



Veterans Affairs
Canada

Anciens Combattants
Canada

Health Related Travel Audit

Final: January 2010



Canada 



*This report was prepared by the
Audit and Evaluation Division*

ACKNOWLEDGMENT

Audit and Evaluation Division acknowledges the time and effort given by departmental managers and staff to provide information associated with this audit.

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EXECUTIVE SUMMARY

The audit of Health Related Travel (HRT) began in May 2009. The objectives of the audit were to assess compliance with governing regulations and policy; to assess the adequacy and accuracy of management information; and, to assess the control framework and test controls and verification processes.

The scope of the audit included all aspects of processing HRT claims, including remuneration of an escort, to ensure that control frameworks are in place, the process complies with governing authorities and required management reporting is accessible and useful. The audit scope was commensurate with the budgeted resources and was considered a small audit (i.e., 1350 hours).

The following table provides an overview of historical (H) program expenditures and forecasts (F):

Table 1 : Forecast of Program Spending

Fiscal Year	2006-2007 (H)	2007-2008 (H)	2008-2009 (H)	2009-2010 (F)	2010-2011 (F)	2011-2012 (F)	2012-2013 (F)	2013 - 2014 (F)
Health Related Travel Expenses (in thousands)	\$18,618	\$17,353	\$19,561	\$20,349	\$20,811	\$20,382	\$19,612	\$18,605

Source: VAC Statistics Directorate

In terms of compliance with governing authorities, the audit team observed that clarification was required in reference to the Veterans Health Care Regulations (VHCR) and policy interpretations. First, there are varying opinions on whether Veterans Affairs Canada (VAC) has the authority to reimburse clients for travel to provincially insured services. Second, the VHCR stipulates that a five dollar taxi deductible must be recuperated from clients who take taxis to attend appointments. The deductible may be waived in certain instances. The audit team observed varying interpretations of the criteria required to waive the taxi deductible and that the application of the deductible varied nationally. In addition, there were instances of non compliance to financial authorities, leading to high error rates in the post-payment verification process. Specifically, there was a need for additional guidance for and oversight over those completing the requests for payment.

VAC uses post payment verification for HRT to assess the adequacy of account verification. The post-payment verification results are statistically comparable nationally on an annual basis. The audit team observed that the post-payment was reporting on a monthly basis, and by region which does not ensure a large representation of claims regionally. A review of the sampling methodology would be useful in an effort to enable greater monitoring of errors, particularly since the error rates have been

consistently high.

Control weaknesses were found in terms of the adequacy of the management control framework for HRT. Although authority was formally delegated to individuals processing HRT, there was a need for clarification on the dollar limit that employees were delegated in terms of whether the limit was per claim, per client, per batch, etc. The procedures and guidance available online also need to be updated. In order to ensure consistency, there is a need for clarification on tolerance for mileage discrepancies. There was a desire for additional training in regards to travel for rehabilitation clients and training for linking the travel to a pensioned condition. Training gaps should be identified on a district and regional basis.

There was duplication and overlap between the payment system and the employees completing the account verification. Prior to submitting for payment, employees are required to ensure the claim is not a duplicate payment and the payment amount was correct, among other things. The payment system (Federal Health Claims Processing System) has system edits in place to ensure there are no duplicate payments, that calculations are correct and that the correct rates are used.

The process for HRT is highly manual and involves several transcriptions of data, increasing the likelihood of error. The preparation of claims is time consuming and there are opportunities for improvement. The implementation of rules based tools for staff, such as smart forms, and more automation in the processing of HRT should be explored to ensure efficiencies and fewer errors or omissions.

Recommendations

Recommendation 1 (Critical)

It is recommended that the Director General, Service Delivery Management, in consultation with Legal Services Unit and the Director General Program Management, clarify the eligibility of clients to receive reimbursement for travel to provincially insured services and communicate the results to those responsible for processing and approving health related travel.

Recommendation 2 (Essential)

It is recommended that the Director General, Program Management, in consultation with Legal Services Unit, the Director General, Service Delivery Management and the Director General, Finance Division, provide functional direction on waiving the taxi deductible, including the criteria required to approve waiving the fee and communicate the results to staff responsible for processing and approving health related travel.

Recommendation 3 (Critical)

It is recommended that the Assistant Deputy Minister, Corporate Services Branch, in consultation with the Director General, Service Delivery Management,

- document procedures for account verification in the districts and regions;
- develop a process for quality assurance of account verification (Section 34 of the FAA);

Recommendation 4 (Essential)

It is recommended that the Director General, Finance Division, in consultation with the Director General, Service Delivery Management, review informal transportation agreements to ensure that direction is provided on the appropriate source documentation required prior to certifying Section 34 of the FAA and ensure appropriate quality assurance occurs.

Recommendation 5 (Important)

It is recommended that the Director General, Program Management, develop a schedule of reporting, including the relevant information required to determine program performance and objective achievement.

Recommendation 6 (Essential)

It is recommended that the Director General, Finance Division, review the sampling methodology to ensure it is meeting the reporting needs.

Recommendation 7 (Important)

It is recommended that the Director General, Finance Division, in consultation with the Director General, Service Delivery Management, clarify the dollar limits established for delegated authority. Processors need to be clear on how to apply the limit (i.e. per transaction. Per claim etc.)

Recommendation 8a (Essential)

It is recommended that the Director General, Service Delivery Management, in consultation with the Director General, Finance Division, provide guidance on any allowance for kilometer distance discrepancies;

Recommendation 8b (Important)

It is recommended that the Director General, Service Delivery Management, update and maintain business processes and information available on the intranet;

Recommendation 9 (Critical)

It is recommended that the Director General, Service Delivery Management, explore opportunities for streamlining and modernizing the processing of health related travel. There are opportunities for greater automation and less duplication of effort and could include rules-based tools, smart forms, and system interfacing.

Statement of Assurance

The audit evidence gathered is sufficient to provide senior management with a high assurance concerning the results derived from this audit. The Audit and Evaluation Division concludes with a high level of assurance that the overall control framework for the administration of health related travel in place and used by the Department from February to September, 2009 was inadequate to ensure the accuracy and compliance of the transactions processed with relevant authorities. In particular, weaknesses were found relating to account verification, reporting and oversight. Please refer to the body of this report for further details regarding the audit findings.

