



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Review of Training, Conference and Related Travel Expenses

Date:	February 7, 2014
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's Audit Work Plan included a review of City controls over training, conferences and related travel expenses.

The Work Plan is intended to address a combination of major program areas as well as those areas of less financial significance. In the latter case, while the areas reviewed may not involve significant funds, they are particularly important in the context of public interest.

This report provides six recommendations which will strengthen controls over training and conference expenses. Implementation of the recommendations included in this report will:

- Ensure expense claims comply with City policies
- Ensure City training and conference budgets align with actual City training needs
- Reduce travel and accommodation cost

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the Director, Accounting Services and divisional management to ensure travel and conference claims are completed and expenses are reimbursed according to the Business Expense Policy.

2. City Council request the City Clerk to ensure that Councillor claims are reimbursed according to the Constituency Services and Office Budget Policy.
3. City Council request the Director, Accounting Services Division to review the issues identified in this report, particularly the policies adopted by other organizations and, where appropriate, incorporate revisions into the Business Expense Policy.
4. City Council request the Director, Organizational Development and Workforce Planning review the capacity of the corporate learning management system to provide periodic reports to senior management on training and conference hours and costs by employee groups.
5. City Council request the Treasurer, in consultation with the City Clerk, to:
 - a. consider planning and coordinating trips by simultaneously booking hotels and transportation for a group of employees and Councillors attending the same event;
 - b. evaluate the feasibility of developing a hotel directory similar to those used by other large organizations; and
 - c. negotiate similar discount rates as those used by other large organizations.
6. City Council request the City Manager to develop a strategy for training and conference needs and ensure that budget and actual costs are aligned.

Financial Impact

The implementation of recommendations in this report will improve controls over training, conferences and travel related expenses. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

COMMENTS

In 2013, the City had an overall training, travel and conference budget of \$7 million. City divisions manage their respective training and conference budgets based on divisional goals and individual training needs. The City Business Expense Policy governs City employee training and conference expenditures.

The City Clerk is responsible for managing conference and travel expenses incurred by City Councillors. The Council-approved Constituency Services and Office Budget Policy provides guidance and procedures for reimbursement to City Councillors on such expenses.

While generally we did not identify any significant instances of non-compliance with City policies and procedures, there are a number of areas requiring improvements.

Improvements are required related to training, travel and conference budgets and conference planning.

This report provides six recommendations which will strengthen controls over training and conference expenses. Implementation of the recommendations included in this report will:

- Ensure expense claims comply with City policies
- Ensure City training and conference budgets align with actual City training needs
- Reduce travel and accommodation cost

The audit report entitled “Review of Training, Conference and Related Travel Expenses” is attached as Appendix 1. Management’s response to audit recommendations included in the report is attached as Appendix 2.

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SIGNATURE

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ATTACHMENTS

Appendix 1: Review of Training, Conference and Related Travel Expenses

Appendix 2: Management’s Response to the Auditor General’s Review of Training, Conference and Related Travel Expenses

AUDITOR GENERAL'S REPORT

**Review of Training, Conference and
Related Travel Expenses**

December 2, 2013

Jeffrey Griffiths, CPA, CA, CFE
Auditor General



TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
BACKGROUND, AUDIT OBJECTIVES, SCOPE AND METHODOLOGY	3
AUDIT RESULTS	5
A. EXPENSE MANAGEMENT NEEDS IMPROVEMENT	5
A.1. Controls Over Claims Processed By Accounting Services	5
A.2. Controls Over Claims Processed By City Clerk’s Office	6
B. POLICY FRAMEWORK NEEDS IMPROVEMENT	7
B.1. Revisions to City Travel Expense Policies Should Be Considered	7
C. LACK OF PLANNING AND COORDINATION IN TRAINING AND CONFERENCE	8
C.1. Report on Training and Conference Hours and Cost	8
C.2. Review Methods to Obtain Preferred Discount Rates Offered to Other Governmental Organizations	9
D. DIVISIONAL TRAINING BUDGETS NOT ALIGNED WITH ACTUAL COSTS	11
D.1. Actual Costs Are Not Aligned With Budgeted Costs	11
CONCLUSION	12
Exhibit 1: Training, Conference and Business Travel Hours and Cost By City Divisions in 2012	13

EXECUTIVE SUMMARY

The Auditor General's Audit Work Plan included a review of City controls over training, conferences and related travel expenses.

