



CONFIDENTIAL ALERT

To: Gail Silvestrini  
Chief Financial Officer  
Ministry of Transportation and Infrastructure

File No: 34200-20/TRAN  
Date: June 18, 2014

From: Greg Gudgeon  
Executive Director, 3CMB, Office of the Comptroller General

**Subject: Advances on Travel Card & Personal Appearing Travel Card Transactions**  
**Cardholder:** s22

As part of our review of travel card transactions, the above employee has shown up as having cash advance transactions totaling \$440.00 that do not appear to be supported by a re-imbursement request in iExpense or a travel claim. This indicates that the cash advances may have been for personal reasons and not for travel related issues. The employee also has other expenditures in the headquarters area that appear personal. We have reviewed the travel card for the period November 2013 to May 2014.

The following report includes transactions appearing to be non travel related expenses:

- \$101.75 cash advance made on April 2, 2014 at the Chances Casino in Kamloops
- \$101.95 cash advance made on April 3, 2014 at the TD Bank in Kamloops
- \$63.36 purchase made on March 26, 2014 at Canada Safeway in Kamloops
- \$279.61 purchase made on May 6, 2014 to Bell Mobility Inc.
- \$101.75 cash advance made on May 20, 2014 at the Chances Casino in Kamloops
- \$140.00 purchase and/or advance made on May 22, 2014 at Safeway in Kamloops

The travel card expenditures were reviewed for the November 2013 card statement dates covering transactions for the period October 11 – 15, 2013.

- \$74.45 purchase made on October 11, 2013 to Greyhound Canada
- \$410.55 purchase made on Oct 14, 2013 to s15 in Abbotsford
- \$150.75 purchase made on Oct 15, 2013 to s15 in Abbotsford

There were no requests for re-imbursement through iExpense or a travel claim in the period reviewed. The last iExpense report was submitted on March 30, 2012.

Although travel cards provide the ability for employees to receive cash advances, a cash advance should only be obtained if it is necessary for travel. In the above case, all the employees travel costs, if on travel status, seem to have been paid by the travel card and there was not a request for any

costs to reimburse for advanced funds spent. This indicates that the employee may be obtaining cash advances for personal reasons.

As well, even though the employee is responsible for payment of the card, the employee should be reminded that the card is a government card and expenditures on that card are a matter of public record and therefore must not be used for personal reasons.

Transactions made on purchase cards are public record as a component of BC's public accounts and therefore will be subject to public and media scrutiny. Please review the above noted transactions and advise me of any action taken by your ministry.

3CMB recommends the following actions regarding the above employees' corporate card usage:

- ✓ confirm that the transactions are approved government purchases.
- ✓ confirm that the above transactions have been recorded correctly.
- ✓ where abuse or misuse is found, cancel active corporate cards as appropriate and review the employee's other financial areas of responsibility (i.e., Delegated Authority).
- ✓ other appropriate actions as this list may not be all inclusive.

The *Financial Administration Act*, section 33.2, obligates every member of the public service to report to the Comptroller General any expenditure or payment that the person considers to be in contravention of sections 32.1, 33 or 33.1. CPPM Chapter 4.3.20.

Where these transactions are found to be legitimate business transactions, we ask that you direct 3CMB to the related legislation(s), act(s), or regulation(s) that these transactions are authorized under.

Thank you for your attention to this matter and please direct your response and any questions or comments to me at [Greg.Gudgeon@gov.bc.ca](mailto:Greg.Gudgeon@gov.bc.ca).

pc: Thomas Lacey, Supervisor, Compliance Team, 3CMB, OCG





CONFIDENTIAL ALERT

To: Steve Klak  
Chief Financial Officer  
Ministry of Finance

File No: 34200-20/Finance  
Date: June 4, 2014

From: Greg Gudgeon  
Executive Director, 3CMB, Office of the Comptroller General

**Subject: Excessive use of Cash Advances on Travel Card plus Personal Purchases.**

Cash Advance transactions on the above employees' purchase cards appear suspicious and/ or excessive. The following report includes a sample of the above cardholders' transactions since issuance of the card on s22

s22

- Sixteen cash advances totalling \$3,200 since the card has been issued. Most advances have been taken in s22  
s22 Understanding that the employee is with the s22  
s22 we wanted to check against other staff to see if this many advances is the norm. In reviewing for advances on the travel card for the period Jan 1 to June 3, 2014 we found that five other staff had taken advances out but only one or two each for the period.
- As well, the employee has had to pay off the advances on his card but has not yet filed any travel claim so must be paying from their personal account. You would expect that a claim would have been filed for each period to pay off the statement.
- The employee has one other charge of \$34.55 for the period at Sammy Peppers Gourmet Grill

s22

Transactions made on purchase cards are public record as a component of BC's public accounts and therefore will be subject to public and media scrutiny. Please review the above noted transactions and advise me of any action taken by your ministry.

3CMB recommends the following actions regarding the above employees' corporate card usage:

- ✓ confirm that the transactions are approved government purchases.
- ✓ confirm that the above transactions have been recorded correctly.
- ✓ where abuse or misuse is found, cancel active corporate cards as appropriate and review the employee's other financial areas of responsibility (i.e., Delegated Authority).
- ✓ If a new cardholder this may simply be a training issue and they would need to be reminded of the policy.

The *Financial Administration Act*, section 33.2, obligates every member of the public service to report to the Comptroller General any expenditure or payment that the person considers to be in contravention of sections 32.1, 33 or 33.1. CPPM Chapter 4.3.20.

Where these transactions are found to be legitimate business transactions, we ask that you direct 3CMB to the related legislation(s), act(s), or regulation(s) that these transactions are authorized under.

Thank you for your attention to this matter and please direct your response and any questions or comments to me at [Greg.Gudgeon@gov.bc.ca](mailto:Greg.Gudgeon@gov.bc.ca).

pc: Thomas Lacey, Supervisor, Compliance Team 3CMB



CONFIDENTIAL ALERT

To: Bryan Fraser  
Chief Financial Officer  
Ministry of Education

File No: 34200-20/Education  
Date: June 4, 2014

From: Greg Gudgeon  
Executive Director, 3CMB, Office of the Comptroller General

**Subject: Possible Duplicate Claim on Travel Claim**  
**Cardholders:** s22

Brian, we want to make you aware that we have come across what appears to be a duplicate claim as part of our review.

- s22
- s22 the employee claimed accommodation expenses of \$232.30 on October 2 and a car rental expense of \$48.50 for October 4
- s22 the employee claimed the same expenses for the same date and amount.

We would recommend that you review these claims and payments to ensure that if the payments are duplicate that there is a recovery of the amount.

We also note that, although the employee is still submitting travel claims on a regular basis, they are no longer using the travel card for travel expenses s22 We would recommend that the travel card be used for travel purposes to reduce the financial impact to the employee or, if no longer necessary, that you consider cancelling the card.

