oceans Canada (DFO). The Area Office is comprised of the following: Business Management Services, Conservation and Protection, Oceans and Habitat Enhancement, Treaties and Aboriginal Policy Directorate, and Stock Assessment Division.

The Area Office employs 34 full time staff as well as 21 seasonal employees. The annual expenditures for the 2004-05 fiscal year totalled \$5,196,900. Area employees are located either in the Area Office in Whitehorse or in eight seasonal field camps located throughout the Yukon Territory. In addition, the Area Office was funded for six projects totalling \$351,500 through specified purpose funds received from external organizations.

Governed by Treasury Board and Departmental Policies including the *Financial Administration Act* and the *Fisheries Act*, the Area Office is responsible for advancing the strategic objectives of the department. The Area Office is also responsible for implementing various treaties and agreements including agreements under the Aboriginal Fisheries Strategy, the Umbrella Final Agreement, the Pacific Salmon Treaty, the Yukon River Salmon Agreement, as well as subsidiary agreements.

The Audit and Evaluation Directorate (AED) conducted an audit and evaluation of the Contribution to the Yukon Salmon Sub-Committee in 2004. During the audit, control weaknesses were identified in the YTRAO. The management action plan approved by the Departmental Audit and Evaluation Committee (DAEC) recommended that AED undertake an audit of activities in the YTRAO.

### ***1.2 Objective and Scope of the Audit***

The objective of the audit was to assess the adequacy and appropriateness of the management control framework associated with the management of human, financial and material resources in the YTRAO. This included resource planning, budgeting, monitoring and reporting processes and activities.

The audit examined the following lines of enquiry:

- Accountability Framework;
- Planning;
- Monitoring and Reporting; and
- Policies, Guidelines and Procedures.

### **1.3 Key Findings**

The YTRAO is responsible for fulfilling commitments and obligations included in a number of treaties and agreements. These commitments and obligations are very broad and far reaching. In addition, they are not always specifically defined thus allowing the department flexibility in their implementation. Without a clarification of the commitments and obligations, it is difficult for the Area Office to establish an Accountability Framework to support them.

Each sector in the YTRAO engages in some form of risk-based planning and informal discussions occur among the Sectors to discuss common activities. However, the Area Office does not conduct an integrated risk-based business planning process. An integrated risk-based business planning process would still include the development of risk-based sector plans. These plans would then be consolidated and vetted by all the Area Chiefs and the Area Director to ensure that the integrated plan reflects the overall area priorities and that it maximizes the potential for intersectoral synergies at the area level.

The YTRAO was generally compliant with Treasury Board and Departmental Policies related to the utilization of resources in the areas of employee travel, aircraft charters, acquisition cards, and overtime. There were areas of non-compliance in the areas of non-public servant travel, payment of fish tag rewards, contracting and hospitality. Prior to this audit, the Area Office recognized that there were deficiencies in these areas and had undertaken corrective action. Another area in which the Area Office recognized the need for corrective action is the tracking and custody of assets. The Area Office was in the process of updating their records at the time of the audit.

### **1.4 Key Recommendations**

- ***Clarify the obligations and commitments of the Area Office for all treaties and agreements.***
- ***Ensure that the requirements of the Financial Administration Act are adhered to when approving payments.***
- ***Prepare an integrated risk-based Area Office Business Plan that ensures Area priorities are reflected and inter-sectoral synergies are maximized.***
- ***Implement a comprehensive and formal performance monitoring process that includes all Sector components of the Area.***
- ***Establish a process that meets Treasury Board policy that enables travel expenses of non-public servants to be prepaid.***
- ***Complete the project to inventory the Area Office's assets and the update of associated records. Expand the scope of the project to include the assets that are located at remote sites/camps.***

- *Ensure all elements of the hospitality policy are adhered to.*
- *Ensure copies of all contract related documentation are kept on file in the Area Office.*

## **2.0 INTRODUCTION**

The departmental Audit and Evaluation Directorate (AED) conducted an audit and evaluation of the Contribution to the Yukon Salmon Sub-Committee in 2004. During the audit, control weaknesses were identified in the Yukon Transboundary Rivers Area Office (YTRAO). The management action plan approved by the Departmental Audit and Evaluation Committee (DAEC) recommended that an audit of all activities currently undertaken in that office be conducted by AED.

### **2.1 Background**

The YTRAO is managed by an Area Director who reports to the Pacific Regional Director General. Reporting to the Area Director are Chiefs for Business Management Services, Conservation and Protection, Oceans and Habitat Enhancement, and Stock Assessment and an Aboriginal Fisheries Strategy (AFS) Coordinator in Treaties and Aboriginal Policy. This reporting relationship has changed for Conservation and Protection in the 2005-06 fiscal year. Conservation and Protection Chiefs in all area offices now report to the Pacific Regional Director of Conservation and Protection. In addition to reporting to the Area Director, the Sector Chiefs also have functional reporting relationships to their respective Regional Directors.

