

PARKS CANADA AGENCY
GRANTS & CONTRIBUTIONS AUDIT

FINAL REPORT

AUGUST 2004

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Parks Canada

Audit of Grants and Contributions

1.0 Audit Summary

The objective of this audit was to assess the adequacy of selected systems and practices used by Parks Canada Agency to manage its Grants and Contributions (Gs & Cs) and to follow-up on recommendations made in the 2001 audit. The scope of the audit included the examination of selected systems and practices as per the management regime for Gs & Cs, the controls for recipient funding agreements, and the completeness of the funding agreement files.

The audit examined only funding agreements entered into from fiscal years 2000-01 to 2002-03, therefore the audit did not include any funding agreements subject to the previous Gs & Cs control regime. Of the 22 funding agreements we examined, 7 were signed prior to the introduction of the grants and contributions assessment tool (checklists). While not directly subject to the criteria listed in the checklists, it was our expectation that these agreements would follow reasonable management practices including proposal review, agreement monitoring, payment and performance reporting. Our examination of these agreements found that, in general, the agreements were well managed; however, many lacked several documents that we reasonably would have expected to be present in the file.

The audit field work began in January 2004 and was completed in June 2004. The audit was carried out in accordance with Government of Canada and IIA standards for internal audit, and the Treasury Board Secretariat Policy on Grants, Contributions, and Other Transfers.

1.1 Statement of Assurance

Sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this report.

1.2 Conclusion

Our overall conclusion on the adequacy of selected systems and practices used by Parks Canada Agency to manage its grants and contributions is while significant improvements have been realized in the management of Cost-Sharing Contributions and Cooperating Association Contributions since the 2001 audit, there continue to be significant areas for improvement with respect to the management of the Agency's Miscellaneous Grants and Contributions and the completeness of funding agreement files. Unlike the Miscellaneous Grants and Contributions, both the Cost-Sharing and Cooperating Association Contributions benefit from having one, centralized management authority.

Please refer to Section 7.0 of this audit report for the list of observations and recommendations for each line of enquiry.

2.0 Introduction

Context

Over the past few years, there has been increased political and public scrutiny of federal grants and contributions funding agreements, focusing on program and financial management, value-for-money, and results for Canadians. In June 2000, the Treasury Board Secretariat issued a Policy on Transfer Payments, outlining policy and procedures related to management accountability and control practices for funding programs.

In 2001, Parks Canada Agency hired a consulting firm to conduct an audit of its Grants and Contributions funding agreement files. The scope of this audit examined whether each file complied with Terms and Conditions (Ts & Cs), the terms of the agreements, and good management practices. The audit uncovered deficiencies in the management and the completeness of the files and observations, and recommendations were made to improve the management of the grants and contributions. Agency management agreed with the audit's recommendations and a five-year plan was instituted to address the recommendations.

A number of controls were introduced to assist managers, including the development of a grant and contribution assessment tool (checklist) for both the grants and contributions and a grant application form. The checklists outline the documentation, disclosure, approval and reporting required, and they define the roles and responsibilities of the National Office, Field Units and Service Centres. The rationale behind these documents was to ensure management accountability to maintain all appropriate documentation with respect to applications, notice of awards, agreements, sign-off for payments and interim and final reporting.

In the fall of 2003, the Agency's Performance Audit and Review Group (PARG) engaged the Centre for Public Management (CPM) Inc. to conduct a follow-up audit of its Grants and Contributions to assess the adequacy of selected management systems and practices and to determine if the management of these files had improved relative to the recommendations made in the 2001 report. The audit fieldwork began in January 2004 and the fieldwork was completed in early June 2004.

3.0 Audit Objective

The objective of this audit was to assess the adequacy of selected systems and practices used by Parks Canada Agency to manage its grants and contributions. A related objective was to follow up on recommendations made in a 2001 audit, to determine the extent to which progress has been made.

This audit was carried out in accordance with Government of Canada and IIA standards for internal audit, and the Treasury Board Secretariat Policy on Grants, Contributions, and Other Transfers.

