

# Audit Travel Expenses and Compliance with Disclosure Policy

**April 2007**



Environment Canada  
Environnement Canada

**Canada**

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## **Acronyms used in the report**

ATIP	Access to Information and Privacy
BTA	Blanket Travel Authority
DAO	Department Accounting Office
DM	Deputy Minister
EC	Environment Canada
FAA	Financial Administration Act
FTA	Frequent Travel Authority
NCR	National Capital Region
OPG	Outcome Project Group
P&C	Policy and Communication
P&Y	Pacific and Yukon
PDS	Proactive Disclosure System
PDS	Proactive Disclosure System
PNR	Prairies and Northern Region
TAA	Travel Authority and Advance
TBS	Treasury Board Secretariat
TES	Travel Expert System

## **Prepared by Audit and Evaluation**

### **Acknowledgments**

The Audit Team including Lise Gravel, Claudette Harrison and Julie Clavet-Drolet and led by Stella Line Cousineau under the direction of Jean Leclerc, would like to thank those individuals who contributed to this project.

Approved by:

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## EXECUTIVE SUMMARY

In order to ensure that travel activities are well managed and that suitable management practices and controls are in place and functioning, the audit of Travel Expenses was included in the 2006-07 Audit and Evaluation Plan.

Finance and Corporate Branch of Environment Canada (EC) is responsible for financial policies, directives, monitoring and systems related to travel expenses and the proactive disclosure of travel expenses. The accounting offices within Finance and Corporate Branch are responsible for the final processing of the requisitions for payment under Section 33 of the *Financial Administration Act* (FAA), following approval by the delegated manager who exercises his/her authority under Sections 32 and 34 of the *FAA*. Managers with delegated authority should be familiar with TB and EC policies and directive when exercising Section 32 or Section 34. They are responsible for confirming and certifying entitlement and for the correctness of the payment requested and the account verification procedures performed. At the time of the audit, the National Capital Region (NCR) and Ontario Region accounting offices were also responsible for providing detailed and accurate information on the travel expenses for selected government officials to the Finance and Corporate Branch for the publication of proactive disclosure on the internet.

The overall objective of the audit was to determine whether Environment Canada's travel practices comply with the *Travel Directive*, the *Guidelines for Ministers' Offices* and the *Special Travel Authorities* issued by the Treasury Board Secretariat (TBS) and the policy issued by Environment Canada. The specific objectives of the audit were:

- to assess the adequacy of the control framework for travel including the process to grant travel card and frequent travel authorities;
- to determine whether the Department is acting in compliance with TBS Travel directive and EC policy;
- to determine whether the Department is acting in compliance with the proactive disclosure policy; and
- to determine possible improvements and savings, if any.

The audit considered all travel expense claims processed between April 1, 2005 and March 31, 2006. The relocation expenses were excluded as they are covered by another policy.

Multiple sources of information were used to support the findings and conclusions. These included an extensive review of relevant policies, procedures and directives, and interviews and consultation with financial staff. Furthermore, based on a confidence level of 95% and a margin of error of 7%, a random sample of 204 travel expenses were tested against the audit criteria. A judgemental sample of 45 high risk travel claims such as international trips, trips with a high value, etc. was also included in the testing. The audit also included a review of all travel expense claims for 40 individuals requiring the proactive disclosure of travel expenses to ensure that all travel claims were appropriately published on the internet.

In our professional judgement, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations, as they existed at the time, against the audit criteria.

## **Summary of Findings and Conclusions**

Environment Canada has an adequate management control framework in place that includes a departmental policy and a clear accountability framework. Some inconsistencies in the monitoring practices and communication and training tools across the regions were identified however; these are being addressed as part of the transformation of the travel process currently underway. The extent of the departmental compliance with the *Treasury Board Travel Directive* and *Environment Canada Travel Policy* is generally high. Although the audit identified some weaknesses in administrative practices including pre-authorization of travel and documentation in support of travel expenses, all trips were assessed as being business related. The extent of the departmental compliance with the Treasury Board Guidance document, *Proactive Disclosure of Travel Expenses*, is also generally high, although a small number of reported travel dates contained errors. Improvements should be made to ensure the accuracy of the reported dates of travel.

Finance and Corporate Branch is currently working on the transformation of the travel process. Many elements of the new process will address the issues highlighted in the audit report. As such, Audit and Evaluation has made recommendations only in areas not addressed in the new process. However, AEB will conduct a follow-up to ensure that all elements of the new process are implemented as expected.

## **Recommendations and Management Response**

The Director General, Finance Directorate should:

1. As part of travel process transformation review the information contained on all finance regional intranet sites in order to standardize both the information and the look and feel of the sites. This would ensure consistent information is provided to all.  
Standardize the training regarding travel directive and verification of Section 34 across the regions.
2. Ensure that travel claims make explicit reference to the fact that a Frequent Travel Authorization (FTA) is being used instead of a Travel Authorization and Advance (TAA).
3. Communicate to managers and travellers the requirement to provide sufficient information/documentation to support the entire travel period. For example, employees attending a conference and extending their stay to attend other business meetings should provide information/documentation to support their attendance at the meetings.
4. Communicate to travellers subject to mandatory disclosure the requirement to disclose the entire period of travel where expenses were incurred **and** ensure that the dates disclosed reflect the entire period of travel.

