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Chief Review Services Chef - Service d'examen

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Audit of Military Moves

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Canada 

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LIST OF ACRONYMS

ADM(Fin CS)	Assistant Deputy Minister (Finance and Corporate Services)
APMS	Automated Posting Message System
CBI	Compensation and Benefits Instruction
CBI 209 S.8	Compensation and Benefits Instruction Chapter 209 Section 8
CF	Canadian Forces
CFIRP	Canadian Forces Integrated Relocation Program
CMP	Chief Military Personnel
CRS	Chief Review Services
DCBA	Director Compensation and Benefits Administration
DGCB	Director General Compensation and Benefits
DMCARM	Director Military Careers Administration and Resource Management
DND	Department of National Defence
FAA	<i>Financial Administration Act</i>
FEAMS	Furniture and Effects Automated Movement System
FMAS	Financial Managerial Accounting System
FY	Fiscal year
HG&E	Household Goods and Effects
HHT	House hunting trip
ILM&M	Interim Lodging, Meals and Miscellaneous
IPR	Intended Place of Residence
MDI	Mortgage Default Insurance
PWGSC	Public Works and Government Services Canada
S	Section
TAN	Travel authority number
TB	Treasury Board
TDRA	Temporary Dual Residence Assistance
TRA	Threat and Risk Assessment
ZBA	Zero Balance Account



RESULTS IN BRIEF

An audit of the financial management of military moves was included in the Chief Review Services (CRS) internal audit and evaluation work plan for fiscal year (FY) 2004/05 – 2005/06. The objective was to assess compliance with policies and contractual requirements, ensure that the control framework minimized risk and determine if there were opportunities to increase value for money. Particular emphasis was placed on moves administered under the Canadian Forces Integrated Relocation Program (CFIRP) during FY 2005/06.

Key Observations and Recommendations

Compliance with *Financial Administration Act* (FAA) and CFIRP Policy and with Contractual Requirements. At the time of the audit, the Department was doing little to verify and validate expenditures for military moves and to ensure contractor compliance with the contract.

- FAA Section 34 requirements were not being met:
 - While payments were certified, there were no processes in place to review and validate administration fees, rail and airfares, and expenditures for CFIRP benefits made by the contractor against the Zero Balance Account (ZBA); and
 - In FY 2005/06, approximately \$221M was paid using military move funding (fund C107) without sufficient departmental monitoring and oversight.

Recommendation: *Develop processes to ensure payments are properly authorized, as required by FAA Section 34.*

- While many files contained over- or underpayments, for the most part they were of low dollar value. Based on the statistical sample, there was a net overpayment of 0.8 percent of the dollars—an extrapolated value of \$1.5M in FY 2005/06.
- Of greater concern, most files did not contain enough information on move circumstances to confirm that members received all entitled benefits.

Recommendation: *Review moves files to ensure they contain adequate supporting documentation and that members have received all applicable benefits.*

Overall Assessment

- Based on the results of a statistical sample, move-related payments made to Canadian Forces (CF) members or on their behalf were, for the most part, in accordance with existing policy.
- However, move files did not contain sufficient information to confirm that CF members received the full amount to which they were entitled.
- In FY 2005/06 alone, expenditures of approximately \$221M were made with little departmental monitoring and oversight.
- An absence of performance measures and of accurate, fully integrated management information makes it difficult to assess value for money, and to determine the cost/benefit of particular aspects of the program.



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..... In several instances, the Department has not clearly defined its requirements, making it impossible for the contractor to comply.

Recommendation: *Take action to ensure all contractual requirements are clearly defined and met.*

Sufficiency of the Control Framework. The current management control framework does not sufficiently mitigate the risks associated with contracted service delivery.

- Roles and responsibilities are not clearly defined and enforced:
 - Significant weaknesses in the control framework had been documented in the two previous financial attestation letters, yet no group had assumed responsibility for ensuring corrective action took place.
 - Approximately 30,000 move files had not received any final review by the Department, as required under the relocation contract.
 - In some cases, the departmental authority deferred to the contractor for an explanation of policy and/or contractual requirements. This reduced the Department's ability to ensure compliance.
 - Communication between some key stakeholders, in particular the budget manager (Director Military Careers Administration and Resource Management (DMCARM)) and the departmental authority (Director Compensation and Benefits Administration (DCBA)), was insufficient to attest to the prudent use of all funds.

Recommendation: *Document departmental roles and responsibilities with respect to move processes and ensure all duties are fulfilled.*

- Move policies lack consistency and are not written clearly enough to ensure members have a thorough understanding of all potential entitlements:
 - Two separate sections of Compensation and Benefits Instruction (CBI) Chapter 209 govern the move process: Section 8–Relocation Expenses (CBI 209 S.8) and Section 9–CFIRP. While the benefits under each section are similar, they differ in several areas. The differences do not appear to be deliberate, but rather, have resulted because of difficulties ensuring consistency.
 - The policy contains minimal information on several benefits, in particular those pertaining to home mortgages and loans. There is low usage of some of these benefits, potentially because they are not fully understood by members.

Recommendation: *Streamline and clarify the move policy.*



- Management information relating to military moves is fragmented, inaccurate, and incomplete:
 - Detailed information from various systems cannot be easily integrated because move numbers are not consistently assigned and used;
 - Data security issues have precluded the Department from accessing much of the contractor-held data pertaining to moves; and
 - Financial information has not been recorded accurately in the Financial Managerial Accounting System (FMAS).

Recommendation: *Ensure information for decision making is adequate, accurate, and accessible.*

Increasing Value for Money. It is difficult to assess the cost/benefits of the existing program and method of service delivery because comprehensive, accurate management information is not available. There is potential to reduce costs while maintaining the current level of service and benefits to members by changing some aspects of move administration, and by revisiting some entitlements. More significant savings may be possible through changes that would reduce the volume and frequency of moves, and the extent to which members relocate their families and effects. However, a comprehensive business case that considers not only cost, but also impact on member retention and quality of life should be developed before any such changes are implemented.