Transactions made on purchase cards are public record as a component of BC's public accounts and therefore will be subject to public and media scrutiny. Please review the above noted transactions and advise me of any action taken by your ministry.

3CMB recommends the following actions regarding the above employees' corporate card usage:

- ✓ confirm that the transactions are approved government purchases.
- ✓ confirm that the above transactions have been recorded correctly.
- ✓ where abuse or misuse is found, cancel active corporate cards as appropriate and review the employee's other financial areas of responsibility (i.e., Delegated Authority).
- ✓ other appropriate actions as this list may not be all inclusive.

The *Financial Administration Act*, section 33.2, obligates every member of the public service to report to the Comptroller General any expenditure or payment that the person considers to be in contravention of sections 32.1, 33 or 33.1. CPPM Chapter 4.3.20.

Where these transactions are found to be legitimate business transactions, we ask that you direct 3CMB to the related legislation(s), act(s), or regulation(s) that these transactions are authorized under.

Thank you for your attention to this matter and please direct your response and any questions or comments to me at [Greg.Gudgeon@gov.bc.ca](mailto:Greg.Gudgeon@gov.bc.ca).





CONFIDENTIAL ALERT

To: David Hoadley  
Chief Financial Officer  
Ministry of Justice

File No: 34200-20/Justice  
Date: May 25, 2014

From: Greg Gudgeon  
Executive Director, 3CMB, Office of the Comptroller General

**Subject: Appearance of a Large Number of Travel Advances on Travel Card**  
**Cardholders:** s22

Hi David, the noted advance transactions on the above employees' purchase cards appear suspicious and/or excessive. Although we do not have all of the information about the advances obtained, the employee appears to be on travel during the period in question and there is no indication that the employee is using the advances for anything other than travel. However, the employee has routinely taken out small dollar cash advances on a daily bases or in some cases multiple times during a day.

This indicates that the cardholder may not understand the purpose of the travel card and the restrictions around obtaining advances and the ministry may want to provide training to the cardholder and to the expense authority who is signing off on the expenditures. As well, each advance results in bank charges and interest charges to the Province so multiple advances results in unnecessary charges especially when the employee could use the card to pay for costs. The following report includes a sample of the above cardholders' advance transactions.

s22

- April 3, 2014 statement date – two transactions on this statement totalling \$63.40, both advances.
- May 3, 2014 statement – twenty transactions during this period with 11 of them being cash advances (with multiple advances on a number of days) and one small separate advance interest charge resulting in \$31 of bank charges for the period.
- Current statement – fifteen transactions to date with 8 of them being cash advances.

s22

- We also noted that the employee has claimed costs for "personal shopping public transit six days" in the amount of \$28. This would not appear to be a reimbursable expense.

Transactions made on purchase cards are public record as a component of BC's public accounts and therefore will be subject to public and media scrutiny. As noted, we feel this may be a training issue for the cardholder. Please review the above noted transactions and advise me of any action taken by your ministry.

3CMB recommends the following actions regarding the above employees' corporate card usage:

- ✓ Discuss card use with the cardholder and the expense authority
- ✓ confirm that the advances are for approved government purchases.
- ✓ confirm that the above transactions have been recorded correctly.
- ✓ where abuse or misuse is found, cancel active corporate cards as appropriate and review the employee's other financial areas of responsibility (i.e., Delegated Authority).
- ✓ other appropriate actions as this list may not be all inclusive.

The *Financial Administration Act*, section 33.2, obligates every member of the public service to report to the Comptroller General any expenditure or payment that the person considers to be in contravention of sections 32.1, 33 or 33.1. CPPM Chapter 4.3.20.

Where these transactions are found to be legitimate business transactions, we ask that you direct 3CMB to the related legislation(s), act(s), or regulation(s) that these transactions are authorized under.

Thank you for your attention to this matter and please direct your response and any questions or comments to me at [Greg.Gudgeon@gov.bc.ca](mailto:Greg.Gudgeon@gov.bc.ca).

pc: Rod Seginson, Director, Financial Services, Ministry  
Thomas Lacey, Supervisor, Compliance Team 3CMB





CONFIDENTIAL ALERT

To: Terry Gelinas  
Chief Financial Officer  
Ministry of Forest, Lands and Natural Resource Operations

File No: 34200-20/Ministry  
Date: xxxxxxxx

From: Greg Gudgeon  
Executive Director, 3CMB, Office of the Comptroller General

**Subject: Employee Personal Appearing Purchase Card Transactions and transaction outside of card limits Cardholder:**

s22

Hi Terry, as part of our review of purchase card transactions I noted that the above employee has a number of transactions over the past year that could be personal use. As well, in November 2013 the employee has exceeded his single and monthly transaction limits on the card. The employee has both a purchase card and a travel card. However, although the employee has travelled over the year, the travel card does not indicate any of the travel purchases (Hotels, meals etc) that are indicated on the travel claims which indicates that the cardholder may be using their personal card for travel. The following report includes a sample of the above cardholders' transactions related to

s22

**Moxies purchases for November 25 – 29 2013 totalling \$18,444.66**

- The cardholder has made 7 payments to Moxies in Vancouver for \$18,466. These appear to be in relation to a training session (but this should be confirmed), however, the cardholder has made three payments over the transaction limit of 5k for the card and the charges for the month of November were \$30,592.01. The monthly card limit is 20k. Travel meal per diems were also claimed for this period for travel. No purchases were made on the travel card.

**Purchases that could be personal**

- Without knowing the nature of the work that this cardholder uses the card for it is difficult to determine if the payments are personal or not, but some seem suspicious give the fact that the employee has a  
s22 Throughout we are assuming payments to Staples are work related.
- Dec 2013 – Payments to TASF (\$36.75) Tim Hortons (\$41.48), Walmart (\$123.05) and Parking Victoria (\$17.75)
  - Nov 2013 – Payments to Michaels (\$61.87) and Rexall Drugs (\$10.28).
  - Sept 2013 – Bernard Cabinat Chocolate (\$43.05), and Future Shop (\$134.38)
  - July 2013 – Zazu Eclectic Cafe, Victoria (36.18), Cafe Mela Victoria (\$21.68), The Source (\$27.99) and National Car Rental, Victoria (\$50.69)
  - June 2013 – Dollar Giant Victoria (\$14.01)
  - May 2013 – 7-Eleven (\$45), Future Shop (\$156.69) and three payments to Cooks Day Off Victoria (\$ 184.17, \$190.47, \$212.10)

- o March 2013 – Prism Photofinishing (\$116.48 and 3701.38), Michaels (\$1690.08, and \$2085.80)), The Source (67.19)
- o January 2013 – Budget Rent-A-Car Victoria (\$579.77), Michaels (\$971.94) and Survey Monkey (\$348.00) –

s15

s15

**Payments to Moxies in Aug 2013.**

➔ Note that in August 2013 there were also payments to Moxies Calgary for \$3772.98.