In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence has been gathered to support the accuracy of the opinion provided in this report. This opinion is based on the conditions, as they existed at the time of the audit. The opinion is only applicable to the entity examined and for the scope and time period covered by the audit.

Original signed by

February 1, 2010

Orlanda Drebit
Chief Audit Executive

Date

1.0 BACKGROUND

The Veterans Affairs Canada (VAC) audit of Health Related Travel (HRT) was selected based on the level of risk associated with delivery of the benefit. Multiple delivery approaches of HRT exist among the VAC regions with different levels of resources applied. The question has been raised about the efficacy of each approach and whether proper verification of eligibility is being applied. Recently, no comprehensive audits have been performed in the area of HRT and previous audits (as noted below) indicate the need for more work.

The Programs of Choice Analysis Audit completed in June 2009, included an important recommendation to review HRT in relation to the number of transactions generated and associated costs to deliver the benefits of the program. The Post Payment Verification Assurance Audit of August 2008 recommended incorporating a standardized classification of critical errors with clear definitions.

The OAG Public Accounts Audit Management letter from 2007-2008 had recommendations for HRT outlined. The OAG recognized the error rate for HRT, over the past several years, has been exceeding the maximum tolerable error rate guideline established by Treasury Board Secretariat (TBS). Three objectives and corresponding action plans were outlined to address these concerns. The action plans include addressing the calculation errors, streamlining the processing of HRT and ensure compliance to national HRT standards. While some work has been completed respecting these audits, there is still work to be done on streamlining the process and ensuring compliance to standards.

2.0 AUDIT OBJECTIVES

The objectives of the audit were the following:

- To assess compliance with governing regulations and policy;
- To assess the adequacy and accuracy of management information associated with HRT;
- To assess the control framework for health-related travel and test controls and verification processes.

3.0 SCOPE

The scope of the audit included all aspects of processing HRT claims, including remuneration of an escort, to ensure that control frameworks are in place, the process

complies with governing authorities and required management reporting is accessible and useful. The audit scope was commensurate with the budgeted resources and was considered a small audit (i.e., 1350 hours).

A sample of Federal Health Claims Processing System (FHPCS) transactions, processed for payment within the benefit codes related to HRT, were analyzed for the period of February 2009 to May 2009. Transactions for HRT are also processed outside the FHPCS through the use of departmental bank accounts (DBA) and petty cash. An Audit of Financial Management and Controls, Phase 2, recommended corrective action for DBA's. As a result, Corporate Internal Control undertook monthly DBA monitoring and reporting. The results for the first two trimesters of fiscal year 2008-2009 have not identified HRT as an issue. This is not to say that there is no need for audit work in this area, but rather, was the rationale for scoping it out of this audit. There could be audit work in the area of DBA's and petty cash for HRT in regards to duplicate payments in Free Balance and FHPCS.

Site visits and interviews were conducted at the headquarters, regional and district office levels. Site visits to district offices included Charlottetown, Halifax, and Vancouver. Phone interviews occurred with the Brandon District Office and the Ontario Regional Office. These sites were chosen to ensure that the various processing methods among districts and regions were considered.

The audit was limited due to the availability of source documentation from VAC's liaison office with the third party contractor. Source documents were not provided in a timely manner and therefore, the auditors were unable to complete a detailed analysis on the documentation received.

4.0 METHODOLOGY

The audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing adopted by the Government of Canada.

Audit procedures consisted of a preliminary survey, including discussions with departmental officials to gather corporate information regarding HRT. Additionally, the audit team reviewed reports and working papers of previous internal and external audits and post payment verification results on Veterans health related travel.

The audit team reviewed the management control framework and conducted interviews with staff who are responsible for the management and delivery of HRT. Interviews were conducted with program and finance staff in Head Office and regional offices to obtain an understanding of internal controls relating to HRT transactions and reports.

The audit team conducted a process review to assess the adequacy of controls and to

determine whether policies, procedures and guidelines were being followed.

A sample of FHCPS transactions related to HRT was randomly selected using a 95% confidence interval, a 5% margin of error. The 2008/2009 finance reported post payment 31% error rate was also used as the estimated error rate for the sample. Transactions relating to taxis were not included due to the current issues pertaining thereto (refer to Section 7.1.2). The selection was weighted with more emphasis placed on regions with higher error rates and regions that had recent changes in the service delivery model.

5.0 STATEMENT OF ASSURANCE

The audit evidence gathered is sufficient to provide senior management with a high assurance concerning the results derived from this audit. The Audit and Evaluation Division concludes with a high level of assurance that the overall control framework for the administration of health related travel in place and used by the Department from February to September, 2009 was inadequate to ensure the accuracy and compliance of the transactions processed with relevant authorities. In particular, weaknesses were found relating to account verification, reporting and oversight. Please refer to the body of this report for further details regarding the audit findings.

In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence has been gathered to support the accuracy of the opinion provided in this report. This opinion is based on the conditions, as they existed at the time of the audit. The opinion is only applicable to the entity examined and for the scope and time period covered by the audit.

6.0 PROGRAM OVERVIEW

HRT is a supplementary benefit authorized pursuant to the Veterans Health Care Regulations (VHCR). Only clients who receive treatment benefits referred to in paragraphs 4(a) or (b) of the Regulation are eligible for the supplementary benefits related thereto. The applicable treatment benefits consist of the following:

- (a) any medical, surgical, or dental examination or treatment provided by a health professional;
- (b) the provision of any surgical or prosthetic device or any aid approved by the Minister, the maintenance of the device or aid and any home adaptation that are necessary to accommodate or facilitate its use;

As stated in Section 6 of the VHCR, the supplementary benefits are comprised of the following:

- the costs of travel incurred by the client who travels to receive those treatment benefits listed in bullets 1 or 2 above;
- the costs of travel incurred by an escort, where the client's health needs are such that the client needs to be accompanied by an escort and;
- the remuneration of this escort if this person is not the spouse or common-law partner or a dependant of the client or any other member of the client's household.