4.0 Audit Scope and Lines of Enquiry

4.1 Audit Scope

The scope of this audit included the management systems and practices for the four types of grants and contributions funding agreements managed by Parks Canada Agency: Miscellaneous Grants, Co-operating Association Contributions, Cost-Sharing Contributions, and Miscellaneous Contributions.

We examined only those funding agreement entered into after March 31st, 2000.

We also endeavoured to ensure that, to the extent possible, this audit paralleled the scope and approach of the 2001 audit.

4.2 Audit Lines of Enquiry

We developed our audit lines of enquiry based on a review of the Agency's Grant and Contribution Checklists, which contain subject headings listing the required steps to be completed and the documents to be present in the funding agreement files. These checklist subject headings, in turn, became our audit lines of enquiry.

The lines of enquiry follow the life cycle of the agreements, and are:

- Application Review;
- Contribution Agreements;
- Payment Requirements;
- Reporting Requirements; and
- Project Completion and File Closure

Please refer to **Section 7.0** of this audit report for the observations and recommendations made against each of the above-listed lines of enquiry.

5.0 Audit Methodology and Sample

5.1 Audit Methodology

The audit was conducted and completed through the following activities:

Planning Phase

We developed an understanding of the Agency's management practices for grants and contributions. This was undertaken by a review of the 2001 audit report and discussions with staff from Performance, Audit and Review Group, National Office Finance Group, National Parks and National Historic Sites Directorates.

We then set the audit objective, selected the audit lines of enquiry, and the audit criteria to be used to examine the funding agreement files. This included a review of the 2001 audit report, discussions with the project authority, as well as through a review of the Agency's Grant and Contribution Checklists.

We developed our audit plan through consultations with the project authority to determine the audit sample, field work milestones, and a file assessment checklist using the Agency's Grant and Contribution Checklists.

Examination Phase

From January to June 2004, we gathered our audit evidence and developed observations through the review of twenty-two funding agreement files. Files containing the necessary and required information were obtained either through the Agency's National Office, Service Centres, Field Units and individual sites responsible for administering the funding agreements.

We determined whether the required approval, payment authorization, reporting and file closure documentation were present in the funding agreement files. We also examined the funding agreement files for a copy of the Grant or Contribution Checklist, which indicates which of the expected steps have been completed.

For those files deemed to be missing documents, the three chiefs/director responsible for National Office based files as well as staff located in the affected Field Units were provided with a detailed list of missing documents prior to proceeding with the next phase of the audit. We received responses from all three National Office chiefs/directors and from thirteen of the 15 Field Units we contacted to obtain further information. Responses from each Field Unit are presented in **Appendix B**.

For the Co-operating Association and Cost-Sharing Contribution funding agreements, we were provided with documentation and information, which satisfied our audit criteria. For the Miscellaneous Grant and Contribution funding agreements, we were not provided with additional documentation or information that could satisfy our audit criteria. For these funding agreements, we were informed that we had received all of the documentation available.

Reporting Phase

Upon completion of the examination phase, we developed a draft report for submission to the project authority for discussion and to obtain their feedback. The draft report concluded against the criteria for each line of enquiry, noting observations and developing recommendations based on the evidence gathered during the review of 22 funding agreement files.

Once the project authority's feedback was received, their comments were incorporated, and we delivered the Final Audit Report to the Agency's Performance, Audit and Review Group.

5.2 Audit Sample

In the period we examined, Parks Canada Agency managed a total 65 funding agreements in four categories (Miscellaneous Grants, Co-operating Association Contributions, Cost-Sharing Contributions, and Miscellaneous Contributions) amounting to expenditures of \$14,595,923.

We drew our audit sample from a list of Parks Canada Agency grant and contribution funding agreements provided by National Office Finance Group. We included only funding agreements that were entered into beginning March 31st, 2000, as these funding agreements would be subject to the new control regime for grants and

contributions. This approach would result in relevant findings on the controls implemented since the 2001 audit.

