

## Chapter 4

Ministry of Government Services

### Section 4.12

# Travel and Other Related Expenditures

Follow-up to VFM Section 3.12, *2004 Annual Report*

## Background

The Ministry of Government Services—at the time of our audit named Management Board Secretariat (MBS)—is responsible for developing corporate policies on travel and other related expenditures. It is also responsible for negotiating and managing corporate contracts for travel agency and charge card services, as well as providing assistance to ministries in developing and administering employee expense procedures and practices. Individual ministries are responsible for ensuring that corporate policies are being complied with by all ministry staff. Information provided by ministries indicates that for the 2005/06 fiscal year, the government processed about 500,000 travel and other related claims (400,000 in 2002/03) and directly billed invoices and expended about \$121 million on travel and other related expenditures (about \$117 million in 2002/03—the four ministries we audited accounted for over 50% of this amount).

In our *2004 Annual Report*, we found that the vast majority of travel and other related transactions audited were in accordance with established policies and procedures. However, we did note a number of exceptions in all the ministries we audited. There were numerous instances where claims submit-

ted by employees were approved and paid even though these claims had either no support or inadequate support, including a number of examples of excessive expenditures. We found instances of extravagant meals and luxury car rentals and accommodations. As a result, we concluded that there is a need for more diligent and consistent processes for verifying and approving claims: otherwise, any transgressions in claims submitted by employees would likely not be detected.

We also noted that the Ministry did not obtain all information needed from travel service providers—such as the corporate-travel charge-card provider and the corporate travel agency—to assist it in better managing travel and other related expenditures government-wide. In addition, the terms for earning rebates from the corporate-travel charge card provider were not realistically achievable.

We made one comprehensive recommendation addressing a number of areas and received a commitment from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

According to information from the Ministry of Government Services, substantial action has been taken to address our concerns. However, until the planned compliance audits have been completed, ministries cannot be fully assured that the improved control environment is working as intended. The current status of action taken on our recommendation is as follows.

### Overall Recommendation

*To ensure that inappropriate expense claims, although relatively infrequent, are detected, Management Board Secretariat (MBS) should work with ministries to ensure expense claims—whether paper or electronically filed—have the required supporting documentation and an adequate level of review. This will be particularly important with the planned adoption of an electronic claims processing system in all ministries early in the 2005/06 fiscal year. To this end, MBS should establish, in conjunction with the ministries, a cost-effective process that provides assurance that ministries are complying with the Travel Management and General Expenses Directive. This process could include:*

- *adopting a government-wide policy, perhaps based on a dollar limit or type of claim, where supporting documentation must be submitted to the individual approving any claims filed electronically;*
- *conducting an annual government-wide review, perhaps by the Internal Audit Division, of a sample of expense claims and centrally billed accounts paid during the year to ensure they are supported by receipts and other required documentation; and*
- *communicating clearly to employees the consequences of not following established procedures*

*and, where exceptions are found, holding the responsible employee accountable.*

*To better ensure that the costs of travel and other related expenditures are practical and economical and that processes are in place across all government ministries for the fair and consistent treatment of all government employees who are required to travel, MBS should:*

- *require that ministries obtain Management Board of Cabinet's approval for any significant departures from the Directive that ministries make;*
- *in consultation with the ministries, identify and establish common government-wide guidelines for: employee recognition functions; travel-related, long-distance, computer dial-up charges; the issuance and cancellation of employees' corporate-travel charge cards; and the education of corporate-travel charge cardholders on the appropriate use of the travel card;*
- *evaluate the benefits of establishing maximum reimbursement amounts for government employees who choose to use their personal vehicles on government business;*
- *identify the travel information that would help ministries better manage their travel functions and work with the corporate travel agency and corporate-travel charge card provider to obtain this information;*
- *in the next competitive process for a corporate card provider, obtain competitive rebates that are based on a reasonable level of travel card spending and reconsider current requirements for deliverables on the travel card and gather information on the cost and benefits of alternative criteria and deliverables; and*
- *better monitor that the corporate travel agency is meeting its commitment to provide the most economical travel arrangements.*

### Current Status

The Ministry of Government Services provided the ministries that were covered by the audit with details of specific infractions noted during the audit. At the time of our follow-up, the Ministry had received confirmation that these infractions had been appropriately addressed, that disciplinary action had been taken as required, and that ministries had reviewed their controls.

The first half of our recommendation dealt with expense claims—their supporting documentation and their review—and compliance with the *Travel Management and General Expenses Directive*. In 2004, a new *Travel, Meal and Hospitality Expenses Directive*, approved by Management Board of Cabinet, was issued.

With respect to supporting documentation for expense claims, the new directive requires that receipts be submitted with all claims unless explicitly exempted. Managers must ensure that appropriate record retention arrangements are in place for claims documentation.