The Area Office is responsible for advancing the strategic objectives of the department and their operations are governed by Treasury Board and Departmental Policies including the *Financial Administration Act* and the *Fisheries Act*. The Area Office is also responsible for implementing various treaties and agreements including agreements under the Aboriginal Fisheries Strategy, the Umbrella Final Agreement, the Pacific Salmon Treaty, the Yukon River Salmon Agreement as well as subsidiary agreements.

The Area Office employs 34 full time staff as well as 21 seasonal employees. These employees are located in the Area Office either in Whitehorse or eight seasonal field camps located throughout the Yukon Territory. The annual expenditures for the 2004-05 fiscal year were \$5,196,900. In addition, the Area Office was funded for six projects totalling \$351,500 through specified purpose funds received from external organizations.

### **2.2 Objective and Scope**

The objective of the audit was to assess the adequacy and appropriateness of the management control framework associated with the management of human, financial and material resources in the YTRAO. This included resource planning, budgeting, monitoring and reporting processes.

The scope of the audit included an examination of the management and administrative processes related to the management of resources associated with the five operational Sectors as well as the overall management of the Area office. The audit also included an examination of the processes associated with external committees and partnerships. The audit examined transactions related to the 2004-05 fiscal year.

## **2.3 Methodology**

During the conduct phase of the audit, interviews were conducted in the area and regional offices. Documentation relating to the various committees, Treaties, and other external partnerships was reviewed to obtain an overview of the Area Office's roles, responsibilities and accountabilities. File review of selected sector management practices and processes were tested as to the adequacy and appropriateness of the management control framework and for compliance to relevant departmental and Treasury Board policies.

## **2.4 Lines of Enquiry and Audit Criteria**

The following is an overview of the lines of enquiry and audit criteria that were pursued by the Audit Team. Lines of enquiry are the broad subject headings describing areas determined to be the most productive for audit during the planning phase of an audit. Each line of enquiry is accompanied by a set of audit criteria which will be used to assess the adequacy of the Area Office's management control framework.

### **2.4.1 Accountability Framework**

#### ***Audit Criteria***

- Authority, accountability and responsibility are clearly defined so that decisions and actions are taken by the appropriate personnel.
- Accountability frameworks and policies support the achievement of departmental objectives and the management of risk is communicated so that people clearly understand what is expected of them and the parameters and impacts of their decision making authority.
- Managers at each level are accountable to ensure plans and budgets are developed and implemented to maximize the effective and efficient achievement of agreed departmental objectives.

### **2.4.2 Planning**

#### ***Audit Criteria***

- Strategic plans, business plans, operational plans and accountability accords have been developed and are risk based and adequately linked to support departmental objectives.
- Standard processes and systems exist to effectively determine funding requirements, prepare budgets and allocate resources in support of approved plans. Planned activities are prioritized according to risk to ensure available funds are applied to the highest priority activities.
- Appropriate mechanisms are in place to ensure risks are identified, assessed, managed, mitigated and communicated to the proper level of authority, in a timely manner.

### ***2.4.3 Monitoring and Reporting***

#### ***Audit Criteria***

- Processes are in place to monitor adherence to key departmental directives and policies.
- Processes are in place to seek approval to deviate from directives/policies.
- Strategic, business and operational plans as well as accountability accords include performance indicators and measurable targets.
- Managers at each level of the organization can demonstrate how resources have been used and what has been accomplished.
- Performance, including trend analysis, is monitored using the performance indicators and targets established in approved planning and accountability documents.
- Financial and non-financial performance indicators are linked to ensure integrated performance information is used for decision making.
- Follow-up procedures have been established to ensure that changes or action occurs where required.

### ***2.4.4 Policies, Guidelines and Procedures***

#### ***Audit Criteria***

- Comprehensive policies pertaining to the management of financial and material resources have been developed and clearly communicated to Area level management.
- Policies and guidelines are compatible with geographic realities of the remote location of the Area operations.
- Formal mechanisms are in place to monitor activities in support of compliance with departmental policies, guidelines and procedures.



### **3.0 OBSERVATIONS AND RECOMMENDATIONS**

The findings of the audit are reported under the following sections: Accountability Framework, Planning, Monitoring and Reporting, and Policies, Guidelines and Procedures.

Recommendations follow each section as required and a Management Action Plan is presented in Section 5.

#### **3.1 Accountability Framework**

##### **3.1.1 Findings**

A comprehensive accountability framework allows an organization to identify all of its obligations and commitments enabling it to link these activities to overall strategic objectives. Another important aspect of the framework is to identify responsibility for an activity and establish accountability.

