



Veterans Affairs
Canada

Anciens Combattants
Canada

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Final

AUDIT OF TRAVEL, HOSPITALITY, CONFERENCES AND EVENTS

Audit and Evaluation Division

Canada 

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EXECUTIVE SUMMARY

Travel, Hospitality, Conference and Event activities are essential to the effective delivery of government services. At Veterans Affairs Canada, these activities can include:

- a staff member travelling to a Veteran’s home to complete an assessment;
- refreshments being provided to guests of the Department during a meeting;
- health professionals attending a conference to discuss the latest developments in the field; or
- a commemoration event celebrating the sacrifice of Veterans.

Effective April 1, 2014, the Treasury Board Directive on *Travel, Hospitality, Conference and Event Expenditures* was updated with new requirements. The intent of these changes was to strengthen oversight and accountability to ensure sound fiscal management of public funds.

The objective of this audit was to assess compliance with the Directive and ensure that the new changes had been properly implemented. Audit results confirmed that Veterans Affairs Canada was mostly compliant with the requirements of the Directive. There is one recommendation on ensuring the committing of funds are actioned in accordance with governing authorities. Overall, the audit team determined the results to be “Generally Acceptable”.

Chief Audit Executive’s Signature

Kim Andrews
Chief Audit Executive

January 15, 2015
Date

1.0 BACKGROUND

Travel, Hospitality, Conference and Event activities are essential to the effective delivery of government services.

Travel can be required for a variety of reasons such as a staff member travelling to a Veteran's home to complete an assessment. In 2013-14, 5,460 travel transactions valued at \$3.8 million were processed for Veterans Affairs Canada (VAC) staff.

Hospitality consists of meals and/or refreshments provided during meetings or events that normally include non-public servants. In 2013-14, VAC provided hospitality to small or large groups on 123 occasions for a total cost of \$52,533.

Conferences are formal gatherings such as conventions or symposiums, not linked to specific training or work planning, to discuss a particular topic and share information. In many cases, conferences are organized by a third party and involve staff from various public and private organizations. In 2013-14, VAC staff participated in 37 conferences that cost a total of \$17,667.

Events typically represent or support the business activities and governance of a department and may include both employees and non-public servants. Events include business meetings or recognition ceremonies. One example of a recent event is the delegation of Veterans and public servants who participated in the 70th Anniversary of D-Day and the Battle of Normandy. These activities were previously included under the travel and hospitality categories listed above. As a result, costs specific to events were not available for 2013-14.

The Treasury Board (TB) Directive on *Travel, Hospitality, Conference and Event Expenditure* came into effect in 2011. It was later updated October 2012 and August 1, 2013 with changes to reporting requirements coming into effect April 1, 2014. Some of the recent changes include:

- revisions to the delegation of authority to approve travel expenditures;
- creation of a separate category for events;
- more detailed tracking of travel costs; and
- strengthened reporting requirements.

Additionally, senior managers as well as the Minister and his staff are required to publicly disclose all of their travel and hospitality expenses. At VAC, as of June 1, 2014, there were 19 individuals subject to this requirement for public disclosure. In 2013-14, 70 transactions were reported for a total cost of \$364K.

2.0 ABOUT THE AUDIT

2.1 Audit Scope and Objectives

The objective of this audit was to assess VAC's compliance with the TB Directive on *Travel, Hospitality, Conference and Event Expenditures*. The period covered was April 1, 2014 to June 30, 2014. Excluded from the scope was Ste. Anne's Hospital, due to its pending transfer to the province of Quebec, as well as Audit and Evaluation Division, in order to maintain appropriate independence.

The audit criteria are provided in Appendix A.

2.2 Methodology

This audit was conducted in conformance with the Internal Audit Standards as outlined by the Institute for Internal Auditors, and is aligned with the Internal Audit Policy for the Government of Canada, as supported by the results of the Quality Assurance and Improvement Program. Table 1 outlines the audit methodologies used.

Methodology	Summary
Documentation Review	Verified that internal policies and procedures were current and aligned with guidance and requirements issued by the Treasury Board Secretariat.
Interviews	Conducted with finance staff responsible for the development of policy, processing claims, approving expenditures and proactive disclosure. The purpose of these interviews was to gain an understanding of key activities and assess compliance. Conducted with staff responsible for reviewing and submitting travel claims. The purpose of these interviews was to gain an understanding of the process and identify any potential challenges or training needs.
Direct Observation	Observed processes to assess compliance with requirements.
File Review	Assessed compliance as well as the time taken to make decisions. The following reviews were completed: <ul style="list-style-type: none">• 90 travel transactions drawn randomly from a population of 2,597;• 16 hospitality transactions (entire population);• 6 conference transactions (entire population); and• 15 events (entire population).

