

**Indian and Northern Affairs Canada -
Horizontal Audit of Grants and Contributions –
CEAP Funding**

Internal Audit Report

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Audit and Evaluation Sector**

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Initialisms and Abbreviations

ADM	Assistant Deputy Minister
AES	Audit and Evaluation Sector
ARIF	Arctic Research Infrastructure Fund
CA	Contribution Agreement
CEAP	Canada's Economic Action Plan
CFM	Capital Facilities and Maintenance Program
CFS	Child and Family Services
CFO	Chief Financial Officer
ESDPP	Education & Social Development Programs and Partnerships
FCSAP	Federal Contaminated Sites Action Plan
FN	First Nation
G&C	Grants and Contributions
HQ	Headquarters
INAC	Indian and Northern Affairs Canada
LED	Lands & Economic Development
MCF	Management Control Framework
NAO	Northern Affairs Organization
OAG	Office of the Auditor General of Canada
RBAP	Risk-Based Audit Plan
RDG	Regional Director General
RO	Regional Operations
TB	Treasury Board of Canada

Executive Summary

Introduction

Canada's Economic Action Plan (CEAP or the Action Plan), announced in Budget 2009, represents the Federal Government's response to the deepest global recession since the Second World War. CEAP was designed to provide stimulus funding to Canadians to help protect and create jobs during the economic downturn. More specifically, CEAP was designed to:

- Reduce the tax burden for Canadians
- Help the unemployed
- Build infrastructure to create jobs
- Create the economy of tomorrow
- Support industries and communities and
- Improve access to financing and strengthen Canada's financial system.

Under CEAP, Indian and Northern Affairs received \$667.8 million, over 99% of which represents one-time incremental funding in 2009-10 and 2010-11 for existing programs or initiatives.

The 2007-2010 Risk-Based Audit Plan (RBAP) for Indian and Northern Affairs Canada (INAC or the Department) established an expectation that an element of horizontal Grant and Contribution (G&C) audit work would be conducted annually to provide Departmental management with an assessment of key G&C controls. To establish the appropriate focus and scope for the annual horizontal audit to be conducted in 2010-11, a preliminary survey was conducted. The preliminary survey's identification of high inherent risks associated with INAC's allocation of CEAP funding, viz. anticipated public scrutiny and a mandated, accelerated two-year time horizon to spend these funds, led to the decision to focus the horizontal G&C audit on CEAP funding.

Objectives and Scope

The objective of this audit was to provide assurance to management over the adequacy and effectiveness of internal controls related to the management of CEAP contribution funded projects across the Department.

The audit assessed the controls related to the following three key phases of the G&C life cycle for all INAC departmental contribution programs receiving CEAP funding:

1. Eligibility/Evaluation
2. Agreement Development
3. Agreement Monitoring & Reporting

Conclusions

INAC has distributed CEAP funding to eligible recipients to support the objectives outlined in the Action Plan and is expecting minimal funding lapse in so doing. The Department has achieved this by combining, within most of the programs, pre-existing controls with some additional CEAP-specific controls to address the inherent risks associated with the accelerated nature and expected public scrutiny associated with these funds. AES is of the opinion that this approach was generally adequate and effective in supporting the objectives of the Action Plan.

AES notes, however, that there was not a formal department-wide CEAP risk assessment and comparative consideration of the need for additional controls within each program to potentially provide a higher degree of assurance that the risks would be mitigated. AES suggests that a provision for such a formal assessment and review that could be activated in exceptional circumstances such as CEAP be included in the Integrated Management Control Framework for Grants and Contributions, now under development.

The audit identified opportunities within the Housing program to strengthen the operational effectiveness of specific controls related to the management of payments to recipients, assessment of risk as part of recipient eligibility assessment, and monitoring of ongoing housing projects.

Recommendations

1. The Senior Assistant Deputy Minister (ADM) of RO should develop and communicate a consistent approach to ensure compliance across all regions with the terms and conditions of CEAP-related housing CAs for 2010/11 specifically related to ensuring sufficient and appropriate substantiation for milestone payments has been received from the recipient.
2. The Senior ADM of RO should ensure that housing proposal assessment templates and guidance provided to regional housing officers enable a full assessment and documentation of the risks associated with the recipient's capacity to complete the proposed project on-time and within budget and a determination of an appropriate level of monitoring for each approved project.
3. The Senior ADM of RO should work with the Regional Directors General (RDG) to ensure that regional housing officers proactively monitor CEAP funded housing projects to ensure all reporting requirements as outlined in CAs are being received and reviewed on a timely basis.