Recommendation: *Develop a strategy to analyze options to increase value for money in the military move process.*

Note: For a more detailed list of CRS recommendations and management response, please refer to [Annex A](#)—Management Action Plan.



INTRODUCTION

Objectives

- To assess compliance with the FAA and relocation policy, and with contractual requirements.
- To ensure the control framework for the military move process minimizes risk.
- To highlight opportunities to increase value for money.

Audit criteria are listed at [Annex B](#).

Scope

- Expenditures of FMAS C107 funds—Military Cost Moves, including:
 - ZBA reimbursements for CFIRP¹ benefits paid to CF members and third-party providers;
 - Administration fees paid by invoice for the services of the relocation contractor;
 - Claims for benefits under CBI 209 S.8; and
 - Rail and airfares associated with military moves.
- For sampling purposes, transactions were selected from FY 2005/06 expenditures totaling approximately \$223M, as shown in Chart 1.
- The scope did not include:
 - Fund C107 expenditures for the movement of Household Goods and Effects (HG&E) (approximately \$84M in FY 2005/06) or for separation expenses (approximately \$31M);
 - Military moves paid using other than C107 funds (at least \$17M in FY 2005/06);
 - An examination of the awarding of the relocation services or van line contracts; or
 - A review of the method for establishing the posting plot, i.e., determining which members should be moved and to where.

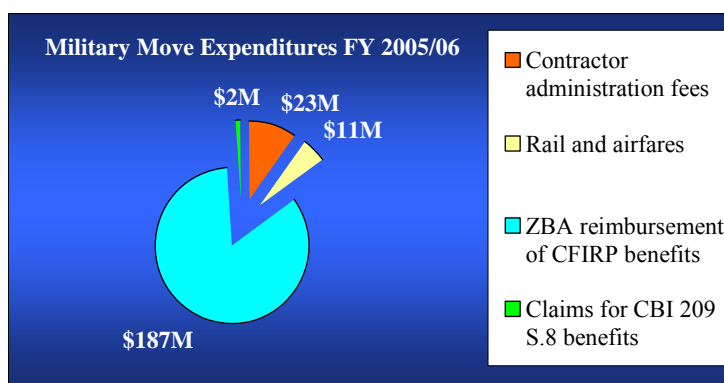


Chart 1. FMAS Fund C107. *In-scope move expenditures for FY 2005/06 totaled approximately \$223M.*

Methodology

- Review of the departmental and Treasury Board (TB) relocation policies.
- Interviews with departmental staff involved in the management and application of the CFIRP, with the contract (Public Works and Government Services Canada (PWGSC)) and project (TB) authorities, and with contractor relocation advisors and central staff.
- Analysis of FMAS Fund C107 data, and contractor-provided data related to military moves, as well as analysis of the rail and airfare database.

¹ [Annex C](#) provides a brief explanation of this program. See http://www.forces.gc.ca/dgcb/dcba/engraph/CF_Integrated_Relocation_Program0405_e.asp for additional program details.



- Visits to relocation service centres at Petawawa, Shearwater, Halifax, Stadacona and National Defence Headquarters.
- Detailed review of 149 CFIRP transactions processed through the ZBA during August 2005. A statistical (dollar unit) sampling approach was used to select 120 transactions, while an additional 29 were chosen using a directed approach as shown in Chart 2.
- A review of all transactions associated with 69 CFIRP move files. The files included a cross-section of move types, i.e. homeowners, tenants, single-members, families, and a variety of origins and destinations.
- Review of administration fee invoices for FY 2005/06.
- Electronic verification and subsequent directed sampling of payments for rail and airfares.
- Review of a directed sample of claims for benefits under CBI 209 S.8.

Type of Review	Number of Items/Files
Review of Individual ZBA Transactions, selected using:	
Statistical (dollar unit) sampling	120
Directed sampling:	
High Cost:	
One Transaction to Individual > \$20,000	5
Multiple Transactions to Same Individual > \$20,000	2
Potential Duplicate Transactions	22
Review of Complete Move File, i.e. all transactions to date	69

Chart 2. Detailed examination of CFIRP/ZBA

Expenditures. *The audit included a review of 149 individual CFIRP/ZBA move expenditures and 69 complete move files.*

Background on the Relocation Program

- Two sections of CBI 209 govern the move process:
 - CBI 209 S.8—Relocation Expenses, which applies to “a member of the Regular Force or the Reserve Force...to whom [CBI] Section 9 does not apply;” and
 - CBI 209 Section 9—Canadian Forces Integrated Relocation Program (CFIRP).²
- Base/wing orderly rooms process CBI 209 S.8 moves. Members are reimbursed for expenses by processing claims through the Automated Cashier System, while third-party providers are reimbursed through the payment of invoices.
- A contractor administers CFIRP moves in accordance with the terms of a contract for Integrated Relocation Services.
- DCBA is the departmental authority for the relocation services contract. DCBA reports to the Director General Compensation and Benefits (DGCB) within the Chief Military Personnel (CMP) organization.
- At each CF base/wing, a CF member serves as “Relocation Coordinator,” usually as a secondary duty. Their role is to serve as a liaison between the moving member, contractor staff, and DCBA staff, as required.
- The contractor reimburses CF members and third-party providers (such as realtors and lawyers) for relocation expenses by issuing cheques and direct funds transfers against the ZBA. Each morning the Department replenishes the ZBA to bring the balance from an overdraft position to zero.
- The relocation services contractor is paid on a per file basis for the administration of CFIRP moves. A monthly invoice is submitted for these services.

