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of British Columbia

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**Ministry of Finance
and Corporate Relations**

Performance Audit

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auditor general's comments



This report, my seventh to the Legislative Assembly for the 1996/97 year, contains the results of my office's audit of travel management in the British Columbia government.

The government spends a significant amount every year on travel. In 1995, it spent \$73 million on reimbursable travel expenses. This amount does not include the cost of employees' time spent traveling and the cost of administering travel.

Travel is necessary to deliver government programs such as fire suppression, building and maintenance of highways, inspections, delivery of health care, social work, as well as other government services. Government employees also travel to meetings, conferences and to attend training courses. It is therefore important that government manage travel well to ensure that value for money is achieved for travel expenditures incurred. This includes providing employees with clear direction and guidance on when and how travel should be undertaken and the most cost effective way to do it.

In our audit we assessed whether travel in the British Columbia government is managed with due regard for economy and efficiency. We were pleased to find that government is concerned with controlling its travel expenditures and in finding ways of generating savings. In 1995 it carried out a review that focused on finding ways to contain travel costs while maintaining adequate government service levels. The resulting report was presented to Treasury Board in March 1996. It contained a number of recommendations which, if implemented, are anticipated to generate substantial savings in future years.

In our audit we concluded that government could make substantial savings on its travel expenditures by improving the way it manages travel. By centrally monitoring how travel dollars are spent and reviewing the extent to which policies are effective, the government can maximize purchasing power and make other changes to make travel more cost effective.

I wish to thank the staff and executive of the Ministry of Finance and Corporate Relations and other government personnel for their assistance and cooperation throughout the audit.

*George L. Morfitt, FCA
Auditor General*

*Victoria, British Columbia
April 1997*



highlights

management of travel

An audit of how travel is managed in the British Columbia government

Audit Purpose and Scope

The purpose of this audit was to assess whether travel in the British Columbia government is managed with due regard for economy and efficiency. The audit examined:

- the direction provided by government to its employees to ensure economic and efficient travel practices;
- travel arrangement mechanisms available to staff, including how to make travel choices and alternatives to travel;
- the reasonableness of rates used to reimburse staff;
- methods used to pay for travel and reimburse staff for expenses incurred;
- management initiatives to promote economy and efficiency; and
- the adequacy and usefulness of information collected by management to be able to effectively manage travel costs.

We carried out our review between April and July 1996, and considered current and emerging technologies in the travel industry, as well as the government's initiatives to incorporate those technologies into its current processes.

We focused our review on government ministries and central agencies and excluded Crown corporations and other government-funded agencies such as hospitals and school districts. The audit did not include an examination of employee claims for reimbursement of travel expenses to determine whether travelers are in compliance with current policies or to detect fraud and abuse, nor did it include the use or management of the government's vehicle fleet.

Our examination was performed in accordance with value-for-money auditing standards recommended by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Overall Conclusion

We concluded that government could make substantial savings on its travel expenditures by improving the way it manages travel. Management of travel is currently ineffective because ministries, central agencies, and Treasury Board do not have the information to allow them to make informed travel policy decisions and later measure their effects. For example, the government has not pursued consolidating purchasing power for air travel, a potential source for savings, partly because current systems do not provide the information, such as the amount of government business done with particular suppliers, needed to negotiate good rates.

The direction on travel spending that is provided to employees and their supervisors is not coordinated between ministries and central agencies and provides little guidance on how to make cost-effective travel choices. There is no central monitoring of how travel dollars are spent and the extent to which policies are effective. As a result, it is difficult for government to maximize purchasing power.

The government is successfully controlling the amount spent on certain aspects of travel. For example, it has established daily rates for meals and negotiated favorable rates for rental cars and hotels. It has also set up a corporate travel card system that provides administrative savings on cash advances; however, the savings are not being fully realized because the majority of employees do not use the card. Ministries have been provided with economic alternatives to travel, such as videoconferencing which is being used by some ministries and central agencies. The government-wide freeze on travel has significantly increased its use. Government is aware that streamlining of procedures and use of automation also offer potential savings in administration costs, but progress in this area has been slow.

Key Findings

The Ministry of Finance and Corporate Relations carried out a comprehensive review of government travel in 1995 to identify areas for future savings

As a result of travel budgets having been exceeded in the three preceding years, Treasury Board in 1995 directed the Ministry of Finance and Corporate Relations to review government travel management policy and practices with a view to determining how expenditures could be reduced. The results of the review were reported to Treasury Board in March 1996. The report made a number of recommendations which, if

implemented, are anticipated to result in annual savings of at least \$5 million. The recommendations were under consideration by the government at the time of our audit.

Lack of information hampers government's ability to manage travel

Constrained resources within government have provided the incentive to look for cost savings in all areas, including travel. There is widespread awareness within ministries and central agencies that travel could be better managed, but the lack of information on why people travel, how they do it, and at what cost, hampers both individual and government-wide efforts to make improvements.

One of the major areas for potential savings is in the consolidation of purchasing power. However, to be successful in negotiating good rates with suppliers, the government needs to be able to identify the expected amount of business it will bring to the supplier. Current systems cannot accurately supply this type of detailed information. An example where substantial savings could be made is on air travel, by negotiating favorable rates on airfare. Three years' experience in one ministry indicates that there are opportunities for savings by contracting for air travel with a travel agency.

Direction to travelers is provided through multiple sources, is not easily accessible and is often incomplete

The responsibility for developing and implementing government travel policies and procedures is shared by several central agencies as well as individual ministries. The policies and procedures contained in central agency manuals, union agreements, ministry manuals, and reference brochures specify the amounts employees are allowed to claim for reimbursement and describe the steps that employees have to follow when arranging travel and claiming reimbursement. The amount of information and its distribution varies significantly from ministry to ministry. Because of this piecemeal approach to development and implementation, policies and procedures are not always easily accessible to the traveler and to those approving travel. Without assigned central responsibility for monitoring how travel dollars are spent in government and reviewing the extent to which policies are effective, it will remain difficult for government to know whether purchasing power is being maximized, and whether policies are accomplishing what they intended.

Guidance on what is expected of employees as they make travel decisions is also limited and poorly communicated.

Travel decisions and claims currently are based on reimbursement entitlements rather than on making choices that provide the best value for money.

The government has been successful in obtaining favorable rates for accommodation and rental cars

The government has negotiated favorable rates for hotel accommodation and vehicle rental, and restricts employees from claiming amounts in excess of those approved except in unusual circumstances.

The reimbursement rates for the use of personal vehicles and meal allowances warrant review to ensure they are reasonable

Current travel policies identify the amount employees are allowed to claim for use of personal vehicles and meals. Rates for union employees—applicable to the majority of government employees—are negotiated through the collective bargaining process, rather than being based on actual costs and a defined level of service. As a result, the government may not be reimbursing employees for reasonable costs at the desired service level.

A strategic approach to reducing travel administration costs has not been developed, although cost-saving initiatives are being explored

The Province is aware that streamlined procedures and automation have the potential for improving control and reducing the cost of travel administration, but it has progressed slowly in this area. One initiative to reduce the cost of providing travel advances and obtain information on government travel has been the voluntary use of a corporate travel card. However, it has not gained wide acceptance among travelers, though the recent change to joint liability and efforts to publicize the advantages of the card may increase its use. Electronic travel vouchers, electronic fund transfers, and record-keeping by designated travel agencies are other initiatives being piloted within some ministries, but a strategic approach to reducing the administration costs associated with these throughout government has not been developed.

To reduce costs, government is starting to consider alternatives to travel

One way of achieving travel savings is to reduce the need to travel by providing alternatives designed to accomplish the same objectives at reduced costs. Efforts to promote alternatives, such as videoconferencing, are underway and funds and opportunities have been made available to ministries for this purpose.

While some ministries are making significant use of this new technology, others have yet to try it. The government has set up a videoconferencing task force to review and promote the use of videoconferencing throughout government. However, the lack of information being given to employees and supervisors about the availability and applications of videoconferencing has limited its use.



summary of recommendations

1. *Government should review the recommendations contained in the recent Ministry of Finance and Corporate Relations' report to Treasury Board on government travel, and take the necessary steps to reduce travel expenditures.*
2. *The government should develop both short-term and long-term strategies for collecting information to manage travel. Short-term strategies include better use of existing systems such as those available through the corporate travel card contract. Long-term strategies include decisions on developing travel components in the government-wide Corporate Accounting System or better using information systems offered by travel service providers .*
3. *The government should consolidate travel policies in one document and ensure they are available to all who travel or approve travel. In addition, a pocket version of the policies should be developed for easy reference by employees.*
4. *The government should monitor how travel dollars are spent and through strategic planning, policy development, and evaluation ensure that value for money is maximized and travel policies are accomplishing what is intended.*
5. *The government should ensure communications to employees include specific guidelines and examples which demonstrate its philosophy that employees should use the most cost-effective method when making travel choices.*
6. *The government should proceed with one or more of the airfare savings options identified in the 1994 study prepared for Cabinet, as a means of reducing the cost of air travel, and continue to monitor the industry for new opportunities for savings.*
7. *The government should periodically obtain information on meal costs for the most frequently traveled locations in the Province, based on a level of service which it has defined, and compare the results to the reimbursement rates to ensure they are reasonable.*

