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Audit of Infrastructure – Enabling Accessibility Fund

June 2017

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1. Background

1.1 Context

The objective of the Enabling Accessibility Fund (EAF) is to improve accessibility, remove barriers and enable Canadians with disabilities to participate in and contribute to their community. The EAF supports capital costs of construction and renovations related to improving accessibility and safety for persons with disabilities in Canadian communities and workplaces through the Workplace Accessibility and Community Accessibility funding streams.

The Workplace Accessibility Stream funds projects related to removing barriers and increasing accessibility and safety in workplaces across Canada through capital cost investments which could result in the creation or maintenance of job opportunities for people with disabilities. The Community Accessibility Stream funds projects related to removing barriers and increasing accessibility and safety in Canadian communities through the renovation, retrofit or construction of community facilities where programs or services are offered to people with disabilities. For both funding streams, this includes the provision of information and communications technologies for work or community use.

The Employment and Social Development Canada (ESDC) 2016–17 Report on Plans and Priorities presents $14.9 million of planned spending for the EAF and a target of 218 communities with funded projects by the end of 2016–17[1]. In 2016–17, EAF received $4 million of additional funding over two years, as part of the Social Infrastructure Spending increases included in *Budget 2016: Growing the Middle Class*. The additional funding is intended to support the capital costs of construction and renovations of community facilities that support enhanced accessibility and safety for people with disabilities in Canadian communities.

1.2 Audit Objectives

The objectives of this audit are to provide assurance that:

- controls are in place and operating adequately to ensure proper stewardship of the EAF; and

- expectations for the proper management of the Social Infrastructure Funding (SIF) stemming from the Budget 2016 are met.

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[1] Employment and Social Development Canada 2016–17 Report on Plans and Priorities: http://www.esdc.gc.ca/en/reports/rpp/2016_2017/outcome.page#h2.1-h3.4

1.3 Scope

A statistically valid sample of EAF projects was tested to assess the design and operating effectiveness of key controls that ensure that payments are issued in a timely manner to eligible EAF recipients for eligible expenditures and activities. The statistically valid sample included 120 EAF payments from fiscal years 2015–16 and 2016–17 that totalled $3 million.

All 81 EAF payments completed during 2016–17 that were funded by SIF totalling $1.94 million were tested. These payments were tested to assess the design and operating effectiveness of key controls that ensure that payments are issued in a timely manner to eligible EAF recipients for eligible expenditures and activities and also assess whether SIF expectations were met for 2016–17. A sample of 25 non-approved applications from fiscal years 2015–16 and 2016–17 was tested to determine if the eligibility of the applications was properly evaluated with sufficient rationale for non-approval.

A complete assessment of the SIF monitoring and reporting criteria for 2016–17 was not possible as the 2016–17 Departmental Performance Report (DPR) was not completed before the end of the audit. As a result, a review of the adequacy of the monitoring and reporting mechanisms in place during 2015–16 for the DPR that would enable the Department to satisfy the SIF reporting and monitoring expectations was completed.

Data analytics were completed on the population data sets provided by the Program Operations Branch (POB) to identify duplicate or erroneous information in recipient information, addresses and organizations providing community support letters and external cost estimates. The data provided by POB included 459 Community Accessibility Stream projects totalling $13.6 million in approved funding for fiscal year 2015–16 and 573 Community and Workplace Accessibility Streams projects totalling $15.6 million in approved funding for fiscal year 2016-17.

The targets and results of the 2015–16 Key Performance Indicators (KPI) reported in the DPR were tested for accuracy, completeness and proper approval of the calculation in accordance with the EAF Performance Measurement Strategy.

1.4 Methodology

This audit used a number of methodologies during the conduct phase completed between December 2016 and February 2017 including:

o   Documentation review and analysis;

o   Sampling and file review testing;

o   Process observation and analysis;

o   Interviews with management and staff from POB and Income Security and Social Development Branch (ISSDB); and

o   On-site walkthroughs at National Headquarters.

2. Audit Findings

2.1 Adequate controls are in place to ensure proper stewardship of the Enabling Accessibility Fund

Payments are issued in a timely manner to eligible EAF recipients for eligible expenditures and activities

The audit team expected to find controls relating to the assessment of the eligibility of applications and the approval of payments. This includes a documented assessment and validation of the eligibility of applications received in accordance with the EAF Terms and Conditions for Grants and Contributions[2] and the EAF Applicant Guide.