² Throughout the report, Section 8 and Section 9 moves are referred to as CBI 209 S.8 and CFIRP moves, respectively. For additional details on the two sections and their applicability, see http://hr3.ottawa-hull.mil.ca/dgcb/cbi/engraph/home_e.asp?sideSection=6&Section=209.80&sidecat=26&Chapter=209#209.80



OBSERVATIONS AND RECOMMENDATIONS

Compliance with FAA and CFIRP Policy and with Contractual Requirements

The audit statistical sample demonstrated that move-related payments were, for the most part, in accordance with existing policy. While some discrepancies were identified, they were of low dollar value. Payments of \$221M in FY 2005/06 were made with insufficient departmental verification to meet FAA Section 34 requirements. This lack of monitoring and oversight placed the Department at significant risk.

Compliance with the FAA

- FAA Section 34 requires that the signing authority confirm that “...the work has been performed, the goods or services rendered, as the case may be, and that the price charged is according to the contract, or if not specified by the contract, is reasonable.”³ Where advance payments are issued, a system must be in place to confirm the eventual receipt of goods or completion of services.
- At the time of the audit, these requirements were not being met for:
 - administration fees charged by the contractor,
 - rail and airfares, and
 - transactions processed through the ZBA.

Administration Fees

- On a monthly basis the contractor submits an invoice detailing administration fees on a per file basis. No process was in place to verify that the charges were for authorized moves and were in agreement with the contract. In FY 2005/06, \$23M in administration fees were paid with insufficient confirmation to meet FAA Section 34 requirements.
- In FY 2006/07, various CMP groups including DCBA, CMP comptroller, and Director Human Resource Information Management have been developing an electronic methodology for verifying these transactions. While the majority of transactions can be verified in this manner, exceptions identified require further investigation. Processes should be refined to reduce the number of exceptions and to highlight additional anomalies such as fees paid for cancelled moves or instances where two administration fees were paid for service couples.

Rail and Airfares

- The contractor receives a series of travel authority numbers (TAN), which are used to book rail and air travel through the travel agent. The associated expenditure is charged to military moves (Fund C107) through an automated process at month end. The contractor submits a monthly report detailing TAN usage and the travel agent provides a monthly report detailing all billings.
- While the Department reviews both reports and adjustments are made to move charges among budgets and general ledger accounts, no process is in place to ensure charges all relate to authorized moves.
- In FY 2005/06, \$11M in rail and airfares was paid with insufficient FAA Section 34 certification.

³ Financial Administration Act, 1985. s.34 1 (a) (i).



- As part of the audit, the record of fares paid during FY 2005/06 was matched electronically to records of authorized moves. Eight percent (944) of the records could not be matched in this fashion, primarily due to inconsistent use of move numbers. Further analysis of a portion of these unmatched records (102) confirmed that they were associated with valid moves.
- Complete electronic verification may be possible; however, further process refinement will be required.

Zero Balance Account

- The ZBA is replenished daily to reimburse transactions processed the previous day.
- At the time of the audit, no process was in place to confirm the validity of the transactions.
- In FY 2005/06, over \$196M was processed through the ZBA (\$187M of which was charged to Fund C107) with insufficient FAA Section 34 certification.
- Each move file may have multiple transactions processed through the ZBA over a period of many months. Many of these transactions are advances for future expenses associated with the move. While, in theory, the amount of each of these ZBA transactions could be validated, such an approach would require multiple reviews of the same file and is therefore not recommended. However, the Department must be assured that the transactions relate to an authorized move and that there is a system in place to subsequently verify the amount.
- Using a statistical sample from August 2005, the audit confirmed that all ZBA transactions were paid to or on behalf of members with authority to move. Confirmation that these transactions were fully supported and complied with CFIRP was accomplished through subsequent review of the related move files.

Compliance with CFIRP

- Since implementation of the CFIRP on April 1, 2003, the contractor has administered approximately 30,000 moves. Prior to the audit, only five files had been reviewed by the Department to ensure the contractor was applying the policy appropriately.
- In the course of the audit, compliance with CFIRP was evaluated using statistical and directed sampling of individual transactions, and through a complete review of 69 move files.

Statistical Sampling of Transactions

- The 120 transactions in the statistical sample were used to confirm that payments complied with the CFIRP policy. The results are shown in Chart 3.
- The dollar error in the statistical sample was 0.8 percent.
- The extrapolated value of errors is \$1.5M based on FY 2005/06 spending.

Statistical Sample Results			
Error Type	No. of Errors	Error as a % of Dollars	Extrapolated Dollar Value FY 2005/06
Total Errors	25	0.83%	\$1,540,400
Payment Errors	21	0.84%	\$1,564,900
Incorrect Envelope	2	-0.01%	(\$24,500)
No Dollar Impact	2	0.00%	\$0

Chart 3. Compliance with CFIRP—Statistical Sample Results. *Dollar value of discrepancies was less than 1% in the sample population.*



- Three types of discrepancies were identified:
 - **Payment Errors.** The member was paid an incorrect amount for entitlements such as Interim Lodging, Meals and Miscellaneous (ILM&M), or the amount paid did not match the invoice. While there was a significant volume of such errors, both the absolute and net dollar value were low.
 - **Incorrect Envelope Charged.** The member was entitled to the received benefits but they were paid from the wrong envelope, which resulted in an over/underpayment.
 - **No Dollar Impact.** These did not result in an over/underpayment. Two sample transactions related to land purchases in excess of 1.25 acres. While the policy advises that legal fees should be adjusted, a method of prorating is not provided. The amount paid did not exceed the maximum allowed.

Directed Sampling of Transactions

- In addition to the statistical sample, 29 ZBA transactions, which appeared to fall outside the norm, were selected for further review. These included 22 transactions that appeared to be duplicates and seven that were of high dollar value.
- On further analysis, there was valid rationale for each of these exceptions. Such a systematic approach of identifying and rationalizing anomalies is an efficient and effective method of increasing assurance.

