



Public Health  
Agency of Canada

Agence de la santé  
publique du Canada

# FOLLOW-UP REPORT

ON RECOMMENDATIONS FROM THE 2008 AUDITS ON  
TRAVEL AND HOSPITALITY EXPENDITURES AND  
PROACTIVE DISCLOSURE ON TRAVEL AND HOSPITALITY  
EXPENSES

Audit Services Division

March 2010

Approved by Chief Public Health Officer  
on March 23, 2010

Canada 

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## Executive Summary

1. The follow-up to the audits on Travel and Hospitality Expenditures and Proactive Disclosure of Travel and Hospitality Expenses was carried out in accordance with the Audit Services Division's Risk-Based Audit Plan, recommended by the Agency's Audit Committee and approved by the Chief Public Health Officer.
2. The objective of this follow-up was to ensure that management had effectively implemented the actions arising from the recommendations contained in the February 2008 audit on Proactive Disclosure on Travel and Hospitality Expenses, and the April 2008 Audit on Travel and Hospitality Expenditures.
3. The objective of the February 2008 audit was to determine whether the reporting of the financial information for the Proactive Disclosure of the Travel and Hospitality Expenses is accurate and timely, and whether the Agency complied with Government and Treasury Board policies.
4. The objective of the April 2008 audit was to assess the adequacy of the existing management control framework for the travel and hospitality expenditures and to confirm that the Public Health Agency of Canada (PHAC) has structured the administration of these expenditures with due regard to Treasury Board Secretariat (TBS) and PHAC policies and directives.

## Conclusion on Actions and Progress

5. The results of the follow-up indicate that 9 of the 13 recommendations have been addressed with 4 action items still in progress. The initial target date of completing the actions was April 2009. We believe that management attention is still required. We will follow-up these recommendations next year. We conclude that the proposed actions, when fully implemented, should remedy the observed conditions identified in the 2008 audits.
6. The follow-up work was performed as a review engagement. The review engagement provides only a moderate level of assurance which is normally limited to enquiry, analysis and discussion. The follow-up was done in accordance with Treasury Board policies, directives and Internal Audit Standards. The follow-up confirmed the status of corrective measures established by management in the area of Proactive Disclosure on Travel and Hospitality Expenses and Travel and Hospitality Expenditures.

## Management Response

7. The Agency's management agrees with our assessments.

Christian Asselin, CA, CMA, CFE  
Chief Audit and Evaluation Executive, Public Health Agency of Canada

## Background

8. In accordance with the Risk-Based Audit Plan, the Audit Services Division (ASD) undertook the follow-up of two management audit plans submitted by the Chief Financial Officer (CFO) in response to:
  - The post disclosure audit report for the travel and hospitality expenses produced in February 2008 (Appendix A); and
  - The travel and hospitality expenditures audit report produced in April 2008 (Appendix B).
9. As at March 29, 2010 the 2009-10 total travel expenditures was estimated to be in excess of \$9 million. Effective October 2009, approximately \$3.6 million of travel expenditures were required to be reported through the new electronic travel system being used in the Agency.

## About the Follow-up

### Objectives

10. The two main objectives for this follow-up were:
  - To assess the extent to which Agency's management has made progress in implementing the intended course of action (Appendices A and B) arising from the February and April 2008 Audit Reports on Proactive Disclosure on Travel and Hospitality Expenses and Travel and Hospitality Expenditures; and
  - To assess whether the actions taken by management were sufficient to correct the noted deficiencies.

### Scope

11. The scope of the follow-up was:
  - All financial information related to travel and hospitality posted on the PHAC Proactive Disclosure section of its website was examined from September 2009 to December 2009; and
  - Policies, directives, processes and evidence of improved situations were collected for the period of September 2009 to January 2010.

## Approach and Methodology

12. The follow-up was performed as a review engagement. A review does not constitute an audit. The review provides a moderate level of assurance with respect to the Status of the Management Action Plans to our recommendations as at February 25, 2010. It may also identify areas of weakness that were not identified in the original audit.
13. For the follow-up, evidence was collected to provide assurance that the action plans were implemented. The follow-up methodology included interviews, review of updated processes, policies, standards, newly implemented procedures and limited testing. There was an assessment of the efficiency of processes and internal controls in place to determine the extent that the recommendations from the previous audits have been implemented and that the reported situations had improved.
14. For each recommendation, the follow-up examined the actions taken to rectify the reported situations. Furthermore, we collected evidence of the actions taken and examined the appropriateness of each proposed solution. When agreed actions were not completely implemented, we assessed:
  - What remained to be done, by whom and when?
  - What were the implemented alternatives that may have been more appropriate?
  - Was the agreed actions effective or did they cease to be of value?
  - If no action was taken, why not?
  - What were the issues or concerns causing inaction?
15. The evidence was gathered in compliance with Treasury Board policy, directives and standards on internal audit and the procedures used to meet the professional standards of the Institute of Internal Auditors.