The Government of Canada, through DFO is the signatory to a number of treaties, agreements and other arrangements in Northern Canada. These documents contain commitments and obligations that the department must fulfill. The commitments and obligations are broad and far reaching impacting all Sectors. In addition, they are not always specifically defined thus allowing the department flexibility in their implementation. The YTRAO, as the DFO representative in the North has primary responsibility for fulfilling these commitments and obligations which are significant determinants of the activities undertaken by the Area Office.

Each of the YTRAO Sectors is also responsible for contributing to the advancement of the strategic priorities of their respective Sectors. The priorities of the Sectors are often derived from the obligations and commitments in the various treaties and agreements.

The most important part of the accountability framework for an organization is to clearly define the activities for which it is responsible. This includes defining what must be done, who is accountable for the activity, the timeline for the activity and the resources required. During the audit, it was observed that a number of agreements include commitments and obligations that are not clearly determined. For example, an agreement states that the department provides administrative and technical support, however the levels or the exact nature of this support is not defined. Many agreements also contained commitments that are subject to interpretation. For example, the agreement states that the department will consult affected stakeholders. However, these stakeholders were not defined nor were there any references as to who is responsible for the associated costs.

The Yukon River Panel is one of the many treaties and agreements that contain commitments and obligations the YTRAO must fulfil. A \$45,000 invoice from the Yukon River Panel for Administrative Costs was received and paid by the YTRAO. However, the authority for making the payment could not be clearly established from the agreement. The agreement states that the parties shall provide "essential support" but the type and level of support is not defined. Subsequent to the completion of the audit field work, documentation from the Regional Pacific Salmon Commission Coordinator's office was received that indicates the Region has attempted in 2001 to quantify the level of support to be provided and the associated costs.

In addition, this invoice did not contain sufficient documentation to justify approval of Section 34, Account Verification and Spending Authority of the *Financial Administration Act* (FAA). Prior to requesting a payment be made, the individual signing Section 34 must have sufficient documentation to attest that the goods have been received or the services provided. The Yukon River Panel did not submit any supporting documentation with this request for payment. The YTRAO has since requested supporting documentation from the Yukon River Panel for this invoice.

### **3.1.2 Recommendations**

- 1. The Area Director should clarify the obligations and commitments for each treaty and agreement.**
- 2. The Area Director should ensure that the requirements of the Financial Administration Act are adhered to when approving payments.**

## **3.2 Planning**

### **3.2.1 Findings**

A comprehensive planning process is required to determine required resource levels. A successful planning process also integrates risk management. The YTRAO does not have an integrated, risk-based business plan; however each Sector prepares its own business plan. The following sections will describe the planning processes that occur in the Sectors.

#### ***Conservation and Protection***

In 2003, the Pacific Region's Conservation and Protection Sector (C&P) engaged in a region-wide risk based planning process. Projects were identified and the associated costs and human resource requirements were determined. The projects were then prioritized based on risk and operational plans were developed. This risk-based planning initiative was not coordinated by the Regional Conservation and Protection functional authority in fiscal year 2004-05, however, C&P in the YTRAO continued the process with some modifications. The risk-based operational plan developed for the YTRAO allocates 75% of the offices resources to carrying out the plan, the remaining 25% of resources are used to respond to in-season emergencies and unforeseen requirements.

C&P works closely with other YTRAO Sectors to achieve common priorities. Planning for these common priorities is done through informal communications among the Area Chiefs. This type of communication is especially prevalent during in-season operations when immediate response is required.

As of May 2005, there was a change in the reporting relationships. Area C&P organizations now report directly to the Regional Director of C&P as opposed to their respective Area Directors. The impact of this change is beyond the scope of this audit.

### ***Stock Assessment***

The various treaties and agreements to which the department is a signatory to are the primary inputs to Stock Assessment's planning process and subsequent determination of resource requirements. These treaties and agreements specify work that must be completed; in addition the agreements establish partnerships which require the Stock Assessment Division to provide advice and technical support. The Branch conducts consultations with these external stakeholders to obtain their input into the planning process.

Plans developed at the Area level are submitted to the Regional Science Branch for review. Priorities are established and resource requirements determined using a risk-based regional approach.

Many of the organizations established under these treaties and agreements fund projects that will advance their mandates. The department is eligible to submit funding proposals to these various organizations. Funding proposals that are submitted to these organizations require detailed project planning documents and are subject to the selection criteria of the funding organization. Funds from these organizations to conduct specific projects are B-base funds while departmental funding for on-going initiatives is A-base funding. The Area Office is initiating a review of project funding to ensure B-base funds are not being used to fund activities that should be funded by A-base funds.