Complete Review of Move Files

- While the validity of transactions can be confirmed on an individual basis, it is only through a complete review of the file that there is assurance that the policy has been applied in the CF member's best interest. For this reason, a comprehensive review of 69 move files was completed as part of the audit.
- Consistent with the statistical sample, the review of move files confirmed that the discrepancies identified were of low dollar value. There were minor overpayments for things such as car rentals and ILM&M in 36 percent of the reviewed files. In 25 percent of the reviewed files there were slight discrepancies between the amount paid and receipted amounts.
- More significantly, there was insufficient information in many files to confirm that members received all entitlements.
- Mortgage information was often missing, making it impossible to confirm whether the member was entitled to mortgage default insurance, mortgage breaking penalties and/or temporary dual residency allowance. Subsequent queries relating to one sampled file resulted in the member receiving a cheque for approximately \$2,900 for additional mortgage-related benefits.
- While the contractor-developed audit module is a useful quality assurance tool, it does not eliminate the requirement for the Department to review move files. A review of move files provides increased assurance that appropriate authorities are on file, that payments are supported with receipts, and that members receive all entitlements. A comprehensive FAA Section 34 must include some review of completed move files.



Compliance with Relocation Services Contract

Method of Payment

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Contract Deliverables

- In addition to requiring that the
contractor issue benefits in
compliance with the CFIRP, the contract also requires that the contractor provide certain
deliverables on a scheduled basis. The audit team reviewed 33 areas where the contractor
was required to provide a deliverable
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- The Department of National Defence (DND) has an obligation to define key elements of
some of the outstanding deliverables. The Department has not yet fulfilled this obligation; as
a result, contractual requirements have not been met. For example, the contract requires that
“the contractor shall attend a quarterly meeting chaired by the Departmental Authority...”;⁵
however since the Departmental Authority is not calling these meetings it is impossible for
the contractor to be in compliance.

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⁴ Integrated Relocation Program – CF, Contract No. 24062-030147/001/ZG, Contract 12.3.2 c.

⁵ Integrated Relocation Program – CF, Contract No. 24062-030147/001/ZG, Statement of Work 7.2.



Recommendations

Compliance with the FAA. Develop processes to ensure charges relating to administration fees, rail and airfares, and ZBA transactions are valid and in compliance with current policy and contractual agreements as required by FAA Section 34.

Compliance with CFIRP. Use a risk-based approach to reviewing move files to ensure that adequate supporting documentation is on file, proper authorizations have been obtained, and members have received all applicable benefits.

Compliance with Relocation Services Contract. Take immediate action in those areas where there is non-compliance with the contract to ensure that requirements of the departmental authority are being performed, and inform PWGSC of all areas of contractor non-compliance so that corrective action can be taken.



Sufficiency of the Control Framework

The current management control framework does not sufficiently mitigate the risks associated with contracted service delivery. Roles and responsibilities are not clearly defined or consistently fulfilled. Unclear policies result in inconsistent application and potential underutilization of benefits. Fragmented, inaccurate information, and a lack of any performance measures limit management's ability to monitor and control the relocation program.

Roles and Responsibilities

- Several groups, primarily within CMP, have responsibility for various components of military moves. A clear understanding of the roles and responsibilities of each is necessary to ensure all obligations are met. The audit identified several important areas where this is not occurring:
 - When the ZBA was implemented in April 2003, there was an obligation to define a process to monitor and control expenditures through the account; to date such a process has not been established.
 - CMP's financial attestation letters in FY 2003/04 and FY 2004/05 acknowledged that the requirements of FAA Section 34 were not being met in relation to CFIRP expenditures. DGCB was tasked to correct this situation on a priority basis; however, at the time of the audit, little progress had been made.
 - Prior to April 1, 2005, approximately 30,000 move files were transferred from the contractor to DCBA for closure, as required by contract. There was documented review of only five.
 - A security issue with respect to the contractor's Virtual Private Network has prevented the Department from obtaining online access to the CF move information in the contractor's database. This information is necessary to determine the financial impact of various benefits, and the total cost of a particular move. The situation had not been resolved in over a year, and it remained unclear who is responsible for finding a solution.
- Departmental authorities must have a complete understanding of the policy and contract if they are to ensure compliance; however:
 - When the audit team sought clarification from DCBA on the Interest on Home Relocation Loan benefit, the request was forwarded to the contractor.

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- Communication between several key groups is insufficient to ensure efficient, effective management:
 - DMCARM is the budget manager for Fund C107 and must attest that the funds have been used appropriately, yet DMCARM receives minimal detailed financial information to support this attestation.
 - Base/wing transportation agents must provide the contractor with information on such things as delays in delivery of HG&E and storage in transit charges. There was insufficient documentation in the reviewed files to confirm this is consistently occurring.
 - CF relocation coordinators are responsible for assisting the moving member in resolving issues by liaising with the contractor and/or DCBA. However, they receive little training to support them in this role, nor do they receive feedback from DCBA on the resolution of any issues raised.

Relocation Policies

Multiple Policies

- A CF member may be entitled to relocation benefits under either CBI 209 S.8 or CFIRP. Because CBI 209 S.8 applies to a member who “enrols, re-enrols, or transfers from the Reserve Force to the Regular Force”⁶ these moves are often, but not always, more straightforward and less complex than CFIRP moves.

CFIRP versus CBI 209 S.8		
	CFIRP	CBI 209 S.8
Movement Grant	5.08 - up to \$650	209.85 - up to \$845
Movement of Mobile Home	11.07 - no entitlement	209.841 - entitled to be reimbursed the costs of moving a mobile home
ILM&M (with dependants)	9.05 & 9.14 - max up to 20 days	209.86 (4) - no more than 35 days
HHT- Dependant Children	6.10 - if accompanying on HHT; 6.17 - funding for childcare while on HHT	209.832 - No entitlement

Chart 5. Comparison of CFIRP and CBI 209 S.8 Benefits.
Benefits under CBI 209 S.8 and CFIRP are not always consistent.