The Work Plan is intended to address a combination of major program areas as well as those areas of less financial significance. In the latter case, while the areas reviewed may not involve significant funds, they are particularly important in the context of public interest.

Audit conducted to evaluate internal controls and compliance with City travel policies and procedures

The purpose of this audit was to evaluate internal controls and compliance with City policies and procedures in relation to travel, training and conferences. Specifically, our objectives were to determine whether:

- expenditures were in compliance with City policies and procedures
- travel expenditures were for City business
- travel and accommodations were arranged in an efficient and economical manner

In our review, we noted instances of non-compliance with City policies and several areas where improvements would strengthen controls.

\$7 million annual training and conference budget

In 2013, the City had an overall training, travel and conference budget of \$7 million. City divisions manage their respective training and conference budgets based on divisional goals and individual training needs. The City Business Expense Policy governs City employee training and conference expenditures.

The City Clerk is responsible for managing conference and travel expenses incurred by City Councillors. The Council-approved Constituency Services and Office Budget Policy provides guidance and procedures for reimbursement to City Councillors on such expenses.

While generally we did not identify any significant instances of non-compliance with City policies and procedures, there are a number of areas requiring improvements. Improvements are required related to training, travel and conference budgets and conference planning.

Previous Auditor General reports related to training

Over the past few years, the Auditor General has issued several reports with recommendations related to training and conferences.

Toronto Police Service

In 2006, the Auditor General's report on "Review of Police Training, Opportunities for Improvement" identified issues including:

- lack of overall responsibility for police training
- lack of adequate recordkeeping
- lack of compliance with internal procedures and the Police Services Act

Toronto Community Housing Corporation

In 2011, the Auditor General's report entitled "Review of Controls Over Employee Expenses Are Ineffective, Toronto Community Housing Corporation" identified issues relating to travel, training and conferences including:

- inappropriate expenses on training and conferences
- claims approved were not in compliance with policies and procedures
- lack of due diligence in managing expense reimbursements

Toronto Fire Services

In 2013, the Auditor General's report on "Improving the Administration and Effectiveness of Firefighter Training and Recruitment, Toronto Fire Services" identified the following related issues:

- lack of a multi-year strategic plan for training
- lack of training specific key performance indicators for performance monitoring
- training programs not meeting external and internal training standards
- incomplete training records

Report recommendations will improve controls over training and conference related processes

This report provides six recommendations which will strengthen controls over training and conference expenses. Implementation of the six recommendations included in this report will:

- Ensure expense claims comply with City policies
- Ensure City training and conference budgets align with actual City training needs
- Reduce travel and accommodation cost

BACKGROUND, AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

2013 City annual training and conference budget is approximately \$7 million

The 2013 City annual training and conference budget is almost \$7 million. Training accounted for 80 per cent or \$5.7 million of the budget and conferences and seminars 20 per cent or \$1.2 million.

City divisions manage their respective training and conference budgets based on divisional goals and individual training needs.

The Corporate Learning and Leadership Unit in the Human Resources Division within the City Manager's Office is responsible for providing Corporate training courses. This Unit is responsible for the City's Corporate learning strategy and arranges Corporate training programs based on City goals and strategies.

Training and Conference expenditures for City staff are governed by the City Business Expense Policy while City Councillor training and conference expenses are governed by the Council-approved Constituency Services and Office Budget Policy.

**Training, Conference and Related Travel Expenses
from 2011 to 2013**

Type of Expense	2011		2012		2013	
	Actual (\$000's)	Budget (\$000's)	Actual (\$000's)	Budget (\$000's)	Actual (Annualized) (\$000's)	Budget (\$000's)
Conference	513	1,419	507	1,223	664	1,211
Training	3,053	6,862	3,018	5,551	3,589	5,651
Total Expenses	\$3,566	\$8,281	\$3,525	\$6,774	\$4,253	\$6,862

Audit Objectives

The objectives of this audit were to provide assurance that training and conference costs and controls are managed appropriately and in compliance with policies and procedures. In addition, we reviewed controls to assess whether relevant and accurate data is recorded, analysed and reported timely.

Audit Scope

The audit covered the period January 1, 2012 to June 30, 2013.

