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Follow-up on Audit of Military Moves

February 2010

7050-10-2-4-2 (CRS)



Canada 

Caveat

The result of this work does not constitute an audit of the military moves program. Rather, this report was prepared to follow up on the progress in implementing the Management Action Plan that resulted from the March 2007 Audit of Military Moves.



Table of Contents

Acronyms and Abbreviations	i
Introduction	1
Methodology.....	1
Overall Assessment.....	2
MAP Implementation Progress	2
Compliance with FAA Section 34	2
Compliance with the CFIRP	2
Compliance with Contractual Requirements	3
Information for Decision Making	3
Performance Measurement.....	4



Acronyms and Abbreviations

CF	Canadian Forces
CFIRP	Canadian Forces Integrated Relocation Program
CRS	Chief Review Services
DA	Departmental Authority
DGCB	Director General Compensation and Benefits
DND	Department of National Defence
DRBM	Director Relocation Business Management
FAA	<i>Financial Administration Act</i>
FMAS	Financial Managerial Accounting System
FY	Fiscal Year
MAP	Management Action Plan
TAN	Travel Authorization Number
ZBA	Zero Balance Account



Introduction

In March 2007, Chief Review Services (CRS) completed an audit of the Canadian Forces Integrated Relocation Program (CFIRP). The scope included a review of expenditures made in support of the military moves program as well as an assessment of the control framework surrounding the administration of the CFIRP. To address the resulting CRS recommendations, Director General Compensation and Benefits (DGCB) developed a management action plan (MAP). As required by the Treasury Board Policy on Internal Audit, CRS undertook this audit follow-up to assess the implementation of the MAP.

The relocation program is administered under contract by a private-sector service provider. The CFIRP outlines the relocation benefits available to military members. The paid benefits are recorded in the member's move file, and reimbursed through payments from a Zero Balance Account (ZBA). The contractor forwards details of these payments on a daily basis to DGCB. Monthly, the contractor invoices the Department of National Defence (DND) for administering the CFIRP. In the audited year—fiscal year (FY) 2005/06—ZBA expenditures amounted to \$187 million, while administration fees were \$23 million. Rail and airfares associated with relocations and billed directly to the Department comprised an additional \$11 million.

A new contract for the provision of relocation services was competitively tendered and came into effect 1 December 2009.

Methodology

This follow-up is not another audit of the same issues, but rather a review of documentation and evidence to assess the progress made in implementing the MAP. The following methods were used in this assessment:

- Interviews with Director Relocation Business Management (DRBM), Director Compensation and Benefits Administration and Director Military Careers Support Services staff;
- Review of supporting documentation pertaining to the MAP including status updates reported by DGCB in the Audit and Evaluation Recommendation Management System;
- Review of policy pertaining to the CFIRP;
- Review of the previous relocation services contract, including applicable amendments as well as review of the new contract; and
- Analysis of related Financial Managerial Accounting System (FMAS) data, ZBA transactions and other move-related data.

This follow-up focused on those audit recommendations that involved compliance with statutory and policy requirements (i.e., compliance with *Financial Administration Act* (FAA) Section 34, CFIRP and Contractual Requirements) or were seen to be most critical in ensuring the efficient delivery of the program (i.e., information for decision making and performance measurement). Measurability, significance and continued relevance were also considered in determining which recommendations warranted follow-up review.

Overall Assessment

Considerable progress has been made since the initial audit to strengthen the business processes and controls associated with expenditures related to military moves. The implementation of key review processes, including the stand-up of a review cell, has contributed to ensuring that payments made are in accordance with the CFIRP and FAA Section 34 requirements. As well, initial steps have been taken to better ensure all contractual requirements are being met.

Additional provisions contained in the new relocation services contract are intended to better measure the performance of both the service provider and the overall program as well as improve the availability of information for decision making. Ongoing monitoring by the Department will be required to ensure this occurs.

