



DEPARTMENT OF JUSTICE CANADA

REPORT ON THE AUDIT OF TRAVEL, HOSPITALITY AND CONFERENCES

February 2014

Internal Audit Branch



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STATEMENT OF CONFORMANCE AND ASSURANCE

The Internal Audit Branch completed the Internal Audit of Travel, Hospitality and Conferences at the Department of Justice Canada. The objectives of the audit were to provide assurance that effective controls are in place for travel, hospitality and conferences, and that these activities are appropriately managed in the Department of Justice consistent with Treasury Board Secretariat directives and other applicable authoritative requirements.

This audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program.

In our professional judgment, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusion provided and contained in this report.

The conclusion is based on a comparison of the conditions, as they existed at the time of the Audit, against pre-established audit criteria that were primarily based on the Treasury Board of Canada Secretariat *Audit Criteria Related to the Management Accountability Framework – A Tool for Internal Auditors*; the Treasury Board of Canada Secretariat *Directive on the Management of Expenditures on Travel, Hospitality and Conferences* and the *Financial Administration Act*.

Original signed by

Cheryl Driscoll CIA, CGAP, CCSA, CRMA, CFE
Chief Audit Executive

Date

EXECUTIVE SUMMARY

Conclusion

- 1 The Department of Justice has a control framework for managing travel, hospitality and conferences (THC). There are effective departmental processes in place to manage THC budgets and a number of policy instruments.
- 2 Improvements are recommended to strengthen the effectiveness of the control framework for THC and responding to a medium risk level for the department. Weaknesses were identified in the following areas: comprehensiveness of the departmental policy instruments for THC; roles and responsibilities for THC in the National Capital Region and regional offices; processes for *Financial Administration Act* Section 34 approval and Section 33 verification which resulted in a high error rate (30%); monitoring and reporting of THC; and, managing change related to THC in the National Capital Region and regional offices.

Background

- 3 This audit was identified in the departmental *Three-Year Risk-Based Audit Plan 2012-2013 to 2014-2015*. The objectives of this audit were to provide assurance that there were effective controls in place for THC, and that these activities were appropriately managed in the Department of Justice consistent with Treasury Board Secretariat directives and other applicable authoritative requirements.
- 4 The audit team examined and assessed the following with respect to THC:
 - Roles and responsibilities;
 - Policy instruments;
 - Planning;
 - Process and approval;
 - Resources;
 - Communication and training; and,
 - Monitoring and reporting.

1.0 INTRODUCTION

1.1 Background

- 5 The Department of Justice employs approximately 5,000 people in the National Capital Region (NCR) and in six regional offices. In addition, other individuals who are associated with the work of the Department are required to travel on government business, both within Canada and abroad.
- 6 Departmental employees can participate in events hosted by other organizations. The department also hosts conferences and other events, and provides hospitality to federal employees when:
 - Employees are required to participate in operations, business meetings, training or similar events that extend beyond normal working hours. This includes situations where employees are required to work through normal break and meal periods; and,
 - Employees are required to be part of an event or to participate in a government hosted conference, which includes participants that are not employees of the Government of Canada and for whom hospitality will be provided as matter of courtesy, diplomacy, or protocol.
- 7 THC departmental activities are guided by a number of authorities, as listed in *Appendix A*. This includes Treasury Board Secretariat (TBS) directives, guidelines and templates, as well as the *National Joint Council Travel Directive* which sets the rates of reimbursement of travel costs. TBS authorities are supplemented by Department of Justice procedures for event planning, hospitality and conferences.
- 8 TBS issued a *Directive on Travel, Hospitality, Conference and Event Expenditures* in August 2013. However, the current audit assessed departmental compliance against the previous version in effect since January 2011 and amended in October 2012, entitled *Directive on the Management of Expenditures on Travel, Hospitality, and Conferences*.
- 9 Both versions of the TBS directives place emphasis on increased planning and control of THC and have been accompanied by increased constraints on THC budgets and expenditures across Government. The Department has reduced its spending on THC from \$13.8M in 2009-10 to \$7.1M in 2013-14.
- 10 The Department of Justice launched a Departmental Consolidation Project for accounts payable which resulted in the creation of an Eastern hub in Ottawa on February 4, 2013, and a Western hub in Edmonton on March 4, 2013. As a result, departmental accounts payable staff was reduced by 50 percent. Financial services staff that processed THC transactions in the two regions included in the audit scope (Prairie and Quebec) were reduced by more than

half. These regional employees were also the local experts for travel training and procedures, as well as hospitality and conferences.