- The two policies include many of the same benefits, including provisions for house hunting trips (HHT) and the buying and selling of homes. However, there are differences between the two. Some of the differences are highlighted in Chart 5, including:
 - **Movement Grant.** Under CFIRP, up to \$650 is provided (which is consistent with the *Income Tax Act*); under CBI 209 S.8 up to \$845 may be claimed.
 - **HHT- Dependant Children.** Under CFIRP, members with dependant children have the option of taking them on a HHT or having their childcare costs reimbursed if the children remain at home. The CBI 209 S.8 does not include these benefits.
- Changes to CBIs require a TB submission; this rigor has not been applied to CFIRP changes.
- Effective April 1, 2006, over 275 changes came into effect for the CFIRP. Many of the changes provided clarification and did not affect benefits. Others, such as removing the \$5,000 limit on reimbursement of mortgage breaking penalties and eliminating the reimbursement of property management fees, have financial implications. It is unclear if these changes will be applied to CBI 209 S.8.
- There has been some reluctance to integrate the two policies because of the common belief that the contractor must administer all CFIRP moves. (Indeed, the contractor and CFIRP have become synonymous). However, this is not the case.

⁶ CBI 209.971.



- Under an integrated policy, moves could be administered by either base/wing orderly rooms or by the contractor, depending on the extent of entitlements and/or complexity of the move. This may result in increased efficiency and lower overall cost, with local orderly rooms administering basic moves (e.g., those involving only single or married quarters), and the contractor, with expertise in realty and tenancy transactions, administering all others. This would reduce the number of situations where the administration fee (\$1,725 in FY 2005/06) exceeds the benefits processed.⁷ The National Joint Council Relocation Directive could be used as a prototype for such an approach.

Policy Application

- CFIRP and CBI 209 S.8 are both very comprehensive, but not user-friendly. In the case of CFIRP, the member may need to consult additional interpretation bulletins in order to have full information on all benefits available.
- Because of the complexity of the policies, members are likely to depend heavily on the orderly room personnel and relocation contractors to ensure they make maximum use of the benefits available. This is particularly true of benefits associated with home ownership, such as the Interest on Home Relocation Loan, Mortgage Interest Buy-Down, Mortgage Default Insurance (MDI), and Temporary Dual Residence Assistance (TDRA).
- There is a low usage rate for some of the benefits mentioned above. In the 69 reviewed CFIRP files, only 26 percent of the members who purchased a home took advantage of the Interest on the Home Relocation Loan, yet this same group had, on average, \$3,300 available in their custom envelope to fund this benefit. This unused funding reverts to the Department.⁸ While the expectation was that 75 percent of custom funding would be used, currently only 37 percent is being consumed—in part, perhaps, because CF members do not have a clear understanding of all benefits available to them.
- Policy is not always consistently applied because, in some cases, further clarification is required. For instance:
 - Licensing of a second vehicle was paid from core funding, while in other cases custom funding was used. This impacts funds available for other benefits.⁹
 - Car rental fees for the seventh day of an HHT were not reimbursed, or were reimbursed from personalized funding, while in other cases they were reimbursed from core. Unused personalized funds are paid to the member; therefore, this inconsistency affects the total move cost.
 - Hotel room rates exceeding those listed in the TB directory were not fully reimbursed, or were reimbursed from personalized funding, while in other cases they were reimbursed from core, again impacting the total cost.
- Portions of the CFIRP have been clarified using a continuous improvement approach. These changes seem to be as a result of input from DCBA policy adjudicators and contractor staff. There does not appear to have been consultation with members to determine ways of achieving a more user-friendly policy.

⁷ In FY 2005/06, the contractor administered more than 1,500 files where benefits processed by the contractor, (i.e., move costs net of movement of HG&E, rail and airfares and administration fees, but including posting allowance where applicable) were less than \$2,000. The contractor's fee for administering these files was \$1,725 per file.

⁸ See [Annex C](#) for an overview of the CFIRP policy.

⁹ See [Annex C](#) for a more complete explanation of CFIRP funding and benefits.



Information for Decision Making

Integration of Information

- Detailed information regarding military moves is stored in several independent information systems, including the Automated Posting Message System (APMS), rail and airfare database, Furniture and Effects Automated Movement System (FEAMS), FMAS, and the contractor's relocation database. While there is no requirement to capture all information in one system, there must be a reliable method of relating the information if detailed costing and benefit analysis is to be completed.
- The CF-assigned move number should serve as the logical key to relate this information. A move number is assigned to each relocation, and is the contractor's authority to create a move file for a member. Several CF organizations issue move numbers. Until recently, there was no defined protocol for this number; groups used varying numbers of digits and special characters to indicate particular types of moves. While the protocol has recently been standardized, there are still issues around the assignment of move numbers to service couples and the treatment of cancelled move numbers. Additionally, while the majority of move numbers are controlled through the APMS system, others, such as move numbers associated with retirement moves, are recorded manually. Consistent assignment and management of move numbers is essential if they are to serve as the relational key among databases.

Access to Contractor-held Information

- An on-going data security issue has precluded the Department from having online access to the contractor's database. Alternatively, the Department periodically received downloads of CF move information for input into a DND-created parallel system. This approach proved to be unsustainable and data in the DND system was neither timely nor accurate.
- Efforts to resolve the data security issue are progressing. Access to the contractor system will allow the Department to view detailed information regarding individual moves for verification purposes, and will also allow higher level reports to be produced for management and control purposes.
- However, if the Department relies solely on accessing the data through the contractor's database, a contingency plan must be in place in the event that there is a change in contractors.

