



Correctional Service
Canada

Service correctionnel
Canada



SAFETY, RESPECT
AND DIGNITY
FOR ALL

LA SÉCURITÉ,
LA DIGNITÉ
ET LE RESPECT
POUR TOUS

Audit of the Management of Relocation of Staff

Internal Audit Sector

October 28, 2015

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Executive Summary

What We Examined

The Audit of the Management of Relocation of Staff at Correctional Service Canada (CSC) was conducted as part of the 2014-2017 Risk Based Audit Plan.

Relocation expenses are governed by the *Financial Administration Act*, Treasury Board's (TB) Directive on Account Verification and CSC's Financial Directive on Account Verification. Specific instructions for the relocation of employees are set out in the NJC Relocation Directive (NJC Directive). The NJC Directive provides guidance to ensure that employees are relocated in an efficient manner and at a reasonable cost to the public while having a minimal effect on both the employee and departmental operations. It states that relocation expenses must be directly attributable to a change of work location for the employee and must be clearly reasonable and justifiable. The expenses submitted must not upgrade the financial position of the employee and must be supported by receipts as stipulated within the directive.

There are essentially three types of employee relocations at CSC: employer requested allowing for a recovery of full eligible allowances and expenses incurred; employee requested relocations which allow for a maximum of \$5,000 to be reimbursed; and those resulting from an initial appointment to the public service which allow for a maximum of \$5,000.

Why it's Important

The Audit of Relocation of Staff specifically supported one of CSC's priorities, namely "efficient and effective management practices that reflect values-based leadership." The audit also linked to the corporate risk that "CSC will not be able to manage significant changes related to transformation, legislative changes, and fiscal constraints."¹

Between fiscal years 2011-12 and 2013-14, CSC paid for the relocation of, on average, 642 employees with the total cost to CSC averaging \$7.2M per year. While these expenditures may not be material from a financial standpoint in the context of CSC's overall budget, CSC must still ensure sound stewardship related to relocation expenditures.

What We Found

Overall, the audit found that a management framework was partially in place to support the relocation of staff. A government wide relocation directive has been written by the NJC, and is the sole directive related to relocation in use within CSC. The NJC Directive documents the roles and responsibilities of the various participants in the relocation process.

¹ Corporate Risk Profile, Risk #3

The audit has noted a number of areas that need further consideration by management to ensure that the risks to the organization are better managed. These risks are described below:

- As there is a high volume of paid relocations being offered, the lack of clarification of the NJC Directive for how to implement it within CSC increases the risk that unnecessary relocation expenses may be paid. This is demonstrated by CSC's relocation coordinators interpreting the 40 kilometer rule as an obligation to authorize the paid relocation of the employee as opposed to a guideline to assist in making the decision.
- Although the roles and responsibilities of relocation coordinators are defined within the NJC Directive, the lack of full implementation of all aspects of their roles, specifically when related to pre-approvals or specific entitlements for employee-requested relocation, may lead to the payment of unnecessary expenses.
- As there is minimal monitoring of individual relocation files by CSC in all but one region, there is little oversight occurring that the expenses being reimbursed to the employee via the Service Provider are accurate and that any errors found can be corrected prior to closing the file with the Service Provider.

In addition, key controls related to the management assertions of occurrence, accuracy and completeness were examined as part of the audit.

The audit found no issues with assertions of occurrence and accuracy as it was found that all relocations of the employees were always pre-authorized by CSC before any expenses related to the relocation were incurred and that all transactions which were tested as part of the sample were recorded accurately in the financial system. Concerns were noted, however, with the validating of the completeness of the files. Certain risks to the organization were identified and these are further described below:

- While the regions do certify Section 34 of the *Financial Administration Act* on the invoices, the lack of a full review increases the possibility that errors may exist in the calculations completed by the Service Provider, thus CSC may overpay for the employees relocation in some cases.
- The lack of evidence that the employee physically moved to a new residence when claiming relocation expenses, specifically as it relates to employees who claimed the transferable credit for not selling a home provision, creates the possibility that CSC may have reimbursed funds to employees who did not actually move physically to a new residence.

The main office of primary interest for this audit is the Assistant Commissioner, Corporate Services. Recommendations have been issued in this report to support the findings regarding the management of the relocation of employees. Senior management has provided responses and a management action plan to address the recommendations.

Management Response

Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations. The Management Action Plan is scheduled for full implementation by December 31, 2015.