Travel costs for which the client or escort may be reimbursed include the following:

- transportation by the most convenient and economical means of transportation appropriate to the condition of the client
 - where the client is a resident in Canada, between the client's residence and the appropriate treatment centre nearest to that residence; and
 - where the client is a resident in a country other than Canada, between the client's point of entry into Canada and the appropriate treatment centre nearest to that point;
- transportation between the treatment centre and the accommodations mentioned below;
- meals; and
- standard commercial sleeping accommodations that are conveniently located in respect of the treatment centre, or private accommodations.

Where transportation is a private automobile (other than a taxi), whether belonging to the client or otherwise, the costs of travel are payable at the rate applicable to federal public servants who have requested to use their own cars, plus two cents per kilometer; and include the cost of parking while the client is at the treatment centre. Where transportation is a taxi, \$5 will be deducted from the costs of travel for each trip (Pursuant to subsection 34(2) of the VHCR).

These supplementary benefits are provided to clients who have "A" coverage or "B" coverage, defined as follows:

- "A" Coverage - VAC is the first payer for benefits and services for a client's

pensioned condition or disability award with the exception of serving members of the Canadian Forces where treatment benefits for a pensioned condition are available to the extent they are not available to them as members or former members of the Canadian Forces.

- "B" Coverage - for benefits and services not related to a pension condition, the client is required to access benefits and services from their province of residence or private insurance before accessing benefits and services from VAC.

Program Delivery:

Clients complete a claim for reimbursement of their HRT costs. This claim is reviewed and approved and submitted for payment (processed) by designated VAC staff in the district and regional offices. Once a claim has been completed and prepared for data entry, the claim is forwarded to a third party contractor, where it is entered into FHPCS and a cheque is issued to the client.

Travel expenses are reimbursed if the travel was necessary for the client to obtain a service provided by a health professional. For the time period of travel, correct frequencies and rates must be entered for kilometers, meal allowances, escort fees. All claimed amounts must be supported by appropriate documentation and receipts, and the health related expense travel claim must be entered in the Client Service Delivery Network (CSDN).

Clients must provide proof of attendance at a medical appointment. If no confirmation of appointment is provided, the claim must be returned to the client with a letter requesting the necessary information. Travel time to and from appointments must be noted to determine entitlement to reimbursement for meal costs.

Travel expenses (supported by receipts where necessary) are paid when transportation is in a mode appropriate to the client's health condition and by the most convenient and economical means and travel is to the nearest appropriate treatment centre in the service area closest to the client. Clients are free to use any health professional they choose, however, their travel expenses will be reimbursed for travel to the nearest appropriate treatment centre. The district office (DO) may be consulted in exceptional circumstances and their decision and rationale must be noted in CSDN Client Notes.

Table 2 : HRT Summary Totals - FHCPS HRT Transactions

Fiscal Year	Number of HRT Transactions	HRT Expenditures	Average Expenditure per Client	Number of Transactions for "A" Clients	Expenditures for "A" Clients	Number of Transactions for "B" Clients	Expenditures for "B" Clients
2006-2007	482460	\$17,924,837	\$740.50	261625	\$10,049,071	220837	\$7,903,540
2007-2008	457239	\$16,416,994	\$718.06	271840	\$10,100,999	185399	\$6,315,994
2008-2009	495226	\$18,713,344	\$847.49	306115	\$11,862,074	189110	\$6,851,528

SOURCE: VAC Statistics Directorate.

NOTE: This table does not include HRT processed through Free Balance, hence the discrepancy between dollar values reported in Table 1 versus Table 2. Also, the table represents the transactions, and not the total number of claims. Any given claim can have one or more transactions.

7.0 KEY FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

7.1 Objective 1 - Compliance with Governing Authorities

7.1.1 Eligibility for Veterans Health Related Travel

The auditors observed varying interpretations for the eligibility for HRT travel. Section 3 of the VHCR stipulates that clients, other than those in receipt of a disability pension or a disability award, are eligible to receive treatment benefits to the extent that the treatment benefits are not available to them either as insured services under a provincial health care system or as members or former members of the Canadian Forces. Section 6 of the VHCR stipulates that clients who receive treatment benefits are eligible for reimbursement of the costs of travel incurred by the client who travels to receive those treatment benefits. To the extent that a client is receiving "treatment benefits" either from the Canadian Forces or from a province as a provincially insured service, then that client is not eligible to receive the treatment benefit pursuant to the VHCRs. In summary, a client is eligible for the supplementary travel benefit if the client is receiving the treatment benefit either (i) if it is in respect of a pensioned condition; (ii) if it is not available to them from the Canadian Forces or (iii) it is not available to them as an insured service from a province.

Other interpretations of the VHCR, and the interpretation that was often observed over the course of the audit, have been that the Department is responsible for a client's travel to any health treatment, irrespective that the Canadian Forces or a province is responsible for the benefit payment and not the Department. Indeed, the VPPM, Section 2.3.1, Subsection 3.1 states "In order to receive the costs of health related travel from the Department, clients must be in receipt of treatment benefits that are authorized by the Department" where the term "authorized" has been interpreted to mean that the Department recognizes the treatment benefits as one which is described in paragraph 4(a) and (b) and but for the fact it is provided by the Canadian Forces or the province, would be covered by VAC. However, the word "authorized" is not found in the Regulations.

The exact number of travel claims submitted by clients for provincially insured health services and in respect to treatment benefits available to them as a member or former member of the Canadian Forces is not known, but could be substantial. The claim forms do not distinguish if the service was provincially insured or reimbursed by the Canadian Forces. The most likely persons in receipt of health related travel for provincially insured services are VAC's B clients because there is no requirement to link to a pensioned condition. 39% of the 12,870 clients who were issued cheques through FHCPs from February through May 2009 were "B" clients, and comprised approximately 60,300 transactions and \$2.3 million in transactions. This is not to say that all these transactions were submitted for provincially insured services. The auditors found instances where travel was provided for provincially insured services,

however, additional audit tests were not conducted to compute the extent of the situation.