This sampling decision led to an audit universe of 23 funding agreements across the four types of funding agreements, and we included all of these agreements in our audit sample. We excluded from our audit universe one agreement, which, although was funded during the period under review, related to a previously completed contribution agreement. Our audit sample of 22 funding agreements covered 67% of total grants and contributions expenditures for all 65 funding agreements managed between 2001-01 and 2002-03.

Our sample included agreements within each category of funding agreement (Miscellaneous Grants, Co-operating Association Contributions, Cost-Sharing Contributions, and Miscellaneous Contributions), and across most geographic regions of Canada. Details of the sample breakdown by type of agreement and geographic region as well as a list of files are included in **Appendix A** of this report.

6.0 Audit Criteria

Our overall criterion for this audit was that agreements should be managed in a manner consistent with the expectations of the Parks Canada Agency's Grant and Contribution Checklists. We expected that for each line of enquiry, the funding agreement files would contain evidence of all items required by the checklists. For each line of enquiry we examined, the checklists identify required items to be present in the funding agreement files as a means of managing the agreements, monitoring controls for recipient funding agreements, and assessing file completeness. These required items became our sub-criteria for each line of enquiry.

7.0 Observations and Recommendations

This section outlines the observations and recommendations of the audit of the Parks Canada Agency's Grants and Contributions. An expectation of this audit was that with the introduction of the Grant and Contribution Checklists, the management and the completeness of the agreement files would have improved. Where possible, we compare the results of our file examination to those of the 2001 audit to measure the level of progress made. We made allowances for funding agreements, which were either recently completed, or not completed, as it was not possible to assess any final reporting or project closure steps or documents.

In general, many of the audit issues raised in the 2001 audit emerged again in the examination of the funding agreement files. These findings are presented in **Appendix C**.

Below, we discuss each line of enquiry in turn and provide our observations and recommendations based on the audit evidence gathered during the examination phase, conducted between January and April 2004.

Line of Enquiry # 1: Application Review

Background and Observations

Among the key steps in the grants and contributions process is the completion of a funding application by the eventual recipient, along with the required supporting documentation. Treasury Board guidelines are concerned with the eligibility of recipients to receive the funds for which they are applying. The application and the due process used to review and approve it are the key controls to ensure eligibility. In performing an audit, the ability to assess the extent to which this due process took place is limited to the evidence in the file, and included the existence of the application, supporting documentation required, and appropriate approvals.

This audit examined 34 criteria in addition to the existence of the application documentation, in order to evaluate the effectiveness of the application review process. Attention was given to two specific areas:

- The presence of a project application/proposal; and
- The presence of a signed letter from the Minister, or appropriate Agency official acknowledging the award;

These two items serve as evidence that the project was appropriately applied for and appropriately approved by either the Minister or an Agency official possessing the proper delegated authority.

Compliance with the criteria for this line of enquiry ranged from *not met to generally met*. Overall, 54% of the agreement files examined contained an application. This represents a decrease from 89% compliance in the 2001 audit. All of the Cooperating Association Contribution files included an application, while in the case of the two Miscellaneous Grants and the two Cost-Sharing Contributions, two of four files included an application. Among Miscellaneous Contributions, seven of 13 files included an application. The audit did note an overall improvement in compliance, from 79% to 90%, in the existence of a signed letter from the Minister on file.

Table 1 illustrates that compliance across the 4 types of funding agreements varied with respect to the presence of a funding application/proposal.

Type of Funding Agreement	Number of files in the audit sample	Files compliant containing an application/proposal criteria	% compliance with Checklist criteria
Miscellaneous Grants	2	1	50%
Cooperating Association Contributions	5	5	100%
Cost-Sharing Contributions	2	1	50%
Miscellaneous Contributions	13	7	53%

Table 2 illustrates that compliance across the 4 types of funding agreement was consistent with respect to the presence of a signed letter of award.