We found that controls are in place to issue payments in a timely manner to eligible EAF recipients for eligible expenditures and activities.

o   The applications received were assessed and approved by the Department within an average of two months for 2015–16 and an average of five months for 2016–17. The increase in time could be explained by the fact that projects aligned with the 2015–16 priorities (Children, Seniors and Veterans) were approved without the completion of assessment grids, as only pre-screening checklists were required.

o   84% of the payments tested were processed within 15 calendar days after the approved project start date. The Department aims to meet this service standard on Grants and Contributions 90% of the time.

o   For all payments tested, Section 34 review and approval were completed prior to payment release.

o   All of the projects tested were properly approved by the Minister, Deputy Minister (DM) or Assistant Deputy Minister (ADM) before payments were released.

o   For 99.5% of the projects tested, funding did not exceed 65% of the proposed project costs, which is the contribution of the Government of Canada. Only one project exceeded the allowable 65% limit by $1,864.

o   For 99% of the projects tested, verification to determine if the applicant had any amounts owing to the Department was properly completed in the Departmental Accounts Receivable System during the project screening phase.

o   The EAF applicant guide requires that at minimum three external cost estimates be submitted for each activity of the proposed project. For 89% of the projects tested, three estimates were obtained and 7% of the projects tested had at least one estimate obtained.

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[2] All EAF Payments issued in 2015–16 and 2016–17 were grants.

o   The organization's business number was validated for 92% of the projects tested.

o   The EAF applicant guide requires community support, which can be demonstrated by providing support letters or a description of the supporting organization, their contact information and the nature of the relationship. Community support was provided for 80% of the projects tested. Management indicated that applicants are sometimes encountering challenges to obtain community support within the application timelines and this requirement is currently being re-evaluated.

o   Data analysis was completed to identify duplicate or erroneous information in recipient information, addresses and organizations providing community support letters and external cost estimates. No anomalies have been identified in the data provided by POB.

The minor irregularities that have been identified through our tests have been brought to Management attention.

The audit team concludes that the EAF eligibility assessment and the payment approval controls are adequate.

Roles and responsibilities for managing the EAF are established and communicated

The evaluation of the eligibility of applications received, selection of projects for funding approval and processing of payments to recipients are the responsibility of the Program Delivery Division of the Employment and Disability Programs in POB. The Office for Disability Issues in ISSDB is responsible for EAF program design, policy development and planning. ISSDB establishes the intake process frameworks and parameters, the ongoing review and analysis of program results and outcomes including KPI targets and results presented in the DPR.

The audit team found that roles and responsibilities are defined, understood and consistently applied. Roles and responsibilities for reviewing eligibility and processing payments are communicated through annual training, program delivery guides and coaching and supervision by program leads.

Controls in place to address performance and financial risks can be strengthened

The audit team found that adequate controls were in place to assess eligibility requirements. A pre-screening criteria checklist is completed during the screening phase and an assessment grid is completed during the assessment phase. The pre-screening criteria checklist was properly completed in a timely manner for 99% of the projects and the assessment grid was properly completed for all projects.

Risks are assessed at the project level; financial risks are addressed by assessing proposed project costs and verifying that funding from the Government of Canada does not exceed 65% of the total project costs. The verification of community support, along with ADM or DM approvals of

the projects completed before payment approval adequately address financial and performance reporting risks.

The expected results of the *Policy on Transfer Payments*[3] are that transfer payment programs are designed, delivered and managed in a manner that takes account of risk and that administrative requirements on applicants and recipients should be proportionate to the level of risks specific to the program, the materiality of funding, and to the risk profile of applicants and recipients. The *Directive on Transfer Payments*[4] also indicates that the level of monitoring of recipients and the reporting required from recipients should reflect an assessment of the risks specific to the program.

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[3] TB Policy on Transfer Payments: https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=13525

[4] TB Directive on Transfer Payments: https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14208

The identification, assessment and update of the risks based on the results from program implementation and on-going program delivery would strengthen the ability of the Department to determine the level of monitoring and oversight required for EAF projects along with mitigation strategies.