1.0 Introduction

1.1 Background to CEAP

Canada's Economic Action Plan (CEAP or the Action Plan), announced in Budget 2009, represents the Federal Government's response to the deepest global recession since the Second World War. CEAP was designed to provide stimulus funding to Canadians to help protect and create jobs during the economic downturn. More specifically, CEAP was designed to:

- Reduce the tax burden for Canadians
- Help the unemployed
- Build infrastructure to create jobs
- Create the economy of tomorrow
- Support industries and communities and
- Improve access to financing and strengthen Canada's financial system.

From the Federal Government's September 2010 "Canada's Economic Action Plan - Sixth Report to Canadians", the allocation of spending across the above-mentioned outcomes is as follows:

Canada's Economic Action Plan	2009-10 Dollars Spent (Millions) ¹	2010-11 Stimulus Value (Millions)	Total (Millions)
Reducing the Tax Burden for Canadians	3,020	3,180	6,200
Helping the Unemployed	3,725	5,353	9,077
Building Infrastructure to Create Jobs	6,802	8,869	15,671
Creating the Economy of Tomorrow	1,550	2,323	3,873
Supporting Industries and Communities	10,979	2,271	13,250
Total Federal Stimulus Measures	26,076	21,995	48,071
Provincial and Territorial Actions	7,062	6,968	14,029
Total Economic Action Plan Stimulus	33,138	28,963	62,100

¹ Includes estimates for tax reduction measures.

Indian and Northern Affairs (“INAC” or the “Department”) was initially allocated a total of \$667.8M Grant and Contribution (G&C) funding under the categories of: 1) Building Infrastructure to Create Jobs; 2) Support for Industries/Communities; and 3) Investments in Canada’s North. The breakdown of the funding by program area is as follows:

Program	\$ Approved Funding (millions)	
	2009/10	2010/11
Accelerating the Federal Contaminated Sites Action Plan	15.8	30.1
Addressing First Nations’ Housing Needs	75.0	75.0
Arctic Research Infrastructure Fund	36.1	50.8
First Nations Child and Family Services	6.3	11.7
First Nations Schools	95.0	105.0
First Nations Water and Wastewater Projects	82.5	82.5
Promoting Energy Development in Canada’s North	2.0	-
Total	312.7	355.1
<i>Total INAC Economic Stimulus Funding – G&C Vote 10</i>		<i>667.8</i>

Except for Promoting Energy Development in Canada’s North, all CEAP funding provided to INAC represents incremental funding to existing programs or initiatives.

1.2 Background to the Audit

The 2007-2010 Risk-Based Audit Plan (RBAP) for INAC established an expectation, given the significance of G&C spending annually (e.g. \$5.7B of transfer payments in 2008/09), the importance of these programs to achieving the Department’s mandate, and the inherent risks associated with transfer payments, that an element of horizontal G&C audit work would be conducted annually to provide Departmental management with an assessment of key G&C controls.

To establish the appropriate focus, objective, scope and approach for the annual horizontal audit to be conducted in 2010-11, a preliminary survey was conducted on behalf of the Audit and Evaluation Sector (AES). As part of this preliminary survey, a risk assessment was completed to identify the highest areas of risk associated with G&C.

As a result of the preliminary survey, two high inherent risks were identified as being associated with INAC’s allocated CEAP funding, viz. an anticipated public focus and scrutiny, including monitoring by the Office of the Auditor General of Canada (OAG), and a mandated two-year time horizon to spend CEAP funds which could be insufficient for infrastructure and housing initiatives, especially in areas dependent on favourable seasonal conditions. These risks were likely common to many other departments delivering CEAP funding.

While the stimulus funds were to be spent within the two-year time frame, departments were expected to ensure that spending was effective and met a high standard of accountability.

1.3 Audit Objective

The objective of this audit was to provide assurance to management over the adequacy and effectiveness of internal controls related to the management of CEAP projects across the Department.