Acronyms & Abbreviations

CSC

Correctional Service Canada

FAA

Financial Administration Act

FAQ

Frequently Asked Questions

FY

Fiscal Year

HG&E

Household Goods and Effects

IFMMS

Integrated Financial and Materiel Management System

IRP

Integrated Relocation Program

NHQ

National Headquarters

NJC

National Joint Council

NJC-RD

National Joint Council Relocation Directive

PWGSC

Public Works and Government Services Canada

RECS

Real Estate Commission Savings

REI

Real Estate Income

TB

Treasury Board

1.0 Introduction

1.1 Background

The Audit of the Management of Relocation of Staff at Correctional Service Canada (CSC) was conducted as part of the 2014-2017 Risk Based Audit Plan. The audit specifically supported the CSC's priority of "efficient and effective management practices that reflect values-based leadership" and linked to the corporate risk that "CSC will not be able to manage significant changes related to transformation, legislative changes, and fiscal constraints."²

CSC relocation costs totalled \$7,548,737³ in the fiscal year 2013-2014, which represented 0.27% of its total expenditures for the same fiscal year. While these expenditures may not be material from a financial standpoint in the context of CSC's overall budget, CSC must still ensure sound stewardship related to relocation expenditures.

There are essentially three types of employee relocations at CSC: employer-requested, employee-requested, and those resulting from an initial appointment to the public service.

An employer requested relocation, as per Section 2.6 of the NJC Relocation Directive (NJC Directive), is a relocation within Canada, including those resulting from staffing actions, other than on initial appointment.

An employee-requested relocation, as per the definition in the NJC Directive, is a relocation resulting from a formal request made by an employee for compassionate or other personal reasons. The costs of this type of relocation are to be reimbursed in accordance with Part XII of the NJC Directive.⁴ At CSC, employee-requested relocations are commonly used for correctional officers deploying to a different work location at their own request, while remaining at their current occupational level. Employee-requested relocations allow the employee to be reimbursed up to a maximum of \$5,000 for expenses within the limits and conditions prescribed in the NJC Directive

Initial appointment relocations, as per Section 2.8 of the NJC Directive, are used for new appointees to the public service upon hiring. Relocation provisions for initial appointments are limited to \$5,000; however the allowable claims are generally less restrictive than those allowed to be claimed as part of an employee requested move.

Between fiscal years 2011-12 and 2013-14, CSC paid for the relocation of, on average, 642 employees with the total cost to CSC averaging \$7.2M per year.

² Corporate Risk Profile, Risk #3

³ As per the department's Resource Management Tool (RMT)

⁴ NJC Directive - Definitions

Table A identifies the number of moves by type of relocation.

Table A: Number of Moves by Type of Relocation for the Fiscal Years (FY) 2011-12, 2012-13 and 2013-14

	FY 2011-2012	FY 2012-2013	FY 2013-2014	TOTAL
	# of Files	# of Files	# of Files	
Employee-requested	191 (25%)	131 (28%)	231 (33%)	553 (29%)
Initial Appointment	412 (55%)	226 (48%)	276 (39%)	914 (47%)
Employer-requested	154 (20%)	108 (23%)	186 (27%)	448 (23%)
Other⁵	1 (0%)	3 (1%)	7 (1%)	11 (1%)
Total Number of Files	758 (100%)	468 (100%)	700 (100%)	1926 (100%)

NOTE: Data obtained from the Service Provider's IRP Application database (Unaudited) and is based on the date that the file was opened.

Table B: Total Relocation Expenses Paid for the Fiscal Years (FY) 2011-12, 2012-13 and 2013-14

	FY 2011-2012	FY 2012-2013	FY 2013-2014	TOTAL
Total Relocation Costs	\$8,318,299	\$5,758,409	\$7,548,737	\$21,625,445

NOTE: Data obtained from the RMT system including all expenses charged to management objects 0250 and 0251. (Unaudited). As the relocation process may take up to a year, the costs associated with an individual relocation file will usually occur over two fiscal years.

Initial appointments represented the highest volume of relocation type during the period between fiscal years 2011-12 and 2013-14. The high number of initial appointments is due to the fact that the new correctional officers were often assigned to institutions outside of their hometown area and were therefore entitled to the reimbursement of relocation costs in accordance with the NJC Directive.

1.2 Legislative and Policy Framework

Relocation expenses are governed by the *Financial Administration Act*, Treasury Board's (TB) Directive on Account Verification and CSC's Financial Directive on Account Verification. Specific instructions for the relocation of employees are set out in the NJC Directive.

The NJC Directive provides guidance to ensure that employees are relocated in an efficient manner and at a reasonable cost to the public while having a minimal effect on both the employee and departmental operations. It states that relocation expenses must be directly attributable to a change of work location for the employee and must be clearly reasonable and justifiable. The expenses submitted must not upgrade the financial position of the employee and must be supported by receipts as stipulated within the directive.

1.3 Roles, Responsibilities and Governance

⁵ Includes special relocations including assignments, unaccompanied moves and isolated post transfers.

The Government of Canada, through Public Works and Government Services Canada (PWGSC), has contracted out the provision of relocation services with an outside service provider. CSC relocation coordinators and the employees being relocated also have responsibilities in the process. Their specific roles are detailed below:

Public Works and Government Services Canada

As the Contracting Authority, PWGSC is Canada's representative to manage the Integrated Relocation Program (IRP) Contract with the Service Provider.