Type of Funding Agreement	Number of files in the audit sample	Files containing a signed letter of award	% compliance with Checklist criteria
Miscellaneous Grants	2	1	50%
Cooperating Association Contributions	5	5	100%
Cost-Sharing Contributions	2	2	100%
Miscellaneous Contributions	13	13	100%

Recommendation 1:

As noted above, the existence of an application and supporting documentation is the cornerstone of assessing compliance with Treasury Board Eligibility requirements. We recommend that the Agency:

- Ensure that the funding proposal/application process is properly followed, and ensure that a copy of the proposal/application is present in the funding agreement file.

We encourage the Agency to maintain the high level of compliance it is now demonstrating with regard to the presence of a signed Minister's letters of award to the recipient are present and signed on a formal Ministerial letterhead

Line of Enquiry #2 – Contribution Agreement

Background and Observations

The contribution agreement serves as the contract between the Agency and the recipient. As such, there are a number of important clauses which should be present in every agreement to ensure that objectives are met in the eventual completion of the project. For example, the contribution agreement should include, at a minimum, a description of the project, the conditions which must be met for payments to be made, and the recipient reporting requirements. In addition, the agreement would normally stipulate language, signage requirements and communication requirements, to name a few.

In order to facilitate compliance with these factors, a checklist was developed after the last audit which identifies 17 specific items which should be included in the contribution agreement, depending on the type of funding agreement which was being entered into. The purpose of this line of enquiry was to evaluate if the contribution agreements contained the required information called for in the checklist.

The criteria for this line of enquiry were either *generally met* or *partially met*. We note that in most cases, the items required by the Contribution Checklist are contained in the contribution agreement. Results for the existence of a contribution agreement in the file were consistent with the prior audit, at 95% compliance. With the exception of one Miscellaneous Grant file, we were able to find a contribution agreement in each of the funding agreement files. Among those located, factors considered most important, such

as project description, conditions for payment and language requirements were well followed.

Table 3 illustrates that compliance across the four types of funding agreements was consistent with respect to the presence of a contribution agreement.

Type of Funding Agreement	Number of files in the audit sample	Files containing a copy of the contribution agreement	% compliance with Checklist criteria
Miscellaneous Grants	2	1	50%
Cooperating Association Contributions	5	5	100%
Cost-Sharing Contributions	2	2	100%
Miscellaneous Contributions	13	13	100%

Recommendation 2:

Although compliance in this line of enquiry was high, the audit recommends that the Agency:

- Develop a standard contribution agreement template for each type of funding agreement to reflect the unique nature of the respective agreement types thereby creating a more relevant and streamlined document ;
- For Miscellaneous Grants, the Agency include the Grant Checklist assessment criteria similar to those contained in the Contribution Checklist. Setting out the required items contained in the Contribution Checklist would help ensure consistency, in particular, for wording of agreement clauses, and the expectations for project reporting.

Line of Enquiry #3 – Payment Requirements

Background and Observations

This line of enquiry concerns payments to recipients. Once the original application is approved and the contribution agreement signed, the payment of funds is the next step in the funding process. Treasury Board has specific requirements in this area: In general, appropriate steps should be taken to ensure that sufficient funds are available, and that assurance has been provided that the recipient has earned the right to be paid by meeting the terms and conditions of the agreement (Section 32, 33 and 34 of the *Financial Administration Act (FAA)*, respectively). These three steps, taken collectively, help ensure that there are appropriate controls over public money.

Our audit focused on the files provided to us by the Agency and those that we could locate through contact with the Service Centres, Field Units and individual sites. If an authorization was not included on file or unable to be provided through follow-up correspondence, we concluded that it was misplaced. Section 33 was assumed to have 100% compliance as the IFMS requires an electronic section 33 signature before processing a payment. For Sections 32 and 34 it is possible that these approvals may exist in other Agency locations including electronically; however, TBS is equally

concerned with the availability of evidence that these controls have taken place. That the appropriate sign off may exist, but documentation could not be located for the purposes of our audit, still signifies a control weakness, albeit a lesser one than if the sign off never occurred. Unfortunately, we are unable to make this distinction.