The business processes and guidelines for HRT provide no guidance to employees on eligibility of B clients and therefore districts and regions are left with their own interpretations of eligibility. The description of services on VAC's internet site clearly indicated that "B" clients are eligible for health care benefits " . . . provided you have a clearly demonstrable need and these benefits are not covered by your provincial health plan." (<http://www.vac-acc.gc.ca/clients/sub.cfm?source=services/poc/poc2>)

Recommendation 1 (Critical)

It is recommended that the Director General, Service Delivery Management, in consultation with Legal Services Unit and the Director General Program Management, clarify the eligibility of clients to receive reimbursement for travel to provincially insured services and communicate the results to those responsible for processing and approving health related travel.

Management Response

Management agrees that clarification is required with respect to the eligibility of clients to receive reimbursement for travel to provincially insured services and that this information needs to be communicated to those responsible for processing and approving health related travel.

A policy interpretation has been provided on this issue and further discussions are taking place to consider impacts of each on the Health Related Travel Program.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
Confirm the policy interpretation of the Veterans Health Care Regulations with respect to client eligibility to receive reimbursement for travel to provincially insured services.	SDM with Program Management and Legal Services	March 2010
Analyze impact of the policy interpretation and the legal opinion on Health Related Travel program.	Program Management	September 2010
Develop options for program direction & finalize program directive.	Program Management	October 2010
Communicate to staff and clients.	SDM	October 2010

7.1.2 Five Dollar Taxi Deductible

The VHCR stipulates that a \$5.00 deductible must be paid by clients when using a taxi as a mode of transportation. There are, however, three exceptions where the deductible may be waived. These are the following:

1. if the client's mobility or cognition is severely impaired;
2. if the deduction would seriously impede the client's ability to access treatment benefits; or
3. in the case of a transfer between health care facilities.

A directive issued on August 15, 2007 instructs employees to waive the deductible if there "might be a negative impact on the client's ability to access their necessary treatment benefits," which has different meaning than the legislation. The legislation stipulates the deduction may be authorized if "the deduction would seriously impede the client's ability to access treatment benefits." The directive has been interpreted to mean that the vast majority of taxi deductibles should be waived, without a determination of a serious impediment to accessing services. In addition, the directive has been reproduced in the Department's Veteran Program Policy Manual under Section 2.3.1.

The auditors reviewed 80 clients who claimed a taxi in February through May 2009 and found that 80% of the clients had a taxi waiver on file. Further, the taxi waivers were often not linked to individual treatment benefits, but rather were waived in all instances and for a blanket period of time. The most common reason for taxi waivers was financial hardship for clients attending frequent appointments.

In addition to the ambiguous waiving of the taxi deductible, there were instances of informal arrangements with transportation companies. The billing from these transportation companies is often not adequate enough to determine if the company charged the client the deductible. Since VAC is not able to determine if the deductible had been applied by the transportation company, VAC may not be recovering the deductible from the client and, therefore, may be waiving the taxi fee without any determination of the necessity of the waiver. Additionally, there is not direction on the criteria developed to ensure the consistent application of the taxi deductible. Criteria should be developed to ensure the proper compliance with the VHCR.

Recommendation 2 (*Essential*)

It is recommended that the Director General, Program Management, in consultation with Legal Services Unit, the Director General, Service Delivery Management and the Director General, Finance Division, provide functional direction on waiving the tax deductible, including the criteria required to approve waiving the fee and communicate the results to staff responsible for processing and approving health related travel.

Management Response

Management agrees with the recommendation. A program directive was issued on December 2, 2009 from the Director General, Program Management to the Director General, Service Delivery Management, reiterating the criteria in regulation by which the tax deductible may be waived and clarifying staff requirement to document the decision to support waiving the fee. This directive is currently with the Service Delivery and Commemoration Branch for distribution to appropriate staff.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
Audit and Evaluation Division will follow up with the Director General, Service Delivery Management, to determine if the directive has been communicated to staff.	DG, SDM	February, 2010

7.1.3 Financial Directives, Policies and Authorities

The audit conducted a review of a sample of transactions in FHCPS to determine the degree of compliance with governing authorities for that benefit code. The audit did not assess compliance for taxis or eligibility due to the issues stated in Sections 7.1.1 and 7.1.2. The auditors supplemented their findings with the Department's post payment verification reports.

The post payment verification results for the past several years have been consistently higher than the maximum tolerable limit (4%). For 2008, the error rate was 31%; for 2007, the error rate was 25%. There were several instances of noncompliance with TBS Directives. Regional and district offices that have more robust account verification, and where employees understand their responsibilities under the Financial Administration Act (FAA), have fewer errors.

VAC's Finance Division, through its post payment verification process, has highlighted a

number of errors and noncompliance. For the 2008 calendar year, the error rate was 31% and the errors were mostly relating to either incorrect payment amounts (13%) or inappropriate supportive documentation (15%). Incorrect payment amounts were largely human error and related to using incorrect kilometric or escort rates. Errors due to inappropriate supportive documentation were largely due to agreements with taxi companies to bill for costs of transportation to medical appointments, where no proof of attendance at that appointment was provided. This type of error comprised 9% of the total error rate. As mentioned in section 7.1.3, the taxi deductible may or may not have been paid. The post payment verification report indicates that this error will cease when the standing offer with the taxi company expires, but this is not the case because there continue to be informal agreements with transportation companies, including taxis.

The inability to provide source documentation in a timely manner points to a control weakness in the management of financial records. Due to the inability of the auditee to provide source documentation in a timely manner, the auditors were unable to examine the informal agreements with transportation companies in more depth; for example, to understand how the informal agreements function in the district offices and whether they are in accordance with contracting and procurement policies. In addition, source documentation was requested for transactions to deceased clients and the auditors were unable to test the controls in place to ensure that they are functioning appropriately.

TBS's Directive on Account Verification outlines the responsibilities for account verification by individuals responsible for certification under section 34 of the FAA. In instances where there are charges not payable under the VHCR, employees are instructed to pay the full amount to the client and then issue a letter indicating that the ineligible service will not be reimbursed in future. The practice of paying for ineligible items is not in compliance with the TB Directive on Account Verification, which instructs section 34 of the FAA officers to remove the ineligible item from the request for payment.