FMAS Relocation Information

- All transactions through the ZBA account were initially recorded in FMAS to general ledger account 04927—"Other Specialized Professional Services," with the rationale that this would highlight the requirement for subsequent system adjustments. However, the system adjustments were not completed, and as a result relocation expenditures were understated in FMAS by approximately \$187M in FY 2005/06.
- FMAS includes more than 30 general ledger accounts for recording relocation expenses. It is questionable if this number is required, given that detailed information is available in a host of subsidiary systems. While the majority of expenditures, i.e., all those processed through the ZBA, were misstated, effort was made to code expenditures for the movement of HG&E not only to the proper general ledger account but also against individual move numbers. This is labour-intensive and of questionable value given that the same information is available through FEAMS.



- While the majority of move expenses are paid using C107—“Military Cost Moves” funds, other funds can be used for this purpose. In FY 2005/06, more than \$17M of relocation expenditures were subsequently adjusted from C107 and charged against other funds, primarily the Local Operating and Maintenance funds of non-CMP groups. This results in a less complete picture of the total cost for military relocations.

Performance Measures

- Few performance measures are in place to measure the efficiency and effectiveness of the relocation program.
- While the contract states that “the contractor will ensure that all Members’ queries will be answered within three business days”¹⁰ and that “Members will receive payment...within 48 hours for Electronic Funds Transfer or within 7 working days for cheques,”¹¹ processes are not in place to ensure these standards are met.
- The contractor completes a survey to determine client satisfaction with the service provided by the contractor and third-party suppliers. However, there is no independent analysis by the Department to determine member satisfaction with the current service delivery or with the program design in general.

Recommendations

Roles and Responsibilities. Clarify and document departmental roles and responsibilities with respect to move processes, in particular, by documenting monitoring and verification requirements, assigning responsibility for obtaining secure access to information, and documenting the responsibilities of the departmental authority.

Relocation Policies. Streamline and clarify the move policy by: integrating CFIRP and CBI 209 S.8, and determining an alternate approach for determining moves administered by base/wing orderly rooms vice the contractor; confirming the required authority for changes to the CFIRP relocation policy; providing members with supplemental information to more fully understand move benefits, in particular those associated with home ownership; and seeking member input as a means of clarifying the policy.

Information for Decision Making. Ensure that information for decision making is adequate, accurate and accessible by: ensuring that information from all sources can be related and integrated; resolving information security issues; and clarifying the FMAS funding and reporting process, including determining the appropriate repository for detailed move data (FMAS, FEAMS, Contractor database).

Performance Measures. Implement performance standards to measure the program’s efficiency/effectiveness and overall client satisfaction.

¹⁰ Integrated Relocation Program – CF, Contract No. 24062-030147/001/ZG, Statement of Work 6.2.2 c.

¹¹ Ibid, Statement of Work 9.3.2 c.



Increasing Value for Money

Although current attempts to evaluate value for money are hampered by information that is incomplete and difficult to access, potential changes in move administration, move policy, and overall move philosophy were identified which might result in gains.

- A comprehensive assessment of value for money was not possible due to the absence of complete, integrated information on the cost of move benefits and move administration.
- Access to such information would allow the Department to more readily determine:
 - The impact of a benefit change, such as meal or mileage rates, on the cost of the program;
 - The impact of changing market conditions, such as the rate of home ownership and/or changes in housing prices, on the total program cost;
 - The cost of particular benefits, including administration, versus the value to members as indicated by the usage rate; and/or
 - The relative cost of administering a move internally vice through the contractor.
- While information was not available to complete a comprehensive cost/benefit analysis, the audit did identify potential gains related to move administration, move policy, and relocation philosophy.

Move Administration

- Moves administered by the contractor versus those administered internally could be re-assessed:
 - Currently, all moves authorized under CBI 209 S. 8 are administered internally by local orderly rooms, while CFIRP moves are administered by the contractor.
 - Complexity of move, or entitlement to benefits related to accommodation, such as TDRA, MDI or rent/lease liability, are not used to determine if a move will be administered by the contractor or internally.
 - In FY 2005/06, there were 1,580 closed files where the benefits processed by the contractor (net of movement of HG&E, rail and airfares and administration fees but including posting allowance where applicable) were less than \$2,000. These files were administered by the contractor at a cost of \$1,725 per move file. It may be more cost effective to administer these files internally.
 - As a minimum, accurate information on the volume of such moves should be available when negotiating per file administrative fees.
 - A detailed business case should be developed to support any modifications to the work administered by the contractor.
- Increased use of mortgage consultants could be explored:
 - While the current contract does not discuss the use of mortgage consultants, several reviewed files made use of this service.
 - The mortgage consultant works with a member's bank to reduce any mortgage breaking penalties.
 - The consultant's fee is a percentage of the penalty reduction. In the observed cases, it was generally 50 percent on savings.



- The net savings were either realized by the Department, or were used by the member for additional move-enhancing benefits.

Move Policy

- Consider providing an incentive for using fewer than the full entitlement of hotel rooms:
 - The FY 2005/06 CFIRP policy allowed a family of four to book two hotel rooms, while a family of six had an entitlement to three rooms (depending on the age of the children) while proceeding to the new location, or when interim accommodation is required.
 - Many files were observed where families used less than their full entitlement.
 - Offering an incentive to use fewer rooms may encourage more families to do so, providing savings to the Department, and increased choice to the member.
- Reconsider the requirements for reimbursing a final move to Intended Place of Residence (IPR):
 - The final move to IPR is meant to assist the newly retired member in establishing themselves in a life after the military.
 - Where a retired member relocates to a new city/town, moves out of military housing, or ceases being a tenant and purchases a home, it is clear that the intent of the policy is being met.
 - However, where a previous homeowner relocates to a different home in the same vicinity, (in some cases within 5 – 10 kilometers¹² of the previous home), it is more difficult to see how the intent is achieved—in particular, in cases where the final move occurred well in advance of the release date, and/or involved purchase of a second home.
 - In FY 2005/06, 170 retired members, who were previous homeowners, elected an IPR within the city that they currently resided, at a total cost of approximately \$4M.¹³
- Consider reimbursing travel costs for an extended family member who provides child care at the member's place of residence during the HHT:
 - Current CFIRP policy allows a member to bring their children and extended family on the HHT; expenses are reimbursed using custom funding.
 - From DCBA adjudication files, it is apparent that some members would prefer to leave their children at home, in the care of an extended family member. While they are free to choose this option, there is no provision to cover the travel costs of the extended family member. Allowing members to choose between these two options, using custom funding, may result in savings in some cases. In other cases it would serve to improve the house hunting experience.
- Seek member input regarding other situations where changes may be warranted. For example:
 - A member who completed an unaccompanied international HHT (at significant savings to the Department) could not claim phone calls home, as these costs are reimbursed as incidentals.