## Overall Assessment

16. We reviewed management's actions taken to address the audit recommendations and, in our opinion, progress has been made on the majority of the recommendations. Some recommendations have been addressed through the controls in the new Expense Management Tool (EMT) system.
17. We note that since our original audit, PHAC has further implemented the Shared Travel Service Initiative (STSI) which includes the Travel AcXess Voyage portal, the Online Booking Tool (OBT) and the EMT system. These components allow the Agency to manage all travel services from start to finish including:
  - Estimating the cost of a trip;
  - Booking travel;

- Requesting and receiving travel authorizations;
  - Receiving a TAN by e-mail;
  - Having an electronic expense report automatically filled out with Travel Card purchases; and
  - Submitting expense claims electronically.
18. During the spring and summer of 2008, the CFO sent out a series of four announcements regarding the implementation of the new EMT for travel. The CFO also announced that as of October 31, 2009 the use of the EMT system was mandatory for all PHAC employees and non-public servants travelling on a regular basis. The Finance group would be expected to no longer process paper travel claims except for a few exceptions.
  19. As of February 2010, the EMT system has been rolled out to most employees of PHAC and training sessions were given to staff. In addition, the Office of the Chief Financial Officer developed tools to complement the implementation of the new travel and hospitality function such as revised policies, guidelines, templates, and forms, updated the PHAC travel intranet site, and PHAC travel helpdesk services.
  20. Our review of the EMT system demonstrated that many of the identified control weaknesses surrounding the processing of manual travel claims were corrected in the automated system. Furthermore, new computerized controls were incorporated in the EMT system that will satisfy some of the audit recommendations.
  21. We were informed that the EMT cannot be used to file an electronic travel claim if the system had not been used to obtain travel approval. We were informed that offline Travel Authorization Numbers (TAN) should not be issued to PHAC employees. PHAC Finance group has recently completed a “quick” review of the offline TANs and approximately 300 offline TANs have been issued to PHAC employees. Therefore the EMT system is not being fully utilized, resulting in needless paper travel claims.
  22. Consequently all recommendations that have the EMT system as the solution cannot be considered fully implemented until there is a control in place that results in non-EMT Travel Authorization Numbers to PHAC employees being eliminated.
  23. The impact on specific recommendations is detailed later in this report. It is important to note that our tests of selected transactions did not find the same problems identified by the original audit.
  24. We concentrated our follow-up on certain transactions to verify that the new EMT system contained relevant internal controls and that the revised travel and

hospitality guidelines and new manual processes were satisfying all audit recommendations included in the 2008 audit reports.

### **New Recommendation (March 2010)**

25. The Chief Financial Officer should review the number of offline TANs issued to PHAC employees and implement controls to limit their use.

#### ***Management Response and action plan***

26. Agree. The CFO will implement additional controls by September 2010 to reduce the number of offline TANs.

## **In Progress Assessment**

### **Proactive Disclosure on Travel and Hospitality Expenses**

27. Audit 2008 Recommendation #3: The Chief Financial Officer should ensure that the designated officials certify the accuracy and completeness of their hospitality expenses prior to the information being posted to PHAC's website.
28. We note that there are procedures in place that state that the site coordinators should have the PHAC senior officials verify the amounts to be reported. However, we did not see any evidence that this is being done. Therefore this recommendation has not been fully implemented.

### **Travel and Hospitality Expenditures**

29. Audit 2008 Recommendation #3: The Chief Financial Officer should issue a guideline prohibiting the use of signature stamps where employees are exercising their delegation of financial signing authority or to sign on behalf of the traveler.
30. We note that the required use of the EMT system will eliminate the use of signature stamps. However, until PHAC resolves the issuance of offline TANs to PHAC employees, the identified control weakness remains. Therefore, the recommendation is assessed to be still in progress.
31. Audit 2008 Recommendation #9: The Chief Financial Officer should endorse the proposed common approach, by Health Canada - Travel Management Section, for the treatment of non-public servant travel, inform cost centre administrators and managers.