PWGSC is also the Contracting Authority for the Removal Services standing offers including those for the movement of household goods and effects (HG&E). In addition to being the Contracting Authority for these standing offers, PWGSC is also responsible, through the Central Removal Service Division, to place orders (i.e. call-ups) for Government of Canada departments excluding the Department of National Defence and the Royal Canadian Mounted Police.

The Service Provider

The Government of Canada awarded a contract to a Service Provider to provide most of the services under the Integrated Relocation Program (IRP). The IRP provides the framework that governs the relocation of employees of all federal government departments, the Canadian Forces, and the Royal Canadian Mounted Police.⁶ The objective of this program is to make relocation both easy and efficient.

Once an employee receives authorization that he or she may relocate at the public's expense, the Service Provider administers the reimbursement of the relocation expenses according to the NJC Directive, while ensuring that the employee receives the benefits for which he/she is entitled. The Service Provider directly contacts and regularly communicates with the employees who are relocating. For certain requests, such as expenses related to house hunting trips, the Service Provider administrator will request that departmental relocation coordinators pre-approve the requests as per the NJC Directive. Documentation prepared by the Service Provider states that they will:⁷

- Act as the employee's main contact throughout the relocation process;
- Clarify the NJC Directive, the Initial Appointee Relocation Program, and the employee's entitlements and options;
- Provide access to a relocation package to introduce the employee to the IRP;
- Compile the online Financial Worksheet, which tracks relocation entitlements and expenditures;
- Monitor progress of relocation activities; and
- Review and approving the advance of funds requests and expense claims submitted by the employees via the secure website.

⁶ NJC Relocation Directive Glossary

⁷ Reference Guide for Departmental Coordinator

Overall, CSC pays the Service Provider an administration fee for each individual relocation file. The audit team has not had access to the contract with the Service Provider to verify the agreed upon fees, however, the invoices verified as part of the audit, demonstrated that the administration fee equals \$384.20 for initial appointment files and \$1,604.60 for both employee-requested and employer-requested files.

CSC Relocation Coordinators

The relocation portfolio at CSC is managed by the Departmental National Coordinator (DNC), who reports through the Corporate Services Sector at NHQ and relocation coordinators in each region reporting through their respective regional comptroller. The DNC is responsible for authorizing all exceptional transactions and for coordinating responses with TBS when required. For example, exceptional situations include cases where employees incur relocation expenses prior to their relocation file being officially opened. In addition, the DNC acts as a policy resource to provide guidance and clarification to the regional relocation coordinators.

The regional relocation coordinators, who report through the regional comptroller's office, manage the relocation portfolio for any individual whose new job will be located within their specific region. The regional relocation coordinators are responsible for authorizing the Service Provider to begin the relocation process with the employees, for advising the appropriate individual to sign Section 34 on the Service Provider invoices, for arranging payment through PWGSC for the movement of HG&E, and for providing oversight responsibilities related to the individual relocation files.

CSC Employees

The NJC Directive requires that employees who are planning to relocate contact their respective regional relocation coordinator for approval prior to incurring any move related expenses. Once the relocation has been authorized, employees work directly with the Service Provider and are required to submit receipts for all expenses incurred as required by the NJC Directive.

2.0 Objectives and Scope

2.1 Audit Objectives

The objectives of this audit were to:

1. Assess the adequacy of CSC's management framework related to the relocation of staff.
2. Assess the adequacy and effectiveness of internal controls related to relocation expenditures.

Specific criteria are included in *Annex A*

2.2 Audit Scope

The audit was national in scope across all five regions and National Headquarters (NHQ). It included a file review of a sample of relocation files opened between April 1, 2012 and September 30, 2014. The scope of the audit focused on how CSC managed the relocation of its employees, including the authorization of the appropriate individuals for paid relocation, approving specific entitlements and ensuring that the Service Provider was paid the appropriate amount. The following areas, although included for context purposes, were not specifically tested as they are outside of CSC's internal audit's mandate.

- The role of PWGSC as the authority who contracted with the Service Provider and its role with the management of the Household Goods and Services Removal Contract;
- The role of the Treasury Board of Canada Secretariat;
- The role and responsibilities of the Service Provider.

3.0 Audit Findings and Recommendations

3.1 Assess the Adequacy of CSC's Management Framework Related to the Relocation of Staff

3.1.1 Policy Framework

We expected to find that CSC had a documented process in place to manage relocation of staff that is consistent with TB policies and the NJC Directive.

Although CSC did not have a CSC specific process in place to manage employee relocation, CSC was compliant with the majority of the relevant TB policies and the NJC Directive. However, some areas for improvement still existed.

During interviews with the various relocation coordinators and the regional comptrollers, the audit team found that CSC did not have any written and documented directives or procedures of its own in place to provide relocation coordinators with guidance to assist them in managing the NJC Directive as it directly applies to CSC.