Quality control reviews activities are performed

Management indicated that EAF quality control reviews are performed on all projects that are deemed ineligible by the Program Lead and that a sample of projects near the threshold approval score level is reviewed. This is described in their sampling strategy as follows: *"Any project with a score between 50 and 70 was subject to a quality control. Sample quality controls were conducted for projects with scores of 70–100 and the 0–50."*[5]

Our audit test results showed that:

o   70% of the 2016–17 applications tested with a score between 0 and 49 had been quality reviewed.

o   92% of the 2016–17 applications tested with a score between 50 and 70 had been quality reviewed.

o   22% of the 2016–17 applications tested with a score between 70 and 100 had been quality reviewed.

The audit team suggests that Management further develops its sampling strategy, for example, by setting targets by score range/levels of risks and by defining sample sizes. The adherence to the strategy should also be monitored.

KPI adequately monitored and reported on fiscal year 2015-16 program results and objectives

Testing of the 2016–17 KPI performance reporting was not possible due to the timing of the audit because the 2016–17 DPR could not be completed before the end of the audit. As result, the audit team tested the 2015–16 KPI and found that they adequately monitored and reported on the relevance, effectiveness, efficiency and progress of the program. All KPI targets and six of the seven KPI results categories were accurately calculated, adequately documented, properly approved and correctly reported in the 2015–16 DPR in accordance with the EAF Performance Measurement Strategy. All 2015–16 project payments tested were accurately reflected in the KPI results presented in the 2015–16 DPR.

2.2   Expectations for the proper management of Social Infrastructure Funding are met

On April 19, 2016, the Auditor General sent a letter to the President of the TB reminding him that infrastructure spending was a potential area of audit. The letter further outlined

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[5] Provided by ISSDB and POB on March 30, 2017

expectations about controls that departments should take into account when designing programs and managing the extra funding.

The audit team expected to find controls and processes in place to meet these expectations. Most of the expectations for proper management of the SIF stemming from the Budget 2016 were met. **PROTECTED**   Two of the 81 SIF funded projects identified by POB (2.5%) fulfilled this request.

The following outlines the Auditor General expectations (in *italics*) and the degree to which the Department has met them.

Departments have appropriate management frameworks for oversight and risk assessment in planning the delivery of infrastructure spending;

Departments have controls in place to adequately mitigate the assessed risks, including compliance with federal environmental assessment requirements;

> The audit team found that the current management framework is appropriate to provide oversight. There is an opportunity for the Department to identify and update the risks specific to EAF including the risks related to the planning of the delivery of infrastructure spending. **PROTECTED** .

> EAF projects are monitored through the review of a final report from the recipient and the completion of a close-out report. **PROTECTED** . As per the TB *Policy on Transfer Payments*, grants are normally not subject to audits. Accordingly, the Quality Assurance Monitoring Unit (QAMU) within the Chief Financial Officer Branch indicated that grants are not subject to audits in accordance with the departmental recipient audit strategy. EAF is included in the QAMU 2020–21 audit plan for an internal compliance assessment.

> EAF recipients receive funding to complete accessibility projects such as constructing ramps and accessible doorways which have a low risk to the environment. There is an expectation that controls are in place to ensure compliance with federal environmental assessment requirements. In April 2017, Management provided the audit team with the ESDC Environmental Assessment Guidance and they indicated that EAF is excluded from obligations under the Canadian Environmental Assessment Act (CEAA). The guidance states that nothing in the eligible activities of the program could raise an obligation to conduct an environmental assessment within the meaning of the CEAA. Accordingly, no environmental assessments were completed for the projects tested. Furthermore, the Articles of Agreement signed by EAF recipients require compliance with all federal and provincial laws, including environmental laws.

Departments have adequate processes in place to monitor and report on the spending, progress and performance;

Departments took corrective actions, where necessary, as identified by their monitoring activities; and

Departments reported to Parliament through their DPR, on progress and actual spending.

A complete assessment of these SIF expectations was not possible within the time period of the audit. As a result, the audit team reviewed the annual reporting of EAF results in the 2015–16 DPR and determined that the reporting process provides mechanisms that would enable the Department to fulfill the above-mentioned expectations.

There are no recommendations for this audit, but there is one recommendation presented in the "Review of the Control Framework for the Management of Social Infrastructure Funding" report completed by Internal Audit that is applicable to the Audit of EAF. This recommendation specifically identifies the need to review the reporting requirements and expectations of the respective programs relating to SIF and to **PROTECTED**. The audit findings presented above that pertain to the identification and assessment of the risks specific to EAF and the rationale to support the level of monitoring selected for the risk-based recipient audits should be considered when addressing the recommendation included in the "Review of the Control Framework for the Management of Social Infrastructure Funding."