The review of transactions for the audit used a different sampling methodology than the Finance Division's post payment verification and therefore the national results are not directly comparable. However, the results are supportive of Finance Division's findings. The overall error rate observed by the audit team was approximately 12%. The errors were mostly due to no record of authorization for the service paid or lack of proof of attendance at a medical appointment. These errors are human errors made by those responsible for certifying section 34. The errors could also be due to a lack of verification by those processing the claims, but it is ultimately the section 34 officer who is responsible for ensuring the request for payment is correct.

Treasury Board's Directive on Account Verification indicates that the chief financial officer is responsible for documenting and communicating account verification management practices and controls to individuals and financial officers responsible for

certifying payments and settlements. The Directive further states chief financial officers are to ensure corrective actions are taken to address instances of noncompliance. Corrective actions can include additional training, changes to procedures and systems, the suspension or removal of delegated authority, disciplinary action, and other measures as appropriate. Interviews with staff completing account verification indicate that they were not in possession of any documentation in terms of their responsibilities and requirements for account verification. The implementation of standard QA policies and processes for account verification would reduce errors. This process is especially important since the error rates have been outside the tolerable limit for a considerable length of time. The implementation of systems changes could also improve the error rates and improve efficiencies (refer to Section 8.3.3).

There are a number of informal agreements with transportation companies. The file review found the majority (65%) of invoices from third parties were processed without confirmation that the transportation was health related. The invoices were submitted and paid without adequate proof that the services were in fact rendered and that they were rendered for health related travel expenses. This process must be reviewed and corrective action taken.

Recommendation 3 (Critical)

It is recommended that the Assistant Deputy Minister, Corporate Services Branch, in consultation with the Director General, Service Delivery Management:

- **document procedures for account verification in the districts and regions;**
- **develop a process for quality assurance of account verification (Section 34 of the FAA);**

Management Response

Management agrees.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
A checklist for use by those performing account verification has been developed and feedback received from Regional Internal Control Officers. Consultation to take place with SDC to determine how to introduce the requirement to complete the checklist to the operational staff.	ADM, CS (DG, FIN)	Feb 28, 2010
Quality assurance of the account verification process is undertaken through monthly sampling, and monthly reports are issued to all interested parties.	DG, SDM	Jan 8, 2010

Recommendation 4 (Essential)

It is recommended that the Director General, Finance Division, in consultation with the Director General, Service Delivery Management, review informal transportation agreements to ensure that direction is provided on the appropriate source documentation required prior to certifying Section 34 of the FAA and ensure appropriate quality assurance occurs.

Management Response

Management agrees.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
A checklist for use by those performing account verification has been developed and feedback received from Regional Internal Control Officers. Consultation to take place with SDC to determine how to introduce the requirement to complete the checklist to the operational staff. The checklist sets out the requirements for source documentation with no regard to any differences in the payee or service provider.	DG, FIN DG, SDM	Feb 28, 2010

7.2 OBJECTIVE 2 - ADEQUACY AND ACCURACY OF INFORMATION

7.2.1 Analysis, Comparison and Explanation of Financial Variances

Sound stewardship is demonstrated by conducting reviews of financial information in an effort to analyze, compare and explain financial variances on planned versus actual spending. VAC conducts financial reviews on a monthly basis on planned versus actual spending and provides the results to senior management. The forecasts for HRT have proven to be accurate and therefore, there have been no variances noted. If there had been variances, VAC finance division would have been required to analyze and provide rationale to senior management on the nature, reason and impact of variances and recommend corrective action. In the auditors' opinions, VAC is demonstrating stewardship in this aspect of reporting.

7.2.2 Financial and Non-financial Reporting

A key aspect to managing VAC benefits and programs is to ensure that financial and non financial reporting is complete, accurate, relevant, timely, appropriate and reasonable. Avenues to report significant control breakdowns must also exist to ensure they are reported to management. Reporting should be proactive rather than reactive and should be standardized and scheduled to ensure management has accurate information for decision making.

Recently, and on the instruction of senior officials, VAC has implemented monthly post payment verification reporting for HRT. Results are communicated to the regional and district offices for followup actions. The implementation of this process is a good practice. However, the results of the post-payment are statistically valid on an annual basis, at a national level and includes approximately 30 claims per month. The monthly post-payment reporting and communication of results points to a need for monthly and regional reporting on errors. However, reviewing the errors on a month by month and region by region basis within the current sampling methodology does not necessarily provide meaningful information. For example, a region that has a monthly sample of four cases can have substantial variations in their error rates from month to month because one error would represent a 25% error rate for that particular region. Reviewing the sampling methodology for post payment reporting, or consideration of supplementary ad hoc or judgmental sampling could provide early warning signs for systemic issues that could arise and would also ensure greater oversight on HRT, which is particularly important when high error rates are consistently experienced.

In terms of non-financial reporting, it is currently limited to turn around times (TAT's) in VAC processing of HRT. Some areas monitor TAT's, but it's specific to their office and not the TAT from the time the claim is received to the time the cheque is issued. TAT should be monitored from the time the claim is received at VAC until the time the cheque is issued for payment from Medavie to get a clear accurate picture on how long

it takes for a client to receive payment. There is a national report called "TAT Report" available online. It is informative in respect to TAT, but could be enhanced to include average costs per transaction, average cost per client, dollar values by benefit code, client complaints, etc. This would ensure VAC is measuring program performance and would enable VAC to identify inconsistencies.

Recommendation 5 (Important)

It is recommended that the Director General, Program Management, develop a schedule of reporting, including the relevant information required to determine program performance and objective achievement.

Management Response

Management agrees. It is important to develop a schedule of reporting, including the relevant information required to determine program performance and objective achievement with respect to Health Related Travel (as per Section 6, Supplementary Benefits, of VHCRs). As part of the requirements of the Programs of Choice Analysis Audit (finalized June 2009), a performance measurement plan has been developed for the Treatment Benefits Program. This plan includes a schedule of reporting and also identifies performance levels, indicators and measurements for the Treatment Benefits Program, which includes Supplementary Benefits.