1.4 Audit Scope

This horizontal audit assessed the controls related to the following three key phases of the G&C life cycle:

1. **Eligibility/Evaluation** – The scope of the audit included an examination of the controls associated with the notional allocation of funds to each region and an assessment of the process employed to ensure that only eligible recipients were funded based on a formal evaluation process against established criteria, that risk assessments were completed in terms of each recipient and their ability to meet the CEAP funding requirements, that the funding decisions were documented and defensible, and that the funding was provided to appropriate recipients based on CEAP established criteria.
2. **Agreement Development** – The scope of the audit included an assessment of the controls surrounding the agreement development process and an examination of a sample of funding agreements to ensure they contained complete and appropriate terms and conditions and had been established on a timely basis.
3. **Agreement Monitoring & Reporting** – The scope of the audit included an examination of the controls surrounding the monitoring and reporting of recipient activities to ensure compliance with program terms and conditions and with the unique CEAP funding requirements.

Apart from a planning phase interview, the \$2.0M received by INAC for Promoting Energy Development in Canada's North was not included in the audit work conducted.

1.5 Audit Approach

The Planning and Conduct phases of this audit were conducted in accordance with the Standards of the Institute of Internal Auditors and the Treasury Board (TB) *Policy on Internal Audit* and were carried out between May 2010 and September 2010. These standards require that the audit be planned and performed in such a way as to obtain reasonable assurance that audit objectives are achieved. The design of the controls to manage CEAP funding was assessed for each program that received funding (except as noted above). Testing of the operational effectiveness of controls was limited, however, based on materiality above \$50 million, to the following programs:

1. Infrastructure (including schools and water/wastewater)
2. Housing and
3. Arctic Research Infrastructure Fund (ARIF).

In order to address the audit objectives, the audit criteria presented in **Appendix A** of this report were developed. The criteria were primarily drawn from *INAC's Audit Criteria for Grants and Contributions Programs* and from the results of the Horizontal Audit of G&C Preliminary Survey.

The schedule for the audit was as follows:

Planning Phase	May to July 2010
Conduct Phase	July to September 2010
Reporting Phase	September to October 2010

During the planning phase, the risks related to the governance and management of CEAP projects were assessed. The risk assessment was developed from information derived from:

- Interviews with managers and staff at Headquarters (HQ)
- Interviews with managers and staff in select regional offices and
- Review of relevant documentation.

Based on the information gathered in the Planning Phase, an audit program was developed to ensure that the objectives and scope would be addressed during the Conduct Phase of the audit.

The audit approach included:

- Review of relevant documentation
- Interviews with management and officers at HQ and in four regions (British Columbia, Alberta, Quebec and Ontario) visited during the Conduct Phase
- Detailed examination of a sample of housing, infrastructure (schools and water/wastewater) and ARIF files and
- Detailed examination of reporting requirements at HQ.

All CEAP projects which had been approved and started, i.e. a contribution agreement (CA) had been signed and activities had commenced prior to the Conduct Phase, i.e. July 2010, were considered for inclusion in the scope of the audit.

The CEAP-funded files selected for testing included:

- 19 Infrastructure files (schools & water/wastewater) representing 100% of the CEAP-funded projects in the four regions visited
- 40 housing files representing 14% of the 2009/10 CEAP-funded housing files in the four regions visited and

- Five ARIF files representing 33% of all projects (when funding distributed to other Federal government departments is excluded).

1.6 Conclusions

INAC has distributed CEAP funding to eligible recipients to meet the objectives outlined in the Action Plan. The department is expecting that there will be minimal lapsing of allocated funds by March 31, 2011.

The Department has achieved this by combining, within most of the programs, pre-existing controls with some additional CEAP-specific controls to address the inherent risks associated with the accelerated nature and expected public scrutiny associated with these funds. AES is of the opinion that this approach was generally adequate and effective in supporting the objectives of the Action Plan.

AES notes, however, that there was not a formal department-wide CEAP risk assessment and comparative consideration of the need for additional controls within each program to potentially provide a higher degree of assurance that the risks would be mitigated. AES suggests that a provision for such a formal assessment and review that could be activated in exceptional circumstances such as CEAP be included in the Integrated Management Control Framework for Grants and Contributions, now under development.

Given the new Management Control Framework implemented for the CEAP Infrastructure and Housing projects and requirements to evaluate, select, award, develop agreements, disburse funds and monitor these projects within the CEAP-related time constraints, the audit identified consistent dedication of regional and HQ staff and management to maximize the opportunities provided by the additional CEAP funding while still maintaining overall control over the funds.

The audit identified opportunities within the Housing program, however, to strengthen the operational effectiveness of specific controls related to the management of payments to recipients, assessment of risk as part of recipient eligibility assessment, and monitoring of ongoing housing projects.