Transactions made on purchase cards are public record as a component of BC's public accounts and therefore will be subject to public and media scrutiny. Please review the above noted transactions and advise me of any action, if necessary, taken by your ministry.

3CMB recommends the following actions regarding the above employees' corporate card usage:

- ✓ confirm that the transactions are approved government purchases.
- ✓ confirm that the above transactions have been recorded correctly.
- ✓ where abuse or misuse is found, cancel active corporate cards as appropriate and review the employee's other financial areas of responsibility (i.e., Delegated Authority).
- ✓ Remind cardholder of the monthly and transaction limits for the card.
- ✓ other appropriate actions as this list may not be all inclusive.

The *Financial Administration Act*, section 33.2, obligates every member of the public service to report to the Comptroller General any expenditure or payment that the person considers to be in contravention of sections 32.1, 33 or 33.1. CPPM Chapter 4.3.20.

Where these transactions are found to be legitimate business transactions, we ask that you provide information to 3CMB for our future reviews.

Thank you for your attention to this matter and please direct your response and any questions or comments to me at [Greg.Gudgeon@gov.bc.ca](mailto:Greg.Gudgeon@gov.bc.ca).

pc: Dianne Ross, Director, Financial Policy and Compliance, Ministry of FLNRO  
Laurie Arscott, Supervisor, Compliance Team 3CMB

# Office of the Comptroller General

## 2013/14 Cross Government Report Compliance Monitoring Results



Ministry  
of Finance

Trusted financial and economic leadership for a prosperous province



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**Cross Government Compliance Monitoring Results –2013/14**

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# Office of the Comptroller General

## Cross Government Compliance Monitoring Results –2013/14

### OCG Message

This report presents compliance review findings from 3CMB's monitoring activities of government payments for the period of April 1, 2013 through March 31, 2014. Comparative information is also provided for the previous two fiscals.

The objective of our review program is to strengthen the government's financial management control framework. This is accomplished by providing ministries with information that identifies areas of financial management risk, provides trends in errors and non-compliance to ministries; and, broadens policy awareness. The Office of the Auditor General also uses 3CMB's ministry compliance audit results in its annual Public Accounts audit.

This report provides a view of compliance risks from a corporate, cross-government perspective and is one indicator of the overall health of the internal controls of government. We are excited to be able to now provide three years of information for comparative purposes and have now included results from our desk reviews and from our 100% continuous controls monitoring review in the areas of authorization validity, segregation of duties and payment method.

3CMB will also provide each CFO with a companion report, containing results specific to their particular ministry. In addition, ministries who are now on the AX exception module with 3CMB will be able to review and download details of the exception reporting.

Past reviews have found that those Ministries that engage with 3CMB about the report results are seeing improved compliance rates from year to year. These interactions are not only of benefit to individual Ministries, they also have a positive impact on the corporate compliance rates, and provide 3CMB with valuable ministry information on which to base reviews of, and improvements to, our internal approaches and processes.

I would encourage you to work with our 3CMB team to review your report and look for ways to help strengthen the control framework. By working together, and sharing our expertise with one another, we are best able to meet our shared goal of a strong control framework.

On behalf of the 3CMB team, I would like to thank the management and staff of ministries for their cooperation and assistance throughout the 2013/14 corporate compliance review process.

Greg Gudgeon, CA, CPA  
Executive Director, Corporate Compliance and Controls Monitoring  
Office of the Comptroller General

# Office of the Comptroller General

## Cross Government Compliance Monitoring Results –2013/14

### Executive Summary

The purpose of this report is to provide ministries information that: identifies areas of risk in respect of financial management and procurement processes; provides trends in non-compliance; and, broadens policy awareness in an effort to improve the Province's internal controls.

It is the hope of the Comptroller General that ministries will use this information to help fulfill their responsibility for implementing effective financial controls within their ministries and to support the OCG Financial Management Framework. The Office of the Auditor General also uses these compliance review results as part of their annual Public Accounts audit.

Overall, compliance rates for 2013/14 are at or above the target level of 80% for compliance by payment, but at or below the target level of 98% for compliance by dollar value. Continuing efforts to improve and sustain financial controls will enable continued acceptable compliance rate by payment, and we encourage ministries to focus on ensuring financial controls are effective for high-value payments.

The following key observations were made:

- The most common error was "Approved government transfer request not provided".
- Expense payments had the lowest rate of compliance, and Employee Payments also had lower rates of compliance than Vendor Payments.
- The acceptable standard for Authorization was met for value of payments, however, we noted that many exceptions related to payments with invalid authorization.
- Some exceptions detected through the data analytics reflected issues with data quality in CAS, CHIPS and/or CSAS records
- A significant number of errors related to the use of SMARTTEC to report carbon emissions.

The risks associated with these observed issues include:

- Expenses approved by unauthorized individuals, who may also not be trained to spend government resources effectively
- Inaccurate financial system information, negatively affecting business decisions
- Non-compliance with the *Financial Administration Act* and the *Greenhouse Gas Reduction Targets Act*

To promote increased rates of compliance for the above, and strengthen stewardship of government resources, 3CMB offers the following recommendations:

- Ensure processes are established and working effectively to approve and document government transfer requests in compliance with *CPPM 21 Government Transfers*
- Ensure employees are aware of and understand the procedures and benefits of signing up to receive reimbursements via direct deposit
- Expand scope of *CPPM D.9.1 Electronic Deposit of Payments to Suppliers* to require all employees to receive all employee reimbursements via direct deposit
- Enable use of same direct deposit information as for paycheques
- Ensure Expense Authorities understand and adhere to the responsibilities of exercising Expense Authority
- Ensure processes are in place and working effectively to ensure Expense Authorities in CAS reflect the same information as in CSAS, which is the "source of truth" for Expense Authority



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### **Cross Government Compliance Monitoring Results –2013/14**

- Consider connecting CSAS directly to CAS and CHIPS to minimize data quality issues, timing differences, and manual data entry.
- Ensure employees who enter iExpense invoices understand how and when to use SMARTTEC to accurately report travel carbon emissions

There is a shared risk and responsibility for ensuring government has strong financial control frameworks: the ministries for execution of sound practices, and OCG for providing effective structure, guidance and support. There are many issues affecting compliance, which continue to be exacerbated through ministry and central agency budgetary and staffing pressures. Some issues and their resolution may be unique to a specific ministry, while others are applicable to government as a whole and require broader, systemic solutions. Discussion of the results to better understand the root causes of non-compliance will help identify needed actions to continuously improve government financial controls.