The performance measurement plan addresses Supplementary Benefits, specifically, under items 6, 12, 18 and 22. The performance measurement plan was signed off by the Director General of Audit and Evaluation in July 2009.

Implementation of this plan is underway and the Program Performance unit is currently investigating the data sources. Implementation will be completed in April 2010.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
Audit and Evaluation Division will be following up with the Director General, Program Management, to ensure that the Performance Measurement Plan has been implemented.	DG, PM	April 2010

Recommendation 6 (Essential)

It is recommended that the Director General, Finance Division, review the sampling methodology to ensure it is meeting the reporting needs.

Management Response

Management agrees that the sampling methodology requires updating. Management has considered statistically valid sampling by region or by month, but that would mean either a 4-fold or 12-fold increase in the number of transactions to be sampled. To sample monthly by region would mean a 48-fold increase. It is unlikely that enough valuable additional information would be gleaned by more rigorous sampling to warrant the increased workload on an ongoing basis. However, ad-hoc reviews have been carried out in the past and may be continued from time to time if circumstances require it.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
A new sampling plan for 2010 will be submitted to the ADM CS for approval	DG, FIN	January 31, 2010

7.3 OBJECTIVE 3 - ADEQUACY OF THE MANAGEMENT CONTROL FRAMEWORK

7.3.1 Delegated Authority

Responsibility for the control and spending of public money is assigned to the Minister of departments through annual appropriation acts and FAA regulations. The Minister and Deputy Heads use written delegation to delegate financial authority to the appropriate positions, where responsibility can be most effectively exercised and where accountability for results can be established.

A specimen signature of an individual with delegated signing authority is needed for verification of the signature. The policies and procedures of VAC's Delegated Authorities Manual ensure that up-to-date, valid specimen signatures are available to all who require them. The audit team reviewed specimen signature cards from various district offices for those who are delegated Section 34 of the FAA for HRT. All signatures were on file with dollar limits defined. However, there were no specifics around the dollar limits in respect to the scope. For example, if the limit is \$1000, it is not clear if this is per claim, per transaction, or per daily batch. Some district Offices are using the limit on a per claim basis, but there is obvious lack of clarity on how to apply the limits.

A review of work descriptions and specimen signature cards indicate that the authority for HRT is formally delegated. There were inconsistencies in work descriptions reviewed in the selected regions, but there was mention of processing HRT. Work descriptions for some positions were under review at the time of the audit. VAC employees currently processing HRT have various classification levels (WP-2, CR-04, etc.). Some processors of HRT have expanded job duties outside of HRT and are not dedicated to HRT and therefore have different classifications.

The authority to initiate an expenditure is exercised when decisions are made to obtain goods or services that will result in the expenditure of funds, such as to authorize travel. The objective of this authority is to give operational managers the primary responsibility for initiating expenditures charged to their budgets.

Expenditure initiation for HRT is provided for in the VHCR legislation. A client who is in receipt of treatment benefits is eligible to receive supplementary benefits, such as the reimbursement of the cost of travel to receive the treatment benefits and the costs of an escort to accompany the client to receive treatment benefits. Clients receiving rehabilitation services or vocational assistance from the Department are also eligible to have the cost of their HRT paid by the Department.

The audit team observed that employees are often only verifying that a client is eligible for health care treatment rather than verifying the travel was to receive a treatment benefit. Payment should only be made when confirmation that the travel is related to

an approved treatment benefit. The definition of a treatment benefit and in what instances VAC will pay for travel will need to be addressed, as recommended in Section 7.1.1. In order to determine the nature of the travel, it would be useful for VAC to request the purpose of travel, which currently is not captured the claim form. Often, a doctor's signature is provided as confirmation of attendance to a medical appointment, not information on the purpose of the appointment. Preauthorization of travel would be ideal; however, this was deemed too resource intensive by those interviewed over the course of the audit.

Recommendation 7 (Important)

It is recommended that the Director General, Finance Division, in consultation with the Director General, Service Delivery Management, clarify the dollar limits established for delegated authority. Processors need to be clear on how to apply the limit (i.e. per transaction. Per claim etc.)

Management Response

Management agrees.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
The dollar limits established for delegated authority will be clarified to ensure that processors are clear on how to apply the limit (i.e. per transaction, per claim).	DG, FIN DG, SDM	March 31, 2010

7.3.2 Clarity and Adequacy of Policies and Procedures

Staff interviewed find policies and business processes inadequate. Most offices have undocumented internal policies and procedures that have led to inconsistencies in service and reimbursement across the country. Staff identified the need for clarification in regards to escorts, taxi waivers, and distance allowance.

The Policy on Escorts is perceived to be unfair in respect to the half day and full day rates. Employees are sometimes unclear as to when to approve the half day versus a full day rate. Escorts are reimbursed a half day rate if the travel from the veteran's home, to the appointment and back takes less than four hours and a full day rate after that point. For example, if an escort is providing support for four hours and five minutes, they are reimbursed the full day rate and escorts spending ten hours with a veteran are still paid the same rate. Staff felt this is an inequity and suggested an

hourly rate would be more suitable.

Paid escort fees are to be authorized and are often approved for specific time periods. A Veteran could be authorized for a permanent escort or an escort for specific appointments only or for specified periods of time. Processors of HRT sometimes assume if the client was reimbursed on a prior claim for an escort, then the client is approved for an escort in all circumstances. This is not always the case as the escort could have been approved temporarily. Authorizations and approvals should always be verified for each and every claim and transaction, but this is not the practice.

HRT reimburses mileage claimed by veteran's for travel to health related appointments. Often the mileage claimed is accurate and other times it is not. To confirm the mileage, processors of HRT will employ various on line mapping tools. Discrepancies in mileage can be revealed through this process, but the process can only be as accurate as the tools being used to validate the mileage. To compensate for lack of accuracy, some district offices have implemented their own allowable buffer when processing mileage claims. For example, one district office uses an allowance of 10 km each way to allow for any discrepancy that may occur, while another office uses 10% allowable discrepancy.