1.7 Statement of Assurance

In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinions provided in this report.

These opinions are based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the activities examined. The evidence was gathered in compliance with Treasury Board policy, directives and standards on internal audit and the procedures used meet the professional standards of the Institute of Internal Auditors.

2.0 Observations and Recommendations

2.1 Department-wide Approach to CEAP Risk Assessment and Mitigation

Each CEAP program within the Department independently determined the appropriate type and nature of controls, if any, to apply to their CEAP funding. This approach resulted in some inconsistencies where there may have been opportunities to harmonize approaches.

A number of high-level oversight activities were in place to track and re-allocate resources; notably, at the direction of the Deputy Minister (DM), the Associate Deputy Minister reviewed approvals and actual expenditures to ensure that allocation and re-allocation decisions were based on the most up-to-date information. The Associate DM reported back to the DM on the status of CEAP spending and potential risks following her reviews. The Chief Financial Officer (CFO) also reviewed, on a regular basis, reports of funding decisions and expenditures to allow for re-allocation or adjustment. Furthermore, the CFO provided the DM with quarterly reports on CEAP funding and the Associate DM with CEAP reports on an ad-hoc basis. CFO also reported monthly to TBS; the DM and Associate DM were provided copies of these reports.

In addition to the CFO Sector establishing a separate accounting for CEAP funds to provide management with enhanced tracking and monitoring of funds, Sectors with responsibility for certain CEAP programs designed and implemented significant additional control mechanisms to ensure that the Department could account for and effectively manage all CEAP disbursements. In some cases, e.g. standalone agreements and audited statements of revenues and expenditures, these were recommended by the Chief Financial Officer and the Chief Audit Executive based upon their appreciation of the CEAP funding risks and the need to be able to demonstrate clear results for funding provided, e.g. the housing program under CEAP was proposal based unlike the ongoing program which is formula based. Other sectors or individual programs did not determine the need for additional significant controls, opting for limited or no additional control mechanisms.

The following paragraphs provide an overview of any incremental controls.

Infrastructure and Housing:

At the time of the audit, the Education & Social Development Programs and Partnership (ESDPP) and Regional Operations (RO) Sectors jointly managed the Infrastructure and Housing programs; ESDPP was responsible for the policy/program development around the programs and RO was responsible with the regional offices for managing the implementation of the programs.

Given the relative significance of the amount of CEAP funding allocated to the Infrastructure and Housing programs (77% of the departmental allocation), ESDPP and RO worked proactively to determine which control mechanisms were appropriate to address the risks associated with CEAP. Since a *Capital Facilities and Maintenance*

Program (CFM) – Management Control Framework was being rolled-out for Infrastructure and Housing projects in parallel with the implementation of CEAP projects, the CFM-MCF was tailored to include specific requirements for CEAP funded projects, such as the use of single-year, stand-alone contribution agreements (CAs), additional reporting requirements (both at the recipient and regional level), enhanced monitoring performed at the regional and HQ levels, and payments based on the reimbursement of eligible expenditures incurred to date rather than based on pre-determined cash flows.

Arctic Research Infrastructure Fund:

ARIF, managed by the Northern Affairs Organization (NAO) Sector at Headquarters, received approximately 13% of the total INAC CEAP funding. Based on a review of information and templates received from the Infrastructure and Housing programs, ARIF implemented selected controls to mitigate the risks associated with their CEAP funding. These controls included the use of single-year, stand-alone CAs and specific reporting requirements by recipients, however, since the specific ARIF CAs had already been approved by the time that Infrastructure and Housing's CA templates were developed, the program's implementation of these additional control mechanisms was inconsistent across projects during 2009/2010.

Once the revised CA was developed to integrate CEAP-specific controls, the reporting requirements by recipients were limited to formal reporting twice per year (semi-annual and year-end) supplemented by informal telephone calls for the other two quarters during the year.

Although these reporting requirements were adhered to, and although the file indicated that monitoring had been conducted, an excess payment of \$1.59 million was made in 2009-10 to one recipient. While the monitoring activity could have been expected to identify this significant a delay in project spending, the overpayment may have been prevented if payment had been made on the basis of reimbursement rather than projected cash flow. An account receivable was set up against 2010-11 project funding.