## **Management Response**

The purpose of the following is to provide the management response to the recommendations to the recent audit of Travel Expenses. The action items contained in our responses should be all implemented before the end of June 2007.

As indicated in the audit report, the Finance and Corporate Branch is currently working on the transformation of both the domestic and international travel processes. Many of the new processes being implemented over the next few months will address the issues highlighted in the audit report.

While the recommendations found in the audit report touch areas that at the time of the report were not addressed in the new processes, the department has since undertaken corrective measures to ensure the action items outlined in the responses are integrated into overall plan for corrective actions.

### **Response to Recommendation 1**

An "EC Finance Website Advisory Group" was created In June of 2005 with the objective of making recommendations to the Finance community on the design, development and implementation of a single EC Finance website.

While the implementation of a unique departmental website did not take place due to difficulties in obtaining technical support for a new Web page editing tool, significant progress has been made in the realization of this objective. For example:

- A new Web page structure has been developed and implemented.
- An inventory of the regional Finance websites has been done and the links with the Corporate Finance website have been established or refreshed.
- New training manuals and directives have been published on the Corporate Finance Website and measures are being taken to progressively transform the access to the documents posted on the regional Finance Website to those found on the Corporate Finance Website.
- New travel reports and publications are being introduced on the Corporate Finance website and those found on the regional Finance websites are being eliminated.
- Both previous initiatives are being supported by an internal project to standardize departmental accounting and business processes across the department.
- Internal policies, directives and procedures will be generated as a result of the department's Audited Financial Statement Readiness Assessment initiative.

The Finance website unit within Financial Operations is currently involved in a departmental working group, lead by the Communications Branch, which is looking to standardize all the websites within the department.

The current *Departmental Travel Policy* and *Travel Training Guide* are currently being updated to reflect the new changes in the travel processes. The revised travel policy and training guide should be available to the departmental end-user community by mid May, 2007.

**Response to Recommendation 2:**

We agree with the recommendation. The Financial Policy, Systems and Operations Division will be issuing a communiqué before April 20<sup>th</sup>, 2007 to inform the Travel Expert System user community that the use of the Frequent Travel Authority Code (FTA) is included on all travel authority records when applicable.

Special instructions will also be issued to all the Managers Financial Services and to the Managers of the Accounting Offices prior to March 31<sup>st</sup>, 2007 to ensure they inform their clients of the requirement to reference their FTA on the travel authority before renewing their FTA for the 2007-08 fiscal year.

**Response to Recommendation 3:**

We agree with the recommendation. A communiqué from the Director General, Finance Directorate will be sent out by April 20<sup>th</sup> to the Travel Expert System end-user community and end-user support network informing them of the requirement to provide sufficient information/documentation to support the entire travel period.

Furthermore, a process to capture multiple attendances at conferences, along with a mechanism to ensure that sufficient justification/explanation for non senior or support level is provided when travelling to international conferences, will be developed.

The Financial Policy, Systems and Operations Division will also be issuing special instructions to all the Accounting Offices by the end of April 2007 requesting that the pre-audit function include ensuring that sufficient information/documentation to support the entire travel period is included with each travel claim. Failure to comply with this requirement may result in the travel claim being returned to the traveller with a request that he/she provides the necessary documentation.

**Response to recommendation 4:**

We agree with the recommendation. The Director General, Finance Directorate will ensure that those persons subject to mandatory disclosure are obligated to disclose the entire period of travel where expenses were incurred and ensure that the dates disclosed reflect the entire period prior to the next disclosure period, i.e. June 1<sup>st</sup>, 2007.

Financial Policy, Systems and Operations Division will also issue a memorandum to all the Accounting Offices and the support staff of those persons subject to mandatory disclosure to remind them of the requirement to disclose the entire period of travel expense, as well as, to ensure the dates disclosed reflect the entire period.

The Division will review its current monitoring practices to ensure all submissions comply with this directive before being posted to the department's website.



## **1.0 INTRODUCTION**

### **1.1 Background**

The *Treasury Board Travel Directive* was revised as part of the *Federal Government's Comptrollership Modernization Plan* and took effect on October 1, 2002. Its goal is to promote modern travel management practices that support the principles of the Federal Government and reflect the trends and realities of the travel industry, and to develop and implement an appropriate framework and accountability structure.

As part of the government commitment to enhance transparency and accountability, the travel and hospitality expenses of Ministers, Ministers of State, Ministers' Offices and Parliamentary Secretaries must be published on institutional websites. This requirement also applies to Deputy Ministers, Associate Deputy Ministers, Assistant Deputy Minister and equivalent levels within institutions listed under Schedules I, I.1 and II of the *Financial Administration Act*. Individuals who act in these positions and incur travel or hospitality expenses in that capacity are also subject to this requirement. Expense information must be posted on-line within thirty days of the end of each reporting period. This requirement came into effect on December 12, 2003 with the first publication to be posted by March 31, 2004.