As part of 3CMB's continuous improvement process, this year marks the first year that results from automated reviews of 100% of payments are incorporated into the results. Future reports will also incorporate results from corporate card payment reviews.

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# Office of the Comptroller General

## Cross Government Compliance Monitoring Results –2013/14

### Introduction

The Corporate Compliance & Controls Monitoring Branch (3CMB) is part of the Office of the Comptroller General. 3CMB's mandate is to work co-operatively with ministries and central agencies to provide a corporate monitoring program that strengthens the financial and procurement control frameworks, by enabling improved compliance with government core policy and reducing risk. Ministries are responsible for implementing and ensuring the effectiveness of financial controls within their ministries.

This report describes the results of the financial review of payments made between April 1st, 2013 and March 31st, 2014 by ministries and other ministry entities within the BC Provincial Government. Compliance rates are projected to the population as a whole and by financial control objective. Results are also used to calculate and report risk associated with each financial control objective.

3CMB uses two processes to review payments for policy compliance:

1. Desk reviews are conducted by 3CMB staff on a statistical sample of government payments, to test that payments were s15  
s15 Desk reviews are used where complex analysis or document review is required.
2. Recently 3CMB adopted continuous controls monitoring technology which uses data analytic software to test 100% of payments for effectiveness of certain control objectives, such as s15 This process is currently conducted using data from the Corporate Financial System (CFS), Corporate Signing Authority System (CSAS), and Corporate Human Resource Information and Payroll System (CHIPS).

When the desk review or the data analytic identifies a deviation from policy or another issue with the payment, a finding is documented. Findings include errors and observations. Errors are specific actions contrary to policy. Observations may be cited where a business practice recommended by policy or "best practices" was not followed, but policy was not necessarily breached.

Compliance is measured in terms of errors; observations are not included in the calculation. Compliance levels of 80% of physical unit compliance (by payment) and 98% dollar unit compliance (by dollar value) are considered acceptable by the Comptroller General.

This report includes prior year results as a means to identify multi-year trends. To ensure comparability, prior year results are restated in this report where required due to changes in policy, risk assessments, or audit procedures.

This year's report is the first to include the results from 3CMB's new continuous controls monitoring processes that tests for certain errors using automated data analytics. The use of data analytics allows 3CMB to expand its testing population to payments that were excluded in the past due to cost-benefit limitations. The analytics allow review of prior year payment transaction data as well as current data.

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Therefore the 2012 and 2013 populations and results have been included and restated to allow trend analysis.

In addition to reviewing cash payments, 3CMB also reviews payments made via corporate cards. The results of these reviews will be provided to ministries in a subsequent report. Future reports will incorporate the results of corporate card payment reviews with results from CAS payment reviews to provide ministries with an improved picture of their overall compliance.

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## Cross Government Compliance Monitoring Results –2013/14

### Review Objective, Methodology and Scope

The objective of 3CMB's compliance reviews is to ensure that financial and procurement controls function as intended and as required by legislation, policies and/or collective agreements.

Specifically, 3CMB tests that:

- controls exist, are maintained, and are effective;
- system controls operate as intended;
- evidence is provided that indicates policies are followed throughout the procure-to-pay cycle; and,
- the control objectives of accuracy, approvals, documentation, timing, conditions and segregation of duties are met.

The Core Policy and Procedures Manual (CPPM), in accordance with the *Financial Administration Act* of the Province of British Columbia, is the primary governance source for the compliance reviews undertaken by 3CMB. The Province's Standards of Conduct, trade agreements and employment agreements are also incorporated into testing where feasible.

**Statistical Sampling Methodology:** The Integrated Statistical Sampling Approach used by 3CMB incorporates physical unit (attribute) and dollar unit sampling. This creates a selection that is based on both dollar risk and procedural risk. The sampling confidence level is set to 99% with a materiality of 5%. A 99% level of confidence means that 1% of the sample will not represent the population from which the sample was taken. Therefore, if 100 samples were taken using the same review criteria, one sample would provide results that are not normal. In 2013/14 statistical samples were conducted quarterly.

**Continuous Controls Monitoring Methodology:** 3CMB uses data analysis software to continually and automatically test 100% of payments for specific errors, using CFS, CHIPS and CSAS data. These tests are no longer included in the statistical sampling desk reviews, except for payments where the data is not available in CFS (e.g. payments originating from certain ministry financial systems). Data analysis is also used to review indirect payment controls, such as comparing CSAS and CHIPS records for consistency, and validity, and reviewing purchase orders for segregation of duties.

**Population:** The population sampled includes invoices paid

s15

s15

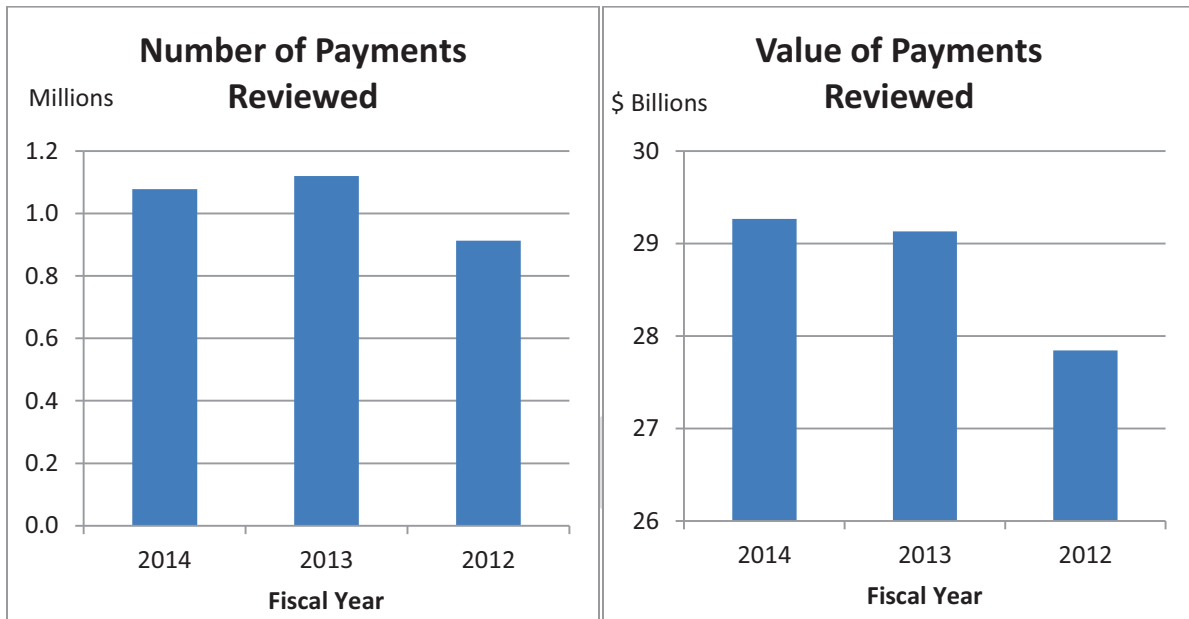
**Compliance Standards:** The compliance standards for the BC Government, as established by the Comptroller General, are:

- 80% physical unit compliance (addresses procedural risk)
- 98% dollar value compliance (addresses monetary risk)

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## Cross Government Compliance Monitoring Results –2013/14

Review findings are statistically valid when projected to the government population; thus all findings, including those cited less frequently, indicate areas where controls were not effective and should be reviewed and strengthened.



