



December 2024

Hotel Accommodations Policy

Department of Finance and Treasury Board

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2024 Volume II

Chapter 4 Highlights

No analysis was performed of estimated costs related to travel policy change	Lack of Treasury Board approval for policy change	Current employee travel policy is unclear and potentially misleading
Potential savings of \$632,169 annually if Government of Canada's Accommodations Directory Program rates were used		

Overall Conclusions

Our audit work concluded that the Department of Finance and Treasury Board's travel policy on employee hotel expenses does not reflect prudent fiscal management. Overall findings are as follows:

- no business case including quantitative and qualitative analysis was prepared to support the decision to cease participation in Government of Canada's Accommodations Directory Program
- there were potential annual savings of \$632,169 that could have been achieved through use of the Government of Canada's accommodation rates
- current hotel travel policy could mislead employees to continue using government hotel rates for which they are not eligible

Results at a Glance

Hotel Accommodations Policy

Insufficient Analysis for Policy Change



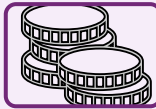
Findings



Lack of documented business case for policy decision to cease participation in the Government of Canada's Accommodations Directory program



Analysis supporting policy change **did not** adequately consider quantitative and qualitative factors



No analysis was performed of potential savings or increased costs



\$632,169 annually in estimated forgone savings



Lack of Treasury Board approval for policy change



24% of hotel stays tested had a lower federal directory rate for the same hotel as was used by a Government of New Brunswick employee



Current employee travel policy guidance to seek government rates is unclear and potentially misleading

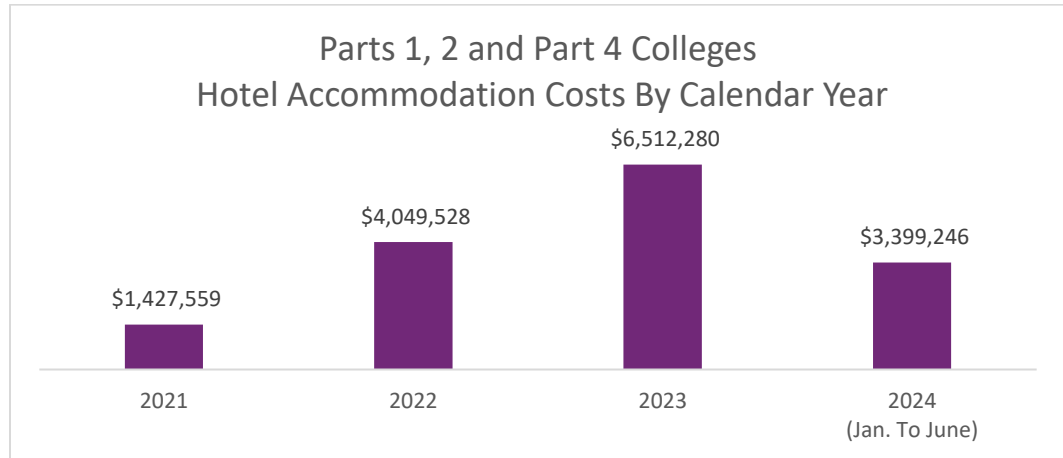
About the Audit

Introduction to the Audit

- 4.1** The Department of Finance and Treasury Board is responsible for policy planning and development and is mandated to provide the strategic direction for the prudent fiscal management of the Government of New Brunswick.
- 4.2** Government Policy AD-2801 provides guidance on hotel accommodation expenses and states that “*employees booking a hotel room are responsible for seeking government employee rates, or any special discounted rates, whichever is lower... Booking a hotel room above the normal standard room or government rate requires prior approval and justification.*”
- 4.3** The policy applies to:
- management and non-union employees of Parts 1, 2, and 3 of public service
 - unionized employees of Parts 1, 2, and 3 of public service except as may be otherwise provided by collective agreements
 - individuals employed on a personal service contract
 - individuals employed on a casual/temporary basis
- 4.4** Under the *Financial Administration Act*, Treasury Board may “*determine and regulate the payments that may be made to persons employed in the public service by way of reimbursement of travelling or other expenses...*”
- 4.5** We also found that travel policies for the New Brunswick Community College (NBCC) and Collège Communautaire du Nouveau-Brunswick (CCNB) both refer to the Government of Canada’s accommodations directory.

Why we Chose this Topic

- 4.6** Hotel accommodation expenses for Part 1 and 2 of public service (and the community colleges from Part 4) were as follows:



Source: Prepared by AGNB based on travel claim data (unaudited).