¹² 40 kilometres is the minimum distance for employer-reimbursement of move costs to normally be considered a non-taxable benefit under the *Income Tax Act*. Data on distance moved was not available electronically so, for analysis purposes, same city moves were considered to be within 40 kilometres.

¹³ Based on an average release move cost of \$21,500, as per the 2005/2006 Departmental Cost Factors Manual.



- A member who found a home in fewer than the allocated house hunting days was not allowed to return early because of the cost to change travel plans. However, the cost of lost productivity was not considered in the equation.

Move Philosophy

- Additional savings may be achieved through a more global review of the approach to relocation and related human resources policies. Approaches taken by several allied countries are worth considering¹⁴:
 - Two militaries heavily subsidize rents, encouraging members to be tenants at their new location, and to retain an existing home. Members are provided some assurance that they will periodically be re-posted to the “home port.” This lowers the cost of moves by reducing home sale/purchase costs.
 - Another encourages members to proceed to their new location unaccompanied by providing generous travel benefits for subsequent family visits.
 - Still another provides a lump-sum option, where members may choose to receive a percentage of the total estimated cost and then may make their own move arrangements.
- Each approach has some merit, and may be favored by some members. However, the overall impact, not only on costs, but also on member productivity, retention and quality of life must be thoroughly considered before any such changes are implemented.
- Many nations appear to be examining move frequency and geographic dispersion (i.e., the number of sustainable bases), in an effort to reduce move costs while continuing to meet operational requirements.

Recommendation

Increasing Value for Money. Develop a strategy to analyze options to increase value for money in the military move process. Analysis must be based on accurate, comprehensive information, and must consider not only cost implications, but also impact on operations and member quality of life. Any changes should be supported by a business case.

¹⁴ Based on discussion among representatives from 5 militaries at The Technical Cooperation Panel, held in Ottawa, 22 October 2003.



ANNEX A—MANAGEMENT ACTION PLAN

Ser	CRS Recommendation	OPI	Management Action
Compliance with FAA and CFIRP Policy and with Contractual Requirements			
1.	Compliance with the FAA. Develop processes to ensure charges relating to administration fees, rail and airfares, and ZBA transactions are valid and in compliance with current policy and contractual agreements as required by FAA Section 34.	CMP/DGCB with input from CMP Comptroller and ADM(Fin CS)	A draft process document has been prepared which ensures that appropriate FAA Section 34 processes are adopted with respect to Royal LePage Admin Fees, Rail and Airfares, as well as ZBA transactions. The draft process is currently being refined in consultation with ADM(Fin CS) and CMP Compt staff. It is expected to be ready to begin implementation no later than 1 Apr 07. In the interim, CMP/DGCB has put in place processes that ensure that all Admin Fee, Rail and Airfare transactions as well as ZBA transactions are directly referenced to valid Cost Move numbers, with random high-risk transactions being reviewed.
2.	Compliance with CFIRP. Use a risk-based approach to reviewing move files to ensure that adequate supporting documentation is on file, proper authorizations have been obtained, and that members have received all applicable benefits.	CMP/DGCB with input from CMP Comptroller and ADM(Fin CS)	CMP/DGCB is committed to undertaking a review of all previous files that included Property Management transactions. This review is well under way in light of the provisions of the IRP contracts (previous/current) and any overcharges/undercharges will be actioned appropriately. CMP/DGCB will undertake a review of a sample of previous Closed Files to assess the accuracy of transaction processing and compliance with the IRP policy. The original sample size of Closed Files to be reviewed may be increased depending on the results of this review process. CMP Compt has provided three personnel to conduct file reviews, and this is progressing well. At the same time, CMP/DGCB is developing an internal review capability that will include reviews of current year files, for transaction accuracy, contract performance and policy compliance, based on an appropriate risk management framework. This internal capability is expected to be in place towards the end of APS 07.
3.	Compliance with Relocation Services Contract.	CMP/DGCB CMP/DGCB staff are in the process of confirming where contract amendments are required. These will be actioned through PWGSC.

Severed under
Section
20(1)(c)
of the AIA
Third party
information



ANNEX A

Ser	CRS Recommendation	OPI	Management Action
Sufficiency of the Control Framework			
4.	Roles and Responsibilities. Clarify and document departmental roles and responsibilities with respect to move processes, in particular, by documenting monitoring and verification requirements, assigning responsibility for obtaining secure access to information, and documenting the responsibilities of the departmental authority.	CMP/DGCB with input from DMCARM, CMP Comptroller and Director Human Resources Information Management	A CMP memo has been prepared which clearly delineates departmental roles and responsibilities with respect to the Integrated Relocation Program. This memo is currently being circulated for comment/review. It is expected to be promulgated to coincide with the commencement of APS 07.
5.	Relocation Policies. Streamline and clarify the move policy by: <ul style="list-style-type: none"> a. Integrating CFIRP and CBI 209 S.8, and determining an alternate approach for determining moves administered by base/wing orderly rooms vice the contractor; b. Confirming the required authority for changes to the CFIRP relocation policy; c. Providing members with supplemental information to more fully understand move benefits, in particular those associated with home ownership; and d. Seeking member input as a means of clarifying the policy. 	CMP/DGCB	<p>By APS 08, it is intended to have the departmental move/relocation policies embedded with CBIs – this will require formal TB submission process. In the meantime, CBI 209 S.8 is being updated to reflect consistency with the CFIRP, where it makes sense; some differences may persist for which there will be an explanation. The next IRP contract will include prohibited moves (those currently administered through base/wing orderly rooms). In the interim, consideration will be given to alternate delivery mechanisms giving due regard for cost, efficiency and effectiveness criteria.</p> <p>CMP is in the process of formally confirming the authority of TB versus TBS in approving CFIRP policy changes.</p> <p>Given that the CFRIP Policy document will not change from 2006 to 2007, CMP/DGCB's focus will be on ensuring that there is a clear understanding of relocation benefits embedded within the policy, through the issuance of supplemental information.</p> <p>A survey is currently being developed which will be an important means to solicit and receive feedback from the CF membership re. policy clarity.</p>