Child and Family Services:

The CEAP funds received by Child and Family Services (CFS) were allocated for the purpose of implementing *prevention services* within each of Quebec and PEI. While all other programs receiving CEAP funding across the Department were of an infrastructure nature, the funding received under this program was requested in order to move forward, together with willing provinces and FN partners, with the implementation of concrete changes in CFS on reserves. The approved funding for this program was over five years, of which only the first two were to be funded by CEAP allocation.

Due to the unique nature of the program and the funding relative to other CEAP-funded programs, CFS did not implement any additional controls to address the risks associated with the CEAP-specific funding. For example, an amendment to an existing CA was used to formalize the funding arrangements with the recipients of the CEAP funding. To support the need for CEAP reporting, however, the terms and conditions of this

amendment did include a requirement to report on the number of hours worked by each recipient.

Accelerating the Federal Contaminated Sites Action Plan:

As an ongoing program to fund assessment and remediation activities on contaminated sites, the Department’s involvement in the Federal Contaminated Sites Action Plan (FCSAP) received 7% of INAC’s allocation of CEAP funds to enhance the existing funding. Similar to CFS, FCSAP, managed by the Lands and Economic Development (LED) Sector, did not implement any specific control mechanisms in order to reduce the risks associated with CEAP funding.

Based on the results of our detailed audit work, the following table summarizes the observed control activities undertaken by the individual program areas to implement CEAP funding:

	Infrastructure (\$365M)	Housing (\$150M)	ARIF (\$86.9M)	CFS* (\$18M)	FCSAP (\$45.9M)
Separate accounting of CEAP funding for improved tracking and monitoring	X	X	X	X	X
Recipient/Project Level Controls					
Single-Year, Stand-Alone Contribution Agreements	X	X	X		
Reimbursement Based Payments	X	X			
Enhanced Progress Reporting Requirements	X	X	X		
Enhanced Financial Reporting Requirements	X	X	X		
Enhanced Oversight of CEAP Projects	X	X	X	X	X
Separate Bank Accounts for CEAP Funds	X				
Risk Assessment Conducted and Updated Regularly	X				
Risk-Informed Monitoring of Projects	X		X		

*Represents ongoing funding for the implementation of Prevention Services, the first two years of which were included in CEAP funding.

Although consistent commitment to maintain effective control over the CEAP funds was observed across all affected programs, it may have been beneficial to conduct a formal risk assessment and comparative consideration of the need for additional controls within each program to provide assurance that the risks would be mitigated in a consistent manner where appropriate.

AES suggests that a provision for such a formal assessment and review that could be activated in exceptional circumstances such as CEAP be included in the Integrated Management Control Framework for Grants and Contributions, now under development.

2.2 Management of Payments to Recipients of CEAP Housing Funding

Payment terms and conditions embedded within CEAP-specific Contribution Agreements were not consistently adhered to by all regional offices.

In order to ensure that all available funds would be spent by the CEAP deadline on eligible expenditures and that the results achieved by CEAP funding could be clearly demonstrated, the decision was made to establish tight control over disbursement of funds within the Infrastructure and Housing programs by only reimbursing eligible expenditures based on appropriate substantiation. This differs from the standard CAs with First Nations where disbursements are based on a cash flow schedule established at the time of agreement development. While the measures taken to exercise this tightened control were clearly outlined in the terms and conditions of the CAs, the approach taken to disburse Housing project funds within the majority of regional offices visited was not fully compliant with them. For example, payment requests were processed based on the cash flows outlined in the CA without substantiation of expenses incurred to date, payment requests were processed based on progress reporting but without substantiation of expenses incurred, and payments were released in excess of the substantiated amounts. In only one of the regions visited were payments consistently released based on substantiated expenditures.

Disbursing funds to recipients without adequate substantiation increases the risks that ineligible expenses are being reimbursed, resulting in the need to recover funds, or that projects are not advancing as intended, creating the potential to lapse available funds. Ineligible expenditures might only be identified upon the receipt and review of the Audited Statement of Revenues and Expenditures, several months after project or year-end, thereby limiting the Department's opportunity to re-distribute funds to other projects.

Recommendation #1:

The Senior Assistant Deputy Minister (ADM) of RO should develop and communicate a consistent approach to ensure compliance across all regions with the terms and conditions of CEAP-related housing CAs for 2010/11 specifically related to ensuring sufficient and appropriate substantiation for milestone payments has been received from the recipient.