- 4.7** Part 3 hotel accommodation costs were not readily available, however, assuming hotels were similar portions of total travel as Parts 1 and 2 (and the community colleges from Part 4), we estimate that costs for Part 3 are as follows:



Source: Prepared by AGNB based on travel claim data (unaudited).

- 4.8** Following a reduction in travel expenses during the COVID-19 pandemic, government employee travel has been increasing. Hotel costs have increased since the pandemic, and we felt it important to review the business case behind a significant policy change related to government hotel travel.

Auditee

- 4.9** Our auditee was the Department of Finance and Treasury Board (the department). We also obtained audit evidence from various other departments, school districts and crown corporations relating to travel claim testing.

Audit Scope

- 4.10** We examined the department's role in policy planning and development as it relates to employee hotel accommodations expenses.
- 4.11** The audit covered the period from January 1, 2023, to June 30, 2024. Information outside of this period was also collected and examined as deemed necessary. As part of our work, we reviewed employee travel claims, relevant policy, legislation, contracts, guidance on policy interpretation and support for policy changes.
- 4.12** More details on the audit objective, criteria, scope, and approach we used in completing our audit can be found in Appendix II and Appendix III.

Audit Objective

- 4.13** Our audit objective was to assess whether the Department of Finance and Treasury Board's travel policy is reflective of prudent fiscal management as it relates to employee related hotel expenses.

Conclusion

- 4.14** Our audit work concluded that the Department of Finance and Treasury Board's travel policy on employee hotel expenses does not reflect prudent fiscal management.

Background

- 4.15** Prior to January 1, 2023, the Government of New Brunswick (GNB) participated in the Government of Canada's Accommodation Directory Program (GCADP), which granted access to federally negotiated accommodations rates at numerous hotels worldwide.
- 4.16** GCADP is based on a series of supply arrangements between the Government of Canada and suppliers of accommodations, through which discounted nightly rates are offered to identified users of GCADP when travelling on official government business. Each year the Government of Canada solicits these arrangements from accommodations properties in the form of daily rates.
- 4.17** Each participating hotel offers distinct daily rates that can be searched in an online directory available to identified users or in some cases accessed directly on hotels' websites.
- 4.18** Public Services and Procurement Canada (PSPC) oversees GCADP and has mechanisms for taking corrective action in cases of overcharges and sub-par accommodations quality through their GCADP contract management division. Suppliers are required to provide accommodations that are safe, clean and comfortable at the government rate offered in the directory.
- 4.19** Identified users include departments, boards and agencies of the Government of Canada. Provincial and territorial governments that pay an annual participation fee are also considered identified users.
- 4.20** The cost of participation in GCADP for the 2022 calendar year was \$14,850.
- 4.21** GNB ceased participation in GCADP effective January 1, 2023.

4.22 The expenses for the 10 departments with the highest hotel accommodation spend between January 1, 2024 and June 30, 2024 are as noted below:



Source: Prepared by AGNB based on travel claim data (unaudited).

Inadequate Analysis for Policy Change

4.23 Despite the fact GNB ceased participation in the federal hotel directory program effective January 1, 2023, the department did not update Policy AD-2801 to remove references and links to the hotel directory until May 2023.

4.24 Prior to this change, the policy noted that:

- it was an employee responsibility to “[use] the government’s designated online tools when required such as [the] Accommodation Directory”
- negotiated rates in the directory were linked to in the policy and were to be used by employees on official government business travel
- hotel charges that exceeded negotiated rates for hotels listed in the directory required justification for the overage
- hotel charges at hotels not listed in the directory required justification and prior approval, and reimbursement could not exceed the maximum negotiated rates for the area

- employees were required to always request the government rate
- 4.25** The updated policy now states that, “*employees booking a hotel room are responsible for seeking government employee rates, or any special discounted rates, whichever is lower...Booking a hotel room above the normal standard room or government rate requires prior approval and justification.*”
- 4.26** We inquired with the department regarding what analysis was performed to support leaving GCADP and the associated policy change.

Quantitative Analysis

- 4.27** There was no documented analysis to support the decision to cease participation in the federal hotel directory program. The department informed us that, “*a review of the \$14,850 subscription for participation in the Government of Canada accommodation directory revealed that it did not meet the expected value, leading to the decision not to proceed with payment,*” and that “*the return on investment was deemed insufficient due to the lack of demonstrated evidence of cost savings or measurable benefits.*” There was no business case detailing anticipated cost savings or increased expenditures.
- 4.28** The department informed us they reviewed activity on the GNB Travelling for Work Intranet page and noted that there was no activity on GNB’s link to the electronic hotel directory, or on the click-through to the federal page between January 2019 and March 2022.
- 4.29** This analysis, however, would not have accounted for the directory and/or government rates being accessed via other means such as through a search engine or hotel website.
- 4.30** The department did not review actual hotel expenditures to determine the extent to which employees were utilizing government rates as per the directory. They did not perform a quantitative analysis of whether savings had been achieved by using GCADP, nor has one been performed subsequently to determine if expenditures have increased.