In addition to the NJC Directive, a suite of general guidance and tools related to the NJC Directive is available to help the relocation coordinators process the relocation files. The available information includes:

- TBS User Guide – NJC Relocation Directive;
- TBS User Guide – NJC Relocation Directive for EX/GIC;
- TBS User Guide – Addendum on Relocation – Initial Appointees;
- FAQ – NJC Relocation Directive;
- FAQ – NJC Addendum Initial Appointees Relocation Program;
- Addendum – Initial Appointees Integrated Relocation Program; and
- Integrated Relocation Program Webinar Overview.

Relocation coordinators stated that they regularly referred to the NJC Directive to assist them in ensuring that they managed the relocation portfolio as required. One area of confusion that the audit team noted related to the interpretation of the 40 kilometer rule. This rule, as it is written in the NJC Directive under Section 1.4.5, states that “Normally, relocation shall only be authorized when the employee’s new principal residence is at least 40km (by the shortest usual public road) closer to the new place of work than his/her previous residence, in accordance with Subsection 248(1) of the *Income Tax Act*”. Through discussions with TBS, it was explained to us that the 40 kilometer rule, which comes directly from the *Income Tax Act*, exists to provide flexibility to departments while offering guidance on whether to reimburse for relocation expenses.

Relocation coordinators explained that this rule, as it is written is used as the deciding factor to authorize an employee with paid relocation. The audit team found that in some instances relocation coordinators do not fully understand the intent of the 40 kilometer rule. In some cases, the relocation coordinators believed that the 40 kilometer rule was satisfied if the employee’s

current residence was more than 40 kilometers from their new place of work. In reality, to satisfy this rule, the employee must have moved closer to the new workplace by at least 40 kilometers when compared to their previous residence. However, no specific CSC guidelines or directives exist to assist the relocation coordinators in applying this rule in order to ensure that relocation is consistently managed within CSC while following the spirit of the NJC Directive.

Although TBS has provided some caution to CSC's management on interpreting the NJC Directive and providing departmental specific direction, the NJC Directive is fairly generic as it applies to all departments. In some instances, additional clarification by CSC on how the directive should be applied, with CSC specific examples, could assist the relocation coordinators in ensuring that the NJC Directive is implemented in a manner which ensures that CSC is being fiscally responsible while ensuring that eligible employees are being consistently and appropriately reimbursed for their relocation expenses.

3.1.2 Roles and Responsibilities

We expected to find that roles and responsibilities with regard to relocation process were defined, documented and communicated.

The roles and responsibilities of CSC's relocation coordinators and of the Service Provider involved in the relocation process were defined and documented in the NJC Directive; however the implementation of these roles is not always occurring as defined.

The NJC Directive defines the roles and responsibilities of the employer, Service Provider and the affected employee as follows:

1. The employer has the responsibility to authorize a relocation and to ensure that all relocation arrangements are consistent with the provisions of this Directive and to reimburse the employee's actual and reasonable relocation expenses within the limits of the NJC Directive.
2. The Service Provider provides services as specified in the contract and in this Directive, advises the employee as required and advances funds and reimbursements upon presentation of evidence or receipts by the employee.
3. The employee, has to obtain a written authorization within the proper delegation framework prior to incurring any relocation expenses, follow the instructions and/or advice on the relocation process given by departmental personnel and the Service Provider, and submit within 90 days of the date of his/her arrival at the new place of duty, or the date the dependant(s) arrive, whichever is the latest, a complete relocation expenses claim with necessary supporting documentation as required by the NJC Directive.

Overall, the audit team found that the roles and responsibilities of the various parties were defined and documented in the NJC Directive. The NJC Directive also clearly states in the individual sections of the NJC Directive which specific entitlements must be pre-approved by either the regional coordinator or DNC.

The audit team found that these roles and responsibilities were not always being implemented. For example, the NJC Directive states that the approval from the relocation coordinators must be

obtained prior to allowing for house hunting trips, interim accommodation, meals and miscellaneous relocation allowance and travel to the new location. The audit team found that while the relocation coordinators were providing an approval to the Service Provider to pre-authorize for these expenses in the case of employer-requested relocations, these approvals were not being sought for employee-requested ones as stated in the NJC Directive. Relocation coordinators stated that, based on correspondence received from the Service Provider, they believe that they do not need to pre-authorize these expense types for employee-requested relocations, as the Service Provider will ensure that the overall reimbursement to the employee is less than the \$5,000 limit allowed.

The NJC Directive states that house hunting trips are to normally be of a duration no longer than six nights, seven days,⁸ and that interim accommodations, meals and miscellaneous relocation is normally to be no longer than 14 nights, 15 days.⁹ The NJC Directive also states that for requests longer than the initial period, approval of a relocation coordinator is required. During the review of the 116 employee-requested relocation files, the audit team found 28 instances where either house hunting trips longer than six nights or interim accommodation, meals and miscellaneous relocation longer than 14 nights were approved without a relocation coordinator providing an approval as required by the NJC Directive.