Finance and Corporate Branch of Environment Canada (EC) is responsible for financial policies, directives, monitoring and systems related to travel expenses and the proactive disclosure of travel expenses. The accounting offices within Finance and Corporate Branch is responsible for the final processing of the requisitions for payment under Section 33 of the *Financial Administration Act* (FAA), following approval by the delegated manager who exercises his/her authority under Sections 32 and 34 of the *FAA*. Managers with delegated authority have the responsibility to be familiar with TB and EC policies and directive when exercising Section 32 or Section 34. Primary responsibility for verifying individual accounts rests with officers who have the authority to confirm and certify entitlement pursuant to FAA Section 34. Persons with this authority are responsible for the correctness of the payment requested and the account verification procedures performed. At the time of the audit, the National Capital Region (NCR) and Ontario Region accounting offices, were also responsible for providing detailed and accurate information on the travel expenses for selected government officials to the Finance and Corporate Branch for the publication of proactive disclosure on the internet.

### **1.2 Objectives**

The purpose of the audit was to determine whether Environment Canada's travel practices comply with the *Travel Directive*, the *Guidelines for Ministers'*

Offices and the *Special Travel Authorities* issued by the Treasury Board Secretariat and the policy issued by Environment Canada. The specific objectives of the audit were:

- to assess the adequacy of the control framework for travel including the process to grant travel credit card and frequent travel authorities;
- to determine whether the Department is acting in compliance with *Treasury Board Secretariat Travel Directive* and *Environment Canada Travel Policy*;
- to determine whether the Department is acting in compliance with the *Treasury Board Proactive Disclosure Policy*; and
- to determine possible improvements and savings, if any.

### **1.3 Scope**

The audit reviewed all travel expense claims processed between April 1, 2005 and March 31, 2006. However, expenses related to relocation fees were excluded as they are covered by another policy.

### **1.4 Methodology**

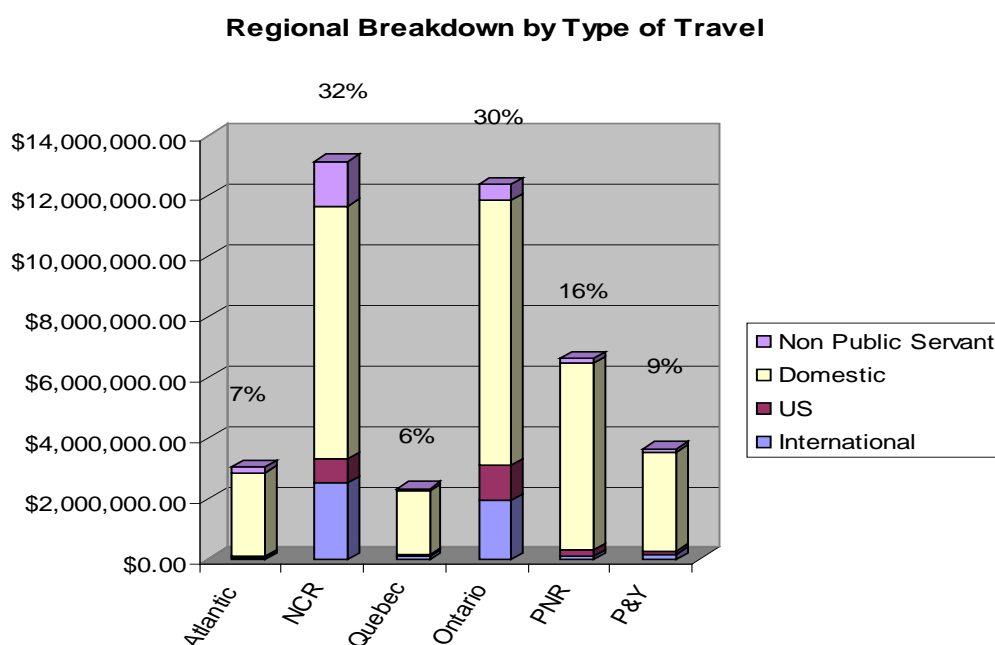
Multiple sources of information were used to support the findings and conclusions. These included an extensive review of relevant policies and procedures, interviews and consultation with finance staff.

Based on a confidence level of 95% and a margin of error of 7%, a random sample of 204 travel expense claims was selected from the financial system to verify reasonableness, accuracy, and compliance of the claims with TBS and EC policies and directives. Furthermore, a judgemental sample of 45 high risk travel claims such as, international trips, trips with a high value, etc. was also included in the testing. In addition, all travel expenses for persons subject to the *Proactive Disclosure Policy* were reviewed to ensure compliance with the policy.

## 2.0 FINDINGS AND RECOMMENDATIONS

The Department of Environment Canada (EC) depends on travel to facilitate the operations of its various services. EC spent close to \$41.1 million in travel expenses during the period under review. These expenses account for 5% of the total expenses of the Operation and Administration Vote. Of this, \$31.3 million were spent on domestic travel, \$4.9 million on foreign travel, \$2.3 million on travel in the United States and \$2.5 million on travel for non public servant such as consultants required to travel as part of contract work. A regional breakdown of travel expenses by type is illustrated in Figure 1.