ANNEX A

Ser	CRS Recommendation	OPI	Management Action
Sufficiency of the Control Framework (cont'd)			
6.	<p>Information for Decision Making. Ensure that information for decision making is adequate, accurate and accessible by:</p> <ul style="list-style-type: none"> a. Ensuring that information from all sources can be related and integrated; b. Resolving information security issues; and c. Clarifying the FMAS funding and reporting process, including determining the appropriate repository for detailed move data (FMAS, FEAMS, Contractor database). 	CMP/DGCB with input from DMCARM, CMP Comptroller and ADM(Fin CS)	<p>A process is currently being refined which will permit easier accessibility to all electronic move file information for each of the stakeholders. Move numbers will be the common access key.</p> <p>This is a complex process that has been discussed with PWGSC and will be the subject of further review with RLRS.</p> <p>A proposal is being prepared for review with CMP Compt and DMCARM to determine the best approach to data management.</p>
7.	<p>Performance Measures. Implement performance standards to measure a program's efficiency/effectiveness and overall client satisfaction.</p>	CMP/DGCB with input from DMCARM	<p>A survey is currently being developed which will be an important means to solicit and receive feedback from the CF membership with respect to how effectively the CFIRP is being delivered by the current contractor and the appropriateness of the current policy from both individual members and the senior leadership team. This survey will be introduced for APS 07. The survey results will be augmented by a comprehensive base/wing visit schedule that will serve to provide more detailed feedback to be used to address systemic as well as more localized issues. The file reviews to be conducted, and those being conducted by the CMP Compt personnel are also being used as a tool for performance measurement, as they reveal how effective the contractor is in applying the correct benefits and amounts.</p>
Increasing Value for Money			
8.	<p>Value for Money. Develop a strategy to analyze options to increase value for money in the military move process. Analysis must be based on accurate, comprehensive information, and must consider not only cost implications, but also impact on operations and member quality of life. Any changes should be supported by a business case.</p>	CMP/DGCB with input from DMCARM and CMP Comptroller	<p>Through the next policy review, to be undertaken for APS 08 (the CFIRP 2007 policy has already been confirmed), specific options to potentially increase the value for money will be examined and staffed through the appropriate policy approval process.</p>



ANNEX B—AUDIT CRITERIA

Objective	Criteria
To evaluate compliance with the FAA and relocation policy and with contractual	<ul style="list-style-type: none">- FAA requirements are being met.- Benefits are paid in accordance with CFIRP policy.- Adequate supporting documentation is on file.- All contract requirements are being met.
To ensure the control framework for the military move process minimizes risk.	<ul style="list-style-type: none">- Roles and responsibilities are clearly defined and fulfilled.- Move policy is clear and consistently applied.- Consistent, accurate and complete information is available for decision making.- Performance measures are used to evaluate contractor and program performance.
To highlight opportunities to increase value for money.	<ul style="list-style-type: none">- Move costing information is sufficient to assess the impact of changing benefits and identify cost drivers for decision making.



ANNEX C—OVERVIEW OF CFIRP POLICY¹⁵

Core Component	Custom Component	Personalized Component
<i>Core Funding</i>	<i>Custom Funding Formula</i>	<i>Personalized Funding Formula</i>
Each benefit funded 100% by the Department	Funds available determined by three factors: 1. Accommodation Factor, 35% of real estate commission to \$5250; or \$1000 2. Transportation Factor, based on distance moved and family size 3. Shipment of HG&E - based on # of qualifying rooms and cost to ship HG&E	Funding available determined by: - Movement Grant, up to \$650 - Posting Allowance (if applicable) - Incentives o Long Term Storage Incentives o House Hunt Trip Savings o Real Estate Incentive
<i>Core Benefits</i>	<i>Custom Benefits</i>	<i>Personalized Benefits</i>
Essential to a relocation; e.g. - House Hunting Trip - Travel to New Location - Shipment of Household Goods and Effects - Accommodation Disposal, including: o Legal Fees o Real Estate Fees o Home Appraisal - Accommodation Acquisition, including: o Home Inspection o Legal Fees	Enhancements to a relocation; e.g. - Interim Meals, Lodgings and Miscellaneous expenses for extended family members - Marketing Incentives for the sale of a principal residence - Shipment of second Private Motor Vehicle - Dependent care while on House Hunting Trip - Bridge Financing for the purchase of a principal residence - Mortgage Default Insurance - Interest on the Home Relocation Loan * Benefits can be selected to extent of funding; unused funding is returned to the Department	Non-essential, but attributable to a relocation: - Mortgage Interest Buydown for purchasing a principal residence - Interim Lodgings upgrades - Interim Meals and Lodgings in excess of Core (and Custom) * Unused funding is paid to the member

¹⁵ See http://www.forces.gc.ca/dgcb/dcba/engraph/CF_Integrated_Relocation_Program0405_e.asp for additional program details.