The lack of compliance with the identified roles and responsibilities can lead to inconsistent application of the NJC Directive as well as unauthorized and inappropriate payments.

3.1.3 Monitoring and Reporting

We expected to find that the relocation process was monitored by the regional/departmental national coordinator and that files were audited and reviewed before closure.

In all but one region, relocation expenditures were not monitored by CSC staff and there were no mechanisms in place to ensure that the expenses claimed by the employees were all reasonable, legitimate, supported and in accordance with the NJC Directive and by receipts when applicable.

Upon the closure of a relocation file, the Service Provider forwards the employee's relocation file to the regional relocation coordinator. This file contains all of the supporting documents and original receipts that the employee sent to the Service Provider to receive reimbursement of his/her expenses. Upon review of a sample of 371 relocation files, the audit team found that in all but one region, there was a lack of evidence to demonstrate that the relocation coordinators were reviewing the documentation provided by the Service Provider for accuracy prior to closing the file. During interviews with the relocation coordinators, they explained that there is no specific policy or requirement stating what type of monitoring of the relocation files is expected. In addition, they confirmed that they would rarely review the supporting documentation and would typically approve all claims submitted by the Service Provider.

⁸ NJC Directive, Section 4.6

⁹ NJC Direct, Section 5.4

During the conduct phase of this audit, the audit team consulted with TBS to seek clarification on the responsibilities to review the work of the Service Provider. TBS explained that it was every department's responsibility to obtain value for money from the Service Provider. Therefore, CSC should more closely monitor the relocation process, including the role of the Service Provider, to ensure that public funds are being spent appropriately and that all parties respect the roles and responsibilities they are assigned.

Best Practice

In the Quebec region, all relocation files were reviewed by two employees who report to the regional coordinator. Once the files were fully reviewed and the employees were satisfied by the Service Provider's responses for any questions that were raised, the regional coordinator signed and authorized the closing of the files.

Most regions had no methods in place to identify issues with the Service Provider and to ensure that corrective measures were taken when required.

Overall, the audit team found that while regions did find instances where individuals may have received relocation benefits to which they were not entitled, no controls existed to ensure that all such issues would be caught and dealt with. The lack of any formal review of relocation files in most regions further challenges CSC in ensuring that errors are identified prior to releasing the final payment to the Service Provider and to closing the file. This lack of review challenges CSC's ability to resolve the error as by the time the mistake is caught, the Service Provider has released all of the funds to the employee. As such, it now becomes the responsibility of CSC to recover this amount directly from the employee.

For example, in one case the audit team saw that the relocation coordinator found an instance where an individual was reimbursed by the Service Provider for relocation expenses incurred prior to the relocation being approved by the Department. In this case, the relocation coordinator spoke with the Service Provider about this error. However, as the employee had already been fully paid for the relocation, the Service Provider claimed it tried to recover the money but could not.

Conclusion

Overall, the audit found that a management framework was partially in place to support the relocation of staff. A government wide relocation directive has been written by the NJC, and is the sole directive related to relocation in use within CSC. The NJC Directive documents the roles and responsibilities of the various participants in the relocation process.

The audit has noted a number of areas that need further consideration by management to ensure that the risks to the organization are better managed. These risks are described below:

- As there is a high volume of paid relocations being offered, the lack of clarification of the NJC Directive for how to implement it within CSC increases the risk that unnecessary relocation expenses may be paid. This is demonstrated by CSC's relocation coordinators

interpreting the 40 kilometer rule as an obligation to authorize the paid relocation of the employee as opposed to a guideline to assist in making the decision.

- Although the roles and responsibilities of relocation coordinators are defined within the NJC Directive, the lack of full implementation of all aspects of their roles, specifically when related to pre-approvals or specific entitlements for employee-requested relocation, may lead to the payment of unnecessary expenses.
- As there is minimal monitoring of individual relocation files by CSC, in all but one region, there is little oversight occurring that the expenses being reimbursed to the employee via the Service Provider are accurate and that any errors found can be corrected prior to closing the file with the Service Provider.

Recommendation 1

The Assistant Commissioner, Corporate Services should clarify the conditions required for CSC staff, including regional relocation coordinators and comptrollers, to properly manage its employees relocation. This includes:

- Ensuring the 40 kilometer rule is fully understood and appropriately applied;
- Clearly defining the roles and responsibilities of the relocation coordinators to ensure that they are pre-approving and providing authorization as required by the NJC Directive; and
- Ensuring that relocation coordinators are regularly reviewing the relocation files to validate the expense being paid to ensure that any errors are addressed with the Service Provider in a timely manner.