### ***Oceans, Habitat and Enhancement Branch***

The Yukon River Salmon Agreement is a key component in the planning process for the Oceans, Habitat and Enhancement Branch. Under this agreement, the Branch is committed to providing expertise and support. The Branch, as part of the implementation of its mandate, participates in land use planning activities, engagement and consultation with the public and the provision of education. The delivery of the habitat provisions of the Fisheries Act is also part of this Branch's activities.

Currently the planning process within the Branch is somewhat informal. This process does entail the prioritization of initiatives. The commitments are delivered according to the priorities that are established. When the Branch must deliver on an initiative not previously included in their business or operational plans, the Area Chief consults with the Regional Director of Oceans, Habitat and Enhancement. The National Habitat Branch has developed a formal risk-based planning process, the Environmental Process Modernization Plan that will be implemented in all Habitat organizations, including the YTRAO beginning in 2005-06.

### ***Treaty and Aboriginal Policy Directorate***

The Treaty and Aboriginal Policy Directorate provides the executive secretariat services for the Yukon Salmon Sub-Committee (YSC). Planning relating to the activities required to support the YSC is based on the requirements of the Committee. The YSC has an annual plan which is provided to the department; the Treaty and Aboriginal Policy Directorate's plan related to activities to support the YSC can then be established.

The Directorate is responsible for the implementation and coordination of the Aboriginal Fisheries Strategy (AFS) and is in consultation with fourteen First Nation communities. The Treaty and Aboriginal Policy Directorate consists of only one staff member for the AFS activities. The AFS coordinator plans for two rounds of consultations with each First Nation per year and these are scheduled based on logistics and First Nation requirements. The AFS coordinator also works closely with other Sectors to coordinate the requirements of the First Nation communities, however, no formal planning process is utilized.

Overall, each sector in the YTRAO engages in some form of risk-based planning and informal discussions occur among the Sectors to discuss common activities. However, the Area Office does not conduct an integrated business planning process. An integrated business planning process would still include the development of risk-based sector plans. These plans would then be consolidated and vetted by all the Area Chiefs and the Area Director to ensure that the integrated plan reflects the overall area priorities and maximizes potential intersectoral synergies at the area level.

### ***3.2.2 Recommendation***

- 3. The Area Director should prepare an integrated risk-based Area Office Business Plan that ensures area priorities are reflected and intersectoral synergies are maximized.***

### ***3.3 Monitoring and Reporting***

#### ***3.3.1 Findings***

An effective Management Control Framework (MCF) must have processes in place that tracks how resources have been used as well as what has been accomplished with the resources. An organization must also have processes in place to monitor their adherence to departmental policies and directives.

The Sectors in the YTRAO use a variety of performance measurement strategies which are both formal and informal. The nature of the activities in the Area Office are extremely hands on enabling the Sector Chiefs to closely monitor their activities.

The Treaties and Aboriginal Policy Directorate maintains close communications with the First Nation communities enabling them to react promptly to any issues that may occur in the communities. A Results Based Management and Accountability Framework (RMAF) is in place for the Aboriginal Fisheries Strategy (AFS). It details the accountability framework and reporting requirements. The AFS agreements are negotiated on an annual basis and are signed off at the Area level by the Chief of Stock Assessment and the Area Director prior to being submitted to the Region.

The Conservation and Protection Branch reviews their results enabling them to make adjustments. The Branch also performs post season reviews and incorporates this information into the planning for the next field season. The Branch also maintains close communications with the other Sectors in the Area Office to enable them to react quickly to in-season emergencies.

Many of the projects conducted by the Stock Assessment Branch are subject to a regional challenge process that requires the preparation of a project proposal which would include a project monitoring plan. During the field season, the Branch is in weekly contact with the Regional Office to discuss the results of on-going stock assessment projects. A large number of the Branch's projects are mandated by the Pacific Salmon Treaty and the various Panels and Advisory committees. The Branch consults with these groups to seek their input into their work planning and prioritization process. The Branch must then report back to these groups at the end of the field season on the results of the projects undertaken. These results are considered in the following year's plans.

The Oceans, Habitat and Enhancement Branch submits summary reports on the status of their projects to the Regional Office. These reports are also forwarded to National Headquarters. As part of the development process for the Environmental Process Modernization Plan, that will be implemented in all Habitat organizations, all activities being performed are tracked. The Branch also shares its project results on an informal basis with the other Sectors in the Area Office and with the Area Director.

The Area Director has a performance accord with the Regional Director General. It sets out both short and long term objectives and is reviewed annually. Within the Area Office, performance reviews are conducted on an annual basis. This provides an opportunity to review the operations of the Sector and assess how successful they have been in utilizing their resources to achieve their priorities. Regular staff meetings are also a means of monitoring the progress of activities within the Area Office.