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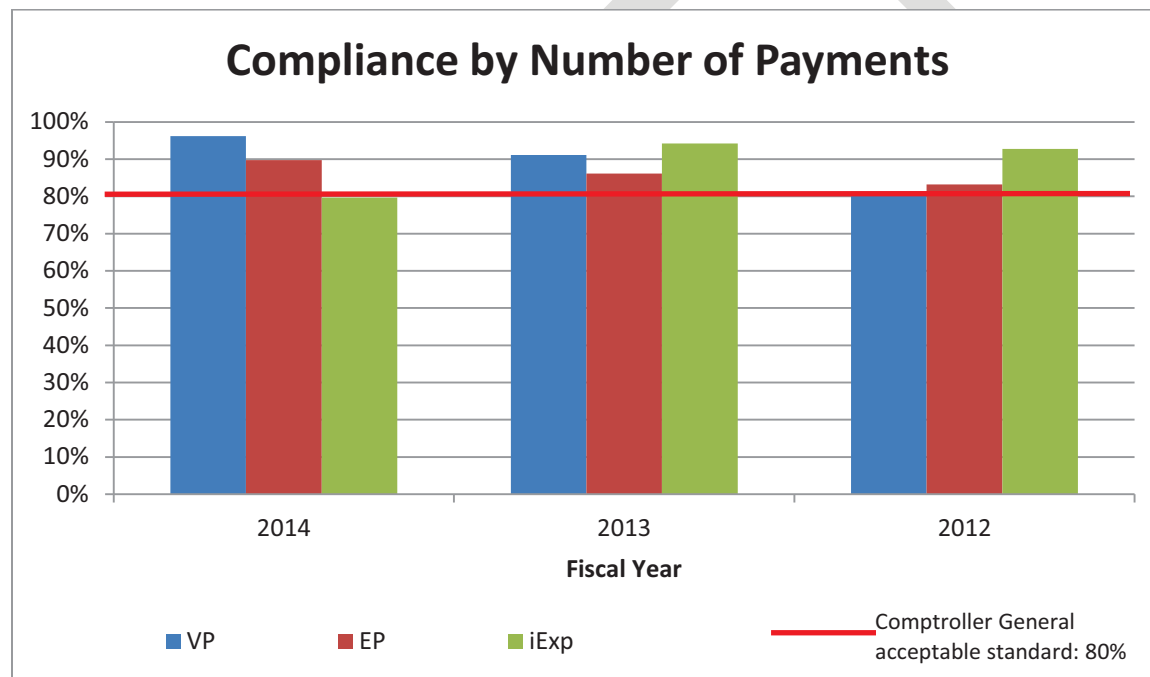
## Cross Government Compliance Monitoring Results –2013/14

### Results

#### 1. Compliance Status by Population

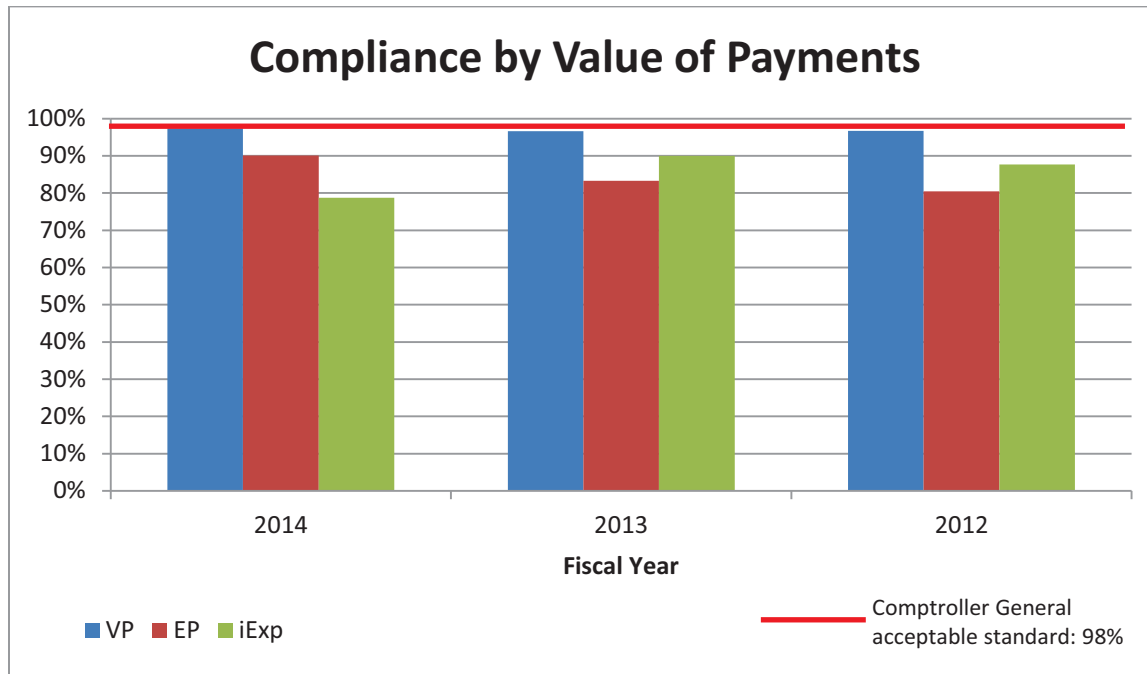
Compliance rates are a measure of those payments which follow the policies and procedures within government. Payments are separated into three population types:

Vendor Payments (VP)	Payments made to payees other than employees processed through accounts payable.
Employee Payments (EP)	Reimbursement and other payments made to employees processed through accounts payable and not through the iExpenses module
iExpenses (iExp)	Employee payments processed through the iExpenses module





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**Cross Government Compliance Monitoring Results –2013/14**



### Key Results

- In 2014, for all population types, compliance rates by number of payments all met or exceeded the 80% standard set by the Comptroller General. However, only Vendor Payments had a compliance rate of 98% for value of payments; Employee Payments and iExpense Payments compliance rates by value of payments fell short of the 98% standard.
- The compliance rate for Employee Payments improved steadily from 2012 to 2014.
- Conversely, the iExpense Payments compliance rate decreased significantly in 2014, and fell below the acceptable threshold for physical unit compliance.