MAP Implementation Progress

Compliance with FAA Section 34

At the time of the audit, it was recommended that processes be developed to ensure that expenditures relating to administration fees, rail and airfares, and ZBA transactions were valid and in compliance with policy and contractual requirements, as required for certification under Section 34 of the FAA.

A review cell has been created within DRBM and processes are in place to validate invoices for administration fees and transactions processed through the ZBA. The processes, endorsed by Assistant Deputy Minister (Finance and Corporate Services) staff, include both automated exception reporting and sampling of transactions. This is a notable improvement which reduces the risk of inappropriate payments. Further enhancements could be made, including:

- Implementing a sampling methodology that focuses on transactions considered to be of higher risk; and
- Developing additional automated tests to highlight exceptions or areas of risk.

Monthly, the contractor provides a listing of rail and air transportation booked using travel authorization numbers (TAN). A review process is currently in place to ensure that each TAN is associated with a valid move number. However, this process could be enhanced by reconciling the amounts actually billed for rail and airfares to this listing.

Compliance with the CFIRP

In the initial audit, it was recommended that DND adopt a risk-based approach to reviewing completed move files to ensure that adequate supporting documentation is retained, proper authorizations have been obtained, and Canadian Forces (CF) members have received all applicable benefits.



As recommended, a review process for completed move files is now in place. On an on-going basis, the review cell within DRBM completes a detailed review of a large sample of closed files to ensure overall compliance with the CFIRP. Consistent with the audit results, the review cell has found that To date, the review process has primarily focused on a backlog of completed files from FY 2006/07.¹ The process could be enhanced by placing increased emphasis on more recent move files, focusing on benefits which are more complex or where there have previously been high error rates, and by summarizing the results of reviews to determine areas that require policy clarification and/or improved communication. Incorporating these enhancements could reduce the required sample size while providing an equivalent or increased level of assurance.

Compliance with Contractual Requirements

At the time of the audit, In some cases, this was occurring because the departmental authority (DA) had not defined the specific requirements. The audit recommended that action be taken to address

Management has taken steps to address noted in the initial audit, including modifying and clarifying the requirements, amending some clauses in the existing contract and including revised clauses in the new contract. In particular, the new contract replaces many of the periodic contractor-generated reporting requirements with an *ad hoc* reporting capability intended to provide DND with increased reporting flexibility. On-going monitoring by the Department will be required to ensure these contractual requirements are fully met.

Information for Decision Making

To improve the Department’s ability to manage the military moves program and to better support decision making, it was recommended that DND ensure move-related information for decision making is adequate, accurate and accessible and can be integrated.

Considerable progress has been made in addressing elements of the recommendation, primarily by ensuring that move numbers are assigned in a consistent fashion and that all expenditures can be related to a valid move number. As well, a reduction in the number of general ledger accounts used to record move expenditures in FMAS has resulted in a simplified reporting process and more concise information. Detailed move information relating to individual benefits and files is now more readily accessible and is being used as part of the closed file review. While more relevant data is now available, management would benefit by further identifying its information requirements to ensure the data is used effectively for forecasting and budgeting purposes and for the identification of trends and areas of risk.

¹ Review of closed files from FY 2007/08 commenced in November 2009.

Performance Measurement

At the time of the audit, few performance measures were in place to measure the efficiency and effectiveness of the relocation program or the level of satisfaction amongst CF members.

Subsequent to the audit, a survey has been conducted as a means of assessing client satisfaction. Additionally, the new contract requires the contractor to produce a quarterly performance report, based on measures and standards to be developed cooperatively by the DA and the contractor. The contractual requirement to provide the Department with an *ad hoc* reporting capability is an additional mechanism to measure performance of the program in general. As the new contract only came into effect 1 December 2009, it is too early to measure the effectiveness of these actions. The Department needs to take the principal role in ensuring that meaningful performance measures are developed and accurately reported by the contractor, and that the *ad hoc* reporting capability provides the information necessary to effectively manage the military move program. The Department's performance measurement requirements should be periodically re-evaluated to ensure the results are relevant for management of the program.