With respect to reviewing expense claims and centrally billed accounts (including reviews by Ontario Internal Audit) to ensure that they are supported by receipts and other required documentation, the Ministry informed us of the following:

- To provide assurance that the necessary steps had been taken to address the issues identified in our *2004 Annual Report*, Ontario Internal Audit, at the Ministry's request, has been conducting reviews of the effectiveness of the Ministry of Government Services' corporate-travel charge card controls and processes as part of its 2006/07 Audit Plan.
- The new directive places responsibility on managers and employees to ensure compliance with the directive. Managers are further obligated to conduct spot checks, or compliance audits, as part of regular compliance monitoring. The Ministry has consulted with the majority of ministry controllers on the

status of such compliance audits. Although audits on the *Travel, Meal and Hospitality Expenses Directive* were not conducted during the 2005/06 fiscal year, ministries had been conducting audits on travel expenses based on the requirements of the previous travel directive. The Ministry stated that it would work with Ontario Internal Audit to identify the appropriate level of compliance audits that ministries need to perform.

- As of March 2006, all ministries are using iExpenses, the government's new electronic expense-management system. Over 35,000 employees are registered on the system. The use of iExpenses is mandatory for all employees who have access to the province's employee intranet (MyOPS). We were advised by the Ministry that improvements introduced by iExpenses include the retention of electronic records of expense submissions and approvals for managerial and audit review. As well, a new hard-copy form has been implemented for employees who are unable to access iExpenses.

With respect to communicating to employees regarding compliance and accountability, the Ministry informed us that, following the launch of the new directive, it conducted classroom and computer-based training for managers and employees. MyOPS contains an on-line tutorial for staff, current directives, fact sheets, and related supplementary information to assist managers and staff in meeting their obligations with respect to the directive. Monitoring to ensure that the control requirements of the corporate-travel charge card are met is to be achieved through the controllership function within each ministry. Staff at ministry controllership offices have access to the corporate-travel charge card provider's on-line reporting system and have all attended workshops relating to control requirements.

The second half of our recommendation dealt with ensuring that travel and other related

expenses incurred are practical and economical and that processes are in place for the fair and consistent treatment of employees required to travel.

With respect to departures from the directive, the Ministry informed us that all ministries and classified agencies must obtain approval from the Management Board of Cabinet to be exempted from all or part of the directive. At the time of our follow-up, we were advised that no exemption requests had yet been considered by the Management Board of Cabinet.

With respect to the need for guidelines in areas such as gifts, travel-related expenses, and the issuance, use, and cancellation of travel cards, the Ministry informed us, first, that an Employee Recognition Policy for the Ontario Public Service has been approved. Also, the Ministry indicated that the new directive includes guidelines governing:

- gifts of appreciation—token gifts of appreciation, valued at up to \$30, may be extended to persons who are not attached to government in exchange for *pro bono* services; and gifts valued above \$30 must be approved by an immediate supervisor; and
- several types of business expenses—employees should use the least expensive means available when incurring long-distance charges, computer-access charges, and other incidental expenses.

In addition, a new travel-card program was launched in November 2005 that includes new guidelines approved by the Office of the Provincial Controller. All travel cards have a maximum limit that is determined by the approving manager. As part of the rollout of the new card, a comprehensive communication program was undertaken. Also, MyOPS contains new travel-card information that includes a fact sheet, guidelines, an on-line train-

ing module, and supplementary information on the obligations of management and cardholders. In November 2005, approximately 4,000 travel cards (20% of existing cards) were cancelled due to little or no regular usage.

With respect to mileage reimbursement to staff using a personal vehicle for business travel, the Ministry informed us that reimbursement rates have been increased. As was the case with the old directive, the new directive sets per-kilometre reimbursement rates that decrease as total annual accumulated mileage increases. The directive also requires that managers investigate lowest-cost options where an employee travels more than 200 km in one day or 1,600 km annually. The Ministry reviewed and revised rates in 2006.

With respect to obtaining information to assist in the management of the travel function, the Ministry informed us that it will be introducing on-line travel-booking functionality for all employees. This should enable employees to compare costs and options from their desktop at the time of booking.

With respect to obtaining competitive rebates in the next competitive process for a corporate card provider, the Ministry informed us that the new travel-card contract, effective from April 2004 to April 2008, contains an enhanced rebate program that is based on annual aggregated expenditure volumes and the speed of payment by ministries and cardholders.

Finally, with respect to monitoring the corporate travel agency, the Ministry informed us that the current travel-agency agreement allows for audits to ensure that the agency is meeting its obligation to provide the lowest fares at the time of booking. The Ministry was to initiate its first audit of the travel agency in 2006.