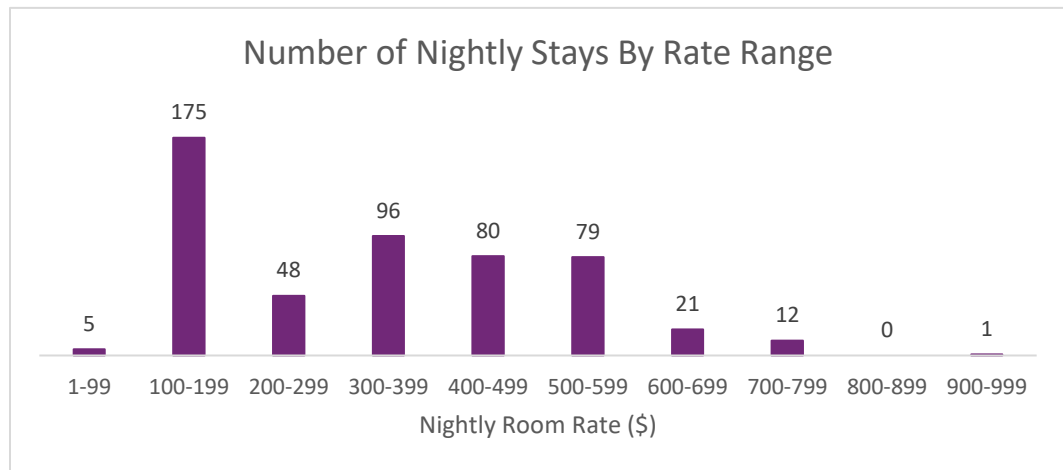
Hotel Rate Testing

- 4.31** To determine the financial impact of the decision to cease participation in GCADP, we performed testing of hotel expenses in GNB employee travel claims from January 1, 2024 to June 30, 2024, comparing these claims to rates in the directory at the same or nearby hotels. From this period, we tested a random sample of 140 travel claim reimbursements for hotel costs and also examined the 60 highest hotel claim reimbursements in Parts 1 and 2.

4.32 Our analysis showed potential annual savings of \$479,484 per year in Parts 1 and 2 and the colleges – equating to approximately 32 times the 2022 cost of participation in GCADP of \$14,850.

4.33 Only two account codes are used for all travel costs in Part 3 (travel in province and travel out of province), therefore, actual costs are not readily available for hotel accommodations only. If similar trends occurred in Part 3, as were observed in Parts 1 and 2 and the colleges, we estimate savings could be an additional \$152,685 annually.

4.34 For context, we noted that 113 nights in our sample had a cost of \$500 or more per night. An overview of nightly room rates we observed can be seen below:



Source: Prepared by AGNB based on travel claim data.

4.35 Some items of note observed in our testing were:

- 7 employees attended a conference in Barcelona for 4-6 nights at a total accommodation cost of \$19,346 with foregone savings of \$7,304. This trip included one employee expensing accommodations at \$997 for one night.
- An employee stayed at a Disney World Resort for 5 nights at \$414 per night, when nearby hotels had nightly GCADP rates of \$209 available, for foregone savings of \$1,025.
- 4 employees stayed 5 nights in Phoenix, Arizona at an average nightly rate of \$567, when nearby hotels had GCADP rates of \$168, for total foregone savings of \$6,665. \$2,357 of these savings related to one employee.
- 8 employees attended the same conference in Toronto, staying at 3 different hotels. Two of these hotels had GCADP rates available of \$209 and \$309 per night, respectively, while the 7 employees staying in these hotels all paid different nightly rates, ranging from \$260 to \$719 per night. Total foregone savings for this trip were \$10,281.

Qualitative Analysis

- 4.36** The department’s analysis to cease participation in the federal program did not consider qualitative benefits of the directory.
- 4.37** As GCADP represents a series of contracts between the federal government and service providers, participation entitles identified users to the negotiated rates, meaning users are able to claim a refund in the event that they are overcharged.
- 4.38** The directory preface notes that should an establishment refuse to give the government rate to an employee of an identified user, they may contact GCADP management for assistance.
- 4.39** 24% of the items tested in our sample had a lower GCADP rate for the same hotel as was used by a GNB employee – rates that would be guaranteed through GCADP.
- 4.40** Participation in GCADP offers the qualitative benefit of ensuring that all employees receive a reduced rate that is consistent each night and for each employee, and that recourse is available if they are overcharged. Such benefits were not considered in the department’s analysis supporting withdrawal from GCADP.