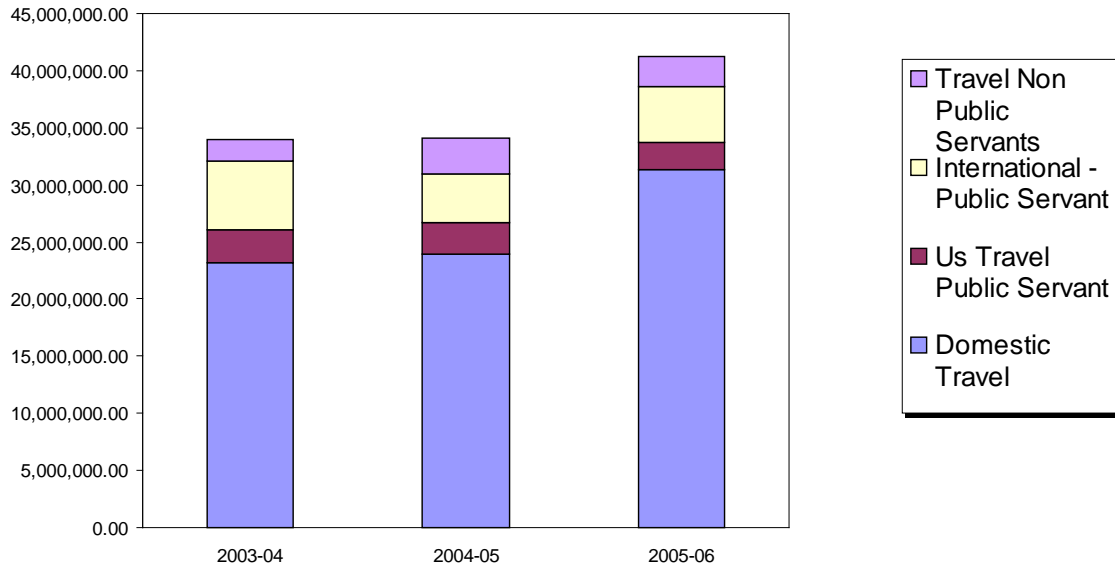
**Figure 1**



Over the last three years, the value of the travel expenses has increased by approximately 21%. However, the hosting of 11<sup>th</sup> Session of the Conference of the Parties in the Fall of 2005 accounts for 7% of this increase. On the other hand, the analysis also highlighted that the expenditures on international travelling have decreased by 19%. A breakdown of the last three years travel expenses by type is illustrated in Figure 2.

**Figure 2**

### Travel Expenses for Last Three Years by Type



Using the data contained in the Travel Expert System (TES), various analyses were conducted to identify any anomalies or unusual travel patterns such as multiple attendances to the same conference, travel to exotic locations, and number of trips. Approximately 35,000 trips were administered through TES in fiscal year 2005-06. It is important to note that while most regions have been using TES to administer their travel claims for a number of years, the Atlantic Region only started to use TES in September of 2005. Consequently, the following analysis does not include the trips processed prior to September for the Atlantic Region. In addition, field workers who do not have access to TES and non-public servants are required to process their claims manually. Therefore, these are not included in this analysis as well. Ninety percent of the trips were in Canada, 4% were to foreign countries and 3% to the United States.

A variety of options for accommodation are available for travel. Generally these include hotels, motels, corporate residences, apartments, private non-commercial accommodation, and government and institutional accommodation. Although travelers generally stay in commercial accommodation, private non-commercial accommodation is encouraged. The analysis demonstrated that private accommodation was claimed in 1,915 trips. A total of \$218,895.87 were reimbursed representing approximately 4,378 nights. Assuming that the average rate for commercial accommodation is \$100.00 a night, the Department saved approximately \$218,904.00 in accommodation fees over the year.

The data analysis did not find any anomalies pertaining to multiple attendances to conferences in foreign countries. This might be directly attributed to the fact that international trips and conference attendance are to be submitted to senior management

for pre-approval on a quarterly basis. This requirement allows senior management to better plan and control attendance to conferences and international trips.

## **2.1 Management Control Framework**

The audit included an examination of the different elements of a sound control framework. The following four areas were identified as being crucial:

### **2.1.1 Departmental Policy**

Based on the *Treasury Board Travel Directive*, the Departmental Policy should be consistent with Treasury Board policy on travel. Our review indicated that Finance and Corporate Branch released a Departmental Travel Policy in 2002. The departmental policy states that '*...it is Environment Canada's policy to follow the Treasury Board Travel Directive for all government business travels*'. Therefore, the department is complying with TB policy. The departmental policy also identifies the Travel Expert System as the tool to be used to manage and administer business travel in the department. The system includes a number of control points in line with the policy.

### **2.1.2 Accountability**

Environment Canada's accountability framework for the administration of the travel program is as follow:

- the Departmental Travel Coordinator is responsible for ongoing management of the travel program in the Department which includes: liaising with Travel AcXess Voyage, the Government Travel Service Provider, on department wide issues as required; monitoring and reporting on the travel program, ensuring Department-wide compliance to the travel policy; and maintaining good communications with the Regional Travel Coordinators.
- The Regional Travel Coordinators are responsible for travel directive interpretations, monitoring and reporting on travel in the Region and performing a challenge function.
- The National Travel Expert System Administrator along with counterparts in each of the regions are responsible to clarify questions pertaining to the use of the TES.
- Travellers are responsible to prepare and submit the travel authority and advance form and the reimbursement of the travel expense claim with necessary supporting documents.
- The managers are responsible to ensure that travel arrangements and the reimbursement of the travel expense claims are consistent with the provision of the *Treasury Board Travel Directive*.