- 11 The Department of Justice utilizes the Shared Travel Services (STS) travel management system delivered by Public Works and Government Services Canada (PWGSC), which includes the following:
- The Travel AcXess Voyage Portal — the gateway for employees and travel arrangers to research and book travel online while tracking expenses from input to reimbursement.
 - The On-line Booking Tool (OBT) — a self-service travel research and reservation application where travelers and travel arrangers make reservations for air, car and accommodations over a secure network.
 - The travel Expense Management Tool (EMT) — an application that automates the submission, approval and tracking of travel requests and expense reports.

1.2 Audit Objectives and Scope

- 12 The objectives of this audit were to provide assurance that there were effective controls in place for THC, and that these activities were appropriately managed in the Department of Justice consistent with TBS directives and other applicable authoritative requirements.
- 13 The scope of the audit included THC transactions and controls in place in the Department of Justice from April 1, 2012, to July 31, 2013. Local travel expenses such as taxis were excluded.
- 14 Actual expenditures and the number of transactions for the period of the audit scope, as obtained from the departmental financial system, are:
- travel \$8.15M and 8121 transactions;
 - hospitality \$167K and 505 transactions; and,
 - conferences \$443K and 650 transactions.

1.3 Risk Assessment

- 15 A risk assessment and fraud risk assessment were conducted to determine priorities and to focus audit activity. Consequently, the audit was planned and carried out to address general risks, as detailed below:

- Risk that responsibilities and accountability for THC expenditures are not clearly defined and/or are not effectively communicated to all levels of the organization;
- Risk that departmental THC policies and procedures are not consistent with TBS and National Joint Council policies and directives and/or do not provide adequate direction for the management of THC;
- Risk that THC expenditures are not adequately planned and economies are not realized;
- Risk that unauthorized THC expenditures are incurred;
- Risk that use of available resources for the effective and efficient procurement and processing of THC expenditures is not maximized;
- Risk of insufficient and/or ineffective communication and training related to THC expenditures and systems; and,
- Risk of inadequate monitoring of THC expenditures related to compliance, efficiency and effectiveness, and that sufficient, accurate and timely information is not gathered and made available for decision-making purposes and to meet reporting requirements.

1.4 Audit Criteria

- 16 Seven audit criteria (see *Appendix B*) were developed to address the audit objectives taking into consideration the identified risks. The criteria were based on the *Financial Administration Act (FAA)* and guidance from TBS including: *Audit Criteria related to the Management Accountability Framework - a Tool for Internal Auditors*; *Directive on Delegation of Financial Authorities for Disbursements*; and, the *Directive on the Management of Expenditures on Travel, Hospitality and Conferences*. Management was in agreement with the criteria.

1.5 Approach and Methodology

- 17 The audit was conducted in accordance with the requirements of the Treasury Board *Policy on Internal Audit* and followed the *Internal Auditing Standards for the Government of Canada*. This included a planning phase to identify key risks and to develop audit criteria. A methodology and detailed program were developed and carried out during the conduct phase of the audit to address the criteria and conclude on the audit objectives. This included:
- Documentation reviews that included but were not limited to, a review of departmental policy instruments including policies, guidelines, bulletins and procedures, as communicated on the departmental intranet (JUSnet) or by other means (e.g. emails);

- Interviews and discussions with senior financial officers and other senior officials in the NCR and regional offices. The list of interviewees can be found in Appendix E;
 - Focus groups with Responsibility Centre Managers, travel arrangers and travelers;
 - Compliance review of a judgmental sample of 105 THC transactions and data analysis of the entire transaction population for the scope of the audit;
- 18 The results of the audit approach and methodology described above were reviewed, analyzed and interpreted by the audit team. Professional judgment was exercised, leading to conclusions as to the extent to which each criterion was met, and to an overall audit conclusion addressing the audit objectives.
- 19 A summary of the results of the transaction testing is presented in Appendix G.