The audit team also examined the extent that VAC provides employees with the necessary training, tools, resources, and information to support the discharge of their responsibilities.

VAC Intranet searches were conducted to examine the extent of business process information available to processors of HRT. Several documents were found, but these documents did not reflect the current HRT process. Some changes in processing have been implemented in the past six months to a year and need to be reflected in current user documentation. Online guidelines and supporting information should be updated and maintained regularly.

Some employees interviewed expressed the desire for more training, particularly in regards to linkage to pensioned condition and processing travel for clients in the rehabilitation program. There is no evidence that a formal, national training initiative is required for HRT, however, there is evidence that an understanding of the roles and responsibilities certifying section 34, and oversight (i.e., QA) is required to ensure compliance with governing authorities. Training issues should be managed on a case by case basis as determined by financial and program managers in the district and regional offices.

A toolkit is available on the intranet for employees to access information and guidance on HRT, including kilometric and meal rates. The audit team reviewed the information and identified inaccurate and contradicting rates.

Recommendation 8a (Essential)

It is recommended that the Director General, Service Delivery Management, in consultation with the Director General, Finance Division, provide guidance on any allowance for kilometer distance discrepancies;

Recommendation 8b (Important)

It is recommended that the Director General, Service Delivery Management, update and maintain business processes and information available on the intranet.

Management Response

Management agrees that guidance is required on allowances provided for kilometre distance discrepancies. Service Delivery Management will initiate discussions with Finance Division to develop an acceptable allowance.

Management also agrees that Health Related Travel business processes and related information on the VAC Intranet needs to be updated and maintained. Substantial work has been completed in this area over the past year by the Health Related Travel working group. HRT National Guidelines, a Business Process as well as a national form were developed and implemented. Service Delivery Management will collaborate with other OPIs to ensure that progress continues in this area.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
8a. Consult with Finance to determine an acceptable allowance (variance)	DG, SDM DG, FIN	February 2010
Identify an acceptable process for calculating distances (ie use of tool such as Map Quest)	DG, SDM DG, FIN	February 2010
Prepare an operational directive and communicate to staff	DG, SDM	March 2010
8b. Review current Health Related Travel business process and guidelines and update gaps identified in the audit	DG, SDM	February 2010
Update business processes and guidelines and communicate	DG, SDM	June 2010

7.3.3 Adequate Controls Are in Place

Appropriate business processes and controls are essential to ensure programs and benefits are managed properly and appropriate safeguards are in place to mitigate risk. The audit team mapped the business process for HRT to a flow chart and control points were evaluated by the audit team. Applicable control points were noted and compared to current processes in the district and regional offices where HRT is being processed. Offices among the regions use different HRT processes. Without standardization the current process was not able to be captured in a succinct process flow.

The first control point in the process is verification of the claim. Processors must verify the presence of the client's signature, that the claim is date stamped, and that supporting documentation included. A review of claims as part of the review of transactions in FHCPS revealed that veterans' signatures are not on the claim but may be included elsewhere on supporting documentation. Subsequent interviews revealed that the third party contractor will not process a claim without a signature of the Veteran somewhere in the documentation.

The next control point is verification of a duplicate payment. Within VAC, there is no consistency in verification of duplicate payments nor a business process to follow prior to sending to the third party contractor for payment. The contractor has a verification process implemented in FHCPS to ensure duplicate payments do not occur. A review of the process would be beneficial to determine if the duplication of effort is necessary. In addition, the auditors observed that verification of duplication between Free Balance, the Department's main accounting system that has payment functionality, and FHCPS is not occurring and interviews with financial officers stated that duplication between the two systems was a concern.

Verification that the correct amount has been requested is also required. In July 2009, the third party contractor has agreed to check the TBS website on a frequent basis and change the system verification in FHCPS to ensure the correct kilometric and meal rates are used. Although the system verification will ensure fewer errors in relation to rates, there are costs associated with this process, and the increase in costs may not be value added. As part of processing the claim, VAC employees refer to the rates and calculate entitlement for the request for payment, but the system edit ensures the correct rate and calculation is used.

VAC verifies the invoices sent by the contractor reconcile to the system that reports the payments made to clients and the number of transactions processed. This situation is not ideal in that both the invoice and the system that VAC reconciles with is created by the third party contractor, but was described as the most cost-effective method and enables VAC to determine that the invoice is correct. However, VAC does no reconciliation or tracking to determine if the claims submitted by VAC have in fact been received and paid. Reconciliations do not occur to determine if all the travel claims

received have been paid and in the proper amount.

The processing of HRT is highly manual which increases the likelihood of errors. Transaction and claim information is transposed several times when generating a payment for a client, leading to an increased risk of human error. Receipts are written out manually 1-2 times on various forms, transactions are manually entered in CSDN on the claim form, and claims are sent to the contractor via mail, where the transactions are once again entered manually into FHCPS. The audit team noted several instances where payments were made for the wrong date or amount due to manual data entry errors.

The client and payment systems used to process HRT claims are not interfaced. The CSDN (Payment request system) and FHCPS (payment issuance system) are the two systems used to process HRT claims, however, there is no connection between the two. In order to get an accurate picture of client eligibility, approvals, waivers and exceptional circumstances, the person preparing the claim must look in different areas in the two systems. This increases the likelihood of error or omission, and is a time consuming, often frustrating, process. A central repository for HRT information would ensure efficiencies.

An interface between the payment request and payment issuance systems would reduce the number of transpositions required, and ensure duplication of effort is minimized, thus reducing the likelihood of errors. Other programs of choice are processed directly into the FHCPS system by VAC employees, without numerous transpositions. The Programs of Choice Analysis Audit noted there are issues with the process in terms of segregation of duties. Once a resolution is determined, consideration of this process would be recommended for processing HRT.