- The Financial Management Advisors are responsible to ensure that the Frequent Travel Authority are duly completed.

As previously mentioned, Environment Canada uses the Travel Expert System (TES) to compile travel-related data. This Web application allows travelers to electronically prepare their request for travel authority and advance as well as their reimbursement of travel expenses. TES allows the electronic exercising of the financial authorities set out in Sections 32, 33 and 34 of the *Financial Administration Act*. Although EC did not comply with the Treasury Board's central policies on electronic or digital signature at the time of the audit, starting in fiscal year 2007-2008, the requirement for a wet signature of Section 34 will be reinstated.

### **2.1.3 Monitoring**

The responsibility for the system of account verification and related financial controls rests with the officers who are delegated payment authority pursuant to FAA Section 33. The officer must provide assurance of the adequacy of the Section 34 account verification.

All regional finance offices review one hundred percent of travel expense claims pursuant to Section 33 of the FAA. The results of the interviews and the mapping of the travel process in each region revealed that there were no consistent standards in place for monitoring of travel expenditures at the time of the audit. For example:

- The checklist used by the finance clerk to perform Section 33 verification varies from one region to the other. While all regions verify that the per diem and meals allowances are correct, that receipts are attached and that approvals were obtained, some will go one step further and perform a detailed review and challenge by researching whether meals were included with the conference or training attended, or obtaining information to support departure and return times.
- When supporting documentation is missing, some regions will advise the traveller or manager, and process the claim immediately while others will not process until all supporting documentation is received.
- In some regions, one or two staff is solely responsible for reviewing all claims while in other regions the travel claims are reviewed by any clerk and then reviewed by a peer.
- Some regions track the travel cash advance through TES while others use a parallel system.
- Most regions reconcile their cash advance on a monthly basis with the exception of one that does it on an annual basis.
- One region tracks the error type to help diagnose training requirements.

The Financial Policy and Operations Division has undertaken a project that will ensure that consistent standards for the monitoring and auditing of travel expense claims are implemented across all the accounting offices within the department. The time lines for this project are such that completion date for the implementation of these standards is set for the end of June 2007. These standards will also include a series of general

accepted error type codes that will be used to identify the types of errors encountered when processing travel expense claims. The information on the error codes will be collected by the Financial Policy and Operations Division and used to update the departmental travel directive and training material.

An automated interface between TES and Merlin that financially commits all travel authorities was implemented as of January 31, 2007. The commitment of these types of expenditures will strengthen Finance's ability to monitor travel expense claims and ensure standards are consistently applied across all our accounting offices. They are also looking at implementing, at the beginning of fiscal year 2007-08, travel expenditure monitoring reports in support of the application of consistent standards.

Based on these observations, we concluded that monitoring practices and controls are either already in place or will be in place in the very near future. No formal recommendation will be issued at this time; however, Audit and Evaluation Branch will conduct a follow-up to ensure that all elements of the new travel process are implemented as expected.

#### **2.1.4 Communication/Training**

Currently each region has a web page on its intranet site that provide travel information and advice to travellers. However, it was noted that the documentation or links provided on the web pages were inconsistent across the regions. Each region makes reference to TBS Travel Directive and TES directives and some have added other relevant documentation. For instance, one region has developed a virtual training package for travellers. Another region has developed detailed procedures pertaining to the travel directive.

The Travel Expert System contains a number of links relevant to travel information. However, the documentation associated with these links is somewhat outdated. For example, in 2005 the use of the Blanket Travel Authority was replaced with a new form called the Frequent Travel Authority (FTA). This change has not been reflected in the current Departmental Travel Policy and TES Training Guide.

Based on the interviews with finance staff, we found that the level of training provided to travellers regarding travel and approval of Section 34 of the FAA was inconsistent across the regions. As previously mentioned, one region provides virtual training via the intranet site but most regions provide informal training to the Administrative assistants who in turn have to train new employees. The training usually focusses more on the Travel Expert System application than the Travel Directive.

### **Recommendation**

1. As part of travel Process Transformation, the Director General, Finance Directorate should:
  - Review the information contained on all finance regional intranet sites in order to standardize both the information and the look and feel of the sites. This would ensure consistent information is provided to all.
  - Standardize the training regarding travel directive and verification of Section 34 across the region.

### **Management Response**

An “EC Finance Web Site Advisory Group” was created In June of 2005 with the objective of making recommendations to the Finance community on the design, development and implementation of a single EC Finance website.

While the implementation of a unique departmental website did not take place due to difficulties in obtaining technical support for a new Web page editing tool, significant progress has been made in the realization of this objective. For example:

- A new Web page structure has been developed and implemented.
- An inventory of the regional Finance websites has been done and the links with the Corporate Finance website have been established or refreshed.
- New training manuals and directives have been published on the Corporate Finance website and measures are being taken to progressively transform the access to the documents posted on the regional Finance websites to those found on the Corporate Finance website.
- New travel reports and publications are being introduced on the Corporate Finance website and those found on the regional Finance websites are being eliminated.
- Both previous initiatives are being supported by an internal project to standardize departmental accounting and business processes across the department.
- Internal policies, directives and procedures will be generated as a result of the department’s Audited Financial Statement, Readiness Assessment initiative.