8. *The government should consider the recommendation of the 1995 Government Travel Review to remove rates as a bargaining item in the union agreements and review the meal and incidental rates to determine whether multiple reimbursement rates are appropriate. It should also review the kilometric reimbursement rate to ensure that it is based on actual costs.*
9. *The government should continue to promote the use of its corporate travel card.*
10. *The government should review the cost/benefit of automating travel related systems and take a comprehensive and integrated approach to the streamlining of expense processing, reimbursement, payment to suppliers, and information management of the travel function. This approach should provide direction and support to ministries currently attempting to carry out these initiatives on their own.*
11. *As recommended in the 1995 Government Travel Review, the government should develop a government-wide policy on videoconferencing and continue to promote its use across government.*



detailed report



introduction

How Travel Dollars are Spent

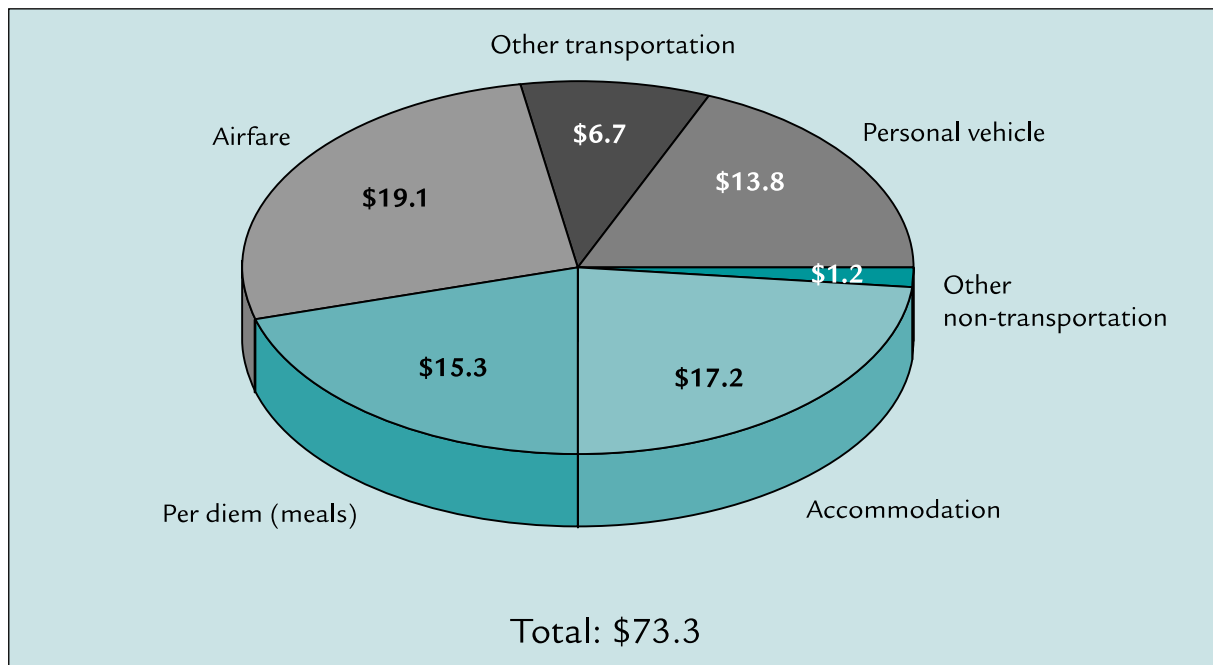
The government spends a significant amount on travel. In 1995, \$73 million was spent on reimbursable travel expenses, excluding the time spent by government employees traveling and the cost of administering that travel. The ministries of Health, Transportation and Highways, Human Resources (formerly Social Services), and Forests account for about half of this travel. Activities such as forest fire suppression, building and maintenance of highways, inspections, and delivery of health and social work services require that travel take place. Government employees travel to meet the public in their homes, communities, and places of work. They also travel to meetings, and to conferences and training.

Reimbursable travel expenses include those for transportation, accommodation and meals. Transportation—by air, personal vehicle and other methods including rental vehicle—makes up over half of the costs for the year ending March 31, 1995 (Exhibit 1).

Exhibit 1

Distribution of Estimated Travel Expenditures for the Year Ended March 31, 1995

(\$ in Millions)



Source: Ministry of Finance and Corporate Relations 1995 Government Travel Review

Responsibility for travel is shared by a number of groups. The Financial Administration Act assigns responsibility for providing direction to Treasury Board and the Minister of Finance and Corporate Relations. Development of specific policies has been delegated to Treasury Board staff, the Office of the Comptroller General and the Public Service Employee Relations Commission. The resulting policies are documented in several government-wide policy manuals. As well, the ministries have summarized some of these policies into travel sections in their own administrative manuals and many have also developed a quick-reference pamphlet.

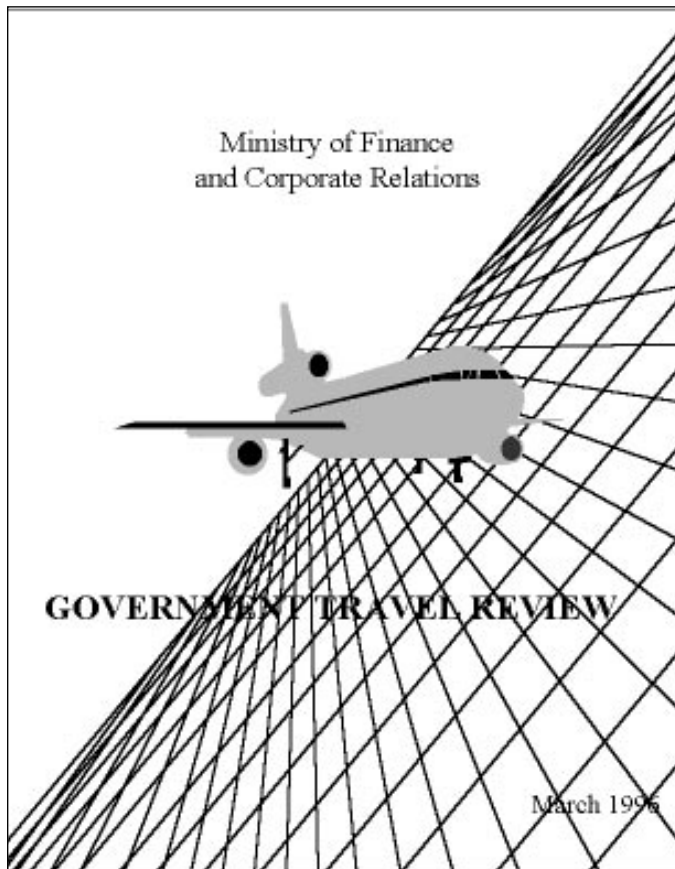
The Purchasing Commission's Travel Smart group, located in the Ministry of Finance and Corporate Relations, is responsible for arranging government rates with the suppliers of accommodation and rental vehicles and for communicating relevant travel information to government employees and their supervisors. The group has established a communication network to all of the ministries through a Travel Advisory Committee, and through their network issues are discussed, solutions shared, and information communicated to the ministries.

Each ministry, in turn, is responsible for managing its travel budget. They are also responsible for ensuring that travel policies are followed, amounts paid comply with the rates authorized, and that other amounts claimed for reimbursement are reasonable. All travelers are responsible for making economic choices when making travel arrangements.

The majority of time spent managing travel by the ministries has been focused on ensuring the appropriate rates are charged by staff on travel claims once travel has been completed. However, the government recently has identified travel as an activity where expenditures are significant enough that ways to contain it, while maintaining adequate government service levels, must be looked at. In 1995 it initiated a review on travel.

Government Travel Review Carried Out in 1995

In early 1995, Treasury Board identified expenditure patterns related to government travel that had exceeded budgeted amounts by about \$3 million for each of the previous three years. In analyzing this trend, it found there was a lack of key information—such as the reasons for travel, the costs associated with it, and the services provided—without which government had no way of knowing whether it was receiving the best value for its travel expenditures.



Courtesy: Ministry of Finance and Corporate Relations

In March 1995, Treasury Board directed the Travel Smart group to undertake a review of government travel management policy and practices, with the objectives of improving accountabilities, achieving greater efficiencies, and obtaining expenditure reductions for the 1996/97 fiscal year. Through the Travel Smart review information about the travel habits of employees was gathered by sampling travel claims, and from it total government expenditures on meals, vehicle rates, air travel, and quick tickets were estimated. Ministries were also surveyed to obtain information on methods of travel (Exhibit 2), reasons for travel, specifically expense claims relating to meetings held (Exhibit 3), air purchase practices, and other travel practices.

According to the travel claims review, the government spent an estimated \$104 million on travel for the year ended March 31, 1995, including the cost of operating the vehicle fleet of \$31 million. This was substantially greater than the \$71 million reported in the government's financial records for travel. The difference, the review found, could be accounted for by expenses such as local travel expenses, prisoner and fire crew transport, contractor travel, business meeting expenses, training, taxi billings, and administrative costs which had been recorded as program rather than travel costs.

In March 1996, the 1995 Government Travel Review report was presented to Treasury Board. The report contains a number of recommendations which, if implemented, are anticipated by Travel Smart to accrue annual savings of at least \$5 million.