1.6 Identified Strengths

- 20 The audit identified the following practices and controls in place that reflect compliance with government policy and departmental requirements. These practices serve to mitigate risks and facilitate operational activities related to the management of THC expenditures.
- 21 Departmental financial planning and variance management is carried out through monthly Financial Situation Reports. In addition, budgeted amounts for THC are managed through expenditure limits (caps) that are carefully monitored in NCR and the regions. The results of budget monitoring are presented regularly to the Department of Justice Management Committee. (Criteria 3 and 7)
- 22 The travel system has built-in features that mitigate risk such as the use of the standard rates specified by the *National Joint Council Travel Directive*. Alert flags are raised if the number of days or the dollar amount for a travel event is exceeded. Also, the roles of the travel arranger and travel approver are standardized to a significant extent by the travel system. (Criteria 1, 4, and 5)
- 23 In Ottawa, three training courses are provided per month on the travel system by the departmental training coordinator which includes training on/for:
- The Expense Management Tool / On-line Booking tool;
 - Expense Management Tool international travel; and,
 - Travel verifiers (recommenders) and approvers. (Criterion 6)
- 24 The Department of Justice *Supporting Notes to the Delegation of Authority* includes departmental travel authority restrictions and approval authorities for hospitality and conferences. (Criterion 6)

- 25 Comprehensive departmental *Procedures for the Extension of and Claim for Hospitality* were in place for the period of the audit. In addition, there are well-designed forms which are easy to understand and complete. This policy instrument was developed in response to a 2006 internal audit. (Criterion 6)
- 26 Departmental *Procedures for Announcing Conferences and Approving Attendance Requests* were in place for the period of the audit. There was also a departmental conference coordinator who collated the forms called for by these *Procedures* for approval by the designated Assistant Deputy Minister. (Criterion 6)

2.0 FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

2.1 Policy Instruments

Audit Criterion 2: Department of Justice guidelines, procedures and related authorities for the management of THC expenditures are clearly defined, and are consistent with TBS and National Joint Council directives and the *FAA*.

Key Finding: There are opportunities to improve the departmental policy instruments for travel and conferences.

- 27 Section 6.7 of the *TBS Directive on the Management of Expenditures on Travel, Hospitality and Conferences* (2012) states that the Chief Financial Officer is responsible for “putting in place and sustaining effective departmental processes, procedures and controls necessary to meet the requirements of the directive.” In the 2013 version of this directive, further emphasis is placed on establishing “robust departmental frameworks and plans, policies, financial management systems.”
- 28 The Department of Justice has a different approach for managing each category of THC and has developed policy instruments. For hospitality, comprehensive departmental policy instruments are in place. There are opportunities to improve departmental policy instruments for travel and conferences.

Travel

- 29 Travel information on the departmental intranet includes links to relevant TBS directives and guidelines. Information is provided on a number of related departmental policy instruments, mostly related to the use of the Travel AcXess Voyage system. In addition, there is information on the following topics, some of which could have been more clear as outlined below:
- The departmental guidance on accommodation stipulates requirements for the use of hotels that are in the Accommodation and Car Rental Directory. There are instructions on required justifications and approvals in cases when a hotel is used that is not in the directory. However, there are no instructions pertaining to instances when employees stay in hotels listed in the directory at a rate higher than the listed rate. If travelers are required to justify selecting a hotel rate that is higher than the listed rate and managers are required to approve such justifications in advance, unnecessary expenses may be avoided.
 - The National Joint Council Travel Directive defines Blanket Travel Authority as, “authorization for travel which is continuous or repetitive in nature, with no variation

in the specific terms and conditions of trips and where it is not practical or administratively efficient to obtain prior approval from the employer for each individual trip”. Extensive use of the Blanket Travel Authorities was observed in the Department of Justice: 406 were identified for 2013/14, 157 of which were in one region. Of those travelers with Blanket Travel Authorities, 312 (77%) travelled during the 16 months of the audit scope, however only 134 (33%) travelled more than four times. The overuse of Blanket Travel Authorities increases the risk of unjustified travel expenses.