In summary, we found that the criteria for this line of enquiry were either *partially met* or *not met*. In the case of the two Miscellaneous Grants, no evidence of section 32 compliance was found, and evidence of section 34 approval was found for one agreement. Among the thirteen Miscellaneous Contributions, one file contained section 32 authorization, and seven had section 34 authorization. Among the Cooperating Association files, all files contained evidence of section 32 approval, however no approvals could be located for section 34. The Cost-sharing program had 100% compliance for all three sections.

Tables 4, 5 and 6, illustrate that compliance with the *FAA* varied across the four types of funding agreements.

Section 32 FAA

Type of Funding Agreement	Number of files in the audit sample	Files containing Section 32 signoff	% compliance with Checklist criteria
Miscellaneous Grants	2	0	0%
Cooperating Association Contributions	5	5	100%
Cost-Sharing Contributions	2	2	100%
Miscellaneous Contributions	13	1	7%

Section 34 FAA

Type of Funding Agreement	Number of files in the audit sample	Files containing Section 34 signoff	% compliance with Checklist criteria
Miscellaneous Grants	2	1	50%
Cooperating Association Contributions	5	0	0%
Cost-Sharing Contributions	2	2	100%
Miscellaneous Contributions	13	7	53%

These findings indicate that while overall compliance in this area has decreased since the last audit, compliance remains high for the Cost-sharing contributions. Based on the examination results for this line of enquiry, we are concerned that the Agency is not meeting its own or Treasury Board requirements for payment approval.

Recommendation 3:

We recommend that the Agency:

- Immediately take steps to reinforce its controls for recipient payments and ensure that the required payment approval for all funding agreements takes place, and evidence of this approval resides in the file; and

Line of Enquiry #4 – Reporting Requirements**Background and Observations**

The nature of the Agency's grants and contributions dictates that funds are advanced throughout the life-cycle of the projects being funded. Some of the initiatives span multiple years, and for this reason interim and final reporting requirements are necessary to assess the progress of the project as well as its adherence to the original terms of the contribution agreement. Most importantly, interim reporting should form the basis of *FAA* approval for specific payments, since these payments should be made with reference to project milestones. Consequently, the findings in this section correlate with the findings of Line of Enquiry Three, Payment Requirements.

This line of enquiry focused on both the existence of reporting requirements in the contribution agreements, as well as compliance with those criteria. In summary, of the 20 agreements where we expected interim reporting to be a requirement, six contribution agreements contained such a requirement. Among those, four files demonstrated compliance with the interim reporting requirements specified in their contribution agreements. Both Cost-sharing contribution agreements required interim reporting and met this criteria. Among the 13 miscellaneous contributions, four required interim reporting, two were compliant. The Cooperating Association contribution agreements have not historically required formal interim reporting however evidence of ongoing monitoring was documented.

In conclusion we found that the requirements of this line of enquiry ranged from *not met* to *fully met*.

Table 7 illustrates that compliance with respect to interim reporting requirements varied between the Cost-Share and Miscellaneous Contributions. The Miscellaneous Grants and the Cooperating Association Contributions funding agreements were not required to submit interim reporting as part of their respective contribution agreements.

Type of Funding Agreement	Number of files in the audit sample	Number of agreements requiring interim reporting	Files compliant with the contribution agreement	% compliance with the contribution agreement
Miscellaneous Grants	2	0	-	-
Cooperating Association Contributions	5	0	-	-
Cost-Sharing Contributions	2	2	2	100%
Miscellaneous Contributions	13	4	2	50%

Recommendation 4:

All contribution agreements should contain clear and standard interim and final reporting requirements. Therefore, we recommend that the Agency:

- Include requirements for interim and final reporting When drafting contribution agreements; and
- Actively monitor the progress of the agreements and ensure that the required reporting documentation be present in the funding agreement file, and reporting forms the basis of support for further payments.

Once the standard requirements are included in all agreements the Agency can systematically ensure that these requirements are followed.