Recommendation 1

Government should review the recommendations contained in the recent Ministry of Finance and Corporate Relations' report to Treasury Board on government travel, and take the necessary steps to reduce travel expenditures.

Exhibit 2

Government-wide Travel Methods Based on Responses to the 1995 Travel Survey

Travel Between Vancouver and Victoria				
Methods of Travel	Return Trips Between Vancouver and Victoria		% Distribution	
Ferry				
- with personal/government vehicle	16,523		37.4	
- with rental vehicles	2,301		5.2	
- by bus	1,391	20,215	3.1	45.7
Air				
- Helijet	14,357		32.5	
- Air BC (harbor-to-harbor)	3,714		8.4	
- Other air	5,911	23,982	13.4	54.3
All methods		<u>44,197</u>		<u>100.0</u>
Travel Between Cities Other Than Vancouver and Victoria				
Methods of Travel	Return Trips		% Distribution	
Personal vehicle		81,504		24.1
Government vehicle		162,439		47.9
Rental vehicle		10,160		3.0
Ferry		22,083		6.5
Air				
- Scheduled air carrier	49,605		14.6	
- Airplane charter	6,131		1.8	
- Helicopter charter	4,997	60,733	1.5	17.9
Bus		1,996		0.6
All methods		<u>338,915</u>		<u>100.0</u>

Source: Ministry of Finance and Corporate Relations

Exhibit 3

Government-wide Out-of-Town Trips* by Reason for Travel, Based on Responses to the 1995 Travel Survey

Reason for out-of-town travel	Victoria Homebase		Vancouver Homebase		Other BC Homebase		Total Government	
	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution
Program delivery	17,717	26.5	25,325	48.6	120,461	45.6	163,500	42.7
Meetings with:								
BC government employees	11,529	17.2	8,414	16.2	39,886	15.1	59,829	15.6
Other government employees	10,534	15.8	4,101	7.9	16,086	6.1	30,719	8.0
Public stakeholders	9,367	14.0	2,863	5.5	16,085	6.1	28,313	7.4
All meetings	31,430	47.0	15,378	29.6	72,057	27.3	118,861	31.0
Attend/conduct training	8,193	12.3	6,455	12.4	45,715	17.3	60,362	15.8
Attend conferences	8,081	12.1	4,389	8.4	24,246	9.2	36,715	9.6
Marketing	991	1.5	270	0.5	1,000	0.4	2,262	0.6
Other	442	0.6	275	0.5	699	0.2	1,414	0.3
Total out-of-town trips	66,854	100.0	52,092	100.0	264,178	100.0	383,114	100.0

*Out-of-town trips include both trips to another community, plus trips outside the 32 km radius of the homebase.

Source: Ministry of Finance and Corporate Relations

Organization of This Report

We have organized the remainder of this report and related findings into five sections:

- Gathering Information to Manage Travel Effectively
- Providing Direction to Travelers
- Establishing Rates for Reimbursement
- Administering the Payment Process
- Identifying Alternatives to Travel: Videoconferencing



gathering information to manage travel effectively

To be able to manage travel effectively, it is important to know why people travel, where they travel, and how much it costs. If this information is available, analyses can be performed to determine what the various reasons for travel are and to calculate the potential for volume discounts. Negotiating discounts with suppliers of travel services can then be pursued realistically, and direction provided as to where cost-cutting measures will be most effective. Ultimately, this information can be used by management, the Legislative Assembly, and the public to determine whether government travel is being managed with due regard to the best price and the productive use of employees, and the extent to which travel is accomplishing what was expected.

We expected the government to have significant information on travel to enable it to manage travel effectively and efficiently in the central agencies and in the ministries.

Conclusion

The ministries and central agencies do not have appropriate systems and processes to capture the information needed to allow them to manage travel effectively. The database system maintained by the agency providing the corporate travel card has the potential to provide substantial travel information, but since the card is currently not used by all employees, the information collected is incomplete.

The travel component in the government-wide Corporate Accounting System currently under development is not considered a high priority for implementation.

Findings


Travel Vouchers

Employees must obtain their supervisors' approval for their travel plans before traveling on government business. Additional approvals are needed when they plan a trip out-of-Province.

After employees have completed their trip, they are required to fill out a travel voucher showing where they went, how they went, and what they spent in the process (Exhibit 4).

Exhibit 4

Travel Voucher Used by Government Employees for Reimbursement



**Province of
British Columbia**

TRAVEL VOUCHER

PAGE ____ OF ____

INSTRUCTIONS: Employee please complete field 3 to Employee Signature line plus columns 47 - 52. Attach appropriate receipts in order of claim.

1. MINISTRY AND BATCH NO.

2. CONTROL NO.
V 000000

3. MIN. NUMBER CODE	4. MIN. ABBREV.	5. DATE COMPLETED Y M D	6. FISCAL YEAR	7. ORIGINAL CHECK/ISSUE	8. CHECK/STUB INFORMATION - MAXIMUM 10 DIGITS - SPACED UNITS, 38 CHARACTERS PER LINE. ATTACH EXTRA PAGES IF REQUIRED.
				0,4	

9. EMPLOYEE (PAYEE/SUPPLIER) NO.	10. EMPLOYEE SURNAME	INITIALS	11. EMPLOYEE GROUP NO. (PRINT ONE)
			<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4

12. MAILING ADDRESS FOR CHECK	13. POSTAL CODE

14. REASON FOR TRAVEL	15. EMPLOYEE OCCUPATION

16. DATE OF TRAVEL TO / FROM	17. PLACES TRAVELLED	18. PERSONAL VEHICLE USE	19. BUS/TAXI AIR/FERRY/ COSTS	20. BLD	21. MEALS ALLOWANCE PER DIEM AS APPLICABLE TO GROUP NO.	22. ACCOMMODATION COSTS (10 PROJECT BMD)	23. COST	24. MISCELLANEOUS (CAR RENTAL, PHONE, ATM FEES, ETC.) DESCRIPTION	TOTAL DAILY COSTS
	25. BROUGHT FORWARD FROM PREVIOUS PAGE →	km							
M	D								
TOTALS OF COLUMNS		36.	37.		38.	39.	40.	THIS TOTAL MUST EQUAL TOTAL IN BOX Y	X CLAIM TOTALS

41. PORTAL TO PORTAL DISTANCE	42. TOTAL DISTANCE FROM PREVIOUS VOUCHER	43. TOTAL DISTANCE TO DATE	HEADQUARTERS (CITY NAME)	WORK PHONE NO.

44. EMPLOYEE SIGNATURE
CERTIFIED BY THE PERSONAL VEHICLE CLERK AS A TRUE ACCOUNT OF PERSONAL VEHICLE USE FOR THE RESULT OF TRAVEL ON GOVERNMENT BUSINESS AS DEFINED IN THE FINANCIAL ADMINISTRATION ACT AND RELATED REGULATIONS.

NOTES	45. SUPPLIER CODE	46. CLASS CODE	47. VOTE	48. CLIENT CODE	49. RESP.	50. ACCOUNT	51. STOB	52. PROJECT	AMOUNT
	THIS TOTAL MUST EQUAL TOTAL IN BOX X							Y TOTAL	
LESS TRAVEL ADVANCE								Z	OR
IF ADVANCE WAS GREATER THAN (Y) ENTER (Y) AMOUNT IN (Z) AND REPLY THE BALANCE. ATTACH RECEIPTS AND PREVIOUS PAGES OF THIS VOUCHER IF ANY.									
								AMOUNT DUE TO EMPLOYEE →	54.

55. SPENDING AUTHORITY SIGNATURE - CERTIFIED CORRECT PURSUANT TO SECTIONS 28 & 29 OF THE FINANCIAL ADMINISTRATION ACT AND RELATED REGULATIONS.	PRINT NAME	DATE SIGNED	Y	M	D	
56. PROCESSING CLERK INITIAL - CERTIFIED EXTENDING AND ENTITLEMENTS CORRECT	57. PAYMENT AUTHORITY SIGNATURE - REQUISITION FOR PAYMENT PURSUANT TO SECTION 28 OF THE FINANCIAL ADMINISTRATION ACT	PRINT NAME	DATE SIGNED	Y	M	D

FN 10 Rev. 94/01 (OPC 4023A) WHITE: OFFICE OF THE COMPTROLLER GENERAL CANARY: MINISTRY PINK: EMPLOYEE

Source: Ministry of Finance and Corporate Relations

The vouchers are reviewed by the employees’ supervisors, who then approve them for reimbursement. In most ministries, information on the travel voucher is not accumulated for future use, nor is it accumulated by a central agency for government-wide review.