***Audit
Methodology***

Our audit methodology included the following:

- Review of related documents, reports, policies and procedures
- Interviews with City staff
- Examination of documents and records
- Evaluation of management controls and practices
- Review of audit reports from other jurisdictions
- Benchmarking with US General Services Administration, US Department of Treasury, Canadian Treasury Board of Secretariat Conference, Ontario Management Board of Cabinet and Government of Canada travel directives and policies
- Data analysis using specialized audit software
- Other procedures deemed appropriate

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

A. EXPENSE MANAGEMENT NEEDS IMPROVEMENT

A.1. Controls Over Claims Processed By Accounting Services

City Business Expense Policy applies to City staff when attending training and conferences

The Business Expense Policy applies to City employees attending training courses and conferences.

Before each training course or conference, employees submit an approved travel request form indicating travel dates, times and estimated expenses. Some employees may request an advance payment based on the estimated cost of the event. Within 10 days of completing the training course or conference, employees are required to submit an expense form with receipts and return unspent advances.

Divisional management is responsible for reviewing and approving travel request and expense forms. The City Accounting Services Division is responsible for ensuring adequate documentation is provided in accordance with the Business Expense Policy. Any expenses not in compliance with the Policy are not reimbursed.

Non-compliance with Business Expense Policy

In our review of City staff training and conference documentation, instances of non-compliance with the Business Expense Policy were noted. Examples noted from our audit are as follows:

***Key control issues
and examples***

- Documentation can be improved to support reimbursement for advance payments and expense claims. For example, an advance payment in excess of \$700 was paid for conference fees and hotels based on conference information and was not later supported by original receipts.
- Reimbursement requests submitted after the required 10-day time frame. For example, an employee returned from a conference on November 22, 2011 but did not submit expense forms until January 8, 2012.
- Per diem allowance not prorated properly as meals were reimbursed for attendees at conferences providing meals. For example, an employee claimed two full days of allowance of \$130 when conference fees already included breakfast and lunch for both days.
- Hotel and transportation rates paid were not the lowest available rate. For example, an employee stayed in a hotel room costing \$180 when a standard rate room was available for \$130.

Recommendation:

1. **City Council request the Director, Accounting Services and divisional management to ensure travel and conference claims are completed and expenses are reimbursed according to the Business Expense Policy.**

A.2. Controls Over Claims Processed By City Clerk's Office

***City Clerk reviews
City Councillor
travel claims***

City Councillor travel requests for training and conferences are processed by the City Clerk's Council and Support Services Unit.

Training and conference expense claims are required to be submitted and approved in accordance with the Constituency Services and Office Budget Policy.

Examples of policy non-compliance

Generally, the administration of conference and travel expenditures is well managed. However, in our review of Councillor conference documentation, we noted a number of instances of non-compliance with the Constituency Services and Office Budget Policy. While not significant, policies should be followed. For example, notification and expense claim forms were not submitted in accordance with policy submission requirements in regard to time lines.

Recommendation:

- 2. City Council request the City Clerk to ensure that Councillor claims are reimbursed according to the Constituency Services and Office Budget Policy.**

B. POLICY FRAMEWORK NEEDS IMPROVEMENT

B.1. Revisions to City Travel Expense Policies Should Be Considered

Benchmarking results indicate City policies and procedures could be strengthened

Our benchmarking analysis identified government organizations that incorporate certain controls that are not included in the City Business Expense Policy.

For example, US General Services Administration, US Department of Treasury, and Treasury Board of Canada Secretariat travel policies include provisions related to cancellation of travel plans, use of preferred hotels and reporting on actual training and conference costs for individual employees.

The City may wish to consider amending its expense policies to incorporate the following:

Provisions to consider to strengthen controls

- Reimbursement for Actual Meal Expense – Employees reimbursed for meals based on actual costs up to a maximum limit
- Cancellation - Employees repay registration fees and advance payments made if unable to attend a scheduled training or conference

- Hotel Directory – Use of a City hotel directory providing a preferred list of service providers offering a pre-negotiated or government discount rate
- Expense Reports – Report on actual versus budgeted training and conference costs to management after each training or conference event.

Stronger controls could result in savings

Incorporating the controls listed above into City business expense policies could result in lower costs.