Management Response

This recommendation is **Accepted**. Management will:

- By December 31, 2015, develop an internal operating procedure to improve the overall management of relocation in CSC;
- By September 30, 2015, establish periodic videoconference calls between the Regional Relocation Coordinators (RRC) and Departmental National Coordinator (DNC) to discuss common issues pertaining to relocation; and
- By September 30, 2015, establish a relocation management committee chaired by the National Comptroller to review more complex cases of relocation and assist in the development of the internal operating procedure and subsequent updates as required.

3.2 Adequacy and Effectiveness of Internal Controls Related to the Relocation Process

We expected to find that key internal controls were in place and working as intended to ensure that relocation transactions were pre-authorized, fully reviewed and received Section 34 certification and that the transactions were recorded accurately in CSC's financial system.

As part of the audit engagement, key controls of the management assertions relating to occurrence, accuracy and completeness were examined.

OCCURRENCE

The management assertion of occurrence validates that the transaction recorded has actually taken place. The audit found that for all 371 employee relocations included in the audit, all relocations were pre-authorized by CSC and were recorded in the financial system in a timely manner, representing events that occurred during the audited period.

ACCURACY

The assertion related to accuracy ensures that transactions were recorded at the appropriate amounts. The audit validated 907 individual transactions, consisting of first and second cash advances made by the Service Provider to employees relocating and the final payment by CSC to the Service Provider. The audit team confirmed that all transactions were accurately recorded in the financial system.

COMPLETENESS

The management assertion of completeness ensures that all transactions that should have been recorded have in fact been recorded. In this case, the audit noted two concerns, namely that there was minimal evidence to suggest that a complete Section 34 verification was always occurring prior to approving the final invoice as per the *Financial Administration Act* and that there was a lack of evidence to demonstrate that the employee actually moved. These concerns are further described below.

While the vast majority (96%) of invoices had evidence of a Section 34 signature on them, there was little evidence that a formal review of transactions occurred on the final payment.

The TB Directive on Account Verification requires that individuals who are certifying the entitlement for payment must verify that all relevant regulations and directives have been complied with, that the transaction is accurate by verifying specific aspects including that the

invoice or claim total has been calculated correctly and that all supporting documentation is complete.

The payment schedule for reimbursement of relocation expenses by CSC to the Service Provider is pre-determined depending on the type of relocation. In all cases, CSC pays the Service Provider advances, in either one or two payments, to cover anticipated expenses to be paid to the employee and 33% of the Service Provider's administration fee. Upon the closure of the relocation file, once the employee has officially moved and claimed all expenses, CSC receives a final invoice covering the remaining 67% of the Service Provider's fee and the final amount either owed to or to be refunded by the Service Provider. This latter amount is the difference between the monies advanced to the Service Provider by CSC and the actual expenses paid to the employees by the Service Provider.

The audit team validated the Section 34 signatures on all invoices received from the Service Provider for both accountable advances and final invoices. Of the 818 invoices that the audit team reviewed, a Section 34 signature was found on 784 (96%) of the invoices. The audit team also found that in all 784 cases the individual signing Section 34 had the appropriate delegated authority.

When the auditors examined the process for validating Section 34 on the accountable advances, it was noted that regional comptrollers had processes in place to ensure that the relocation advance for which they were approving payment was accurate and reflected an approved relocation.

The audit team did however raise concerns with the lack of any evidence of a review supporting the signing of Section 34 on the final invoice before closing the relocation file. As discussed under Section 3.1.3 of this report, in all but one region, the audit team found no markings on the file or the invoices to demonstrate that some sort of reconciliation and verification of the relocation file had occurred. The lack of a strong Section 34 process can also question the strength of the Section 33 payment approval on these transactions, as part of the Section 33 certification requires that there is auditable evidence in place to demonstrate that a verification has occurred.¹⁰

The lack of any review of the final invoice increases the possibility that CSC may be paying too much for relocation as errors may have occurred and were not caught. Overall, relocation coordinators in most regions stated that due to the volume of work they do not have the time to review the invoices from the Service Provider and that they trust the work being done.

¹⁰ TBS Directive on Account Verification 6.3.1.1

The relocation files did not always include evidence that the employee actually moved.

The NJC Directive states that “relocation expenses must be directly attributable to the relocation, and must be clearly reasonable and justifiable. They must not upgrade the financial position of the employee and must be supported by receipts”.¹¹

One area of risk noted by the audit team involved cases where employees claimed the “Transferable Credit for Not Selling Home” provision of the Directive. This provision allows for the employees who qualify for employer-requested relocation to “elect-not-to-sell” their current residence and claim a cash payout equal to 80% of the real estate commission fee up, to a maximum of \$12,000. TBS staff confirmed however that in order to claim this incentive, the employee must physically move to a new principal residence. Overall, the audit team found 28 instances where employees used this provision of the Directive. In 10 (38%) of these cases, the audit team was unable to find evidence in the file to state that the employee had moved to a new principal residence. This raises the possibility that some employees might have received a cash payout without ever incurring any expense for the same purpose.