- In the review of travel transactions, there were flight changes en route without evidence of Responsibility Centre Manager pre-approval or justification on file to support this change. Instructions would be beneficial for travelers and the financial staff processing and verifying travel claims.

Conferences

- 30 The Department of Justice has *Procedures for Announcing Conferences and Approving Attendance Requests* since 2004. While only two of the employees interviewed were aware of this policy instrument, all were familiar with the approval process requirements in the procedure. The procedure was reportedly promulgated across the Department by email and then posted on the departmental intranet; however, this document was not available on the departmental intranet.
- 31 The conference approval process described above has been replaced by new *Procedures to Submit the Annual Event Plan*, effective October 1, 2013; however, as of December 16, 2013, the departmental intranet stated there was no departmental policy on conferences. Interviews with departmental travelers, Responsibility Centre Managers and finance personnel suggest that there is confusion related to conference approvals and definitions.

Policy Instruments

- 32 The Finance and Procurement Branch recognized that additional policy instruments are required to support recent departmental event planning procedures and for reporting on conferences. In addition, certain areas of travel procedures could be clarified, including the use of directories, Blanket Travel Authorities, travel changes and international travel. (See recommendation 4).

2.2. Roles and Responsibilities

Audit Criterion 1: Roles, responsibilities and accountabilities for the management of THC expenditures are clearly defined.

Key Finding: There is uncertainty with respect to roles and responsibilities for THC in both NCR and the regional offices.

- 33 Section 6.8 of the TBS *Directive on the Management of Expenditures on Travel, Hospitality and Conferences* (2012) states that the Chief Financial Officer is responsible for “ensuring that delegated financial authorities and associated responsibilities relative to THC are clearly communicated and adhered to by managers.”
- 34 The consolidation initiative resulted in the creation of two hubs located in Ottawa (Eastern hub) and Edmonton (Western hub) to process accounts payable transactions across the department. The Eastern hub serves the NCR, Quebec and Atlantic regions and the Western hub serves the Ontario, Prairie, British Columbia and Northern regions. Since accounts payable processing is performed by the hubs, the regional finance groups continue to be responsible for the functions carried out prior to consolidation with the exception of accounts payable.
- 35 In response to accounts payable consolidation and to clarify financial responsibilities, the Finance and Procurement Branch reported that training was provided for Section 34. This reported training targeted administrators in the Quebec Region and in the Prairie Region (Edmonton Office) in July 2013 and November 2013 respectively. Additionally, the Finance and Procurement Branch developed a draft document entitled *Residual Functions-Post Implementation of Consolidated Accounts Payable for Regional Finance Offices* that is currently being refined. However, statements of roles and responsibilities for travel, hospitality and conferences were unavailable in the regions when visited by the audit team.

Travel

- 36 The residual functions table excludes specific assignment of responsibilities related to travel system training and support. It is unclear if the regional finance personnel are expected to be super users to train other users of the travel system. Clarifying training responsibilities will be critical in the short term as a new Government of Canada travel system is scheduled to be implemented for April 7, 2014, and training will be a key component of system implementation.
- 37 Regional senior management have commented on the reduced level of service provided for THC, which has resulted in, for example, travelers waiting up to six weeks to receive reimbursements.

Hospitality

- 38 The Department currently does not have a designated office of primary interest for hospitality that would be responsible for the overall effectiveness of the hospitality policy and procedures across the Department of Justice. Before the consolidation of accounts payable, the Manager Financial Policy, Procedures and Training was responsible for hospitality procedures. The *Procedures to Submit the Annual Event Plan* is the responsibility of the Director Accounting Operations. The latter procedures do not assign overall responsibility for hospitality.

Conferences

- 39 During the period of the audit, there was a departmental conference coordinator who collated the forms as called for by the *2004 Justice Canada Procedures for Announcing Conferences and Approving Attendance Requests*, for approval by the designated Assistant Deputy Minister. The responsibilities for this function have since been transferred to the Director Accounting Operations in conjunction with the *Procedures to Submit the Annual Event Plan*, but the coordinator position was not transferred. The overall responsibility for conferences in the Department of Justice has not been assigned at this time.