## 2. Findings to Payments Ratio

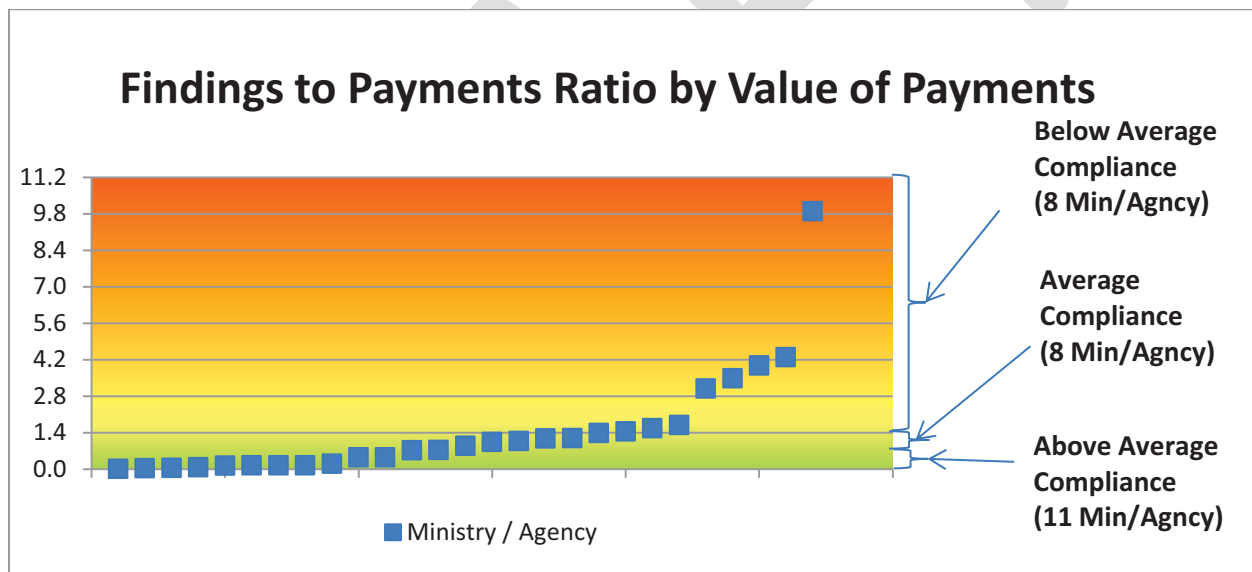
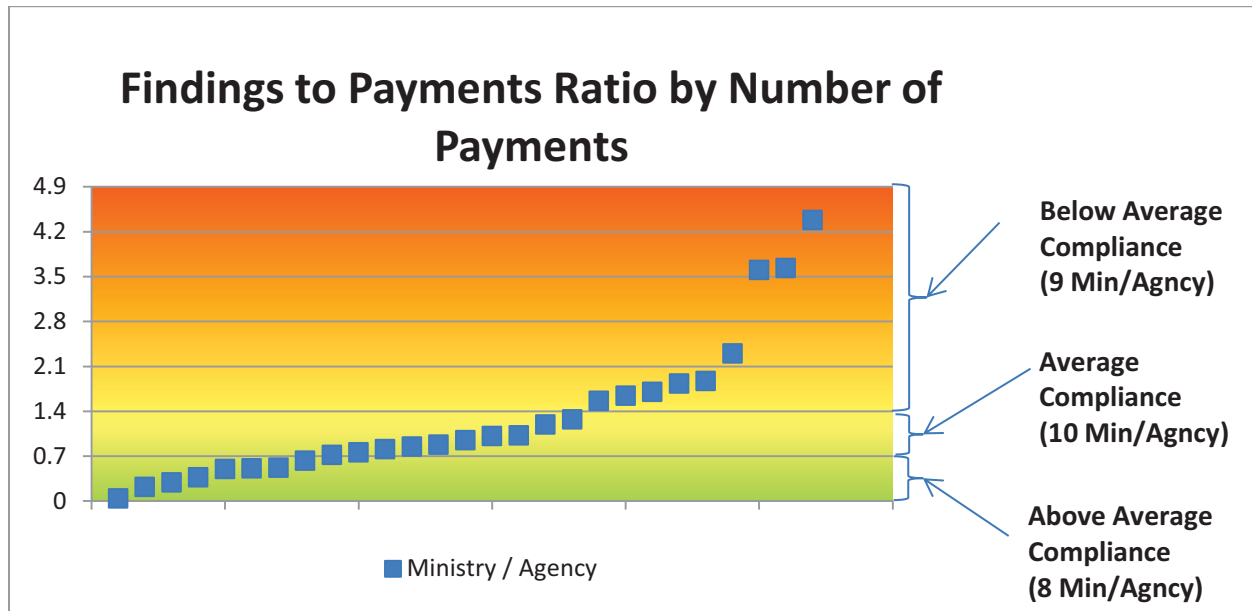
Larger ministries often produce more findings (are more frequently “non-compliant”) than smaller ministries, partly because they process and pay a larger quantity of invoices. Correcting for the quantity of payments provides a more accurate picture of the relative levels of compliance between ministries.

If compliance rates were uniform across government, a ministry’s share of total findings would be the same as its share of the total population (where population refers to the total number of paid invoices). However, a comparison of these shares for each ministry reveals a considerable variation across ministries<sup>1</sup>.

<sup>1</sup> Ratios calculated as follows, using either number of payments or value of payments:

$$\left( \frac{\text{Ministry's Payments with Findings}}{\text{Total Payments with Findings}} \right) / \left( \frac{\text{Ministry's Payment Population}}{\text{Total Payment Population}} \right) = \text{Non – Compliant Payments to Population Ratio}$$

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A Findings to Payments ratio of 0.7 or lower indicates relatively low levels of non-compliance, and an opportunity to learn from those ministries. Conversely, ratios in excess of 1.4 indicate an opportunity for improvement. Ministries will find their own ratios in their ministry-specific companion report.

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### **3. Findings by Review Objectives and Residual Risk**

Review Objectives are categories of fundamental financial controls. For a given payment, it is possible to have findings over multiple review objectives. One payment may have multiple findings, each one associated with a specific review objective:

Accuracy	Transactions are correctly billed and recorded, amounts are mathematically correct, and data entered into the financial systems is consistent with documentation and required business processes.
Authorization	Authorization exists, and can be confirmed as having appropriate delegated authority for the budget and spend allocation.
Coding and Classification	Payment recorded in the appropriate reporting category.
Conditions Met	Evidence that goods or services were received by or on behalf of government prior to satisfying the debt to the vendor.
Documentation	Physical and / or electronic evidence is received to support procurement decisions and payment allocations.
Payment Method	Payment method is cost-effective and appropriate.
Segregation of Duties	Two or more persons were involved in the approval, receiving and payment process.
Timing	Transactions are posted to the correct accounting period and fiscal year, terms for payments are met, available discounts taken, and late penalties are avoided.