32. We note that the information with respect to non-public servants is not on the PHAC intranet site along with the other travel information. One has to look to the Health Canada policy center site to obtain the rules and forms for non-public servants. We believe that there should be one site that contains all the travel information. Therefore, until the information is contained on the PHAC website, or there is a link on the PHAC website to the Health Canada website, this recommendation is assessed to be in progress.
33. Audit 2008 Recommendation #10: The Chief Financial Officer and Senior Management ensure that employees refrain from using first/business class travel if they are not entitled to use it.
34. We found instances where senior officials of the Agency used business class air travel for short distances. This is contrary to government policies. Therefore we assess the recommendation to be in progress.

### **New Observation**

35. The use of the EMT and electronic signatures raises a new concern. Specifically the potential use of the approver's password by other parties. The electronic signature represents section 32 or 34 of the *Financial Administration Act* and is delegated to individuals only after specific training and documentation is completed. This authority cannot be transferred without the proper documentation and training. Controls should be implemented to remind PHAC employees to not provide their electronic passwords to others. It is important to note that we did not find any evidence of this in our testing. We are raising this matter so that a control could be put in place before this occurs.

### **New Recommendation (March 2010)**

36. The Chief Financial Officer should issue a notification to PHAC employees reminding them not to provide their electronic password to others for use on their behalf.

### ***Management Response and Action Plan***

37. Agree. A reminder will be sent by the end of May 2010 to all PHAC Staff.



## Conclusion

38. The results of the follow-up indicate that 9 of the 13 recommendations have been addressed with 4 action items still in progress. The initial target date of completing the actions was April 2009. We believe that management attention is still required. We will follow-up these recommendations next year. We conclude that the proposed actions, when fully implemented, should remedy the observed conditions identified in the 2008 audits.

## Appendix A: Management Action Plan of the 2008 Audit on Proactive Disclosure of Travel and Hospitality Expenses

Recommendations	Management Response	Target Date	Completed (Yes/No)	In Progress
1. The Chief Financial Officer (CFO) should review the designation of senior level employees to determine who in PHAC should be subject to proactive disclosure for travel and hospitality.	<b>Agree.</b> CFO will review the matter with the appropriate TBS Policy Authority, document practices in other departments and agencies with an emphasis on the Health Portfolio, discuss options with SADM and CPHO, and bring a recommendation to the Executive Committee.	April 2008	Yes	
2. The Chief Financial Officer should clarify the types of hospitality expenses to be disclosed by designated officials.	<b>Agree.</b> CFO will review the matter with the appropriate TBS Policy Authority, document practices in other departments and agencies with an emphasis on the Health Portfolio, discuss options with SADM and CPHO, and bring a recommendation to the Executive Committee.	April 2008	Yes	
3. The Chief Financial Officer should ensure that the designated officials certify the accuracy and completeness of their hospitality expenses prior to the information being posted to PHAC's website.	<b>Agree.</b> CFO will develop an efficient approach to certification by designated officials of hospitality expenses to be disclosed, discuss options with SADM and CPHO, and bring a recommendation to the Executive Committee.	April 2008	No	<b>substantial implementation</b>

## Appendix B: Management Action Plan on the 2008 Audit on Travel and Hospitality Expenditures

Recommendations	Management Response	Target Date	Completed	In Progress
<p>1. The Chief Financial Officer (CFO) provides additional guidance on the requirement to properly identify situations that constitute hospitality.</p> <p>The CFO specifies what costs are to be considered as hospitality to ensure that the proper levels of approval are sought.</p>	<p><b>Agree.</b> 1) A Hospitality Communiqué from the Chief Public Health Officer(CPHO)/ CFO will be sent to all PHAC staff (cc to Health Canada (HC) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance. 2) Current hospitality processes, forms and guidance will be reviewed. Current financial signing authority limits for hospitality will also be reviewed. 3) Update and implement revised processes, forms and guidance as required.</p>	April 2009	Yes	
<p>2. The Chief Financial Officer ensures that international travel claims of Branch Heads and the Directors General, Regions always require the signature of either the CPHO, Senior Assistant Deputy Minister or CFO.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance. This will include the requirement that all travel claims be approved under Section 34 by the superior of the traveler or, in the case of the CPHO, by the CFO.</p>	September 2008	Yes	
<p>3. The Chief Financial Officer issues a guideline prohibiting the use of signature stamps where employees are exercising their delegation of financial signing authority or to sign on behalf of the traveler.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance.</p>	September 2008	No	<b>Substantial implementation</b>
<p>4. The Chief Financial Officer issues a reminder to the staff that car rental upgrades have to be justified and pre-approved for all claims, regardless of amount of expenditure.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance.</p>	September 2008	Yes	
<p>5. The Chief Financial Officer ensures that the meal-related</p>	<p><b>Agree.</b> 1) Current hospitality processes, forms and guidance</p>	April 2009		

