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Chief Review Services Chef - Service d'examen

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Follow-up on Audit of Travel, Hospitality and Conferences

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Caveat

The result of this work does not constitute an audit of Travel, Hospitality and Conferences. Rather, this report was prepared to provide reasonable assurance that the Management Action Plans (MAP), documented in the Audit and Evaluation Recommendation Management System (AERMS), were implemented as stated and as such have addressed the recommendations of the March 2005 Audit of Travel, Hospitality and Conferences.



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Acronyms and Abbreviations

ADM(Fin CS)	Assistant Deputy Minister (Finance and Corporate Services)
ADM(Mat)	Assistant Deputy Minister (Materiel)
AERMS	Audit and Evaluation Recommendation Management System
CAB	Contract Advisory Bulletin
CCMC	Contract Compliance and Monitoring Cell
CFSU(O)	Canadian Forces Support Unit Ottawa
CRS	Chief Review Services
DC Pol	Director Contracting Policy
DND	Department of National Defence
DFPP	Director Financial Policy and Procedures
DGCSS	Director General Corporate and Shared Services
DMGPI	Director Materiel Group Program Integrity
DMPP	Director Military Policy and Procedures
FMAS	Financial Managerial Accounting System
GL	General Ledger
GoC	Government of Canada
L1	Level One
MAP	Management Action Plan
OPI	Office of Primary Interest
PAA	Program Activity Architecture
PPV	Post-Payment Verification
PWGSC	Public Works and Government Services Canada
RC	Resource Centre
STSI	Shared Travel Services Initiative
TB	Treasury Board
TBS	Treasury Board Secretariat
VCDS	Vice Chief of the Defence Staff



Introduction

In March 2005, Chief Review Services (CRS) completed an audit of Travel, Hospitality and Conferences. The objective of the 2005 audit was to provide assurance that expenditures on travel, hospitality and conferences were appropriate, reasonable, compliant and adequately monitored.

The 2005 audit found that the total expenditure in the area of travel, hospitality and conferences was significant, yet essential management information such as the aggregate number of trips taken, the total time spent in travel status, the administration costs, and the purpose or rationale for travel was not available. This lack of information limited management's ability to forecast costs, assess risks, define and monitor business norms or to quantify the potential savings through exploiting alternatives to travel.

The 2005 audit also concluded that, while payments for travel, hospitality and conferences were, for the most part, accurate and in agreement with entitlements, there was considerable room for improvement in the documentation, authorization and certification of payments. Monitoring through post payment statistical sampling and "Smart Controls," such as exception reporting and performance measurement, was deemed critical to ensuring the compliant and prudent use of funds.

Consequently, improving and enhancing management information was a principal recommendation and as per AERMS; six recommendations were put forward that focused on the adequacy of related management information, internal controls, performance measurement and risk management (see [Annex A](#)).

To address these recommendations, the Vice Chief of the Defence Staff (VCDS) in conjunction with the Assistant Deputy Minister (Finance and Corporate Services) (ADM(Fin CS)) and the Assistant Deputy Minister (Materiel) (ADM(Mat)) developed a set of MAPs to address the audit findings specific to their areas of responsibility.

Methodology

This is not an audit of the same issues entertained in the 2005 audit of travel, hospitality and conferences. Rather, CRS undertook this follow-up to assess and provide reasonable audit assurance that the resultant MAPs and their Management Status Reports, were implemented as stated and as such have addressed the audit findings.

The following methods were used to assess the progress:

- Mapped and analyzed all updates reported in the CRS AERMS;
- Conducted interviews with the Office of Primary Interest (OPI) as identified in the recommendations and MAPs; and
- Collected, analyzed and examined key documentation required to support management's closing status reports.

Overall Assessment

The follow-up on the 2005 audit identified that progress has been made in some areas. For example, a process has been implemented for the post-payment verification (PPV) of travel claims in the National Capital Region, travel general ledger (GL) accounts have been updated to collect more consistent information, and FAM Chapter 1017-1: Hospitality Inside Canada (2008) has been released.

Notwithstanding, and as detailed in [Annex A](#), opportunities for improvement remain. While Claims-X has been enhanced by moving to a web-based version, there is only limited monitoring and reporting of the travel data collected. Management reports have yet to be developed for trend analysis and exception reporting purposes. Further benefits could be realized from the implemented PPV process by consolidating and analyzing the results for training and risk analysis purposes. In addition, further steps could be taken to determine if appropriate contracting is occurring in these areas and if there are more efficient approaches to conference planning.

At the time of the follow-up, there were six MAPs designated as completed in AERMS. Upon examination it was determined that two MAPs were closed as per their status reports, one MAP could not be validated due to an absence of verifiable evidence and the implementation of three MAPs was determined as incomplete. However, as indicated by the ADM(Fin CS) OPI, further investment in legacy systems and processes may not be cost effective at this time, given the uncertainty with respect to the eventual impact on the Department of Government-wide initiatives to streamline administrative services. As such, the associated recommendations will be closed and further audits of these areas will occur in the future if warranted.