Clarifying Roles and Responsibilities

- 40 Overall, employees in the regions are uncertain about their THC responsibilities. Similarly, there is uncertainty regarding the roles and responsibilities of the Finance and Procurement Branch for THC.

Recommendation and Management Response

- 1. The Deputy Chief Financial Officer should clarify roles and responsibilities for travel, hospitality and conferences across the Department. (Medium Risk)**

Agreed. The Deputy Chief Financial Officer will develop a statement of roles and responsibilities for travel, hospitality and conferences across the Department, which will include Finance and Procurement Branch employees, as well as departmental employees. **Target Completion Date:** December 31, 2014.

2.3 Financial Process and Approvals

Audit Criterion 4: THC expenditures are pre-authorized, incurred and accounted for; spending and payment authorities are exercised in accordance with the *FAA* and Department of Justice authorities.

Key Finding: The Section 34 approval process and the Section 33 verification process were not effective for the period of the audit resulting in a high error rate of 30%.

- 41 To assess the approval and verification process, a judgmental sample of 105 files was drawn: 60 travel transactions, 21 hospitality transactions, and 24 conference transactions. The sample of transactions were by year and for risk factors such as value, type, location, international travel, business class travel and travel processed outside of the travel system. Transaction files were reviewed for several factors, including: advance approval; compliance with the *FAA*, TBS and departmental policy instruments; and, consideration of travel alternatives.
- 42 Out of the total sample of 105 transaction files, 32 had one or more errors. This represents a 30% error rate. Please see *Appendix G* for a breakdown of results by transaction type and *Appendix F* for an explanation of the factors which were considered as errors. There is an opportunity to improve departmental practices for Section 34 approval and Section 33 verification to prevent and detect THC transactional errors. The following are examples of the types of errors found in the transactions reviewed:
- Missing justification for changes to travel plans or to support events;
 - Transactions certified for Sections 32, 33 or 34 of the *FAA* by officials without delegated signing authority;
 - Claiming ineligible expenses; and,
 - Missing Deputy Minister or Assistant Deputy Minister approval for hospitality or conference transactions when required.

Control of THC Expenditures

- 43 The 30% error rate demonstrates weaknesses in the THC control framework and has resulted in non-compliance with the *FAA* and THC authorities. These control gaps expose the Department to the risk that unauthorized THC expenditures are incurred. Focus groups for Responsibility Centre Manager performing Section 34 have indicated a need for greater training in this regard.

Recommendations and Management Responses

2. The Deputy Chief Financial Officer should improve training for Sections 34 and 33 delegated authorities for travel, hospitality and conferences. (Medium Risk)

Agreed.

- Section 34: The Finance and Procurement Branch is currently developing an overall financial training program for managers and administrators. The training program will include specific elements related to exercising Section 34 and related account verification, with emphasis on travel, hospitality and conferences. The Director Financial Management Services is leading the development of this training program. The training will be delivered by a Financial Management Advisor and Regional Directors of Finance commencing in the first quarter of 2014-15. The Finance and Procurement Branch has also completed training for Section 34 targeting administrators in the Quebec Region and in the Prairie Region (Edmonton Office) in July 2013 and November 2013 respectively.
- Section 33: The Finance and Procurement Branch has completed training for Section 33 for its Accounts Payable Specialists and Financial Officers within the two hubs. The Director Accounting Operations has delivered training to the Ottawa hub most recently in September 2013 and to the Edmonton hub in November 2013.

Target Completion Date: June 30, 2014.

2.4 Monitoring and Reporting

Audit Criterion 7: A monitoring and reporting regime ensures accurate and timely reporting of THC information to meet management and organizational needs.

Key Finding: There is limited monitoring and reporting of THC across the Department.

- 44 Section 7.1 of the TBS *Directive on the Management of Expenditures on Travel, Hospitality and Conferences* (2012) requires Chief Financial Officers to support their deputy heads by “overseeing the implementation and monitoring of this directive in their departments; bringing to the deputy head's attention any significant difficulties, gaps in performance or compliance issues and developing proposals to address them; and, reporting significant performance or compliance issues to the Office of the Comptroller General.”
- 45 As previously outlined, there were effective processes in place to manage, monitor and report on the financial budgeting aspects of THC. This included departmental financial planning and variance management through monthly Financial Situation Reports. Budgeted amounts for THC were limited through caps that were carefully monitored in NCR and the regions.