2.3 Identification and Evaluation of Risks for CEAP Funded Housing Projects

Existing templates and guidance did not allow for a detailed risk assessment of each recipient and their capacity to complete the proposed housing projects within the CEAP-related time and budget constraints.

HQ developed an *Assessment Criteria Template* for each of the four CEAP-funded housing elements – renovations, multi-unit complexes, conversion to market-based housing and lot servicing. Regional housing officers were expected to use the appropriate template for the assessment and scoring of FN applications for CEAP-based housing funding. The templates created by HQ did not, however, encourage the undertaking of a detailed risk assessment of each recipient’s capacity to complete their proposed project on-time and within budget. The templates also did not support an evaluation of the controls in place within the community to ensure that identified risks would be mitigated to an appropriate level.

Neither the *Assessment Criteria Templates* nor the *Program Procedures for Housing Elements of Canada’s CEAP* provided sufficient clarity to regional housing officers of the acceptable level of analysis required for the evaluation of the risks/capacity/tools of the FN to complete the proposed housing project. This absence of sufficient guidance or clear expectations from HQ is reflected in inconsistencies identified during the audit in terms of the supporting analysis used to reach assessment conclusions and recommendations and the level of detailed analysis completed by regional housing officers. For example, certain regions documented their analysis and conclusions based upon discussions with FNs while others completed the *Assessment Criteria Template* questionnaire with little or no justification for the assessment result.

The lack of a detailed analysis of recipient capacity precludes a risk-informed decision of which projects to fund, increases the possibility of selecting a project that could not be completed within the expected timeframe, and limits the ability to adopt a risk-based approach to monitoring of approved projects.

Recommendation #2:

The Senior ADM of RO should ensure that housing proposal assessment templates and guidance provided to regional housing officers enable a full assessment and documentation of the risks associated with the recipient’s capacity to complete the proposed project on-time and within budget and a determination of an appropriate level of monitoring for each approved project.

2.4 Monitoring of CEAP Housing Projects Through Reporting

Reporting requirements embedded within CEAP-specific housing CAs to monitor project progress were not enforced consistently by all regional offices.

Specific reporting requirements, viz. mandatory quarterly status and project completion reports, were incorporated into all CEAP housing CAs to ensure projects were progressing as planned and would be completed by the end of the fiscal year.

Quarterly Reporting

Testing of the reporting and monitoring of housing projects demonstrated that the quarterly reporting requirements outlined in the terms and conditions of the CEAP housing CAs were not complied with fully. Reporting received from recipients focused

primarily on the information, i.e. dollars spent and number of hours worked, that regional housing officers needed to submit to HQ and did not necessarily reflect the current status of the project. In one regional office visited, quarterly reporting had not been received from any recipient for fiscal 2009/10.

Completion Reporting

All CEAP Housing CAs included a requirement for project completion reports and inspection reports. Additionally, a transfer of ownership certificate was required for all conversions to market-based housing projects. For the majority of housing files reviewed in two regional offices visited, neither the project completion reports nor the inspection reports were available. For both quarterly reporting and completion reporting, no evidence was found of proactive monitoring and timely follow-up on late or missing reports from recipients.

Without adequate and reliable information on the status of housing projects and with limited substantiation of payment requests as noted above, there is an increased risk that projects will not be completed as intended, that funds may be expended for ineligible activities, and that funds available for re-distribution will not be identified in a timely manner.

Recommendation #3:

The Senior ADM of RO should work with the Regional Directors General (RDGs) to ensure that regional housing officers proactively monitor CEAP funded housing projects to ensure all reporting requirements as outlined in CAs are being received and reviewed on a timely basis.

3.0 Management Action Plan

Recommendations	Management Actions	Responsible Manager (Title)	Planned Implementation Date
<p>1. The Senior Assistant Deputy Minister (ADM) of RO should develop and communicate a consistent approach to ensure compliance across all regions with the terms and conditions of CEAP-related housing CAs for 2010/11 specifically related to ensuring sufficient and appropriate substantiation for milestone payments has been received from the recipient.</p>	<ul style="list-style-type: none"> • Community Infrastructure Branch provided direction to Regions in March 2010 following the uploading to FNITP of the CEAP Single Capital Contribution Arrangement for Major Capital Projects. • Regional and HQ Staff use the bi-weekly capital teleconference calls as a forum to discuss and resolve CEAP implementation issues. • Active monitoring of the CEAP program by senior executives is achieved through regular updates at Operations Committee as well as the development of Monthly CEAP reports. • RO is working closely with CFO to clarify “appropriate substantiation” prior to approval and release of milestone payments. 	<p>Director General, Community Infrastructure Branch</p>	<p>December 31, 2010</p>
<p>2. The Senior ADM of RO should ensure that housing proposal assessment templates and guidance provided to regional housing officers enable a full assessment</p>	<ul style="list-style-type: none"> • In response to the Policy on Transfer Payments (PTP), a general assessment (GA) tool has been developed for the purpose of assessing recipient risk and determining appropriate controls to 	<p>Director General, Community Infrastructure</p>	<p>April 1st 2011</p>