The Finance website unit within Financial Operations is currently involved in a departmental working group, lead by the Communications Branch, which is looking to standardize all the websites within the department.

The current *Departmental Travel Policy and Travel Training Guide* are currently being updated to reflect the new changes in the travel processes. The revised travel policy and training guide should be available to the departmental end-user community by mid May, 2007.



## **2.2 Compliance with Travel Policy**

### **2.2.1 Pre-authorization of travel expenditures – Section 32 of the FAA**

Travel should be authorized in advance to ensure that these expenses are incurred in accordance with the provision of TBS and departmental policies.

#### Travel Authorization and Advance (TAA)

All business trips by employees must be formally authorized in advance. The managers are to use the electronic authorization feature available in the Travel Expert System to authorize individual travel authority. This electronic form contains information such as travel date and time, purpose, air and ground transportation, destination, estimated cost, etc, allowing the manager to approve the travel conditions and ensuring that the expenses are eligible for reimbursement.

The analysis of criteria related to the pre-authorization requirement (FAA Section 32) identified the following:

- All trips were business related;
- 4% were not pre-approved in writing;
- 7% were pre-approved by an individual without proper delegated authority; and
- All travel expense claims for above mentioned trips were subsequently approved under the accounts verification process.

Furthermore, the analysis also demonstrated that pre-authorization was obtained after the start of the trip in 8% of the cases. All were pre-approved by an individual with proper delegated authority.

Several TAA were missing key information such as type of transportation (20%) and estimated cost for accommodation, flight or meal (6%). The default departure and return times were often not adjusted to reflect the actual time (15%). This, combined with the fact that the travel itinerary was often not provided, makes it difficult to assess what meals should be reimbursed on the day of departure and return. This last issue has since been resolved as the 'time' field in the travel itinerary in TES was made mandatory in December of 2006.

The new travel process will introduce a number of tools to help better manage the pre-authorization of travel claim. For example, Finance and Corporate Branch will issue a monthly report identifying claims that did not obtain proper authorization. This will help identify employees frequently not complying with the policy. Furthermore, managers with delegated travel authority, receive for their review, a listing of travel authorities on a monthly basis.

#### Frequent Travel Authority

Treasury Board Policy allows for Blanket Travel Authorization (BTA) to be used when an employee's travel is frequent in nature. This allows employee to travel without having to

seek pre-approval on a trip-by-trip basis. On April 3 of 2006, the Department replaced the use of the BTA with a Frequent Travel Authorization (FTA) form. Although this new form basically serves the same purpose, the criteria use to grant such pre-authorization are much more stringent. Only employees travelling at least 10 times during the year are eligible for an FTA. The form has to specify limits in terms of geographic location, timeframe, dollars, etc and has to be reviewed and approved annually.

In our review of the travel policy and practices relating to the administration of the Frequent Travel Authority we observed the following:

- 1,087 employees had an FTA in place at the time of the review.
- 49% of employees with an FTA travelled less than 10 times throughout the year and 10% did not travel at all. Figure 3 below presents a breakdown for those that travelled less than the required times by location.
- All regions are currently consolidating the FTA information on either a spreadsheet or in the Travel Expert System to facilitate the travel verification process.
- Some fields on the FTA form are often left blank (budget, cost centre, activity).
- The use of the FTA came into effect after the beginning of the fiscal year. As a result, one region decided to simply attach a blank FTA form to an existing approved Blanket Travel Authority. All FTA forms were approved by the regional Finance Director.

Figure 3 – FTA Analysis

Region	Total Count	Travelled less than 10 Times		Travelled less than 5 times		No travel at all	
		#	%	#	%	#	%
Burlington	137	45	33%	23	17%	12	9%
Dorval	4	0	0%	0	0%	0	0%
Downsview	143	66	46%	39	27%	24	17%
Edmonton	191	52	27%	21	11%	8	4%
Halifax	223	175	78%	97	43%	32	14%
Montréal	96	25	26%	10	10%	3	3%
NCR	99	69	70%	48	48%	13	13%
Vancouver	194	100	52%	48	25%	17	9%
	1087	532	49%	286	26%	109	10%

Due to the frequent travel of certain employees, we believe that a Frequent Travel Authority that restricts travel to particular territories and modes of transportation is an efficient and appropriate way to pre-authorize travel. However, it should be limited to frequent travellers.

Based on the new travel process, an FTA Summary report will be produced on a semi-annual basis. The report will include an analysis of the frequency of travel per FTA user as well as the average dollars spent per trip per FTA user.

### **Recommendation**

2. The Director General, Finance Directorate should ensure that travel claims make explicit reference to the fact that a Frequent Travel Authorization (FTA) is being used instead of a TAA.

### **Management Response**

We agree with the recommendation. The Financial Policy, Systems and Operations Division will be issuing a communiqué before April 20<sup>th</sup>, 2007 to inform the Travel Expert System user community that the use of the Frequent Travel Authority Code (FTA) is included on all travel authority records when applicable.