Recommendation:

- 3. City Council request the Director, Accounting Services Division to review the issues identified in this report, particularly the policies adopted by other organizations and, where appropriate, incorporate revisions into the Business Expense Policy.**

C. LACK OF PLANNING AND COORDINATION IN TRAINING AND CONFERENCE

C.1. Report on Training and Conference Hours and Cost

Training and conference cost increasing every year

In 2012, 9,000 City employees attended a total of 200,000 hours of training and conference related time at a cost of \$4 million. This cost does not include the cost of staff time away from normal job duties and hours from certain training, such as elearning, training of short duration not recorded in the time and attendance system, and unpaid training conducted on the employee's personal time.

For instance, out of 24 City divisions, the top three divisions incurred more than 50 per cent of total training and conference hours. In 2012, the top three divisions include:

- Toronto Water – approximately 46,000 hours averaging 40 hours per employee
- Fire Services – approximately 32,000 hours averaging 31 hours per employee
- Parks, Forestry and Recreation – over 20,000 hours averaging 12 hours per employee.

Exhibit 1 attached to this report is a summary of 2012 City divisional training and conference hours and total costs.

While there are likely valid reasons for the extent of training incurred by each of these divisions, there are no readily available reports indicating the extent of training by individual employees. The preparation of such reports would be useful in determining the appropriateness of the level of training provided to individual employees.

Recommendation:

- 4. City Council request the Director, Organizational Development and Workforce Planning review the capacity of the corporate learning management system to provide periodic reports to senior management on training and conference hours and costs by employee groups.**

C.2. Review Methods to Obtain Preferred Discount Rates Offered to Other Governmental Organizations

Conferences and business travel require division head pre-approval based on training requirements and total training or conference cost. After obtaining approval, staff book travel and accommodation individually.

Although a number of employees may be attending the same conference year after year, there is no centralized planning and scheduling in booking accommodation and transportation arrangements.

In some cases, conferences are attended annually by a number of employees and opportunities exist to take advantage of booking at group rates.

Hotel and transportation more than 60% of total cost

In general, hotel and transportation costs account for more than 60 per cent of the total cost of out of town conferences. Currently there are no prescribed maximum costs for hotel and transportation costs. Hotel and transportation arrangements are selected and made by the employee. It is up to the individual to compare and choose the most economical mode of transportation and hotel.

From our review, we noted that rates varied due to different modes of transportation, various hotel ratings and booking time remaining.

Flight costs for two individuals varied between \$600 to \$2,500

For example, 12 City Councillors attended the 2012 Federation of Canadian Municipalities Annual Conference. Hotel room rates varied between \$190 and \$264 per night and airline tickets ranged from \$600 to over \$2,500 because arrangements were booked from different companies and different times.

As previously mentioned, other jurisdictions use a hotel directory that provides a list of recommended service providers offering a government or discount rate for hotels at frequently visited locations.

Recommendation:

- 5. City Council request the Treasurer, in consultation with the City Clerk, to:**
 - a. consider planning and coordinating trips by simultaneously booking hotels and transportation for a group of employees and Councillors attending the same event;**
 - b. evaluate the feasibility of developing a hotel directory similar to those used by other large organizations; and**
 - c. negotiate similar discount rates as those used by other large organizations.**

D. DIVISIONAL TRAINING BUDGETS NOT ALIGNED WITH ACTUAL COSTS

D.1. Actual Costs Are Not Aligned With Budgeted Costs

Training funds provided by City divisions and Human Resources Division budget

For employees attending external training programs, divisions pay for registration fees, transportation, accommodation and other related costs. In-house Corporate training programs are funded through the City Human Resources budget.

City divisions are responsible for reviewing and adjusting annual training and conference budgets based on prior year costs and projected training needs.

Since 2011 City Divisions have spent \$12 million less than budgeted in training funds

The City training, travel and conference budget from 2011 to 2013 was \$8 million, \$7 million and \$7 million respectively for a three year total of \$22 million. Actual training, travel and conference funds spent from 2011 to 2013 were \$10.4 million for a difference of \$11.6 million.

From 2011 to 2013 average training and conference costs were \$3.7 million less than budgeted for each of the three years. As a result, for the past three years the City has over-budgeted a total of approximately \$11 million.

No apparent effort has been made to align budgeted training, travel and conference funds to actual expenditures.

Recommendation:

- 6. City Council request the City Manager to develop a strategy for training and conference needs and ensure that budget and actual costs are aligned.**

CONCLUSION

The 2013 budget for training, conferences and related travel expenses is approximately \$7 million. Implementation of the six recommendations contained in this report will improve controls over the administration and management of those expenses.