The total amount spent on the trip and any cash advances received are the only amounts that the ministries must report to the government’s central accounting system in the Ministry of Finance and Corporate Relations. Before April 1996, vouchers were sent to the Office of the Comptroller General in the

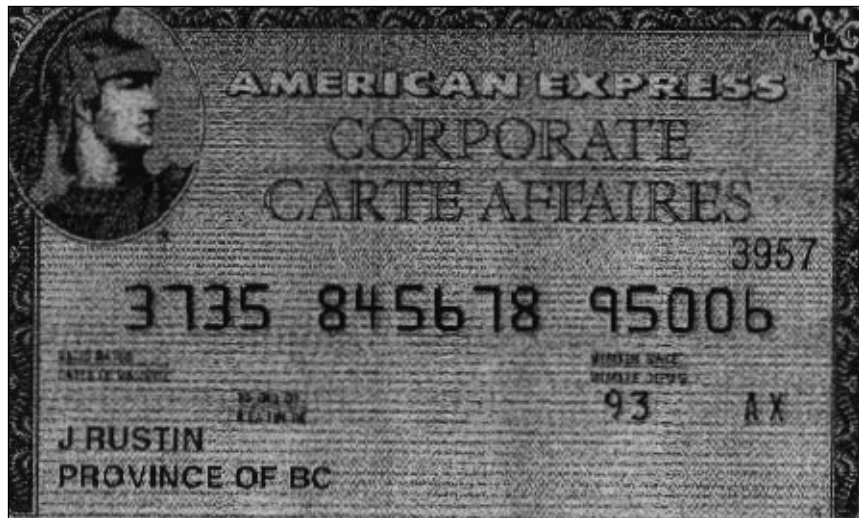
Ministry of Finance and Corporate Relations. Since then, however, they have been retained in each ministry. The ministries do not accumulate information from vouchers except on an ad hoc basis. Most, in fact, have only information on total travel dollars spent (reported through central accounts) available to manage travel.

Consequently, as noted in the 1995 Government Travel Review, the government does not have the capacity to develop detailed, comprehensive statistical accounts of its travel expenditures and trends. If such information were available, managers would be able to manage travel from perspectives ranging from individuals, programs and branches to ministry-wide by looking at who traveled, for what purpose, at what cost and to what end. Government would be in a better position to negotiate favorable rates with service providers and develop policy based on past experience and to project the effect of proposed changes.

The Corporate Travel Card System

The government currently has a contract with AMEX Canada Inc. to provide a corporate travel card for employees. The card may be used by travelers to pay for most travel costs except airfare. Government policy requires that airfare be charged directly to each ministry. Cash advances are available from automatic teller machines to fund those expenses which cannot be charged. Employees are responsible for paying AMEX directly, after they have been reimbursed by their ministries. The contract with AMEX requires that information on the details of the travel be accumulated and made accessible to each ministry and central agency. We were informed, however, that this information is not generally being used by either the ministries or central agencies, other than on a sporadic basis, to follow up on delinquent accounts and inappropriate use, and to ensure that terminated employees' cards are canceled. The information is not used because not all travelers are using the card and the information is therefore incomplete.

According to the 1995 Government Travel Review survey, the main reason for low card use was because travelers did not know a card was available to them. Before the survey, senior management felt that employees were not using the card more extensively because it was a voluntary program, they were required to pass a credit check, and they were solely responsible for payment of the billing. Another reason is some employees prefer to use their personal credit card, some of which may offer incentives to use the card.



Trademark of American Express Company.
Used with permission.

Amex Travel Card

Recently the agreement with AMEX Canada Inc. has been adjusted to remove the credit check and to make the government jointly responsible for the portion of the billing which is for government business and has not been reimbursed to the employee. This may encourage more travelers to use the card, but at this time there are no plans to make its use mandatory.

AMEX Canada Inc.'s travel card management information system can provide monthly travel summaries for government as a whole or by individual employee or ministry. It can also provide summaries by expense item. For example, for car rentals, it can provide the name of the car rental agency, location, number of rentals and the dollars spent. For every hotel and hotel chain used, information may be summarized by location, date of stay and total dollars spent. This information is available on-line to each ministry.

This kind of information provides managers with opportunities to analyze how often and where travel has taken place and may point to where possible savings can be made. It can also show travel volume, which can be used to negotiate discounts with travel suppliers, and be used to confirm whether travel policies are being followed.

Determining the Need for An Electronic Travel Voucher System

An electronic voucher system captures all expenditures, regardless of how they were paid. Development of such a system initially requires a major commitment in time and

money. It involves gathering information from users to determine if existing computer systems are capable of running the system, purchasing and installing new equipment where necessary, and instructing users on how to use it.

The government-wide Corporate Accounting System currently being developed by the government has, as an item for future consideration, a travel component in the form of an electronic travel voucher system. This item, however, is not high on the list of priorities for implementation.

While an electronic travel voucher system offers the benefits of reduced administration and enhanced travel information, we recognize that other factors and trade-offs also have to be considered in its development including priorities, levels of risk, and the size of the investment in automation. We believe that travel systems and processes designed to measure the cost of travel, and produce information about the purposes of travel, may well be worth the investment. Future savings could be realized through effective cost-cutting measures initiated from analysis of travel activity, as well as through reduction in administrative costs. However, all things considered, we also believe that the decisions to invest in travel systems and processes should be part of a bigger picture in which these needs are integrated with those of the major information systems for financial and operational purposes.

Recommendation 2

The government should develop both short-term and long-term strategies for collecting information to manage travel. Short-term strategies include better use of existing systems such as those available through the corporate travel card contract. Long-term strategies include decisions on developing travel components in the government-wide Corporate Accounting System or better using information systems offered by travel service providers.



providing direction to travelers

In managing travel, it is important that management provide employees with clear direction on its expectations. Employees should find it easy to determine whether a trip should be undertaken and if so, the most economical way to do it. We expected to find clear policies, procedures, and guidelines coordinated centrally and distributed throughout government to allow ministries to manage their own travel.

Conclusion

Direction to travelers and to those who approve travel is piecemeal and not always easily accessible or helpful in ensuring that cost-effective decisions are made. There is a need to consolidate and better communicate travel policies. Because there is no central agency that is responsible for monitoring how travel dollars are spent in government, it will remain difficult to ensure that purchasing power is maximized and that policies are achieving what is intended.

Current policies focus on how much employees are entitled to claim for travel reimbursements, rather than on what is the most cost-effective way to travel.

Findings

Central Oversight Function

Successful private-sector and government models have demonstrated that greater efficiencies can be realized by providing management focus through a central oversight function. A review carried out by AMEX Canada Inc. in 1996 noted that management needed to do the following to provide clear direction for travel:

- decide who is responsible for drawing up travel policy and what should be included;
- agree on a reasonable balance between traveler comfort and cost-effectiveness;
- ensure that the policy manual defines the organization's overall travel policy and philosophy and spells out all guidelines clearly;
- communicate and distribute the policy to everyone who is involved with arranging or managing travel, including travel suppliers and all travelers; and
- establish clear procedures for enforcing, maintaining, and reviewing the policy.

Where Travel Policy is Found

Government travel policies are not organized into a single document and therefore are not easily accessible to the traveler or to the supervisor authorizing the payment. The 1995 Government Travel Review recommended consolidating travel policies and guidelines into one document to provide ready access to this tool, as well as condensing the same information into a pocket-sized version. The latter would summarize information that is general in nature and not likely to change, and include an insert containing such details as reimbursement rates which can easily be replaced as rates change.

We found that travel policy was addressed in four different government-wide manuals, in separate central agency directives, and in collective (union) agreements. Each ministry that we reviewed had consolidated the travel policies into its own manual or series of memos ranging from 15 to 100 pages, and most had developed a pocket guide. For the most part, these guides describe how to complete a travel voucher and include an insert with current reimbursement rates. One ministry's guide presents information in a question-and-answer format that is thorough yet manageable. Another ministry has replaced its pocket guide with an on-line inquiry system.

We found that the documents varied in content and accessibility. As a result, there is no assurance that travelers are exposed to all the policies, which can lead to inconsistencies in how—or even whether—policies are applied.

Recommendation 3

The government should consolidate travel policies in one document and ensure they are available to all who travel or approve travel. In addition, a pocket version of the policies should be developed for easy reference by employees.

Who is Providing the Direction

Various groups including Treasury Board, the Office of the Comptroller General (OCG), the Purchasing Commission, and the Public Service Employee Relations Commission within the Ministry of Finance and Corporate Relations are responsible for developing sections of the travel policy documented in the government-wide policy manuals.

Travel Smart has negotiated with suppliers and developed helpful tools to aid travelers in making cost-effective decisions on accommodation and mode of travel through the hotel accommodation guide and the master standing agreements for daily car rentals.

Major efforts have been made by groups such as the travel advisory committee and the videoconferencing advisory committee, whose members represent the various ministries, to inform employees of travel arrangement mechanisms, travel choices, and alternatives to travel. However, these efforts are enjoying only moderate to low success.

Without someone in charge of monitoring how travel dollars are spent in government and the extent to which policies are being effective—through strategic planning and development and review of travel policy—it will remain difficult for government to know whether purchasing power is being maximized, and whether policies are accomplishing what they intended.

Recommendation 4

The government should monitor how travel dollars are spent and through strategic planning, policy development, and evaluation ensure that value for money is maximized and travel policies are accomplishing what is intended.

Entitlements or Value for Money

Travelers are entitled to a daily allowance (per diem) for meals and incidentals. They are also reimbursed for actual costs up to the allowable government rates on hotel accommodation (with higher rates for accommodation allowed only if approved by the Deputy Minister). Travelers have the option to use personal vehicles reimbursed at a set rate per kilometer or to rent a vehicle if that is their choice of transportation. Actual costs are reimbursed for other methods of transportation, with some restrictions.