Conclusion

As part of the audit, the team tested three management assertions; occurrence, accuracy and completeness.

Overall, the audit found no issues with assertions of occurrence and accuracy as it was found that all relocations of the employees were pre-authorized by CSC before any expenses related to the relocation were incurred and that all transactions were recorded accurately in the financial statements. Concerns were noted, however, with the validating of the completeness of the files. Certain risks to the organization were identified and these are further described below:

- While the regions do certify Section 34 on the invoices, the lack of a full review increases the possibility that errors may exist in the calculations completed by the Service Provider, thus CSC may overpay for the employees relocation in some cases.
- The lack of evidence that the employee physically moved to a new residence when claiming relocation expenses, specifically as it relates to employees who claimed the transferable credit for not selling a home provision, creates the possibility that CSC may have reimbursed funds to employees who did not actually move physically to a new residence.

¹¹ NJC Direct, Section 1.2.4

Recommendation 2

The Assistant Commissioner Corporate Services should ensure that the Section 34 of the FAA is appropriately performed before processing the final payment to the Service Provider and that the relocation files contain the documentation and evidence to support employees claims to:

- Ensure that the invoice being paid is not a duplicate and that the accountable advances have been deducted accordingly;
- Validate that the invoice has been calculated correctly; and
- Verify the accuracy and completeness of supporting documents and receipts included in the Service Provider's file which is forwarded to the CSC for final payment.

Management Response

This recommendation is **accepted**. By December 31, 2015, Management will:

- Review its account verification process for relocation to ensure invoices received from the Service Provider are adequately reviewed prior to submitting the invoice for Section 34 approval; and
- Develop a standardized checklist to strengthen Section 34 approval in CSC.

4.0 Conclusion

Overall, the audit found that a management framework was partially in place to support the relocation of staff. A government wide relocation directive has been written by the NJC, and the roles and responsibilities of the various participants in the process are documented within this directive.

The audit has noted a number of areas that need further consideration by management to ensure that the risks to the organization are better managed. These risks are described below:

- As there is a high volume of paid relocations being offered, the lack of clarification of the NJC Directive for how to implement it within CSC increases the risk that unnecessary relocation expenses may be paid. This is demonstrated by CSC's relocation coordinators interpreting the 40 kilometer rule as an obligation to authorize the paid relocation of the employee as opposed to a guideline to assist in making the decision.
- Although the roles and responsibilities of relocation coordinators are defined within the NJC Directive, the lack of full implementation of all aspects of their roles, specifically when related to pre-approvals or specific entitlements for employee requested relocation, may lead to the payment of unnecessary expenses.
- As there is minimal monitoring of individual relocation files by CSC, there is little oversight occurring that the expenses being reimbursed to the employee via the Service Provider are accurate and that any errors found can be corrected prior to closing the file with the Service Provider.

In addition, as part of the audit, the team tested three management assertions; occurrence, accuracy and completeness.

The audit found no issues with assertions of occurrence and accuracy as it was found that all relocations of the employees were pre-authorized by CSC before any expenses related to the relocation were incurred and that all transactions were recorded accurately in the financial statements. Concerns were noted, however, with the validating of the completeness of the files. Certain risks to the organization were identified and these are further described below:

- While the regions do certify Section 34 on the invoices, the lack of a full review increases the possibility that errors may exist in the calculations completed by the Service Provider, thus CSC may overpay for the employees relocation in some cases.
- The lack of evidence that the employee physically moved to a new residence when claiming relocation expenses, specifically as it relates to employees who claimed the transferable credit for not selling a home provision, creates the possibility that CSC may have reimbursed funds to employees who did not actually move physically to a new residence.

Recommendations have been issued in this report to support the findings regarding the management of the relocation of employees. Senior management has provided responses and a management action plan to address the recommendations.

5.0 Management Response

Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit an associated recommendations. The Management Action Plan is scheduled for full implementation by December 31, 2015.

6.0 About the Audit

6.1 Approach and Methodology

Audit evidence was gathered through a number of methods such as: review of documentation, detailed testing and interviews with staff at NHQ and in the regions.

Interviews: Interviews were conducted with the relevant staff at both the regional and national levels involved in the relocation of employees. This included each regional relocation coordinator, regional comptroller and the Departmental National Coordinator.

Review of Documentation: Relevant documentation, such as legislation, process maps, accounting manuals, financial directives, commissioner's directives and guidelines, financial records and reports as well as supporting documentation for key controls was reviewed.

Analytical Review: Detailed testing of key controls was performed during the conduct phase by reviewing 371 relocation files and their invoices in order to assess their effectiveness. The testing was selected based on the application of the sampling approach, described below.

Sampling Strategy: Two samples were selected, one using the statistical sampling method and the other using a continuous auditing sampling approach that focused on irregular transactions.