3.   Conclusion

Overall, the audit concluded that existing controls are operating adequately to ensure proper stewardship of the EAF. Payments are issued in a timely manner to eligible EAF recipients for eligible expenditures and activities.

Most of the expectations for proper management of the SIF stemming from the Budget 2016 are met. Opportunities exist to identify and assess the operating, financial and fraud risks specific to the EAF program that will satisfy the requirements for the planning of the delivery of infrastructure spending.

4.   Statement of Assurance

In our professional judgement, sufficient and appropriate audit procedures were performed and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on observations and analyses at the time of our audit. The conclusions are applicable only for the assessment of key controls pertaining to the EAF projects and payments examined in the audit. The evidence was gathered in accordance with the *Internal Auditing Standards for the Government of Canada* and the *International Standards for the Professional Practice of Internal Auditing.*

Appendix A: Audit Criteria Assessment

AUDIT CRITERIA Stewardship of the EAF	RATING
It was expected that the Department has designed and implemented controls to ensure that payments are issued in a timely manner to eligible EAF recipients for eligible expenditures and activities	●
It was expected that the Department has established and communicated roles and responsibilities for managing the EAF	●
It was expected that the Department has implemented a risk management strategy which identifies and assesses financial and performance reporting risks	◉
It was expected that the Department has performance measures to monitor and report on program results and objectives	●
SIF expectations	
It was expected that the Department has appropriate management frameworks for oversight and risk assessment in planning the delivery of infrastructure spending	◉
It was expected that the Department has controls in place to adequately mitigate the assessed risks, including compliance with federal environmental assessment requirements	●
It was expected that the Department has adequate processes in place to monitor and report on the spending, progress and performance	1
It was expected that the Department took corrective actions, where necessary, as identified by their monitoring activities; and	1
It was expected that the Department reported to Parliament through the Departmental Performance Report, on progress and actual spending	1

✪　Best practice
●　Sufficiently controlled, low risk exposure
◉　Controlled, but should be strengthened, medium risk exposure
○　Missing key controls, high risk exposure

1　A complete assessment of the audit criterion was not possible within the time period of the audit. As a result, the annual reporting of EAF results for the 2015–16 DPR was examined and determined to provide adequate mechanisms that would enable the Department to fulfill the SIF expectations for the audit criterion.

Appendix B: Assessment Process Feedback

The audit team was asked by Management to provide them with feedback on the EAF assessment process for the five categories presented below. The feedback is based on the information examined throughout the audit.

Eligibility assessments – ranking of applications for available funding

Duplicate questions were identified in the pre-screening criteria checklist and assessment grid. There is an opportunity to review the screening and assessment questions to determine whether they are required. Also, some applications had a rationale as to why the organization did not provide three external estimates of the costs because the bidding process to receive quotes was completed after the application was submitted. POB should evaluate whether ESDC needs to follow up with these organizations to ensure that three quotes were obtained before project approval.

Assessment criteria

The criteria to assess the applications adequately addressed the eligibility requirements established in the EAF Terms and Conditions for Grants and Contributions and the EAF Applicant Guide. All criteria were determined to be relevant and aligned with the EAF Terms and Conditions.

Application process

Funding applications received are paper-based. Management may consider providing the option to submit applications electronically.

Process documentation

Adequate rationale was documented on file for all approved and non-approved applications tested during the audit.

Close-out process

There were no questions in the final report that require recipients to disclose the final amount of costs incurred. Even though it is not required to monitor grant amounts at close-out, this information could assist the Department to monitor funded to actual costs variance.

Appendix C: Glossary

ADM	Assistant Deputy Minister
CEAA	Canadian Environmental Assessment Act
DM	Deputy Minister
DPR	Departmental Performance Report
EAF	Enabling Accessibility Fund
ESDC	Employment and Social Development Canada
ISSDB	Income Security and Social Development Branch
KPI	Key Performance Indicators
POB	Program Operations Branch
QAMU	Quality Assurance Monitoring Unit
SIF	Social Infrastructure Funding
TB	Treasury Board