We found that while employees are provided with sufficient information on how much they are entitled to claim for reimbursement of travel expenses, they receive little guidance on how to combine entitlements to make travel choices that are also cost-effective, before travel takes place. Some directives within the policy manuals remind the traveler to use the most cost-effective method when making travel choices, but overall we did not find many examples of how those choices should be made or what a reasonable balance would be between traveler comfort and economy.

Travelers need guidance on what is expected when they make travel decisions. The 1995 Government Travel Review identified this need and suggested that a component on travel management include general rules-of-thumb such as using personal vehicles only if the daily mileage does not exceed

150 kilometers, taking weekend excursion fares if possible and considering alternatives to travel such as teleconferencing or videoconferencing. This type of guidance, combined with tables comparing various trip scenarios between locations within the province, including employee downtime and inconvenience considerations, would go a long way to helping the government get the best value for its travel dollar.

One manager, in summing up what is needed to provide effective direction to travelers, put it this way: “First, we need the information or blueprint; then we need the training to apply it; and finally we need assurances that it will be enforced.”

Recommendation 5

The government should ensure communications to employees include specific guidelines and examples which demonstrate its philosophy that employees should use the most cost-effective method when making travel choices.



establishing rates for reimbursement

Arrangements for purchasing travel and other required services should provide opportunities to control travel spending without unduly limiting the flexibility or comfort of traveling employees. Control can include negotiated rates with suppliers and the consolidation of arrangements through a single travel agency.

We expected to find reimbursement rates based on actual costs at a defined level of service; negotiated rates with suppliers, where appropriate; and travel agency arrangements that promote cost-effectiveness.

Conclusion

For accommodation and rental cars, the government has negotiated favorable rates.

Union employee reimbursement rates for meals and for using personal vehicles are negotiated through the collective bargaining process, rather than being based on actual costs and a defined level of service. As a result, the government may not be reimbursing employees for reasonable costs at the desired service level.

Administration of different rates for meals and personal vehicle usage for four categories of employees complicates travel management, and in certain circumstances reimbursement may be inequitable, such as when employees in different groups are traveling together.

The current process for arranging air travel is fragmented and does not promote obtaining the best rate.

Findings

Accommodation and Daily Vehicle Rental Rates

Organizations with large travel volumes generally receive special negotiated rates from hotels, car rental companies, and airlines (with most either relying on their travel agency to negotiate with the airlines or doing so jointly).

Travel Smart has been successful in negotiating favorable rates for hotel and vehicle rentals, and listed the preferred suppliers and negotiated rates in its 1996 *B.C. Business Travel Guide*. According to the travel guide, the average discount negotiated for regular daily vehicle rental rates is 30%. At this rate, for example, renting a mid-sized car in Vancouver would

Exhibit 5

Accommodation Rates for 1996

Basic Terms and Conditions

Approved Rates for 1996:

Treasury Board has approved the following accommodation rates as the maximum daily amount reimbursable to employees on travel status. Employees are not limited to accommodation that fall within these limits; however, they will be reimbursed only to these levels unless previous authorization has been obtained from their Deputy Minister.

The rates are exclusive of any taxes, meals, parking fees, etc.

	May – September	January – April October – December
Vancouver:	\$95	\$70
Victoria:	\$80	\$65
Whistler:	\$65	\$80
Other Areas:	\$70	\$65

Vancouver area includes the following:

Burnaby, Delta, Coquitlam, New Westminster, North Vancouver, Port Coquitlam, Richmond, Surrey, Vancouver, West Vancouver, and White Rock.

Victoria area includes the following:

Colwood, Esquimalt, Langford, Metchosin, Oak Bay, Saanich, Saanich Peninsula, Sidney and Victoria.

Whistler area includes the following:

Gondola area, Alta Vista, Village centre, White Gold, Nesters, Mons and Alpine Meadows

Other areas refer to all other areas in B.C. not noted above.

Effective Dates:

Preferred rates are available to government travellers for the following periods:

Winter / Fall:	January 1, 1996 – April 30, 1996 October 1, 1996 – December 31, 1996
Spring / Summer:	May 1, 1996 – September 30, 1996

Rates:

1. Rates listed are for standard accommodation except where noted.
2. Rates listed exclude all taxes, however, these rates are subject to all provincial, local and federal taxes. These taxes must be paid by the government traveller and most public entity employees and they will be reimbursed by the government for all their approved expenses.
3. Only one rate per season is shown for each category (single, double, twin). For properties that have offered a range of rates, the higher rate is shown only if it is AT or BELOW the maximum government rate allowable, otherwise the lower rate is shown.
4. Rates conform to the periods indicated and must remain in effect for those periods.

Source: 1996 B.C. Business Travel Guide

be \$33 per day with unlimited mileage rather than about \$46 per day.

The rate travelers will be reimbursed for accommodation depends on where they stay and whether it is the high or low occupancy season (Exhibit 5). For example, the maximum reimbursement rate for accommodation in Vancouver in the summer is \$95 a night plus taxes. The average discount for corporate accommodation in the travel guide is 15% for all listings, with discounts in the Vancouver area averaging from 27 to 31%. For example, a \$130-per-night room in Vancouver would cost a government employee \$95 when traveling on government business.

The travel guide also indicates that travelers are not limited to these hotels, although it encourages their use because the proprietors have established prices based on anticipated government business. The statement that use of this Guide saves money is a further incentive for travelers and those who approve travel to use these businesses.

Travel Smart expressed concern to us that a number of proprietors in the Vancouver area have delisted their properties because the government rate has not changed for several years and they can no longer afford to offer accommodation at the current rate. Losing these properties, along with the increasing popularity Vancouver enjoys as a conference and tourist destination, has made it difficult at times for government travelers to secure accommodation.

Air Travel Rates and Arrangements

When air travel is required, travelers are expected to obtain the most economical airfare. Although this direction appears to be straightforward, the traveler may be faced with choices such as a substantial discount if the trip includes a Saturday night layover or a non-refundable penalty if the ticket is not used. One of the government-wide policy manuals recommended that these penalty fares—where the traveler is charged whether or not the trip actually takes place—should generally be avoided. Although there are risks involved, the savings can be substantial. For example, a round-trip-full-fare ticket to Ottawa from Victoria is about \$1,800. If the traveler arranged an early booking, and included a Saturday night layover, the airfare could be reduced to about \$550—a substantial savings even after including the cost for additional accommodation and meal allowances. Other considerations, to be included in the decision, include inconvenience to the employee and whether costs for overtime or compensating



time off will be incurred. We feel that in view of these significant potential savings, the government should reconsider its policy on the use of penalty fares.

The 1995 Government Travel Review estimated that 18% (or \$19 million) of the total provincial travel costs for the fiscal year 1994/95 was for airfare. With the exception of the Ministry of Health, where staff must use a single contracted travel agency to arrange airfares, most arrangements are made through a travel agency of the arranger's choice or directly with the airlines. Most of these travel agencies provide their services to government without a formal contract and without any tendering process having been completed.

In an internal study done for Cabinet in 1994, it was reported that some of these agencies are very effective at securing cost advantages from their suppliers by virtue of their large government accounts, but that most fail to pass on these savings or improvements to those government accounts. The

study pointed out that the result for government is a higher cost and lower service received for travel dollars spent.

The study also identified the following options for securing savings to government, including:

- one agency for all of government;
- pre-approved agencies;
- one agency for each ministry or group of ministries;
- negotiated pricing structure with airlines which would be available to all travel agencies; and
- an in-house travel agency.

Each of these options has pros and cons that require further consideration, but all offer savings that are not being realized under the current arrangements.

By consolidating its air travel arrangements through one travel agency, the Ministry of Health has taken advantage of volume discounts and rebates. According to ministry information, over the first three years of the contract (1992 to 1995) the ministry increased its discounts by \$508,000 (7.31%) and had been provided with rebates of \$394,000, for a total savings of \$902,000. In addition to these savings, the ministry has obtained other benefits including assurance that air travel policy is being monitored and enforced and that both expenditures and travel patterns are being tracked by regular management information reports.

The 1995 Government Travel Review reported that substantial changes in the travel industry's commission rebate program are directly affecting the total savings available through travel contracts with travel agencies. According to review sources, the present travel agency commission rebate program will eventually be eliminated as more airlines offer direct marketing to their customers. For example, with the growing popularity of the Internet, the travel industry is rapidly adapting to this new way of accessing travel services where customers book directly with airlines through this medium. For the short term, however, the review stated that substantial savings can still be obtained through the use of contracted services with a travel agency. We agree that contracted services with travel agencies are a financially viable option for government to consider at this time. To maintain a beneficial level of savings in the long-term, the government may need to consider negotiating directly with air carriers and entering into creative partnership agreements with travel agencies.

Recommendation 7

The government should periodically obtain information on meal costs for the most frequently traveled locations in the Province, based on a level of service which it has defined, and compare the results to the reimbursement rates to ensure they are reasonable.

Recommendation 8

The government should consider the recommendation of the 1995 Government Travel Review to remove rates as a bargaining item in the union agreements and review the meal and incidental rates to determine whether multiple reimbursement rates are appropriate. It should also review the kilometric reimbursement rate to ensure that it is based on actual costs.



administering the payment process

A successful payment system accommodates the needs of the traveler as fully as possible. This includes providing travelers with ways to pay for travel so that they do not have to use their own funds, establishing an efficient process for reimbursing travel expenses, and reporting information to management in a timely way.