3.0 AUDIT RESULTS

3.1 Travel

From April 1 to June 30, 2014, there were 2,597 travel transactions for a total cost of \$550K. Table 2 presents a summary of the results for the 90 travel transactions that were reviewed.

Table 2 – Summary of results for travel			
Key Requirements Tested	Result	Percentage	
Current form was utilized	47/90	52%	100%
Previous form was utilized	43/90	48%	
Section 32 (commitment of funds)	13/90	14%	
Approval obtained in advance	85/90	94%	
Expenditures in compliance with the directive	90/90	100%	
Expenditures calculated correctly	90/90	100%	
Expenditures appropriately supported with documentation	90/90	100%	
Expenditures approved by the appropriate manager	90/90	100%	
Travel processed within five working days	29/90	32%	

Source: Analysis from files reviewed by the audit team

Effective April 1, 2014, updated travel forms were implemented to collect the additional information required by the new requirements. While a travel form was used in all instances, it was noted that only 52% of the travel forms reviewed were the updated version. Many staff were still using the previous version of the travel form which was still accessible. The issue is that the previous version of the travel form did not capture key information such as the category of travel or a more detailed breakdown of travel expenditures. Recording this information is one of the new requirements in support of strengthened reporting. During fieldwork, the audit team raised this issue with management and the former version of the travel form was immediately removed from VAC's intranet.

Commitment of funds is the process of earmarking money to ensure that it is unavailable for use for other transactions. This is a key control in budget management to protect against overspending. The audit team noted that only 14% of the files reviewed identified a commitment of funds upon submission of the form. Three reasons were identified for the low result. First, budgets were not finalized until later in the year. As a result, for transactions that occurred early in April, staff were unable to create commitments. This is a temporary challenge that exists every year. Second, prior to April 1, 2014, travel under \$1,000 was not required to be committed and some staff were not aware of this change. Third, there were some organizational changes around the time of the audit and some staff were new to the responsibility of managing the

commitments and submitting travel forms for their work unit. In all cases, if the commitment was not identified upon submission, finance staff would follow-up to confirm the commitment before the travel expenditures were processed. This follow-up created extra work. It also educated staff on the requirements for commitments and is expected to result in improved results.

It was noted, that in five cases, final approval was obtained after the travel occurred. In these cases, the form was submitted only a few days before the travel started and final approval was obtained within a week of submission. The audit team determined that, given the circumstances of each case, final approval after the fact was understandable. Additionally, the audit team confirmed that all expenses were fully compliant.

The Treasury Board Directive on Travel, Hospitality, Conference and Event Expenditures permits departments to use blanket travel authorities for staff who travel frequently. Blanket travel authorities allow travel to occur without additional approval if the travel is continuous or repetitive in nature. Blanket travel authorities are approved by management at the start of the year and are set up for each individual traveler who requires them. Once a blanket travel authority is in place a separate travel authority is no longer required for each trip. This expedites staff's ability to travel when necessary and reduces the administrative burden. For instance, at VAC blanket authorities allow staff such as Case Managers to respond quickly to Veterans requests for meetings.

At VAC, an internal target of five working days had been established to process travel expenditures. This target, although not a requirement under the travel directive, was tested by the audit team as part of the assessment of the process. It was identified that 32% of travel transactions reviewed were processed within five working days and the remaining were generally processed within ten working days. Three primary causes of the delays were identified. First, many staff were submitting the previous version of the travel form. As a result, finance staff were required to verify the manual calculations which required more time to process the form. Second, most forms did not identify any commitment of the funds. As a result, finance staff were required to confirm that funds had been committed which created delays in finalizing the payment. Third, some staff were not set-up for direct deposit which is now a requirement of the Government of Canada. As a result, finance staff had to follow-up with staff and wait for direct deposit to be set-up before the payment could be processed. All three issues were being addressed by finance so no recommendation was required.

Recommendation 1

It is recommended that the Director General, Finance Division, take corrective measures to ensure the committing of funds are actioned in accordance with governing authorities (Essential).

Management Response:

Management agrees, and will monitor and review these commitments for a six month period (October through March) as the staff continues to adapt to the recent changes. Upon the conclusion of the additional monitoring period, the DG Finance will take steps to address any issues or gaps that continue to exist with regards to commitment of funds as required (e.g., training, management direction).

3.2 Hospitality

From April 1 to June 30, 2014, there were 16 hospitality transactions (entire population) for a total cost of \$3,706. Table 3 presents a summary of the review results.