The Business Management Services Branch has implemented extensive monitoring processes pertaining to the use of financial resources. This includes a 5, 7, 9 and 11 month resource utilization review and then weekly reviews for the remainder of the fiscal year. The Branch also assists the operational Sectors in the monitoring of the actual use of overtime compared to planned usage. Another area in which Business Management Services has implemented controls is travel. The Area Office is exempt from the use of the Government Travel Provider (Travel Access Voyager) so a system of travel numbers has been implemented enabling the Branch to monitor travel expenditures. The Branch also performs a monthly reconciliation of credit card purchases. These processes enable the Branch to monitor the use of financial resources and adherence to policies.

The YTRAO utilizes both formal and informal methods for tracking the use of resources and the associated results. Each of the Sectors has implemented performance measures to varying degrees and incorporates the information into their planning processes. However, the majority of the monitoring and reporting is to the Regional Office or external stakeholders. The planned enhancement of the risk-based planning processes in all Area Sectors and the creation of an integrated risk-based Area Office Business Plan will require more comprehensive and formal performance monitoring processes within the Area Office.

### **3.3.2 Recommendation**

- 4. *The Area Director should implement a comprehensive and formal performance monitoring processes covering all Sector components of the Area.***

### **3.4 Policies, Guidelines and Procedures**

#### **3.4.1 Overview**

This portion of the audit examined the policies and processes in place with relation to the utilization of resources. To determine if adequate control was provided, selected file examination was conducted to ensure area practices adhered to policy and procedures and that these policies and procedures were functioning as designed.

The audit team examined the policies and processes relating to resource utilization for the 2004-05 fiscal year. The expenditures for the 2004-05 fiscal year totalled \$5.2 million dollars and included expenditures in 175 line objects. Expenditures related to salary and isolated posts were excluded from the scope of the audit leaving transactions totalling \$2.4 million dollars in 155 line objects. The expenditures were then sorted by dollar value in ascending order by line objects, transactions making up the top 10% of the expenditures were selected on a judgemental basis for file review.

Prior to file review, interviews were conducted with staff in the Business Management Services Branch to obtain an overview of the policies and processes in place. File review was then conducted to assess if these policies and processes were functioning as designed. The report provides an overview of the policies and processes and the findings of the file review. The findings are reported by expenditure type.

#### **3.4.2 Employee Travel**

##### ***Findings***

Expenditures related to travel are a major item in the YTRAO budget making up approximately 20% of the expenditures in our sample population. Travel expenditures included regular travel, travel for training, travel to the United States, aircraft charters, and travel for non-public servants. The geographic location of the Area Office and the size of the territory for which the Office provides services impact on travel expenditures.

Offices north of the 60<sup>th</sup> parallel are not required to utilize the services of the Government Travel Provider (Travel Access Voyager) and the Travel Authorization Number (TAN) system. However, all DFO travellers (employees and non-public servants) are subject to the Treasury Board Travel Directive and DFO's Travel Policy. In place of the TAN system, the Area Office has established a travel number control system and centralized booking of air travel. When an employee is required to travel and does not have blanket travel authority, a travel authorization and advance form is completed and signed by a supervisor with the appropriate authority. This form is then given to the Business Management Services Branch and a travel number is provided to the employee. The travel number, the employees name, the type of travel (work or isolated post travel) the location and the reason for travel are recorded. Tickets for airline travel are booked by one employee in the Business Management Services Branch and are charged to one designated credit card; this account is reconciled monthly.

The employee is responsible for hotel bookings and car rentals. Upon completion of their travel, the employee is required to complete his/her travel expense form within 10 days of return. The

travel expense form undergoes a pre-verification by the Business Management Services Branch and Section 34 of the *Financial Administration Act*, (FAA) is signed by the employee's supervisor. Another employee of the Business Management Services Branch processes the claim for payment and enters the expenditures in the financial system.

Due to the extensive travel requirements of some employees, blanket travel authorities are also established. The process is as follows: a memo is prepared detailing the type of authority the employee has (for example travel within the territory); the memo is signed by a supervisor with the proper authority; a copy is maintained in the Area Office; and a copy is forwarded to the Regional Office. An employee with blanket travel authority uses the same process as the one described in the previous paragraph except for the requirement to complete a travel authorization and advance form.

The AED recently completed an Audit of Travel and Hospitality and the report contained recommendations related to the use of blanket travel authorities. These recommendations included a requirement to ensure that travel claims make explicit reference to the fact that the traveller is using a blanket travel authority and that the documentation be readily accessible for verification. As a result of this audit, the DFO Travel Policy will be amended to clarify when such authority can be used. Regions will also be required to review all existing blanket travel authorities to confirm they are required. The Area Office must ensure the recommendations of this audit are implemented.