<p>hospitality expenses be reviewed and averaged out on an annual basis to the average per person costs as required by the TBS Policy.</p> <p>We further encourage to report annually whether the Agency is in compliance with this requirement.</p>	<p>will be reviewed. 2) Update and implement revised processes, forms and guidance as required to ensure that the meal-related hospitality expenses be reviewed and averaged out on an annual basis to the average per person costs as required by the Policy.</p> <p><b>Agree.</b> 1) Current hospitality processes, forms and guidance will be reviewed. 2) Update and implement revised processes, forms and guidance as required to report annually for 2009/10 and onwards whether the Agency is in compliance with this requirement.</p>		<p>Yes</p> <p>Yes</p>	
<p>6. The Chief Financial Officer ensures that all travel expense claims require a copy of the Blanket Travel Authority or a reference to the permanent file where it can be found.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance.</p>	<p>September 2008</p>	<p>Yes</p>	
<p>7. The Chief Financial Officer introduces proper controls to ensure that the Travel Authority and Advance Form is approved prior to the issuance of a Travel Authority Number.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance. This will include the requirement that a Travel Authority and Advance form is approved prior to the issuance of a Travel Authority Number (TAN).</p> <p>1) Current TAN issuance processes administered by both program and finance staff of both HC and PHAC will be reviewed. 2) Revised processes implemented as required to ensure that the Travel Authority and Advance form is approved prior to the issuance of a Travel Authority Number (TAN).</p>	<p>April 2009</p>	<p>Yes</p>	
<p>8. The Chief Financial Officer provide direction that a travel claim is not to be processed until the inclusion of a written justification has been provided and for any deviation from the original Travel Authority and</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance.</p>	<p>September 2008</p>	<p>Yes</p>	

<p>Advance (TAA) (accommodation above the city limit rates, non-compact car rental and/or upgraded transportation), the TAA should include a justification.</p> <p>The Chief Financial Officer should also address the situation where Cost-Centre Managers are approving travel claims of their superiors, under Section 34 of the FAA.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance.</p>		<p>Yes</p>	
<p>9. The Chief Financial Officer endorses the proposed common approach, by Health Canada - Travel Management Section, for the treatment of non-public servants travel, inform cost-centre administrators and managers.</p> <p>The Chief Financial Officer provides training if required, for the implementation and utilization of the suggested forms.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) outlining new policies and procedures in this area and requesting/ requiring compliance.</p> <p><b>Agree.</b> Training will be developed and implemented in conjunction with HC Travel Management</p>	<p>January 2009</p>	<p>No</p>	<p><b>Substantial implementation</b></p>
<p>10. The Chief Financial Officer and Senior Management ensure that employees refrain from using first/business class travel if they are not entitled to use it.</p> <p>The Chief Financial Officer and Senior Management promote the utilization of Online Booking Travel in the Agency by providing guidance with respect to where and when direct bookings of vehicles, accommodations and air-fares may be appropriate.</p>	<p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance.</p> <p><b>Agree.</b> A Travel Communiqué from the CPHO/CFO will be sent to all PHAC staff (cc to HC Finance) reiterating/clarifying existing policies and procedures in this area and requesting/ requiring compliance.</p>	<p>September 2008</p>	<p>Yes</p>	<p><b>Substantial Implementation</b></p>

## Appendix C: Assessment Rating Guide

### **1. No progress or insignificant progress**

No action taken by management or insignificant progress. Actions such as striking a new committee, having meetings, and generating informal plans are insignificant progress.

### **2. Planning stage**

Formal plans for organizational changes have been created and approved by the appropriate level of management (at a sufficiently senior level, usually executive committee level or equivalent) with appropriate resources and a reasonable timetable.

### **3. Preparation for implementation**

The entity has begun necessary preparation for implementation, such as hiring or training staff, or developing or acquiring the necessary resources to implement the recommendation.

### **4. Substantial implementation**

Structures and processes are in place and integrated in some parts of the organization, and some achieved results have been identified. The entity has a short-term plan and timetable for full implementation.

### **5. Full implementation**

Structures and processes are operating as intended and are implemented fully in all intended areas of the organization.

### **6. Obsolete**

Recommendation is obsolete or no longer applicable because of unforeseen events or because the issue involved was superseded by the introduction of a new process or program.

## **Appendix D: Abbreviations**

**CFO: Chief Financial Officer**

**OCFO: Office of Chief Financial Officer**

**EMT: Expense Management Tool**

**OBT: Online Booking Tool**

**PHAC: Public Health Agency of Canada**

**STSI: Shared Travel Service Initiative**

**TAN: Travel Authorization Number**

**TBS: Treasury Board secretariat**