Line of Enquiry #5 – Project Completion and File Closure**Background and Observations**

This line of enquiry examines if required project completion and closure steps had been completed, and whether the required documents were present in the funding agreement files. Project closeout offers an opportunity for the Agency to evaluate whether the project met its intended objectives, vis-à-vis the original application and funding agreement. Performed properly, closeout can provide lessons learned and opportunities for improvement in the granting and management of future agreements. The contribution checklist contains a number of criteria designed to encourage this type of analysis, such as the comparison of intended and actual deliverables, the successes and challenges of the project and the evaluation of the project in relation to short and long term objectives.

The presence of final reporting documentation on file for the majority of the twenty-two agreements included in our sample was not applicable due to a number of circumstances including: final reporting is not required for miscellaneous grants; the indeterminate nature of Cooperating Association contributions; final reporting for the two Cost-sharing agreements was still in progress; among the 13 Miscellaneous Contributions, three agreements did not require final reporting and three final reports were due at a later date. For the remaining seven miscellaneous contributions where evidence of final reporting should have been present, three files were in compliance, four were not.

In light of the above it is difficult to draw conclusions on the extent to which final reporting is being provided. Should those final report still pending at the time of the audit be delivered, compliance with this line of enquiry would be significant. What does remain unclear is why among the thirteen miscellaneous contribution agreements, only ten required final reporting.

Table 8 illustrates the level of compliance with respect to final reporting requirements. The Miscellaneous Grants and the Cooperating Association Contributions funding agreements were not required to submit interim reporting as part of their respective contribution agreements.

Type of Funding Agreement	Number of files in the audit sample	Number of files requiring final reporting at time of audit	Number of files exempt	Files compliant with the contribution agreement	% compliance with the contribution agreement
Miscellaneous Grants	2	0	0	-	-
Cooperating Association Contributions	5	0	0	-	-
Cost-Sharing Contributions	2	2	2	-	-
Miscellaneous Contributions	13	7	3	3	42%

Through examination of all the contribution agreements, we found that only the Cost-sharing and the Miscellaneous Contributions contained requirements for final reporting.

Recommendation 5:

We recommend that for completed agreements, the Agency:

- Require of all funding agreement recipients some form of final report detailing how funding was expended according to the approved proposal/application and/or terms and conditions of the contribution agreement;
- For file closure, the Agency ensure that the documentation required of the recipient and project signoffs are present in the funding agreement file; and

8.0 Conclusion

This audit was based, in a large part, on criteria that were developed after the completion of the last audit. These criteria are detailed and exhaustive, and specific compliance can be found in the appendices to this document. However, there are a number of key findings which must be highlighted:

- Evidence of compliance with the *Financial Administration Act (FAA)* was poorly documented among the agreement files the audit was able to obtain;
- The lack of standard forms for contribution agreements result in different criteria for different agreement, making overall compliance difficult and limiting the amount of useful reporting information; and
- There does not appear to be any formalized records management practices in place for Grants and Contributions files at Parks Canada. Particularly for the Miscellaneous Grants and Contributions, there is no centralized means of knowing where information is located thereby making it extremely difficult to assemble a complete agreement file. Individual agreement files are often not indexed or organized in any fashion that could facilitate the identification of documents.

During the course of the examination phase, we were required to make multiple requests for information and encountered delays in receiving documents for review. In one instance, by chance, documents and other relevant information were located in the filing cabinet of a former Agency staff member. In another instance, relevant approval

and payment information was filed separately from the contribution agreement information and was not easily located.

We therefore encourage the Agency to modernize its file/records management systems and processes, ensuring that all critical Grants and Contributions documentation is filed in manner which will facilitate timely access.

In general, we found that the Co-operating Association and Cost-Share Contribution files most satisfactorily met the audit criteria, containing the majority of supporting documentation required for project approval, payment and reporting. Many of the Miscellaneous Contributions and one Miscellaneous Grant, while containing proper applications and evidence of Section 34 approval, did not contain evidence of the required Section 32 signoff and interim/final reporting documentation. The absence of project reporting may be attributed to the requirements of the respective contribution agreements; however, Agency management in many cases did not require funding recipients to submit reports accounting for how funding was expended according to the approved proposal/application and/or the terms and conditions of the contribution agreement.