Table 3 – Summary of results for hospitality		
Key Requirements Tested	Result	Percentage
Current form was utilized	16/16	100%
Section 32 (commitment of funds)	14/16	88% ¹
Approval obtained in advance	16/16	100%
Expenditures in compliance with the directive	16/16	100%
Expenditures calculated correctly	16/16	100%
Expenditures appropriately supported with documentation	16/16	100%
Expenditures approved by the appropriate manager	16/16	100%

Source: Analysis from files reviewed by the audit team

3.3 Conferences

From April 1 to June 30, 2014, there were 6 conferences (entire population) that VAC staff attended with conference fees totaling \$2,771. Table 4 presents a summary of the review results.

Table 4 – Summary of results for conferences		
Key Requirements Tested	Result	Percentage
Current form was utilized	6/6	100%
Section 32 (commitment of funds)	N/A ²	N/A
Approval obtained in advance	6/6	100%
Expenditures in compliance with the directive	6/6	100%
Expenditures calculated correctly	6/6	100%

¹ Same issue as noted under Section 3.1 "Travel".

² All of the conference transactions were for less than \$1,000 which does not require commitment of funds.

Expenditures appropriately supported with documentation	6/6	100%
Expenditures approved by the appropriate manager	6/6	100%

Source: Analysis from files reviewed by the audit team

3.4 Events

From April 1 to June 30, 2014, there were 15 events (entire population). One of these events was the 70th Anniversary of D-Day and the Battle of Normandy costing \$1.3M. The remaining 14 events cost a total of \$296K. Table 5 presents a summary of review results.

Table 5 – Summary of results for events		
Key Requirements Tested	Result	Percentage
Current form was utilized	15/15	100%
Approval obtained in advance	14/15	93%
Estimates in compliance with the directive	15/15	100%
Estimates calculated correctly	15/15	100%
Estimates appropriately supported with documentation	15/15	100%
Estimates approved by the appropriate manager	15/15	100%

Source: Analysis from files reviewed by the audit team

Effective April 1, 2014, as per the TB Directive, events over \$5,000 require the Deputy Minister's approval and the Minister's approval is required for events over \$25,000. At VAC, an additional step was added requiring all events over \$5,000 to also be approved by the Chief Financial Officer. An analysis of turn-around times for approval was completed. It was identified that events were generally submitted 12 working days before the event date and approval was normally obtained within 9 days of submission. In one case, final approval was obtained one day after the event occurred. In this case, the event was organized on short notice and documented support from key senior managers was obtained in advance of the event. The audit team determined that, given the circumstances, final approval after the fact was understandable.

3.5 Proactive Disclosure

Across government, senior managers at the Assistant Deputy Minister level and above, as well as the Minister and his staff, are required to publicly disclose all of their travel

and hospitality expenses. At VAC as of June 1, 2014, there were 19 individuals subject to this requirement.

The team reviewed travel and hospitality transactions for the 19 individuals for the most recent period of proactive disclosure (April 1, 2014 to June 1, 2014). During the period, 27 transactions were reported for a total cost of \$50,064. It was also determined that travel and hospitality were correctly reported with one omission noted. During this period a series of taxis charges totally \$110 were not reported. The cause of the omission resulted from timing, as the charge was processed in early June. This was raised during fieldwork and a correction was made to VAC's public disclosure.

3.6 Audit Opinion

The audit team observed that VAC was mostly compliant with the requirements of the TB Directive on *Travel, Hospitality, Conference and Event Expenditures*. Overall, the audit team determined the results to be "Generally Acceptable".

Appendix A – Audit Criteria

Objective	Criteria*
To assess compliance with the Treasury Board Directive on Travel, Hospitality, Conference and Event Expenditures	Financial management policies and authorities are appropriately designed to mitigate financial risks and are communicated.
	Transactions are coded and recorded accurately and in a timely manner to support accurate and timely information processing.
	Authority, responsibility and accountability are clear and communicated.
	Employees formally acknowledge their understanding and acceptance of their accountability.
	The organization provides employees with the necessary training, tools, resources and information to support the discharge of their responsibilities.

*All audit criteria were determined to be fully met or partially met with only minor deficiencies.

Appendix B - Risk Ranking of Recommendations and Audit Opinion

The following definitions are used to classify the ranking of recommendations and the audit opinion presented in this report.

Audit Recommendations

Critical Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a high level of risk.

Essential Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a moderate level of risk.

Audit Opinion

Well Controlled Only insignificant weaknesses relating to the control objectives or sound management of the audited activity are identified.

Generally Acceptable Identified weaknesses, when taken individually or together, are not significant or are compensated by mechanisms in place. The control objectives or sound management of the audited activity are not compromised.

Requires Improvement Identified weaknesses, when taken individually or together, are significant and may compromise the control objectives or sound management of the audited activity.

Unsatisfactory The resources allocated to the audited activity are managed without due regard to most of the criteria for efficiency, effectiveness and economy.