The review objectives of Authorization, Payment Method, and Segregation of Duties were tested via data analytics for 100% of payments. Payment samples were tested for the review objectives of Accuracy, Coding and Classification, Conditions Met, Documentation, and Timing.

Risk is defined as “the chance of something happening that will have an impact on objectives. Risk is measured in a combination of the consequence of an event and the likelihood of occurrence.”

*(Source: AS/NZS 4360:2004 standard handbook)*

As the likelihood and/or the severity of consequences increase, so does risk level. Policy, people, processes and systems, which collectively comprise controls, are designed to mitigate risks by limiting the likelihood or the impact of the risks occurring. Errors are generated from findings where the controls have not been effective. Based on the likelihood and potential consequence, each error is categorized into three possible risk levels: Major, Moderate and Minor. The percentage of findings represents the frequency of control failure relative to other similarly rated risk areas.

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Major errors carry the largest amount of risk to government. They can impede the functions of government, and may disrupt programs or services to the public or to other government agencies.

Impacts may include:

- reduced ability for the Province to enforce contractual agreements;
- increased contract costs from penalties, fines, or unforeseen contract extensions;
- impaired relationships with suppliers of goods and services to government;
- legal challenges and associated costs;
- inappropriate budgeting decisions, inaccurate funding decisions and incorrect financial forecasts for programs; or,
- political hazard or undesirable media attention.

Areas of moderate risk may contribute to inefficiency or ineffectiveness of government services and programs. While the occurrence of moderate errors may not cause a complete breakdown of a service or program, it may increase resource requirements or impair the timely completion of service/program objectives. Common consequences include:

- unreliable financial information;
- increased exposure to liability;
- possible issuance of misleading and inaccurate financial reports, damaging the reputation of the Province's financial community; and,
- inappropriate budgeting/management decisions due to inaccurate information about financial and operational performance.

The following graphs show the rate of non-compliance for each review objective, along with the residual risk for that objective. The residual risk is the level of risk after controls are applied.

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s15

3CMB also conducts testing on financial controls not directly related to payments.

**Authorization:** As a further test for controls supporting the objective of Authorization, 3CMB uses data analytics to review the validity of Expense Authorities recorded in CSAS by comparing the data with CHIPS to ensure data quality and employee eligibility for Expense Authority. The results of this review are as follows:



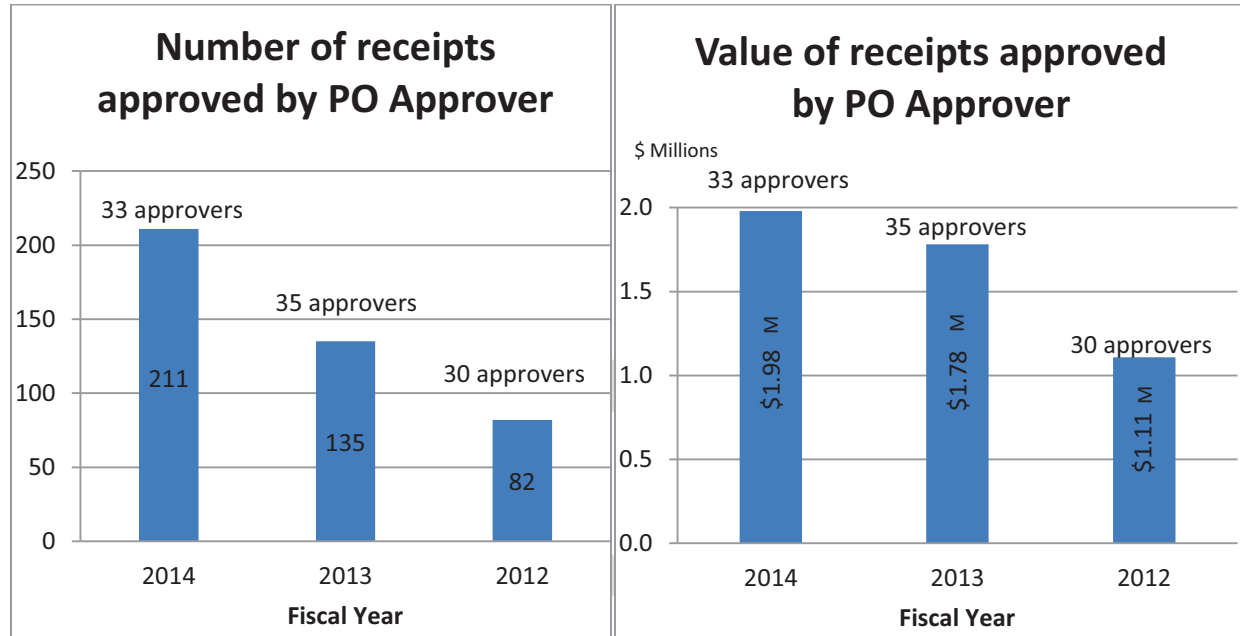
s15



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**Segregation of Duties:** 3CMB also uses data analytics to confirm, from iProcurement data, the Segregation of Duties review objective that purchase orders do not have the same individual approving the PO and receiving the goods/services. The results of this review are as follows:



### Key findings

- Documentation errors were most common in 2014, affecting 21% of individual payments tested and 37% of the value of payments tested. The majority of these errors were “Approved government transfer request not provided”.
- Accuracy errors were the second most common, affecting 19% of individual payments tested and 12.5% of the value; however, compliance has increased since 2012. Many of these errors related to the completion of SMARTTEC required forms.
- Authorization errors were cited for 3.7% of the number of payments reviewed and 1.9% of the value of payments reviewed. Most of these errors related to <sup>s15</sup> Some errors arose from accommodation rates that exceeded the CSA rate but were not pre-approved by the Expense Authority.
- Many CSAS to CHIPS exceptions relate to timing differences in system updates and/or data entry errors.
- In some cases, PO Approvers have acted as Qualified Receiver against the same PO multiple times.

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## **Discussion and Recommendations**

The results indicated the following issues:

- The error “Approved government transfer request not provided” was cited frequently. This error relates to the new CPPM Chapter 21 “Government Transfers”, which took effect in January 2013.
- iExpense payments had the lowest rate of compliance, and Employee Payments also had lower rates of compliance than Vendor Payments. This is in part due to the findings “EFT not used” and “Loyalty Program Points acquired” being cited for iExpense and Employee Payments but not Vendor Payments.
- The acceptable compliance rate for Authorization was met for value of payments, however, we noted that many exceptions related to payments with invalid authorization. Some Authorization exceptions detected through the data analytics reflected issues with data quality in CAS, CHIPS and/or CSAS.
- There was a significant number of errors related to SMARTTEC carbon emissions reporting.