The statistical sample was stratified by region in order to obtain a representative sample for each region, using a confidence level of 95%, a tolerable deviation rate of 5% and an expected deviation rate of 0 and was limited to the period of April 1st, 2012 to September 30th, 2014. This means of sampling was chosen to ensure that the audit team will have sufficient data to report at both regional and national levels. The disbursement of files through the country was not even, thereby calling for the use of this particular sampling methodology to ensure sufficient numbers.

Through this audit sampling approach, the audit team selected the sample based on unusual or unexpected transactions such as:

- Employees who moved more than once in the last three fiscal years;
- Initial appointment or employee-requested relocations above the limit of \$5,000;
- The top 10 relocation expenditures; and
- Other unusual criteria to be determined through the analysis of the available data.

6.2 Previous Audits

Past CSC internal audits and external assurance work were used to assist in scoping the audit work.

Previous CSC Audits

CSC's Internal Audit Sector (IAS) has undertaken earlier financial audits on aspects which are relevant to the current audit on the relocation of staff. Specifically, IAS conducted the Audit of Travel and Hospitality (2011), Continuous Audit of the Implementation of Internal Controls over Financial Reporting - Salaries (September 2012), the Audit of Non-Regular Pay Processes (March 2014) and the Audit of Overtime (July 2014). Common findings in these audits, which were identified in the risk assessment for this audit, included a need for:

- Better supervision and monitoring of transactions;
- Better segregation of duties; and
- A better specimen signature card process to validate the Section 34 authority.

Office of the Auditor General

OAG - Chapter 4 — Providing Relocation Services (2014):

In 2014, the Office of the Auditor General published a chapter related to providing relocation services. This audit examined whether the Canadian Armed Forces and the Royal Canadian Mounted Police (RCMP) had fulfilled their responsibilities in managing selected requirements of the 2009 Integrated Relocation Program contract in accordance with the relevant government authorities and terms and conditions of the contract. Specifically, the audit focused on whether the RCMP and the Canadian Armed Forces each had in place financial and administrative controls to verify that payments to the contractor were being made in accordance with Section 34 of the FAA and with their own internal policies. It was found that while the RCMP had implemented financial and administrative controls on relocation transactions, the process implemented by the Canadian Armed Forces did not provide enough assurance that the payments were made in accordance with the contract and the related policies. It was recommended that RCMP should periodically review the design and implementation of its national standard procedures to validate them and to ensure that they are applied consistently across the country. For the Canadian Armed Forces, it was recommended that processes be improved to ensure that payments made under the Canadian Forces Integrated Relocation Program were appropriate and met all the requirements of Section 34 of the *Financial Administration Act (FAA)*.

6.3 Statement of Conformance

In my professional judgment as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the area examined.

The audit conforms to the Internal Auditing Standards for Government of Canada, as supported by the results of the quality assurance and improvement program. The evidence gathered was sufficient to provide senior management with proof of the opinion derived from the internal audit.

Sylvie Soucy, CAE
Chief Audit Executive

Date: _____

Annex A: Audit Criteria

The following table outlines the audit criteria developed to meet the stated audit objective and audit scope:

Objective	Audit Criteria	Met/Met with Exceptions/ Partially Met/ Not Met
<p>1. Assess the adequacy of CSC's management framework related to the relocation of staff.</p>	<p>1.1 - Policy Framework</p> <p>There is a process in place to manage relocation in accordance with TB policies, and the NJC Directive on Relocation</p>	Partially Met
	<p>1.2 - Roles and Responsibilities</p> <p>Roles and Responsibilities are clearly defined and documented for both employee who is relocating and for the individuals responsible for managing the relocation process.</p>	Partially Met
	<p>1.3 - Monitoring and Reporting</p> <p>1.3.1 - Staff managing relocation within CSC ensure that relocation expenses are justified, monitor individual files, ensure that an overall reconciliation of expenses is taking place, and that there is regular oversight of the overall departmental relocation process.</p> <p>1.3.2 - Issues are identified and reported and corrective measures are taken when required.</p>	Not Met
<p>2. Assess the adequacy and effectiveness of internal controls related to relocation expenditures.</p>	<p>2.1 - Occurrence</p> <p>Relocation expense transactions are pre-authorized, classified as the correct type of move, recorded in the financial system in a timely manner and represent events that actually occurred during the audited period related to the transactions processed by the Service Provider.</p>	Met
	<p>2.2 - Accuracy</p> <p>All relocation transactions are recorded at their appropriate amounts for the right person in the right period.</p>	Met

	2.3 - Completeness All relocation transactions that occurred during the audited period are authorized and recorded.	Partially Met
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Annex B: Site Selection

Region	Sites
Atlantic	Regional Headquarters
Quebec	Regional Headquarters
Ontario	Regional Headquarters
Prairies	Regional Headquarters
Pacific	Regional Headquarters
NHQ	Comptroller Section