We concluded that adequate controls as described are in place and functioning. In addition to travel claims, memos establishing blanket travel authority and the credit card statements for air reservation were examined and no problems were noted.

### ***3.4.3 Non-Public Servant Travel***

#### ***Findings***

The Treasury Board Travel Directive and the DFO Travel Policy are applicable to non-public servants travelling for departmental business. The audit team expected the process to be similar for public servants and non-public servants. The review of non-public servant travel files, however, revealed significant differences.

The total dollar value of non-public servants travel was \$87,263 or 3.7% of Area Office's total expenditures. Travel claims for non-public servants were reviewed and it was noted that travel expenses, primarily hotels charges for the non-public servant traveller were paid by a departmental employee and submitted on his/her travel expense claim. During the conduct of the audit, it was explained that some non-public servants were unwilling or unable to prepay their travel expenses. This practice is contrary to the Treasury Board Travel Directive and the DFO Travel Policy whereby a traveller is required to submit expenses for their own travel. This practice also exposes the departmental employee to unnecessary financial risk. Air reservations for non-public servants were often booked by the Area Office and prepaid using a Responsibility Centre Travel Card, a credit card designated for this purpose.

#### **3.4.4 Recommendation**

5. ***Pacific Regional Finance should work with the Area Office to establish a process that meets Treasury Board policy that enables travel expenses of non-public servants to be prepaid.***

#### **3.4.5 Aircraft Charters**

##### ***Findings***

Due to the geographic location of many of the work sites commercial aircraft travel is not available thus necessitating the use of aircraft charters. Aircraft charters are used to transport employees and supplies to remote locations as well as for conducting aerial surveys and other project related activities. The process in the YTRAO governing the use of aircraft charters revolves around the use of the Public Works and Government Services supply arrangement for aircraft charters. When a need is identified for the use of aircraft charter services, a call-up against the standing offer is initiated. An employee with the requisite signing authority completes a purchase order which includes details such as the reason for the charter, the time, date, the passengers, and cargo. The appropriate carrier is selected based on the requirements and availability of carriers. The carrier invoices are approved by employees with Section 34 of the FAA. The invoice is then entered for payment in the financial system by the Business Management Services Branch.

Payments related to aircraft charters were reviewed and the process as described above was found to be functioning. Carriers that were on the supply arrangement were used, purchase orders were used and contained sufficient details. The rates used were also verified against the supply arrangement rates and were found to be correct.

#### **3.4.6 Assets**

##### ***Findings***

It is departmental policy that all items over \$10,000 be recorded as an asset and tracked; items under this threshold may also be tracked as an asset at the discretion of managers. Managers may also choose to track “attractive items” as assets. When an item is to be tracked as an asset, a bar code sticker is affixed to the item and it is recorded in the asset module of the financial system.

It is also imperative that appropriate measures are in place to safeguard assets. It is also essential that an organization have a plan in place to monitor the state of assets and retire them at the end of their useful life.

During the conduct of the audit, the Acting Area Director advised the audit team that a project had been initiated to update the asset listing. This project involved the cataloguing of items, disposing of items which are no longer useful and updating financial records. The audit team found that the security measures of the storage facility at the Area Office are adequate. It also noted that considerable effort had been made to organize the items in the facility which would facilitate the cataloguing of items.



Due to the amount of work remaining to organize the storage facility and the requirement to update the financial records, the audit team is unable to confirm the accuracy of the inventory and the information in the financial system. During the tour of the storage facility, the auditors noted that of the four skidoos on-site, only two had inventory bar codes and four boats that had inventory bar codes did not appear on the asset report.

### **3.4.7 Recommendation**

- 6. *The Area Director should complete the inventory of the Area Office's assets and update the associated records. The scope of the project should be expanded to include the assets that are located at remote sites/camps.***

### **3.4.8 Acquisition Cards**

#### ***Findings***

Acquisition cards are used extensively in the Area Office, especially for the purchase of supplies for the remote sites/camps. The office has implemented processes governing the issuance of acquisition cards and for the payment and reconciliation of accounts. Acquisition cards are only issued to employees who are identified by their manager as having a requirement for a card. Employees identified as requiring a departmental acquisition card must complete an application, which is signed by their manager and forwarded to the Regional acquisition card coordinator. Each cardholder has a limit and there are restrictions on what may be purchased with the card.

When an employee makes a purchase using the acquisition card, the receipt is provided to the Business Management Services Branch where the financial coding, if it has not been provided by the employee is added and then the expenditure is entered into the Automated Acquisition Card Register (AACR) system for payment. The receipts are then filed to be reconciled to the card statements. An Acquisition Card Register Report is generated on a monthly basis and is signed by the cardholder and the manager.