The Agency has improved in many areas, and the existence of the checklist is evidence of this. However, this greater focus on controls has highlighted further opportunities for improvement which should be prioritized and dealt with. Ensuring that evidence of compliance with the *Financial Administration Act (FAA)* is present in the agreement files and standardized contribution agreements containing all the required clauses should be the first items to receive this attention.

9.0 Management Response

Recommendation 1:

As noted above, the existence of an application and supporting documentation is the cornerstone of assessing compliance with Treasury Board Eligibility requirements. We recommend that the Agency:

- Ensure that the funding proposal/application process is properly followed, and ensure that a copy of the proposal/application is present in the funding agreement file.

Management Response (Cost-Share Program): Agree. The Director will ensure a copy of the application will be included in all future Cost-Sharing funding agreement files. If funds become available for the Cost-Sharing Program, all applicants will be required to submit a funding proposal/application form. We will ensure that these are included in each funding agreement file. The funding agreement files will be held in NHSD.

Management Response (Misc. Grants and Contributions): Agreed. The Agency will create a dedicated unit to manage miscellaneous contributions in spring of 2005. This dedicated unit will be responsible for planning, control and, monitoring all miscellaneous contributions. This dedicated unit will also play an active role in supporting each local manager that is negotiating a miscellaneous contribution.

Recommendation 2:

The contribution agreement serves as the contract between the Agency and the recipient. As such, there are a number of important clauses which should be present in every agreement to ensure that objectives are met in the eventual completion of the project.

Although compliance in this line of enquiry was high, the audit recommends that the Agency:

- Develop a standard contribution agreement template for each type of funding agreement to reflect the unique nature of the respective agreement types thereby creating a more relevant and streamlined document;
- For Miscellaneous Grants, the Agency include the Grant Checklist assessment criteria similar to those contained in the Contribution Checklist. Setting out the required items contained in the Contribution Checklist would help ensure consistency, in particular, for wording of agreement clauses, and the expectations for project reporting.

Management Response (Cost Share Program): Agree. If additional funds become available for future Cost-Sharing agreements, the Director will ensure that a standard contribution agreement template will be developed to reflect the specific nature of the program.

Management Response (Co-operating Associations): Agree. The Chief supports the development of an agreement template tailored to the needs of the Co-operative contribution agreements and will work with the appropriate group to ensure this is completed.

- *Management Response (Misc. Grants and Contributions): Disagree. A standard template is not considered feasible for miscellaneous contributions due to their unique nature, however the cost-share or Co-op template will be followed where feasible. In addition, the existing checklist reflecting the terms and conditions will be used to meet the spirit and intent of this recommendation. The Agency does not plan to use miscellaneous grants in the future. The terms and conditions of this program component will be modified shortly.*

Recommendation 3:

We recommend that the Agency:

- Immediately take steps to reinforce its controls for recipient payments and ensure that the required payment approval for all funding agreements takes place, and evidence of this approval resides in the file.

Management Response (Co-operative Association Contributions) – Agree. When working under the Department of Canadian Heritage procedures the Minister approved the majority of contributions. It was understood that, by signing a letter to the contribution funding recipient, the contribution funding was approved. We were requested to sign the approval section on the Grants and Contributions Approval Payment Form (APF) and, therefore, felt that signing section 34 on that same form to be redundant. Now that the CEO of Parks Canada is approving all Grants and Contributions his signature in the approval section of the APF will follow the program manager's signature under section 34.

Management Response (Misc. Grants and Contributions): The dedicated unit to be established in spring 2005 to manage miscellaneous contributions will ensure that controls for recipient payments including payment approvals and supporting documentation on file are adhered to.

Recommendation 4:

All contribution agreements should contain clear and standard interim and final reporting requirements. Therefore, we recommend that the Agency:

- Include requirements for interim and final reporting When drafting contribution agreements; and,
- Actively monitor the progress of the agreements and ensure that the required reporting documentation be present in the funding agreement file, and reporting forms the basis of support for further payments.