- 46 In addition, THC transactions were reviewed for compliance through the Section 33 accounts verification process. However, there was no monitoring of the results of Section 33, to determine if there were systemic compliance issues within the Department that warranted senior management attention or changes in the control framework.
- 47 Further, there was no departmental policy instrument to assign the overall responsibility for monitoring and reporting on THC expenditure compliance, nor any management objectives or performance metrics for THC. This is in part due to functional limitations with the current travel system, a major source of data, and to limited resources available in the Finance and Procurement Branch. Ultimately, there was no reporting to senior management on whether or not the Department of Justice complied with *FAA* and other applicable authoritative requirements on THC.

Recommendations and Management Responses

3. The Chief Financial Officer should:

- a. **Develop and communicate comprehensive national policy instruments for travel, hospitality and conferences.**
- b. **Report monitoring results of travel, hospitality and conferences at least annually to the Management Committee. (Medium Risk)**
 - a. **Agreed.** The Finance and Procurement Branch will develop the appropriate THC policy instruments as described within the *Justice Financial Policy Instruments Management Framework* and communicate these nationally and to address the audit findings under subsection 2.1 of this report. These policy instruments will be communicated through use of the Department's intranet site and at Finance and Procurement Branch training sessions, and will be further promulgated to clients by the Financial Management Advisors and Regional Finance Directors under the direction of the Director Financial Management Services. **Target Completion Date:** December 31, 2014.
 - b. **Agreed.** Upon the completion of the procedures for monitoring and reporting on travel, hospitality and conferences, the Director Accounting Operations will report the results to Management Committee on an annual basis. The monitoring results will provide sufficient information for the setting of management objectives related to these expenditures. The first report will be prepared based on the results of the last quarter of fiscal year 2014-15, and provided to Management Committee by June 30, 2015. Annual reporting will follow with fiscal year 2015-16 results. **Target Completion Date:** June 30, 2015.

2.5 Change Management

Audit Criterion 3: THC activities are planned in a manner that maximizes effectiveness in meeting organizational mandates, minimizes costs and demonstrates value for money.

Audit Criterion 5: Available resources for the efficient and effective procurement of THC are used to the extent possible.

Audit Criterion 6: Communications and training related to THC are clear and consistent throughout the Department.

Key Finding: There is a major challenge to cope with significant and continuous change related to THC in both the NCR and the regions.

- 48 There has been a considerable amount of change in the management of THC to respond to evolving TBS requirements, and other changes in departmental financial management which extend beyond THC such as the consolidation of accounts payable. There may be further risks to the implementation of the new requirements for event planning and the new travel system, such as delays in system roll-out, inconsistent practices or a high error rate. Departmental stakeholders reported experiencing difficulties with past THC changes and being adequately prepared to implement upcoming changes.
- 49 In addition, a number of employees who play a key role in the management of THC, including accounting operations and event planning, are new to their positions. It may be increasingly difficult to retain corporate knowledge or replace individuals playing a key role in the THC control framework since there is a smaller pool of available experienced staff.
- 50 The Finance and Procurement Branch has put in place a number of project management tools for new initiatives, however these tools lacked a formal change management strategy. Without formal change management strategies, the likelihood of the successful implementation of new THC changes decreases. As such, the department would benefit from a formal change management plan to support future required modifications to the THC management control framework.

Recommendations and Management Responses

- 4. The Chief Financial Officer should develop a departmental travel, hospitality and conference change management plan, and report periodically to the Management Committee on the progress of the travel, hospitality and conferences change management plan. (Medium Risk.)**

Agreed. The Finance and Procurement Branch recognizes the many changes that have occurred with respect to the direction provided by the Treasury Board Secretariat. In

consideration of these changes, an integrated approach to the planning and reporting of travel, hospitality, conference and event expenditures is currently being developed and represents the next significant change that will impact the Department. All divisions within the Finance and Procurement Branch are engaged in this initiative, which is being led by the Deputy Chief Financial Officer. Challenges to implementing the integrated approach will be assessed and strategies developed to ensure a successful result, including the development of a change management plan. In addition, the new government-wide Shared Travel Service Initiative which is scheduled to be in place effective April 7, 2014, represents a new approach to managing and reporting travel expenditures. The Director Accounting Operations is developing a plan for the successful implementation and transition within the Department. Change management, communications and training implications will be included in this plan. The Deputy Chief Financial Officer will report periodically to the Management Committee on the progress of these Finance and Procurement Branch change management plans. **Target Completion Date:** June 30, 2014.