A sample of acquisition card bills was reviewed and the processes as described above were functioning. In addition, the bills were reviewed and it was found that the acquisition cards were being used to purchase eligible items.

### **3.4.9 Overtime**

#### ***Findings***

The YTRAO incurs significant overtime expenditures. The short field season and the remoteness of the field camps often necessitate the use of overtime to complete projects in a timely and cost effective manner. Interviews with the Sector Chiefs indicated that overtime costs are budgeted and the expenditures closely monitored. In addition, all overtime must be approved in advance, with the exception of overtime required in emergency situations.

During the conduct of the audit, employee overtime reports were reviewed. It was observed that these forms are signed by the employee's supervisor and contain details of the work performed. In addition, the Business Management Services Branch works closely with the Sectors to prepare budgets for the use of overtime and closely monitors its usage.

### ***3.4.10 Hospitality***

#### ***Findings***

The rules governing the extension of hospitality are governed by Treasury Board and Departmental Policy. In general, approval to extend hospitality must be obtained in advance and the recipients must be identified. There are also financial limits that must be respected. Several of the hospitality claims examined did not identify the recipients of the hospitality which is contrary to the hospitality policy.

The Pacific Region implemented new controls whereby all hospitality, irrespective of the dollar amount, must be approved in advance by the proper authority and Regional Finance will perform 100% post audit of hospitality claims.

The AED report on the Audit of Travel and Hospitality also contained recommendations related to the administration of hospitality. The Area Office must ensure that all applicable recommendations of that audit are implemented.

#### ***3.4.11 Recommendation***

- 7. The Area Director should implement measures to ensure the adherence to all elements of the hospitality policy.***

### ***3.4.12 Contracting***

#### ***Findings***

Periodically, a requirement is identified for the procurement of goods or services. When the Government of Canada procures goods or services, rules must be followed to ensure the process is transparent and fair to all competitors and provides the Government with value for money. Processes must also be in place to ensure payments are made in accordance with the terms and conditions of the contract and that the good or service being purchased has been delivered.

The YTRAO makes use of both sole source and competitive contracts. Contracts for goods less than \$5,000 and for services less than \$10,000 are completed in the Area Office. Contracts above these limits are coordinated by a contracting officer from regional corporate services. Files were reviewed and when a sole source contract was issued, justification was included on the file. When a competitive contract was issued, there was evidence on file of the project evaluation and selection process.

With the exception of three files, there was evidence on file to support certification under Section 34 of the FAA that the goods have been received or the services provided and the transactions were approved by authorized officers. Finally, we observed the payments were made in accordance with the payments schedules in the contracts.

Three of the files reviewed did not have a copy of the contract on file. These contracts were for projects that were being administered jointly with another office. However, the work was being directed by employees in the YTRAO and Section 34 of the FAA was being signed by these

employees without the ability to reference the contract to verify terms and conditions of the contract. When signing under Section 34, a copy of the contract should be on file for reference.

### ***3.4.13 Recommendation***

- 8. The Area Director should ensure that copies of all documentation relating to a contract be kept on file in the Area Office for all contracts where Area staff authorize payments under Section 34.***

### ***3.4.14 Redemption of Fish Tags***

#### ***Findings***

As part of the stock assessment program, there are several projects in which salmon are implanted with various tracking devices. To encourage the return of these tags, the department offers a reward.

During the 2004-05 fiscal year, fish tag rewards were paid by departmental employees using funds from travel advances which is in contravention of the Travel Policy. The employees would apply for a travel advance, pay the fish tag rewards, (payments were typically made while working out in the communities) then an expense report would be completed to account for the advance. For the 2005-06 fiscal year, the process has changed and petty cash accounts are now being used for the payment of fish tag rewards.

#### **4.0 CONCLUSION**

The YTRAO does not currently have an integrated risk-based Area Office Business Plan, however each Sector is engaged in some form of risk-based planning. Significant determinants for resources in the Area Office are the numerous treaties and agreements to which DFO is a signatory. The YTRAO has committed to reviewing these agreements and treaties to more clearly identify their obligations. In addition, the Area Office recognizes the potential synergies that could be obtained through the creation of an integrated risk-based Area Office business plan, the creation of which will also necessitate the implementation of monitoring and reporting capabilities at the Area Office level. Currently, the reporting and monitoring in each of the Sectors is more to the Regional Office and external stakeholders with informal communications among the Sectors in the Office.