We expected to find a payment system that kept travel advances to a minimum, streamlined administration, and provided valuable management information.

Conclusion

The government is aware that automation and streamlined procedures (such as replacing travel advances with the corporate travel card) have the potential for improving control and reducing the cost of travel administration, but progress in this area has been slow. The use of a corporate travel card is one initiative that has been used to reduce the cost of providing travel advances and obtain information on government travel. However, the card's use is voluntary and it has not gained wide acceptance among travelers, though the change to joint liability and recent efforts to publicize the advantages of the card may increase its use.

Electronic travel vouchers, electronic fund transfers, and consolidated payment of airfares are other initiatives being carried out by some ministries, but a government-wide strategic approach to reducing administration costs through such initiatives has not been developed.

Findings

The Corporate Travel Card

Earlier in this report the features of the card available to government employees were described. As of July 1996, only 5,500 cards had been issued. This represents about 24% of all government travelers.

If an employee receives an advance using a corporate travel card, the cost would be 1.75% of the value of the advance, plus \$1. Therefore a \$200 advance, for example, would cost \$4.50. No interest or penalty charges apply to the card, but if the billing remains unpaid for more than 60 days past the billing date, the card is suspended. After 90 days the card is canceled and action is taken to collect the amount owing.

The 1995 Government Travel Review conservatively estimated that replacing about half of the temporary travel advances and eliminating all of the seasonal and standing travel advances with the AMEX corporate travel card is saving almost \$600,000 annually in interest and processing costs. It estimated that a further \$350,000 in savings could result if another 30% of the temporary travel advances were eliminated.

Although some temporary advances will always be needed for emergencies or for new employees before they obtain a travel card, most employee travel costs can be funded with the corporate travel card. By not having more employees use the card, the government is incurring additional costs, losing the benefit of the potential savings, as well as the benefits of having valuable information on employee travel costs. The government has recognized these benefits and has taken steps to promote the use of the card by employees, as indicated earlier in this report.

The 1995 Government Travel Review recommended that government require employees to use the corporate travel card to obtain travel advances, and encourage its use when purchasing other travel services. We noted that a number of organizations are using corporate travel cards. The general experience is that the cards, when used throughout the organization, reduce costs and provide management with valuable information on travel.

Recommendation 9

The government should continue to promote the use of its corporate travel card.

Electronic Travel Voucher System and Electronic Fund Transfers

The majority of travelers and their supervisors are using a manual system for completing and reviewing travel claims. This means that per-diem and personal vehicle mileage rates must be checked to ensure they are current and correct, and that arithmetic calculations must be checked for accuracy. Once the travel voucher has been completed and reviewed, it is put in a batch with other travel vouchers by the ministry. The total travel dollars for the batch are then entered electronically into the government-wide accounting system, which also produces a cheque to reimburse the traveler. The cheque is sent to the ministry for delivery to the traveler.

To cut down the time to process the vouchers and to save administrative costs, some ministries have developed electronic travel voucher systems. These systems reduce preparation

time by supplying current reimbursement rates and arithmetic functions. The systems are all stand-alone and not part of a larger accounting or management information system.

Another way of saving on administrative costs is by not having to issue cheques for reimbursements, but to transfer the amount owing to the employee directly to the employee's bank account. However, although electronic fund transfers are widely used by government to pay employee wages, we found they are rarely used to reimburse travel expenses.

Costs and Savings

The 1995 Government Travel Review found that the processing of travel claims is costly. Vouchers are reviewed at several levels, resulting in unnecessary duplication of auditing. This concern over the costliness of manual systems has been echoed in the AMEX survey and in travel reports issued by other jurisdictions.

We found estimates of the total cost of approving travel, manually processing travel vouchers, and reimbursing employees to range from \$40 to \$238 per voucher. The AMEX study found that the average cost to administer an employee's trip under similar circumstances was \$60. The 1995 Government Travel Review estimated related costs to be at least \$40. The majority of costs relate to staff and management time which could be reduced significantly if the voucher and payment processes were automated and linked to a management reporting and accounting system. However, as the AMEX survey of Canadian business travel indicated, few organizations have taken the necessary steps toward automation. Other priorities, the initial cost of installing new systems, and the training required were some of the reasons given in the survey. As elsewhere, in British Columbia automation has been considered, but no steps have been taken to set up a government-wide system.

We believe that automation has the potential to provide substantial administrative savings to government.

Recommendation 6

The government should proceed with one or more of the airfare savings options identified in the 1994 study prepared for Cabinet, as a means of reducing the cost of air travel, and continue to monitor the industry for new opportunities for savings.

Meal, Incidental, and Personal Vehicle Mileage Reimbursement Rates

Government distinguishes four groups for the purpose of reimbursing travelers for meals, incidentals and personal vehicle mileage. Group 1, the largest group, includes employees who are members of the British Columbia Government Employees Union or other similar organizations; Group 2 includes employees in management positions; Group 3 includes Deputy Ministers and Assistant Deputy Ministers; and Group 4 includes Ministers and the Premier. The daily rate ranges from \$37 to \$49, with union employees receiving the lower rates and Deputy Ministers' and Ministers' groups receiving the higher rates. For Group 1 the rate includes meals only, with other incidental expenses, such as telephone calls home and laundry, reimbursed if incurred. The rates for the other three groups includes reimbursement for incidentals at a fixed amount.

British Columbia reimburses travelers in Groups 1, 2 and 3 thirty seven cents per kilometer for all business kilometers traveled in their personal vehicles. A lower rate of 27 cents is reimbursed to travelers in Group 4. The 1995 Government Travel Review found that, in 1995, British Columbia had one of the highest kilometric reimbursement rates in Canada. We updated that research and found that the review's conclusion is still valid. The Canadian government is the only jurisdiction that meets this rate and then only for a portion of the kilometers driven.

Union employee rates for both meal and vehicle allowances are negotiated as part of the collective bargaining process. For meal allowances, the other group rates are set by government. The 1995 Government Travel Review recommended that these rates be removed as a bargaining item and meal allowance rates be restructured to one level applicable to all employees. We believe that reimbursement rates should be based on actual costs and a defined level of service, and that they should be reviewed periodically to ensure that they are reasonable.

Business Travel Accounts

Throughout government, airfares are paid by the traveler or by each ministry directly to the travel agency. About 20 individual programs or branches in the various ministries are using an AMEX business travel account to consolidate their airfare payments. In this way, the branch receives one monthly billing along with detailed customized travel information which may include, for example, the number of tickets purchased by air carrier for each destination, dollars spent and average ticket price. The government saves by processing fewer billings, AMEX receives a fee from each airline, and the agencies have daily access to cash payment.

This is another example of how individual programs and ministries are seeking ways to reduce travel administration costs. Such cost-saving should be reviewed for possible inclusion in policy and shared with those other government operations that are unaware of the savings opportunities.

Recommendation 10

The government should review the cost/benefit of automating travel related systems and take a comprehensive and integrated approach to the streamlining of expense processing, reimbursement, payment to suppliers, and information management of the travel function. This approach should provide direction and support to ministries currently attempting to carry out these initiatives on their own.



identifying alternatives to travel: videoconferencing

Constrained resources have posed new challenges to government in carrying out its day-to-day operations. Government managers trying to save on travel costs are looking for alternatives to travel that still provide adequate levels of service to citizens and employees alike. Videoconferencing is one such option. We expected the government to be involved with identifying and promoting alternatives to travel in its quest to reduce travel costs.

Conclusion

The government has begun to identify and promote videoconferencing as an alternative to travel, in an effort to reduce the cost of government travel. However, not all ministries are taking advantage of this alternative.

Through the efforts of the Information Technology Services Division, formerly British Columbia Systems Corporation, opportunities are becoming available to expand the use of videoconferencing, which in many situations can accomplish the same objectives as travel at substantial savings. However, the lack of information being given to employees and supervisors about the availability and application of this alternative has limited its use.

Findings

Videoconferencing

Videoconferencing is a technology that allows for two-way audio and visual communication between two or more parties in different locations. A 1995 cross-Canada survey carried out by B.C. Systems Corporation reported that distance learning and corporate training are two of the most common applications for videoconferencing, followed closely by business meetings, project planning, and judicial proceedings.

The Information Technology Services Division of the Ministry of Finance and Corporate Relations (ITSD) has been given the responsibility of determining whether videoconferencing is a realistic alternative to travel for government employees. To counter what it found to be a reluctance among employees to using videoconferencing because of the culture change it represents, the division set



Courtesy: Ministry of Finance and Corporate Relations

Training videoconference in session

up locations in the ministries of Transportation and Highways, Human Resources (formerly Social Services), and Attorney General to test the effectiveness of various applications. It is also providing access to a site on its premises for the Public Service Employee Relations Commission to take part in the project.

To date, ITSD reports that training sessions, business meetings, expert consultations and announcements have been successful applications. The Ministry of Education's use of videoconferencing to deliver programs for distance education from three conference sites in Victoria is considered encouraging. Additionally, the Ministry of Transportation and Highways has found that videoconferencing is a successful way to conduct business meetings and to enhance project management through building awareness of issues, sharing information and providing skills to management across the province. This ministry has also incorporated the use of videoconferencing in its strategic business planning model.