Annex A—Summary of Management Action Plan Status

Recommendation 1

ADM(Fin CS), in concert with other L1s, must define information requirements. As a minimum, information on purpose, number of trips, and time in travel status should be collected. The appropriate repository for the information should be determined, and links between information clearly defined. This will necessitate redefining FMAS GL codes, and providing direction to ensure the revised codes are used consistently.

Management Action Plan

The need for comprehensive travel information is recognized. The Department is presently engaged in analyzing whether these information needs, and the delivery of travel services, should be met by improving, and integrating current departmental systems, or by joining the STSI.

As well, the realignment of reporting criteria in accordance with the TB Program Activity Architecture (PAA), and initiatives to formalize financial information and system requirements through the Expenditure management system, or business warehousing will have impacts.

The appropriate repository for travel information has not yet been determined, but will be dependent on senior management's identified information needs, as well as security and privacy issues governing the use of the information.

An ongoing DFPP initiative to review and revise the present GL structure should ensure that pertinent, useful management information is captured.

OPI Status Report – 2008-11-03

GLs for hospitality were updated upon issuance of the revised policy on Hospitality inside Canada (issued in March 2008).

The roll-out of Claims-X Web has greatly enhanced the department's ability to obtain management reports through which better management of the corporate travel activity is now possible.

The limited implementation of STSI tools is ensuring that the DND data is being used by PWGSC to leverage better deals for the GoC with travel service providers.

Assessment of Progress

Evidence was provided / gathered demonstrating that GLs for hospitality were updated upon issuance of the revised policy on Hospitality inside Canada (issued in March 2008).

While the enhanced Claims-X appears to capture the basic information requirements identified in the 2005 audit, there is significant opportunity to improve the management, monitoring and reporting of the data collected.

- Claims-X is a repository system and is not primarily designed as a reporting tool. There is limited to no roll-up reporting capability or activity and therefore limited assurance of management oversight or assurance that local levels are producing reports in order to monitor and mitigate issues or concerns. There is limited audit assurance that information is amalgamated, compiled, managed, monitored or sustained at a regional and national level.

Management Action Plan Status

The OPI has indicated that sufficient information is available to meet their requirements, and that no further action is required. While CRS's assessment is that implementation of the original action plan is incomplete, subsequent consideration was given to the OPI's assessment that further investment in the Claims-X system may not be cost-effective. Consequently, the recommendation will be closed.

Recommendation 2

DFPP should provide improved guidance on what constitutes hospitality, in particular, in which situations meals and refreshments provided to employees require this authorization.

Management Action Plan

DFPP has drafted multiple hospitality policies but is currently awaiting direction from the TBS as an interdepartmental working group has been established to address this issue, and update present policy. DFPP will be updating its web page to provide a dedicated site for hospitality. The site will clearly define the policy and provide examples to RC managers.

OPI Status Report – 2008-11-03

FAM Chapter 1016-, Hospitality Inside Canada has been issued and provides clear and concise policy on hospitality and related delegated authorities.

Assessment of Progress

Recommendation 2 has been addressed as per the documented management status report.

- FAM Chapter 1017-1: Hospitality Inside Canada was issued 3 March 2008.

Process, procedures are in place, and updates are being written and communicated based on changes in Travel, Hospitality and Conferences policy provided by Treasury Board 2010/2011.

Management Action Plan Status

Complete.

Recommendation 3

CFSU(O) should complete post payment verification of Claims-X processed claims, to ensure compliance, and to facilitate challenging any non-prudent expenditures. The extent of statistical sampling should be commensurate with the risk.

Management Action Plan

Statistical sampling of Claims-X claims in the NCR will commence by 1 February 2005. It is anticipated that this action will not only improve compliance but also increase our clients' awareness of the applicable policies through improved communications.

OPI Status Report – 2008-11-03

This action item became an activity that will be performed by one Sergeant on a full-time basis. No further comments in regards of this Action Plan is required.

Assessment of Progress

The action identified in the Status Report was implemented in 2006, and has addressed the original recommendation. However, there is limited evidence that it has achieved the MAP objective to “improve compliance but also increase our clients' awareness of the applicable policies through improved communications”.

Additional benefits could be realized as follows:

- Define more clearly the authorities, and roles and responsibilities related to monitoring;
- Develop performance indicators/metrics to assess compliance;
- Document a realistic, risk-based statistical sampling strategy (current goal of auditing the subunits once quarterly is not possible nor is the goal of auditing 10 percent of claims with one person (2008 only achieved 2.39 percent of claims); and
- Develop mechanisms for managing, monitoring and reporting findings/key issues, including trending results and assuring that monies identified for recovery or payment are in fact recovered or paid.



Management Action Plan Status

Complete, but opportunities for improvement remain.

Recommendation 4

DC Pol should ensure personnel are aware of contracting policy and requirements as they relate to bulk booking of hotels, stays of more than 30 days, and arrangements for conferences and hospitality. Some monitoring should be conducted to ensure compliance.