Recommendation

- 4.41** We recommend the Department of Finance and Treasury Board evaluate its decision to cease participation in the federal hotel directory program and to prepare documented business cases, including comprehensive quantitative and qualitative analysis, to support its decision.

Lack of Treasury Board Approval

- 4.42** Policy AD-1101 section 6.2 states, “*Treasury Board (the Committee) is responsible for authorizing additions to the AMS (Administrative Manual System) or changes to current ADs that are of a financial, personnel or administrative nature.*”
- 4.43** We requested the board of management minute detailing approval and were informed that the amendment was not taken to Treasury Board for approval.

Recommendation

4.44 We recommend the Department of Finance and Treasury Board ensure that policy changes of a financial, personnel or administrative nature are approved by Treasury Board (Board of Management).

Lack of Clarity in Policy and Guidance

- 4.45** Despite no longer participating in GCADP, Policy AD-2801 still instructs employees to seek government rates.
- 4.46** The department indicated that participation in GCADP was not a prerequisite for booking a government rate, and that this supported the decision to cease participation, as *“using the lowest rate available, regardless of whether it is a government rate, provides better value for government.”*
- 4.47** Some rates listed as government rates available directly through a hotel’s website are in fact GCADP rates, for which GNB employees are no longer eligible.
- 4.48** We found that by making it the employee’s responsibility to continue to seek government rates with no clarification on what government rates GNB employees are eligible to use, the amended policy lacks clarity and could be misinterpreted as guidance to continue to use GCADP rates.
- 4.49** We also found through our testing that it is often not clear on a travel claim or hotel invoice whether a government rate was applied. As such there is no way for an expense approver to verify that a government or discounted rate was applied, and which discount type was used.

Recommendation

4.50 We recommend the Department of Finance and Treasury Board ensure that policy and guidance related to hotels clearly outline employee responsibilities as they relate to hotel travel expenses.

Appendix I: Recommendations and Responses

Par. #	Recommendation	Department’s Response	Target Implementation Date
We recommend the Department of Finance and Treasury Board:			
4.41	evaluate its decision to cease participation in the federal hotel directory program and to prepare documented business cases, including comprehensive quantitative and qualitative analysis, to support its decision.	<p>Agree</p> <p>The Department of Finance and Treasury Board will identify and assess opportunities to strengthen its travel policies and directives, including consideration of the federal directory program.</p>	March 31, 2025
4.44	ensure that policy changes of a financial, personnel or administrative nature are approved by Treasury Board (Board of Management).	<p>Agree</p> <p>The Department of Finance and Treasury Board will ensure that policy changes of a financial, personnel or administrative nature are submitted to Treasury Board either for approval or as information items, as required by policy AD-1101.</p>	Immediately

Par. #	Recommendation	Department's Response	Target Implementation Date
We recommend the Department of Finance and Treasury Board:			
4.50	ensure that policy and guidance related to hotels clearly outline employee responsibilities as they relate to hotel travel expenses.	<p>Agree</p> <p>The Department of Finance and Treasury Board will review the policy and guidance related to hotels, identify opportunities to further clarify employee responsibilities and enhance approval processes. Additionally, the Department of Finance and Treasury Board will work with other departments to increase employee awareness of their responsibilities under the policy and that adherence is appropriately enforced.</p>	March 31, 2025

Appendix II: Audit Objective and Criteria

The objective and criteria for our audit of the Department of Finance and Treasury Board are presented below. The Department of Finance and Treasury Board and their senior management reviewed and agreed with the objective and associated criteria.

Objective **To assess whether the Department of Finance and Treasury Board’s travel policy is reflective of prudent fiscal management as it relates to employee related hotel expenses.**

Criterion 1 Employee hotel expense directives and/or policy should be based on sound quantitative and qualitative analysis.

Criterion 2 Requirements and guidance pertaining to employee hotel expenses should be clearly documented in policy.

Appendix III: Independent Assurance Report

This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on the Department of Finance and Treasury Board and its Travel Expense Policy (AD-2801) as it relates to hotel accommodations. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of the Department of Finance and Treasury Board with respect to its policy on hotel accommodations.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

The Office of the Auditor General of New Brunswick applies the Canadian Standard on Quality Management 1 – Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code of Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management’s responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the findings in this report are factually based

Period covered by the audit:

The audit covered the period between January 1, 2023, to June 30, 2024. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters outside of this period as deemed necessary.

Date of the report:

We obtained sufficient and appropriate audit evidence on which to base our conclusion on November 27, 2024, in Fredericton, New Brunswick.