3.0 CONCLUSION

- 51 The Department's overall control framework for managing travel, hospitality and conferences poses a medium risk. Improvements recommended in this audit report would strengthen the effectiveness of the control framework for THC.
- 52 There are effective processes in place to manage the budgetary aspects of THC, and for the period of the audit there were a number of policy instruments in place for travel, hospitality and conferences.
- 53 Improvements are recommended in the following areas:
- Development and communication of national policy instruments for THC, including procedures for monitoring and reporting;
 - Clarification of the roles and responsibilities for those involved in THC;
 - Section 34 approval process and Section 33 verification process; and,
 - Development of a departmental change management plan for THC.

Recommended for approval by the Departmental Audit Committee:

Hon. Doug Lewis
F.C.A., Q.C., P.C., L.S.M.
Departmental Audit Committee Chair

Date

Approved by:

William F. Pentney
Deputy Minister

Date

APPENDIX A – AUTHORITIES

National Joint Council

National Joint Council Travel Directive, April 1, 2008

TBS

1. *TBS Directive on the Management of Expenditures on Travel, Hospitality and Conferences* effective January 1, 2011, (and amended October 3, 2012);
2. *TBS Template and guidance for reporting departmental total annual expenditures on travel, hospitality and conferences;*
3. *TBS Guideline on Amendments to the Directive of Expenditures on Travel, Hospitality and Conferences; and,*
4. *TBS Directive on Travel, Hospitality, Conference and Event Expenditures.*

Department of Justice

1. *Procedures for the Extension of and Claim for Hospitality;*
2. *Procedures for Announcing Conferences and Approving Attendance Request;*
3. *Procedures to Submit the Annual Event Plan;*
4. *Delegation of Financial Signing Authorities Chart (Delegation Chart); and,*
5. *Supporting Notes to the Delegation of Authority.*

APPENDIX B – AUDIT CRITERIA

The results from our audit for each criterion are presented in the table below. A brief overview of results for criteria which are “Met” is in section 1.2.5 of the report. Findings and related recommendations are presented in section 2 of this report for those criteria that are “Not Met”, or “Met with Exception – Opportunity to Strengthen.”

AUDIT CRITERIA	Results
C1 - Roles, responsibilities and accountabilities for the management of THC expenditures are clearly defined.	Not Met
C2 – Department of Justice guidelines, procedures and related authorities for the management of THC expenditures are clearly defined, and are consistent with TBS and NJC directives and the <i>FAA</i> .	Met with Exception – Opportunity to Strengthen
C3 - THC activities are planned in a manner that maximizes effectiveness in meeting organizational mandates minimizes costs and demonstrates value for money.	Met with Exception – Opportunity to Strengthen
C4 - THC expenditures are pre-authorized, incurred and accounted for; spending and payment authorities are exercised in accordance with the <i>FAA</i> and Department of Justice authorities.	Not Met
C5 - Available resources for the efficient and effective procurement of THC are used to the extent possible.	Met with Exception – Opportunity to Strengthen
C6 - Communications and training related to THC are clear and consistent throughout the Department.	Met with Exception – Opportunity to Strengthen
C7 - A monitoring and reporting regime ensures accurate and timely reporting of THC information to meet management and organizational needs.	Met with Exception – Opportunity to Strengthen

APPENDIX C – RISK ASSESSMENT GUIDELINES

ASSESSMENT*	SIGNIFICANCE LEVEL AND IMPACT
High	<p>Immediate Management Attention Required</p> <p>IMPACT:</p> <ul style="list-style-type: none"> Weaknesses exist that could impact the Department's financial statements, reputation and/or the Department's goals or objectives. Weaknesses could impact the Department's efficiency and effectiveness of operations. Risk to the Department is significant.
Medium	<p>Monitoring and Mitigation Required</p> <p>IMPACT:</p> <ul style="list-style-type: none"> Weaknesses exist that could impact the entity's financial records, the entity's reputation, the entity's goals or objectives or the efficiency and effectiveness of the entity's operations. Risk to the Department is medium.
Low	<p>Improvement Required</p> <p>IMPACT:</p> <ul style="list-style-type: none"> Opportunities are identified that could enhance operations by improving efficiency, effectiveness or control. Risk to the Department is low.