Management Action Plan

During 2004, ADM(Mat) stood up the DC Pol Compliance and Monitoring Cell. In addition, commitment accounting, linked to contract numbers, became mandatory. As a result the Department is now in a better position to capture invoice payments that do not have valid contracts, and to review contract reports and confirming orders associated with contracting for hotel and conference facilities. These review efforts are on-going. Also, in response to the issues identified, the DC Pol website was updated to include guidance on both facilities contracting and the associated hospitality. Directorate presentation and awareness sessions were updated to provide increased emphasis on the exercise of this contract authority.

OPI Status Report – December 2007

The Contract Compliance and Monitoring Cell (CCMC) is now established and functioning. In addition, commitment accounting, linked to contract numbers, became mandatory and better positions the Department to capture invoice payments that do not have valid contracts, and review contract reports and confirming orders associated with contracting for hotel and conference facilities. The website was updated to include guidance on both facilities contracting and the associated hospitality. Presentation and awareness sessions were updated to provide increased emphasis on the exercise of this contract authority. Contract Compliance Reviews are now being initiated based on risk drivers, which include those identified as part of this recommendation.

Assessment of Progress

Although ADM(Mat) has taken some steps to increase awareness—through its roll-out of a generic website and the creation of a general presentation deck on contracting within DND—and to monitor compliance through the CCMC, there is only limited evidence to support their effectiveness in facilitating contracting for conferences and hospitality and in minimizing the departmental contracting liabilities.

- The CCMC was established in May 2007 but its mandate was unclear and it was challenged by frequent reorganizations due to changing priorities.
- No specific contract compliance reviews centered on hospitality or conferences have been completed by the CCMC since its creation.



- A website exists but it contains limited, dated information related to the requirements for hotel and conference facilities. Communication, awareness and navigation of the site is not user friendly. Limited information on contracting for hotel and conference facilities is imbedded in the DMPP 4 website but is not easily or intuitively found (hyperlinks not updated).
- Physical presentations and awareness sessions were made upon client request (25 were documented from 2007 to April 2011). Further hardcopies of the presentation were also made available upon client request only. Only limited assurance could be provided that information on hospitality and conferences was specifically included.

Management Action Plan Status

While the action plan has been partially implemented, further opportunities for improvement remain. Notwithstanding, the recommendation will be closed, and further audit of this area completed in the future, if warranted.

Recommendation 5

DC Pol should develop tools, including standing offers and supply arrangements, to facilitate contracting for conferences and hospitality.

Management Action Plan

DC Pol is in the process of reviewing requirements for hotel and conference facilities. Where volume warrants, DC Pol will facilitate in the establishment of appropriate contracting vehicles. The potential establishment of a corporate service for conferences would benefit this effort by providing metrics useful to the implementation of appropriate contract vehicles. In the interim, a new Articles of Agreement for Hotel and Conferences has been developed and implemented. The new document addresses the unique aspects of this type of contracting and serves to minimize Departmental contracting liabilities.

OPI Status Report – 2008-11-03

DMGPI website is under construction, and when completed, will include specific direction on contracting conferences and associated hospitality. Awareness sessions make specific reference to this type of contract activity. In addition, PWGSC has established a National Standing Offer for these types of services.

Assessment of Progress

Although ADM(Mat) has taken steps to provide improved contracting guidance and direction—through its roll-out of a generic website and the creation of a general presentation deck on contracting within DND—there is little evidence to support the organization's effectiveness in facilitating contracting for conferences and hospitality and in minimizing the departmental contracting liabilities.

- Contract Advisory Bulletin (CAB) number 7 “Contracting for Hotels and Facilities” was not issued.
- Navigation of the website is not user-friendly—limited information on contracting for hotel and conference facilities is imbedded in the DMPP 4 website but is not easily or intuitively found (hyperlinks not updated).
- Limited assurance could be provided that information on hospitality and conferences was included in either Procurement and Contracting courses or in client-requested physical or hardcopy presentations.

Management Action Plan Status

While the action plan has been partially implemented, further opportunities for improvement remain. Notwithstanding, the recommendation will be closed, and further audit of this area completed in the future, if warranted.

Recommendation 6

ADM(Fin CS) should consider offering a corporate service to assist in arranging conferences and symposiums.

Management Action Plan

DGCSS will investigate offering this service and will prepare a brief report on the feasibility and what should be involved.

OPI Status Report

A report dated 25 April 2006 has been prepared with options for going forward identified.

Assessment of Progress

Supporting evidence was not available to determine whether the audit recommendation and its MAP have been adequately addressed.

- The OPI was unable to provide documentation of the DGCSS investigation, the 25 April 2006 report, or minutes regarding decisions with regards to the way ahead.

Management Action Plan Status

CRS was unable to assess progress on this management action plan, during the meeting of the Audit Committee it was agreed, however, that the recommendation would be closed.