Exhibit 1

Training, Conference and Business Travel Hours and Cost By City Divisions in 2012

Division	Training Hours	Conference/ Business Travel Hours	Total Hours	Total Cost (\$)	Number of Employees	Hours Per Employee
Toronto Water	46,123	74	46,197	563,586	1,151	40
Fire Services	32,401	610	33,011	119,904	1,065	31
Parks, Forestry & Recreation	21,943	30	21,973	232,142	1,812	12
Long Term Care	21,584	14	21,598	83,532	900	24
Transportation Services	12,882	312	13,194	70,020	551	24
Engineering and Construction Services	7,206	56	7,262	47,909	332	22
Solid Waste Management	5,249	50	5,299	10,691	311	17
Shelter, Support & Housing Administration	4,988	-	4,988	274,544	331	15
Information & Technology	4,432	313	4,745	232,703	215	22
Toronto Building	4,134	581	4,715	26,761	34	139
Others	34,433	1,443	35,876	1,862,446	1,961	18
Total	195,375	3,483	198,858	\$3,524,238	8,663	23

Notes: Training hours are from the time and attendance system and may not include certain training, such as group training and elearning that is less than a half day, and training done on an employee's own time.

**Management's Response to the Auditor General's Review of
Training, Conference and Related Travel Expenses**

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
1.	City Council request the Director, Accounting Services and divisional management to ensure travel and conference claims are completed and expenses are reimbursed according to the Business Expense Policy.	X			The Director, Accounting Services will develop and institute a process for an annual review of a sample of claims for compliance. The first reviews will occur in Q2/Q3 2014
2.	City Council request the City Clerk to ensure that Councillor claims are reimbursed according to the Constituency Services and Office Budget Policy.	X			The City Clerk's Office staff will continue to remind Councillors about the requirement to submit travel and conference documentation in accordance with the Constituency Services and Office Budget Policy and will process reimbursements in accordance with the Constituency Services and Office Budget Policy Immediate.
3.	City Council request the Director, Accounting Services Division to review the issues identified in this report, particularly the policies adopted by other organizations and, where appropriate, incorporate revisions into the Business Expense Policy.	X			The Director, Accounting Services will review other organizations' policies and update the Business Expense Policy, where appropriate. Accounting will also develop a process for an annual review of a sample of claims for compliance, as noted in recommendation 1. Prior to December 31, 2014

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
4.	<p>City Council request the Director, Organizational Development and Workforce Planning review the capacity of the corporate learning management system to provide periodic reports to senior management on training and conference hours and costs by employee groups.</p>	X			<p>The new ELI corporate learning management system (phase 1) will be installed Q1 2014 with the capacity to track only some types of corporate training. Full system installation and functionality with roll out (other phases) to City Divisions over the next 3 years.</p> <p>In Q 2-3 the ELI project office will develop the capacity to apply the features and functions of the system. A report on the capacity of the system will be completed by Q4, 2014</p>
5.	<p>City Council request the Treasurer, in consultation with the City Clerk, to:</p> <ul style="list-style-type: none"> a. consider planning and coordinating trips by simultaneously booking hotels and transportation for a group of employees and Councillors attending the same event; b. evaluate the feasibility of developing a hotel directory similar to those used by other large organizations; and c. negotiate similar discount rates as those used by other large organizations. 	X			<p>The Director, Accounting, in consultation with the Director, Purchasing and Materials Management, and the City Clerk, will:</p> <ul style="list-style-type: none"> a) review the costs and benefits of coordinating booking of trips where multiple individuals are going to the same location; b) evaluate the feasibility of developing a hotel directory or gaining access to other organization's negotiated discounts; and c) determine whether there are opportunities to negotiate discount rates or to gain access to other organization's negotiated discounts. <p>Prior to December 31, 2014</p>
6.	<p>City Council request the City Manager to develop a strategy for training and conference needs and ensure that budget and actual costs are aligned.</p>	X			<p>A strategy to ensure that training and conference needs are met and that budget and actual costs are aligned will be developed by the end of Q2 2014.</p> <p>The Strategy will be consistent with the goal and actions of the City's workforce plan the <u>Talent Blueprint</u>.</p>