The Videoconferencing Provincial Site Directory, issued by ITSD in the summer of 1996, reported that there are over 75 videoconferencing sites across the province, with 13 in Vancouver and 10 in Victoria. The providers are a variety of organizations in both the private and public sectors, including colleges and universities, hotels, community skills centres, Crown corporations, electronics companies, and others. The

division provides a booking service for all sites or ministries can book them directly.

Cost/Benefit Analyses

Videoconferencing cost/benefit analyses done by ministries involved with this form of communication show that it offers substantial savings, especially when the number of potential travelers are reduced significantly such as in a training situation. The Ministry of Social Services calculated savings of \$8500 on a training course which involved 85 participants. Savings are also realized on smaller scale applications. For example, during its pilot of eleven applications, the Ministry of Transportation and Highways reported cost savings of 66% over their standard method of doing business, averaging savings of \$1,700 per application.

Promoting Videoconferencing

The government has recognized the potential benefits of videoconferencing. To help with its promotion, a government-wide videoconferencing task force has been established to determine the potential applications of the technology across government. Ministries were asked to provide representatives for a videoconferencing advisory group, who would act as the communication link with their ministry and be the driving force to raise awareness of this new technology in their ministry.

In early 1996, a program to promote videoconferencing in government was announced. The program made funding of \$1.7 million available, allocating to each ministry an amount based on what its travel expenditures had been in 1995. Although representatives on the cross-government videoconferencing advisory group were asked to encourage their ministries to use the available funding, at the time of our audit not all ministries had been officially notified of their allocation, nor had they been told that it would be lost if the funds were not used before March 31, 1997. Twelve of the 23 ministries and offices have made use of the funding during its first eight months. At the end of November 1996, there was still \$1.2 million (70%) of the total available for use. We understand that the Information Technology Services Division has now contacted each ministry to encourage it to take advantage of the funding.

In October 1996, the government announced a freeze on government employee travel. This travel freeze has resulted in a significant increase in the use of videoconferencing.

Recommendation 11

As recommended in the 1995 Government Travel Review, the government should develop a government-wide policy on videoconferencing and continue to promote its use across government.



ministry response

General Comments

The Ministry of Finance and Corporate Relations appreciates the opportunity to respond to the recommendations contained in the Performance Audit Report on the Management of Travel, completed by the Office of the Auditor General (OAG).

The ministry, through several of its programs and agencies, bears responsibility for a variety of functions that contribute to the government's corporate management of travel. These include:

- *the establishment of government's travel management and claims reimbursement policies;*
- *processing of employee travel claims and supplier payments;*
- *the production of travel management information, employee guidelines and reference materials; and*
- *the establishment of cost-effective master standing offer agreements with the suppliers of rental vehicles and accommodation.*

The ministry is pleased to note that the OAG's audit opinion and recommendations strongly parallel the findings and recommendations of the Government Travel Review which the ministry commenced in 1995 and completed in 1996.

Effective management of travel occurs along a continuum which begins with sound, well articulated corporate policy and guidelines, incorporates efficient financial administration, involves the production and distribution of appropriate management information, and ultimately relies upon the due diligence of those authorizing travel as well as the prudence of those traveling.

Government Management Operating Policy directs the traveling employee to take all potential costs, including overtime and productivity loss, into consideration when examining travel options, in order to ensure the principle of least overall cost to government is observed.

In October 1996, the government issued a general expenditure control directive limiting government travel to only that which is necessary to meet program operational needs and charging individual deputy ministers with responsibility for ensuring compliance. Requests for approval of out-of-province travel are subject to further scrutiny by the Deputy Minister Review Committee to ensure that all such expenditures are warranted.

Specific Responses to Recommendations

Recommendation 1: *Government should review the recommendations contained in the recent Ministry of Finance and Corporate Relations' report to Treasury Board on government travel, and take the necessary steps to reduce travel expenditures.*

On August 8, 1996, the Secretary to Treasury Board directed the adoption of most of the recommendations of the Government Travel Review, which was completed by the ministry during the 1995/96 fiscal year. In response, an action plan to implement the Review's recommendation has been developed and work is proceeding on each of the identified initiatives.

Recommendation 2: *The government should develop both short-term and long-term strategies for collecting information to manage travel. Short-term strategies include better use of existing systems such as those available through the corporate travel card contract. Long-term strategies include decisions on developing travel components in the Corporate Accounting System or better using information systems offered by travel service providers.*

The ministry supports this recommendation and is pursuing both short-term and long-term strategies, as proposed. Under active consideration is the promotion of the increased use of business travel accounts by ministries and agencies as a means of achieving further cost savings and improving the quality and availability of travel management information. As part of its Corporate Accounting System initiative, government is examining the viability of implementing an electronic travel voucher system.

Recommendation 3: *The government should consolidate policies in one document and ensure that they are available to all who travel or approve travel. In addition, a pocket version of the policies should be developed for easy reference by employees.*

The government has initiated a project to consolidate all government travel policy and to develop a pocket travel guide. In addition, a new travel management section containing policies and guidelines will be added to future editions of the government's Business Travel Guide.

Recommendation 4: *The government should monitor how travel dollars are spent and through strategic planning, policy development and evaluation ensure that value for money is maximized and travel policies are accomplishing what is intended.*

The government shares the OAG's concern that all travel dollars be spent wisely. Ongoing assessments and improvements to travel policy, adoption of electronic claims processing, continuous monitoring of travel industry developments for new cost-saving opportunities, and further evaluation of the effectiveness of government's system of travel management will contribute to this goal being met.

Recommendation 5: *The government should ensure communications to employees include specific guidelines and examples which demonstrate its philosophy that employees should use the most cost-effective method when making travel choices.*

The government will ensure that the consolidated travel policy and the pocket guide referenced in recommendation number three contain guidelines which reinforce the government's lowest total-cost approach as well as practical examples of cost-effective methods to assist those traveling to achieve this end.

Recommendation 6: *The government should proceed with one or more of the airfare savings options identified in the 1994 study prepared for Cabinet, as a means of reducing the cost of air travel, and continue to monitor the industry for new opportunities for savings.*

The government is currently in discussion with air carriers to identify airfare savings opportunities which will reduce the cost of air travel while ensuring that there is minimum negative impact on small air carriers and travel agents across the province.

Recommendation 7: *The government should periodically obtain information on meal costs for the most frequently traveled locations in the province, based on a level of service which it has defined, and compare the results to the reimbursement rates to ensure they are reasonable.*

The Public Service Employee Relations Commission will continue to review the meal allowances for all employee groups to ensure they remain reasonable.

Recommendation 8: *The government should consider the recommendation of the 1995 Government Travel Review to remove rates as a bargaining item in union agreements and review the meal and incidental rates to determine whether multiple reimbursement rates are appropriate. It should also review the kilometric reimbursement rate to ensure that it is based on actual costs.*

The Public Service Employees Relations Commission (PSERC) notes that these benefits are negotiable items within existing collective agreements. It is unlikely that the unions would agree to such a proposal. PSERC will continue to examine the appropriateness of kilometric reimbursement rates on a regular basis.

Recommendation 9: *The government should continue to promote the use of its corporate travel card.*

The ministry continues to actively promote the use of its corporate travel card and believes that the recent change from cardholder to joint liability has improved its attractiveness to potential users. The majority of frequent travelers are now using the card. Current promotional efforts are now targeting those who travel less frequently.

Recommendation 10: *The government should review the cost benefit of automating travel related systems and take a comprehensive and integrated approach to the streamlining of expense processing, reimbursement, payment to suppliers, and information management of the travel function. This approach should provide direction and support to ministries currently attempting to carry out these initiatives on their own.*

As previously noted, government has initiated a review of the viability of implementing a centralized electronic travel voucher system as well as more extensive use of the business travel accounts that are associated with the corporate travel card contract. These initiatives will be examined for additional benefits which may be derived from a reduction in claims processing costs as well as improved quality and availability of travel management information.