A quality management review for Health Related Travel was conducted in March 2007 recommending a rules based system for those individuals completing the account verification. A rules based system would help standardize the HRT process and would help lower error rates. An example of a rules based system would be a smart form where rates for mileage, meals etc. would auto-populate the correct rate based on the date of transaction. This form could also be uploaded to FHCPS electronically, creating an exception report for errors (problem transactions) and increasing the turn around time for payment. Electronic upload or direct access to payment input in FHCPS for VAC users would also reduce the risk of claims getting misplaced when sent in the mail.

Recommendation 9 (Critical)

It is recommended that the Director General, Service Delivery Management, explore opportunities for streamlining and modernizing the processing of health related travel. There are opportunities for greater automation and less duplication of effort and could include rules-based tools, smart forms, and system interfacing.

Management Response

Management acknowledges the improvements that have been gained in the past year in the processing of Health Related Travel but agrees that there is still a need to explore additional opportunities for streamlining and modernization.

Management will seek input from VAC subject matter experts across the country who have been involved in the adjudication, processing, and management of the Health Related Travel program. Best practices and initiatives that have proven successful in certain Regions will be reviewed for national relevancy.

Management Action Plan

Corrective Actions to be taken	OPI (Office of Primary Interest)	Target Date
Consult with subject matter experts across the country to identify ways to streamline and modernize HRT and to identify best practices currently underway.	DG, SDM	April 2010
Develop options.		June 2010
Make recommendations to Management.		June 2010

8.0 DISTRIBUTION

Deputy Minister
Departmental Audit Committee Members
Chief of Staff to the Minister
Senior Assistant Deputy Minister, Policy, Programs and Partnerships Branch
Assistant Deputy Minister, Services Delivery and Commemoration Branch
Assistant Deputy Minister, Corporate Services Branch
Director General, Service Delivery Management
Director General, Program Management
Director General, Policy and Research
Director General, Communications Division
Director General, Finance Division
Director General, Departmental Secretariat and Policy Coordination
General Counsel, Justice Canada
Deputy Coordinator, Access to Information and Privacy
Office of the Comptroller General
Office of the Auditor General
Program Analyst, Treasury Board of Canada, Secretariat

APPENDIX A TERMS OF REFERENCE AND CORE MANAGEMENT CONTROLS

Background:

Clients may receive travel expenses associated with treatment for their health needs. Multiple delivery approaches exist among the Regions with different levels of resources applied per claim. The question has been raised about the efficacy of each approach and whether proper verification of eligibility is being applied. The potential for abuse of this benefit may exist. The 2009-2010 budget for Veterans Health-Related Travel is \$20.4 million.

Rationale:

AED's Audit of the Outsourcing of Health Claims Administration, January 2006, identified potential audit work on a POC by POC basis.

Proposed Statement of Work:

To study the recent changes which have been made for processing health travel expenses for efficiency and effectiveness.

Objectives:

1. To assess compliance with governing regulations and policy.
2. To assess the adequacy and accuracy of management information associated with HRT.
3. To assess the control framework for health-related travel and test controls and verification processes.

Cost: 1,350 hours and \$6,000 travel
Target Date: Start in May 2009, complete in November 2009
Risk Analysis: Overall rating = 11, Medium priority

The following Core Management Controls were examined over the course of the audit:

(AC - 01) Authority, responsibility and accountability are clear and communicated:

- Responsibilities and performance expectations to which managers and supervisors are held accountable are formally defined and clearly communicated. Job descriptions and/or performance agreements should exist for this purpose and be up-to-date;

- Employees' duties and control responsibilities are clearly defined;
- Authority is formally delegated and delegated authority is aligned with individuals' responsibilities.

(AC - 3) A clear and effective organizational structure is established and documented.

- Authority is delegated with consideration of risk.
- Systems are used to enable the consistent management of delegated authorities.

(G 6) The oversight bodies request and receive sufficient, complete, timely and accurate information:

- Ongoing and transparent communication between the oversight body, management and the Minister;
- Management has access to adequate information to manage VHRT;
- Management has the necessary information to make decisions;
- Useful reports exist and are being used by program management.

(PPL - 4) The organization provides employees with the necessary training, tools, resources, and information to support the discharge of their responsibilities:

- Adequate training has been provided to employees responsible for VHRT (identification of competencies, gaps and training requirements);
- Employees have access to sufficient tools, such as software, equipment, work methodologies and standard operating procedures;
- An information sharing process exists to support the efficient and consistent application of health related travel (collaboration between finance and program and among program deliverers).

(ST - 5) VAC policies are clear and understood by staff.

(ST - 07) Compliance with financial management laws, policies and authorities is monitored regularly.

(ST - 10) Transactions are coded and recorded accurately and in a timely manner to support accurate and timely processing:

- financial transaction are coded and processed in an efficient and timely manner;
- controls are in place to ensure accuracy of transaction coding and processing (e.g. batch totals, reconciliations, supervisory review, management approval, etc.)

(ST - 11) Appropriate system application controls exist:

- degree of automation of processing;

- system edits and rules based systems minimized the likelihood of error;
- systems interface ensures timely, accurate and efficient processing of Veteran`s travel;
- systems are linked appropriately to ensure accurate client status.

(ST - 15) Reviews are conducted to analyze, compare and explain financial variances between actual and planned:

- requirement to compare and explain variances is document;
- responsibility to compare and explain variances is known and understood and applied accordingly;
- management reviews variance reporting prepared.

(ST - 16) Management compares results against achieved expectations, on a periodic basis:

- evidence of management review exists (e.g. sign off)
- management review is ongoing and is timely

(ST - 18) Financial and non financial reporting is reviewed and approved:

- reporting is reviewed for completeness, accuracy, relevance, timeliness, appropriateness and reasonableness;
- approval is evidenced (e.g. sign off, email, minutes, etc);
- significant control breakdowns are reported to management.

(ST - 20) Appropriate and timely financial and non financial reporting is communicated:

- a schedule of regular reporting is prepared and communicated in advance;
- responsibility for reporting is clear and communicated and is reported accordingly.

APPENDIX B SIGNIFICANCE OF OBSERVATIONS

To assist management in determining the impact of the observations, the following definitions are used to classify observations presented in this report:

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.

Important - relates to one or more significant weaknesses for which some compensating controls exist. The weakness results in a low level of risk.