Special instructions will also be issued to all the Managers Financial Services and to the Managers of the Accounting Offices prior to March 31<sup>st</sup>, 2007 to ensure they inform their clients of the requirement to reference their FTA on the travel authority before renewing their FTA for the 2007-08 fiscal year.

## **2.2.2 Documentation in support of proper verification of Section 33 and 34 of the FAA**

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

To obtain a travel reimbursement, EC employees must prepare and forward a travel claim, along with all supporting documentation, including original receipts and an explanation for any travel practice that deviates from the travel policy, to their manager for approval. Once the manager has reviewed and approved the claim and signed for Section 34 of the FAA, the claim is forwarded to Finance for further processing and verification prior to issuing a payment.

The analysis of criteria related to key controls shows a compliance rate of 93% under Section 34 and 100% under Section 33. The errors under Section 34 related to unauthorized official approving the expense claim (wrong cost centre, expenditure period or nature).

The analysis also revealed that the level of due diligence applied by the officer who has the authority was inconsistent throughout the Department. The majority of the travel expense claims reviewed contained adequate supporting documentation to substantiate compliance with policies and reasonableness of expenditures claimed. That said, there were instances where information and/or supporting documentation necessary for proper Section 34 verification was missing or incomplete. This included travel itineraries (18%), and receipts to substantiate expenses (9%). There were also a few case cases where expenses claimed did not fall within the approved travel period (4%). These were normally expenses from a previous trip that had not been claimed. Furthermore,

information pertaining to either the conference or the training attended was rarely provided making it difficult to assess meal entitlements.

In light of the Transformation of the Travel Process, finance staff is now required to exercise a pre-audit of all travel claims before the manager with Section 34 authority approves the claim. For example, the process looks at whether an authorized officer exercised Section 32, expenses were claimed in accordance with policy (meals, incidentals, and accommodations), meals allowance being claimed are within the departure and arrival times, meals are provided by the transportation carrier, government travel provider was used for reservation, etc. The pre-audit also ensures that all receipts to support travel expenditures are attached to the travel expenses claim. The implementation of this new procedure should ensure both the travellers and their managers comply with new departmental travel directives.

The audit found three cases where substantial cash advances were issued to one employee who was in turn responsible to reimburse per diem cost to non-employees invited to attend an EC conference. In one case, an international conference was organized and paid for through a travel claim. Management was informed that the procurement tool used was inappropriate and advised of the tool to be used in the future.

The testing of foreign travel expense claims revealed some cases with insufficient details to justify practices that deviated from the norm and consequently made it difficult to determine whether the expenses claimed were reasonable. For example, we found cases where the travellers extended their stay either before or after the conference. Most of them were appropriately documented and pre-authorized; however, there were instances (9) where expenses were continuing to be claimed with no supporting documentation to indicate that other official business was being conducted. We also found instances where the traveller claimed for meals that were included in the air flight; or the employee travelled using business class with no justification on file. Explanations for all of these cases were obtained from respective senior managers who were also informed of the need to ensure that sufficient and complete documentation is provided with the travel claim.

### ***Recommendations***

3. The Director General, Finance Directorate should communicate to managers and travellers the requirement to provide sufficient information/documentation to support the entire travel period. For example, employees attending a conference and extending their stay to attend other business meetings should provide information/documentation to support their attendance at the meetings.

### ***Management Response***

We agree with the recommendation. A communiqué from the Director General, Finance Directorate will be sent out by April 20<sup>th</sup> to the Travel Expert System end-user community and end-user support network informing them of the requirement to provide sufficient information documentation to support the entire travel period.

Furthermore, a process to capture multiple attendances at conferences, along with a mechanism to ensure that sufficient justification/explanation for non senior or support level is provided when travelling to international conferences, will be developed.

The Financial Policy, Systems and Operations Division will also be issuing special instructions to all the Accounting Offices by the end of April 2007 requesting that the pre-audit function include ensuring that sufficient information/documentation to support the entire travel period is included with each travel claim. Failure to comply with this requirement may result in the travel claim being returned to the traveller with a request that he/she provides the necessary documentation.

## **2.3 Compliance with proactive disclosure**

### **2.3.1 General Findings**

According to *Treasury Board Proactive Disclosure Policy*, as of December 2003, EC must publish all travel expenses of the Minister, the Minister's Office and senior executives on its website.

There were 338 travel expense transactions posted on the website during the period under review, April 2005 to March 2006, for a total of \$980,526.77.

To ensure that all travel claims had been disclosed, individuals subject to mandatory disclosure were identified and the list validated. All acting assignments in ADM positions and above were also reviewed. Travel transactions in TES and in MERLIN (Discoverer) were examined and compared.

Our tests showed that, in general, all travel claims were published on the website and that the information was accurate, with the following exceptions.

### **2.3.2 Completeness of travel claims disclosed**

The examination of the travel claims showed that all travel claims were disclosed except for two. This represents less than 1 percent error rate. An interview and further analysis with the financial officer responsible for providing the detailed trip information to Financial Policy and Operations indicated that the reasons for the omissions were administrative in nature. In one case the claim was missed because it was a transaction paid manually in MERLIN, and was not coded against the budget of the individual having to disclose. This error should not reoccur, as all entries in MERLIN are now scanned to ensure there is no travel activity for individuals requiring disclosure. In the second case, the error was caused by an incorrect entry in the starting date for the period of acting in the proactive disclosure system.