<p>and documentation of the risks associated with the recipient's capacity to complete the proposed project on-time and within budget and a determination of an appropriate level of monitoring for each approved project.</p>	<p>minimize funding risk. The GA tool allows for assessment of risk related to ongoing programs as well as specific services and project oriented activities. The intent of the GA is to ensure risk appropriate controls are in place to support successful funding agreements. The GA will be applied to all recipients as of April 1, 2011.</p> <ul style="list-style-type: none"> • INAC will apply any additional monitoring and oversight based on the combined results of the GA tool and the assessment criteria template developed to support future proposal-based programs 	<p>Branch Director, Operations and Implementation</p>	
<p>3. The Senior ADM of RO should work with the Regional Directors General (RDG) to ensure that regional housing officers proactively monitor CEAP funded housing projects to ensure all reporting requirements as outlined in CAs are being received and reviewed on a timely basis.</p>	<ul style="list-style-type: none"> • Senior Management within the Regions provide oversight on the implementation of CEAP funded housing projects to ensure that all reporting requirements as outlined in the CAs are being received and reviewed on a timely basis. • HQ staff continue to liaise with regional colleagues to provide necessary guidance and direction on reallocation of housing funds. • Monthly CEAP housing progress reports (financial and project based) are developed and communicated to senior executives using data obtained from ICMS, FNITP as well as occasional oversight visits to regional offices. 	<p>Director General, Community Infrastructure Branch</p>	<p>Completed</p>

4.0 Appendix A – Audit Criteria

1. Funding requests are assessed in a timely, consistent, fair and transparent manner and are aligned with the specific program objectives and consistent with the objectives of CEAP funding.

- 1.1 The established eligibility criteria/requirements are appropriately aligned to the applicable program objectives and the terms and conditions of the TB submission related to CEAP and consider available funding amounts, and turn-around times.
- 1.2 The assessment criteria consider the level of priority of funding requests.
- 1.3 The selection criteria adequately address the risk regarding the capacity and capabilities of the recipient to meet CEAP program requirements (i.e. remote location, seasonal restrictions).
- 1.4 Communications, including announcement of spending, proposal solicitation process, submission requirements, eligibility requirements and deadlines, are performed to ensure accessibility by all eligible applicants.
- 1.5 The applicants are consistently assessed against the pre-established criteria.
- 1.6 Funding decisions are approved by an individual with sufficient authority and supported by adequate documentation regarding the assessment results.
- 1.7 Funding decisions, including those relating to unsuccessful applications, are communicated to applicants in a timely manner.

2. Formal agreements, containing complete, appropriate and compliant terms and conditions are established with the recipient on a timely basis.

- 2.1 Funding allocations are conducted in a timely manner to avoid delays and are approved by an appropriate delegated authority.
- 2.2 Agreements are developed using approved departmental templates, are aligned with the individual program requirements and were consistent with the CEAP terms and conditions and outlined all applicable funding requirements.
- 2.3 Agreement terms and conditions include reporting requirements and clear and relevant metrics to enable performance and financial monitoring.

2.4 Approval of the agreement is made by an appropriate delegated authority (per either departmental policies or applicable control frameworks) on a timely basis and supported by appropriate analysis and documentation.

2.5 Amendments to funding agreements are made in accordance with applicable policies, are adequately justified, and are reviewed and approved by the appropriate Departmental personnel.

3. Activities are monitored to ensure compliance with CEAP relevant terms and conditions and with the funding agreement. Payments are made only upon fulfillment of requirements.

3.1 Payments to recipients are processed in accordance with *Financial Administration Act* (FAA) requirements/INAC applicable policies and the CEAP funding agreements.

3.2 Ongoing monitoring of progress at a project level is conducted and reported through the Department.