The risks associated with these observed issues include:

- Government transfer payments may be made that do not align with ministry’s mandate. Expenses incurred by unauthorized individuals, who may not have the training or understanding necessary to spend government resources effectively, and may be incurring expenses against the wrong budget
- Unnecessary expenses due to extra cost to print and mail cheques and manage lost, stolen, or uncashed cheques
- Inaccurate financial system information, negatively affecting business decisions, as these systems are the “source of truth” for government
- Inaccurate carbon emissions reporting, resulting in non-compliance with the *Greenhouse Gas Reduction Targets Act*

To promote improved compliance rates for the above, 3CMB offers the following recommendations to ministries:

- Ensure processes are established and working effectively to enable compliance with CPPM 21; 3CMB will monitor the frequency of the error “Approved government transfer request not provided”, with the expectation that the frequency will decrease as ministries have established processes to comply with the policy. Many ministries have already implemented these processes.
- Ensure employees are aware of and understand the procedures and benefits of signing up to receive reimbursements via direct deposit,
- Senior management should encourage employees to sign up for direct deposit, both by direct communication and by leading by example

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- Ensure processes are in place and working effectively to ensure Expense Authorities in CFS reflect the same information as in CSAS, which is the “source of truth” for Expense Authority and needs to be accurate and up to date
- Ensure employees who enter iExpense invoices understand how and when to use SMARTTEC to accurately report travel carbon emissions, and why it is important
- Ensure Expense Authorities understand and adhere to the responsibilities of exercising Expense Authority

To assist ministries to improve compliance rates for the above, 3CMB offers the following recommendations to central agencies:

- Central financial agencies, such as Provincial Treasury and the Office of the Comptroller General, should encourage employees to sign up for direct deposit, both by direct communication and by leading by example
- Expand scope of *CPPM D.9.1 Electronic Deposit of Payments to Suppliers* to require all employees to receive all employee reimbursements via direct deposit
- Enable use of same direct deposit information as for paycheques
- Clarify *CPPM 6.3.3.e.3 Contract Award – All Procurement – Administration* in regards to what constitutes the “appropriate authority” required to sign government contracts
- Consider connecting CSAS directly to CAS and CHIPS to minimize data quality issues, timing differences, and manual data entry.

## Conclusion

2013/14 marks a year of transition for 3CMB and its compliance methodologies. The introduction of continuous controls monitoring technology changes the scope and perspective of the review results and of this report.

In many cases government is moving towards meeting the compliance standard set by the Comptroller General. If advances in compliance continue at this pace, measurements will show results consistently at or above the compliance standards in the next year. This cannot be done without continued effort.

As in previous years, 3CMB will provide each CFO with a companion report to this one, containing results specific to their particular areas of responsibility. We will also continue to engage ministries to collectively strive for strengthened stewardship and accountability through improved compliance.

There are many issues affecting compliance with varying degrees of complexity. Some issues (and their resolution) may be unique to a specific ministry, while others are applicable to government as a whole, requiring broader, systemic solutions. Better understanding of the root causes of non-compliance through communication, discussion and action have shown that increases in compliance are possible and have proven successful thus far.

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## Appendix

### Population Profile

	Fiscal Year 2014		Fiscal Year 2013		Fiscal Year 2012	
	Number of payments	Value of payments	Number of payments	Value of payments	Number of payments	Value of payments
All government payments	2,256,954	\$ 35,497,816,670	2,261,726	\$ 35,324,252,929	2,231,335	\$ 34,077,852,383
CGI Payment Images (not reviewed by 3CMB)	(1,096,972)	\$ (6,187,594,868)	(1,060,321)	\$ (6,169,917,912)	(1,234,978)	\$ (6,211,353,361)
Payments issued via Oracle Accounts Payable invoices	1,159,982	\$ 29,310,221,802	1,201,405	\$ 29,154,335,017	996,357	\$ 27,866,499,022
Payments excluded for CCM <sup>2</sup> review	(82,255)	\$ (42,730,360)	(81,466)	\$ (20,991,845)	(83,061)	\$ (21,905,885)
CCM Population	1,077,727	\$ 29,267,491,442	1,119,939	\$ 29,133,343,172	913,296	\$ 27,844,593,137
Payments excluded for desk review	(443,149)	\$ (26,668,741,199)	(485,091)	\$ (26,662,423,544)	(353,326)	\$ (25,686,789,957)
Desk review sampling population	634,578	\$ 2,598,750,243	634,848	\$ 2,470,919,628	559,970	\$ 2,157,803,180

<sup>2</sup> Payments removed relate to previously selected purchase orders and service lines; non-CRF payments, Legislative Assembly, Officers of the Legislature, Ministers' Offices, MLAs and their staff, pay benefits, and other payments excluded due to their risk profiles.

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**Ministry Client Listing**

Ministry / Agency	Population by # of Payments	Population by Value	Clients
Aboriginal Relations and Reconciliation	2876	\$85,492,489	120, 0F9, 320
Advanced Education	8382	\$1,940,957,675	019
Agriculture	6163	\$65,921,858	130, 0TA, 310
Children and Family Development	548,336	\$1,037,490,976	039
Community, Sport and Cultural Development	5696	\$209,227,062	060, 114, 0BH, 300
Education	33,951	\$5,247,575,402	062, 0ET
Energy and Mines	13,405	\$131,017,491	057,315
Environment	15,670	\$64,443,158	048, 0TF, 0SE, 301
Environmental Assessment Office	833	\$1,714,758	115
Finance	158,231	\$1,609,790,940	022, 068, 089, 305
Finance Supported Entities (including Office of the Premier)	3120	\$26,993,515	004, 055, 080, 0FK, 005, 063, 085
Forest Practices Board	452	\$979,744	079
Forest, Land and Natural Resource Operations	61,154	\$402,684,052	128, 0AT, 0FE, 0KR, 0TH, 0TN
Health	14,430	\$11,996,350,400	026
Housing	467	\$364,902,838	131, 302
International Trade	1069	\$12,536,650	065
Jobs, Tourism and Innovation	6337	\$367,777,757	125
Justice	79,573	\$671,991,351	010, 105, 307, 0AK, 0BR, 0FS, 0T6
Labour	5566	\$4,739,088	127, 0TW
Natural Gas Development	561	\$8,656,357	058
Public Service Agency	7279	\$1,077,641,144	100



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Ministry / Agency	Population by # of Payments	Population by Value	Clients
Social Development and Social Innovation	52,838	\$1,307,637,304	031
Technology, Innovation and Citizens' Services	19,094	\$626,109,236	067, 074, 112
Transportation and Infrastructure	31,357	\$2,003,978,372	034
Vital Statistics	887	\$881,825	0VC

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