Recommendation 11: *As recommended in the 1995 Government Travel Review, the government should develop a government-wide policy on videoconferencing and continue to promote its use across government.*

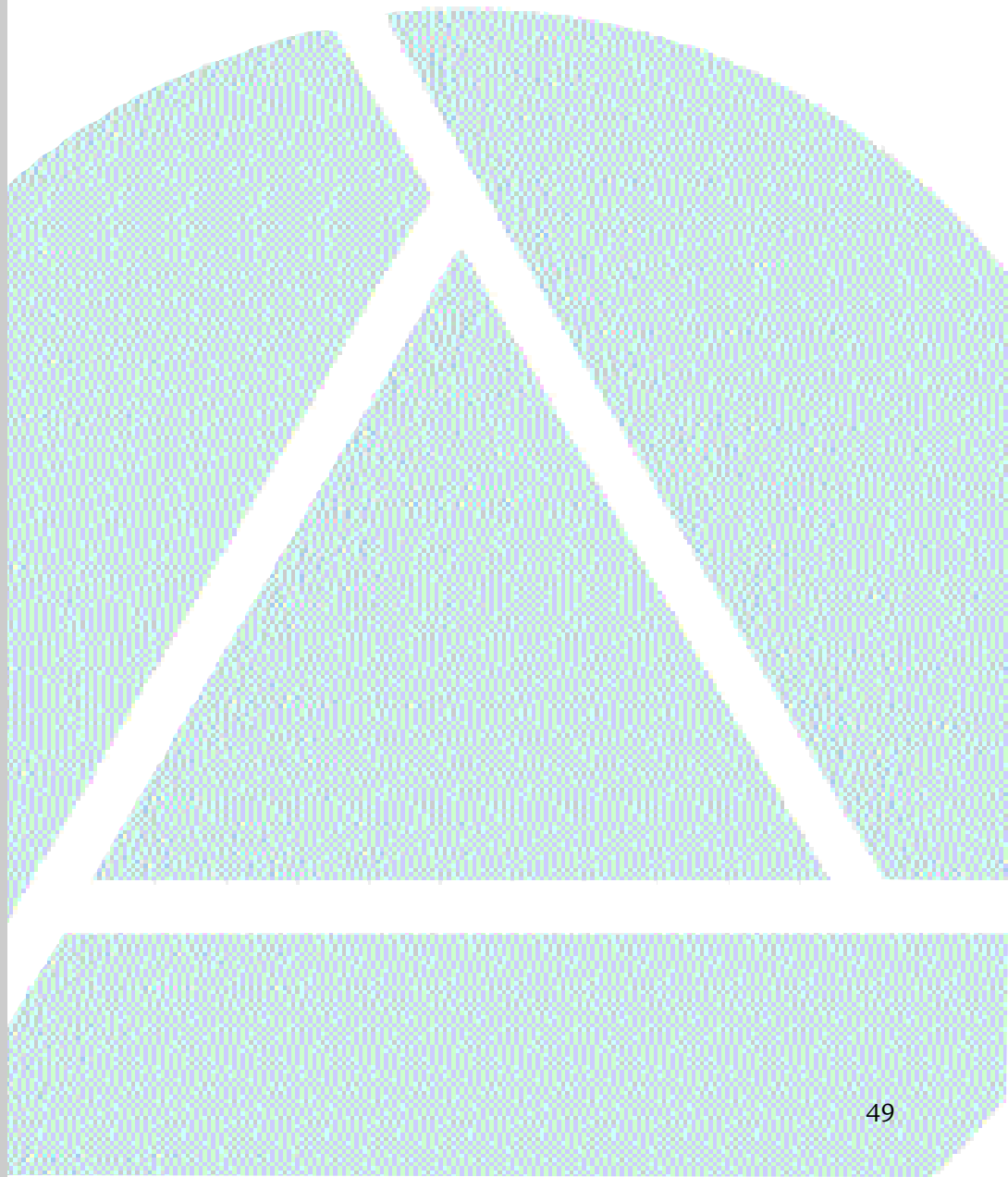
The recommendations of the Task Force Report on Video Conferencing have been accepted. Formatting into GMOP style and policy statements is underway.

The ministry is pleased to report that the Public Service Employee Relations Commission has recently addressed the issue of "Reasonable Accommodation" for persons protected under Human Rights legislation. The Assistant Deputy Ministers' Committee on Disability Issues has proposed that information be provided to managers, supervisors and financial staff that employees with a disability who travel on government business may have special needs such as, for example, an accessible hotel whose price exceeds the government rate. Direction and appropriate communication for the special needs of such protected groups must be accommodated in a reasonable way. In addition, the 1997 Business Travel Guide will include Access Canada listings.

The Ministry of Finance and Corporate Relations would like to acknowledge the professionalism and diligence with which the OAG staff conducted this performance audit and in particular the efforts taken to understand the nature and complexities of the travel industry and the systems of travel management within government.



appendices



appendix a

1996/97 Reports Issued to Date

Report 1

Performance Audit

Management of Child Care Grants

Report 2

Crown Corporations Governance Study

Report 3

Performance Audit

Vancouver Island Highway Project: Planning and Design

Report 4

Performance Audit

Trucking Safety

Report 5

A Review of Government Revenue and Expenditure
Programs Relating to Alcohol, Tobacco, and Gaming

Report 6

Financial Audit

Report on the 1995/96 Public Accounts

Report 7

Performance Audit

Management of Travel



appendix b

Office of the Auditor General: Audit Objectives and Methodology

Audit work performed by the Office of the Auditor General falls into three broad categories:

- Financial auditing;
- Performance auditing; and
- Compliance auditing.

Each of these categories has certain objectives that are expected to be achieved, and each employs a particular methodology to reach those objectives. The following is a brief outline of the objectives and methodology applied by the Office for performance auditing.

Performance Auditing

Purpose of Performance Audits

Performance audits look at how organizations have given attention to economy, efficiency and effectiveness.

The concept of performance auditing, also known as value-for-money auditing, is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

The Nature of Performance Audits

An audit has been defined as:

...the independent, objective assessment of the fairness of management's representations on performance, or the assessment of management systems and practices, against criteria, reported to a governing body or others with similar responsibilities.

This definition recognizes that there are two primary forms of reporting used in performance auditing. The first—referred to as attestation reporting—is the provision of audit opinions on reports that contain representations by management on matters of economy, efficiency and effectiveness.

The second—referred to as direct reporting—is the provision of more than just auditor's opinions. In the absence of representations by management on matters of economy,

efficiency and effectiveness, auditors, to fulfill their mandates, gather essential information with respect to management's regard for value for money and include it in their own reports along with their opinions. In effect, the audit report becomes a partial substitute for information that might otherwise be provided by management on how they have discharged their essential value-for-money responsibilities.

The attestation reporting approach to performance auditing has not been used yet in British Columbia because the organizations we audit have not been providing comprehensive management representations on their performance. Indeed, until recently, the management representations approach to value for money was not practicable. The need to account for the prudent use of taxpayers' money had not been recognized as a significant issue and, consequently, there was neither legislation nor established tradition that required public sector managers to report on a systematic basis as to whether they had spent taxpayers' money wisely. In addition, there was no generally accepted way of reporting on the value-for-money aspects of performance.

Recently, however, considerable effort has been devoted to developing acceptable frameworks to underlie management reports on value-for-money performance, and public sector organizations have begun to explore ways of reporting on value-for-money performance through management representations. We believe that management representations and attestation reporting are the preferred way of meeting accountability responsibilities and are actively encouraging the use of this model in the British Columbia public sector.

Presently, though, all of our performance audits are conducted using the direct reporting model, therefore, the description that follows explains that model.

Our performance audits are not designed to question government policies. Nor do they assess program effectiveness. The *Auditor General Act* directs the Auditor General to assess whether the programs implemented to achieve government policies are being administered economically and efficiently. Our performance audits also evaluate whether members of the Legislative Assembly and the public are provided with appropriate accountability information about government programs.

When undertaking performance audits, auditors can look either at results, to determine whether value for money is actually achieved, or at managements' processes, to determine

whether those processes should ensure that value is received for money spent.

Neither approach alone can answer all the legitimate questions of legislators and the public, particularly if problems are found during the audit. If the auditor assesses results and finds value for money has not been achieved, the natural questions are “Why did this happen?” and “How can we prevent it from happening in future?” These are questions that can only be answered by looking at the process. On the other hand, if the auditor looks at the process and finds weaknesses, the question that arises is “Do these weaknesses result in less than best value being achieved?” This can only be answered by looking at results.

We try, therefore, to combine both approaches wherever we can. However, as acceptable results information and criteria are often not available, our performance audit work frequently concentrates on managements’ processes for achieving value for money.

We seek to provide fair, independent assessments of the quality of government administration. We conduct our audits in a way that enables us to provide positive assessments where they are warranted. Where we cannot provide such assessments, we report the reasons for our reservations. Throughout our audits, we look for opportunities to improve government administration.

Audit Selection

We select for audit either programs or functions administered by a specific ministry or public body, or cross-government programs or functions that apply to many government entities. There are a large number of such programs and functions throughout government. We examine the larger and more significant ones on a cyclical basis.

We believe that performance audits conducted using the direct reporting approach should be undertaken on a five- to six-year cycle so that members of the Legislative Assembly and the public receive assessments of all significant government operations over a reasonable time period. Because of limited resources, we have not been able to achieve this schedule.

Our Audit Process

We carry out these audits in accordance with the value-for-money auditing standards established by the Canadian Institute of Chartered Accountants.

One of these standards requires that the “person or persons carrying out the examination possess the knowledge and competence necessary to fulfill the requirements of the particular audit.” In order to meet this standard, we employ professionals with training and experience in a variety of fields. These professionals are engaged full-time in the conduct of performance audits. In addition, we often supplement the knowledge and competence of our own staff by engaging one or more consultants, who have expertise in the subject of that particular audit, to be part of the audit team.

As performance audits, like all audits, involve a comparison of actual performance against a standard of performance, the CICA prescribes standards as to the setting of appropriate performance standards or audit criteria. In establishing the criteria, we do not demand theoretical perfection from public sector managers. Rather, we seek to reflect what we believe to be the reasonable expectations of legislators and the public. The CICA standards also cover the nature and extent of evidence that should be obtained to support the content of the auditor’s report, and, as well, address the reporting of the results of the audit.



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