* It should be noted that, in applying the above criteria to a recommendation, the Internal Audit Branch takes into consideration the nature, scope, and significance of the audit finding(s), the impact of the recommendation on the organization, and the auditors' professional judgment.

APPENDIX D – ACRONYMS/ABBREVIATIONS

FAA	<i>Financial Administration Act</i>
NCR	National Capital Region
TBS	Treasury Board Secretariat
THC	Travel, Hospitality and Conferences

APPENDIX E – INTERVIEWS/DISCUSSIONS BY POSITION

Director Accounting Operations

Director Financial Management Services

Director Business Management, Finance and Procurement Branch

Manager, Financial Policy and Controls Division

A/Manager Accounting and Client Services

Manager Financial Planning and Budgeting

Departmental Travel Coordinator

Travel Training and Communication Coordinator

Assistant, Travel AcXess Voyage Help Desk

Departmental Travel Card Coordinator Acquisition/Travel Cards, Relocation

Supervisor Accounts Payable - Financial Officer, NCR

Regional Director General Prairie Region (newly appointed)

Previous Regional Director General Prairie Region (for one year)

Director Financial Services Prairie Region

Manager Accounting Operations Prairie Region

Focus Group #1 Edmonton – Travel Arrangers and Travellers (10 attendees)

Focus Group #2 Edmonton – Responsibility Centre Manager (7 attendees)

Regional Director General Quebec Region

Director Financial Services Quebec Region

Chief Accounting Services Quebec Region

Focus Group #1 Montreal – Travel Arrangers (6 attendees)

Focus Group #2 Montreal – Responsibility Centre Manager (7 attendees)

FMA, PSDI Portfolio, responsible for liaison with CBSA Legal Services Unit

FMA, Aboriginal Affairs Portfolio, responsible for liaison with Aboriginal Affairs and Northern Development Canada Legal Services Unit

APPENDIX F – FACTORS TO IDENTIFY ERRORS

The following factors were used to determine what were critical errors and moderate errors in the 105 transactions we reviewed. Errors valued at less than \$10 with no *FAA* implications were considered to be minor errors and are not considered in this report.

Critical Error

1. Contravention of the *FAA*

- Missing authorization signature (Sections 32, 34, 33), and or
- Invalid signature (not delegated).

2. Other

- Pre-approval not obtained for hospitality.
- Pre-approval not obtained for conferences.
- Missing hospitality forms – signatures on a non-standard document does not necessarily mean Section 32 approval.
- Change of flight without manager's approval costing more than \$100
- Hotel used that is not on the Accommodation and Car Rental Directory list without manager's approval, at a cost difference of more than \$100.
- Lack of supporting documentation and other errors greater than \$100.

Moderate Error

1. Change of flight without manager's approval, at a cost of less than \$100.
2. Hotel used that is not on Accommodation and Car Rental Directory list without manager's approval, at a cost difference of less than \$100.
3. Lack of supporting documentation and other errors for less than \$100, but greater than \$10.
4. Other non-compliance errors that cost more than \$10 but less than \$100.

APPENDIX G – RESULTS OF TRANSACTION TESTING

Judgmental Sampling

Type of Expense	Total # of Transactions from April 1, 2012, to July 31, 2013	Total # of Transactions Reviewed during Audit	# of Critical Errors and %	# of Moderate Errors and %	Total # of Errors and %
Travel	8121	60	14 23.3%	7 11.6%	22 36.7%
Hospitality	505	21	7 33.3%	0	7 33.3%
Conference	650	24	4 16.7%	0	4 16.7%
Total	9276	105	25 23.8%	7 6.6%	32 30.4%