Employees in an acting assignment and travelling on behalf of an individual subject to proactive disclosure must also disclose their travel expenses. Currently, the disclosure coordinators are not systematically informed of all acting assignments. In order to minimize the amount of research required when preparing for the quarterly report, the individual who manages the specimen signature cards in NCR and in Downsview should

systematically inform the appropriate disclosure coordinator of all upcoming acting assignments.

There were thirty-eight individuals travelling during the period under review, out of a potential of forty-seven; this includes long term acting appointments. There were no cases of individuals travelling in the capacity of the acting position during a short term acting period (two weeks or less).

### **2.3.3 Accuracy of the travel information posted**

#### **Amount Criteria**

The process for the disclosure of travel information is very onerous for the financial analyst who is required to provide accurate and updated data to Financial Policy and Operations. (Please refer to attached flowchart in Annex 2 – *Process for the Disclosure of Travel*) The final amount for airfare is always different from the prepaid amount entered in TES. Usually the final amount is greater, because of additional administrative charges related to Travel AcXess Voyage or/and charges related to modified travel plans. When a credit is required, it is often initiated by the airlines through AMEX in the months that follow. Accounting operations must therefore manually check hundreds of lines of transactions to find adjustments for the selected individuals.

The audit did not find any cases where the amount was incorrectly stated on the website. Credits or debits were all accounted for and documented in a separate filing system for all the proactive disclosure claims.

EC's National Capital Region, responsible for the disclosure of the vast majority of the individuals in the department, has recently developed a worksheet to track all changes to travel data since the last quarter. This should result in improved efficiency when dealing with enquiries.

#### **Date Criteria**

According to the TB Guidance document for the proactive disclosure of travel and hospitality expenses, the date posted must cover the full period between departure and return of the trip.

The audit has revealed that in 13 cases out of 338, or 3.8%, the period disclosed was shorter than the actual period of the trip. Eight of these cases were related to the Climate Change Conference (CoP 11).

The tendency was to publish the date of the conference rather than the dates travelled. A closer look at the cases showed that the travellers claimed expenses for a greater period than disclosed. An interview with Accounting Operations indicated that the change to the dates is made at the request of the travellers' offices. A better control of the process should be initiated in order to enhance the compliance to the policy.

#### ***Recommendation***

4. The Director General, Finance Directorate should communicate to travellers subject to mandatory disclosure the requirement to disclose the entire period of travel where expenses were incurred **and** should ensure that the dates disclosed reflect the entire period of travel.

### ***Management Response***

We agree with the recommendation. The Director General, Finance Directorate will ensure that those persons subject to mandatory disclosure are obligated to disclose the entire period of travel where expenses were incurred and ensure that the dates disclosed reflect the entire period prior to the next disclosure period, i.e. June 1<sup>st</sup>, 2007.

Financial Policy, Systems and Operations Division will also issue a memorandum to all the Accounting Offices and the support staff of those persons subject to mandatory disclosure to remind them of the requirement to disclose the entire period of travel expense as well as to ensure the dates disclosed reflect the entire period.

## **3.0 CONCLUSION**

Environment Canada has an adequate management control framework in place that includes a departmental policy and a clear accountability framework. Some inconsistencies in the monitoring practices and communication and training tools across the regions were identified however; these are being addressed as part of the transformation of the travel process currently underway. The extent of the departmental compliance with the Treasury Board Travel Directive and Environment Canada Travel Policy is generally high. Although the audit identified some weaknesses in administrative practices including pre-authorization of travel and documentation in support of travel expenses, all trips were assessed as being business related. The extent of the departmental compliance with the Treasury Board Guidance document, Proactive Disclosure of Travel Expenses, is also generally high, although a small number of reported travel dates contained errors. Improvements should be made to ensure the accuracy of the reported dates of travel.

Finance and Corporate Branch is currently working on the transformation of the travel process. Many elements of the new process will address the issues highlighted in the audit report. As such, Audit and Evaluation has made recommendations only in areas not addressed in the new process. However, AEB will conduct a follow-up in six months to ensure that all elements of the new process are implemented as expected.

In our professional judgement, sufficient and appropriate audit/evaluation procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit/evaluation criteria.





## **Annex 1**

### **List of Background Information and Supporting Documentation**

- Treasury Board Travel Directive – October 1<sup>st</sup>, 2002
- Department Travel Policy – 2002
- Special Travel Authority
- Financial Administration Act
- Administrator's Guide for Regional Administrators and Travel Clerks Phase 3.4
- Section 33 Account Verification and Section 33 Quality Assurance Review Policy and Procedures
- Guidelines for Minister's Offices – Chapter 6
- Financial Signing Authority Manual
- Ethical Conduct – PMO Dec 2003
- Treasury Board Guidance document: Proactive disclosure of travel and hospitality expenses
- Treasury Board Proactive Disclosure website
- Disclosure of Travel and Hospitality Expenses on EC's website