The YTRAO was generally compliant with Treasury Board and Departmental Policies related to the utilization of resources in the areas of employee travel, aircraft charters, acquisition cards, and overtime. There were areas of non-compliance in the area of non-public servant travel, payment of fish tag rewards, contracting and hospitality. The Area Office recognized that there were deficiencies in these areas and had undertaken corrective action.

**5.0 MANAGEMENT ACTION PLAN**

RECOMMENDATION	MANAGEMENT ACTION PLAN	INITIAL TARGET DATE	ACTIONS COMPLETED	ACTIONS OUT-STANDING	ESTIMATED COMPLETION DATE
<p><i>1. The Area Director should clarify the obligations and commitments for each treaty and agreement.</i></p>	<p><b>-Review all Treaty obligations and financial obligations</b></p> <p><b>-Review with Regional Director of Corporate Services</b></p> <p><b>-Review with Treaties Unit [Section severed pursuant to s.23 of the ATIP]</b></p>	<p><b>July 31/06</b></p>	<p><b>-Some reviews have taken place in the Yukon Salmon Committee and with the Yukon Panel. Regional discussions are underway for the Pacific Salmon Commission</b></p>		
<p><i>2. The Area Director should ensure that the requirements of the Financial Administration Act are adhered to when approving payments.</i></p>	<p><b>-A/Area Director has been briefed and trained in December 2005</b></p>	<p><b>Completed</b></p>			<p><b>Completed</b></p>

RECOMMENDATION	MANAGEMENT ACTION PLAN	INITIAL TARGET DATE	ACTIONS COMPLETED	ACTIONS OUT-STANDING	ESTIMATED COMPLETION DATE
<p>3. <i>The Area Director should prepare an integrated risk-based Area Office Business Plan that ensures area priorities are reflected and intersectoral synergies are maximized.</i></p>	<p>All sector Chiefs have been informed for the need of a Business Plan.</p> <p>-Business Plan and Priorities to be established by various sectors, these will be rolled up into a Business Plan for the Area</p> <p>-Results Based Management Accountability Framework will be put in place.</p>	<p>Dec 01/05</p> <p>June 01/06</p> <p>June 01/06</p>			
<p>4. <i>The Area Director should implement a comprehensive and formal performance monitoring processes covering all Sector components of the Area.</i></p>	<p>-In-season check points will be established.</p> <p>-Accountability between Chiefs and Supervisors must be established and adhered to.</p> <p>-Bi-weekly review of utilization of resources will be undertaken in those sectors where issues have arisen in the past.</p>	<p>Jun 01/06</p> <p>On-going</p>	<p>Informal meetings have been undertaken with Chiefs</p>		

RECOMMENDATION	MANAGEMENT ACTION PLAN	INITIAL TARGET DATE	ACTIONS COMPLETED	ACTIONS OUT-STANDING	ESTIMATED COMPLETION DATE
<p>5. <i>Pacific Regional Finance should work with the Area Office to establish a process that meets Treasury Board policy that enables travel expenses of non-public servants to be prepaid.</i></p>	<p>-Utilizing the Travel AcXess Voyager and TAN Travel system</p> <p>-Non-Public Servants' hotel expenses are now paid using the Area Office credit card</p>	<p>Completed</p> <p>Completed</p>			<p>Completed</p> <p>Completed</p>
<p>6. <i>The Area Director should complete the inventory of the Area Office's assets and update the associated records. The scope of the project should be expanded to include the assets that are located at remote sites/camps.</i></p>	<p>-Sectors have reviewed inventory sheets to update and inventory data has been updated with Region.</p> <p>-New data sheets to be reviewed and inventory update to be done</p> <p>-Remote camps and sites will be done as staff go into various areas</p>	<p>Completed</p> <p>March 31/06</p> <p>June 01/06</p>			<p>Completed</p>

RECOMMENDATION	MANAGEMENT ACTION PLAN	INITIAL TARGET DATE	ACTIONS COMPLETED	ACTIONS OUT-STANDING	ESTIMATED COMPLETION DATE
<p>7. <i>The Area Director should implement measures to ensure the adherence to all elements of the hospitality policy.</i></p>	<p>Region has implemented new controls. Requires adherence to all elements of hospitality policy. All staff have been advised of the corresponding mandatory authorizations and claim requirements.</p>	<p>Completed</p>			<p>Completed</p>
<p>8. <i>The Area Director should ensure that copies of all documentation relating to a contract be kept on file in the Area Office for all contracts where Area staff authorize payments under Section 34.</i></p>	<p>-Contracting officer has obtained copies of missing contracts from Regional Office.</p> <p>-Contracting procedures have been reviewed with Area staff.</p> <p>-Procedures will be re-emphasized at the beginning of the new field season.</p>	<p>Completed</p> <p>Completed</p> <p>May 2006</p>			<p>Completed</p> <p>Completed</p>