Management Response (Co-operative Association Contributions) – Agree. In line with the audit recommendation, a process of final reporting will be implemented to demonstrate how funding was expended for each contribution. This will need to be completed at the field level.

Management Response (Misc. Grants and Contributions): Agree.): The dedicated unit to be established in spring 2005 to manage miscellaneous contributions will ensure that contribution agreements contain interim and final reporting requirements.

Recommendation 5:

We recommend that for completed agreements, the Agency:

- Require of all funding agreement recipients some form of final report detailing how funding was expended according to the approved proposal/application and/or terms and conditions of the contribution agreement;
- For file closure, the Agency ensure that the documentation required of the recipient and project signoffs are present in the funding agreement file.

Management Response (Cost Share Program): Agree. If additional funds become available for the Cost-Sharing Program, the Director will ensure that any future funding agreement recipients submit some form of final report detailing how funding was expended according to the terms and conditions of the contribution agreement. For all future Cost-Sharing files that are closed, we will ensure that the documentation required of the recipient and project signoffs for file closure are present in the funding agreement file.

Management Response (Co-operative Associations): Agree. In line with the audit recommendation, the Chief will implement a process of final reporting to demonstrate how funding was expended for each contribution. This will need to be completed at the field level.

Management Response (Misc. Grants and Contributions): Agree.): The dedicated unit to be established in spring 2005 to manage miscellaneous contributions will ensure that final reporting detailing how Agency funding was expended according to the conditions of the contribution agreement and appropriate sign-offs are included in the agreement file.

Appendix A: Audit Sample Details**Summary of Expenditures Table – Fiscal Years 2000-01 to 2002-03**

Category of funding agreement	Expenditures 2000-2001	Expenditures 2001-2002	Expenditures 2002-2003	Sum Total
Miscellaneous Grants	\$1,922,700	\$1,622,700	\$22,700	\$3,568,100
Co-operating Association Contributions	\$189,225	\$189,221	\$189,225	\$567,671
Cost-Sharing Contributions	\$1,924,823	\$1,517,090	\$1,381,396	\$4,823,309
Miscellaneous Contributions	\$2,097,125	\$1,411,925	\$2,127,793	\$5,636,843
Total Grants and Contributions Expenditures 2000-2001 to 2002-03	\$6,133,873	\$4,740,936	\$3,721,114	\$14,595,923

Category of funding agreement	Total number of funding agreements between 2000-01 and 2002-03	Number of agreements examined in our audit sample	% Coverage of this type of funding agreement between 2000-01 and 2002-03	% Coverage of expenditures for this type of funding agreement between 2000-01 and 2002-03	% Coverage of this type of funding agreement entered into after March 31, 2000
Miscellaneous Grants	3	2	66%	98%	100%
Co-operating Association contributions	26	5	19%	29%	100%
Cost-sharing Contributions	16	2	12%	29%	100%
Miscellaneous Contributions	20	13	65%	84%	100%
	65	22			

The geographic distribution of our audit sample was as follows:

Region	Number of funding agreements in this region	Number of funding agreement files reviewed	% coverage of this region
Western Canada (B.C, Alberta, Saskatchewan and Manitoba)	22	8	36%
Central Canada (Ontario, Quebec)	31	12	39%
Atlantic Canada (N.S, Newfoundland, New Brunswick, P.E.I)	8	2	25%
Northern Canada (Includes the Nunavut and Yukon territories)	4	0	0%
Total	65	22	

Our audit sample of 22 funding agreements is presented by category and by recipient in the table below.

Category of funding agreement	Name of funding agreements	Total funding expended in the period under review
Miscellaneous Grants	Canadian Irish Studies Foundation	\$500,000
	Jasper Municipality – Emergency Vehicles & other assets	\$3,000,000
Co-operating Associations Contributions	Friends of Prince Albert National Park	\$3,680
	Friends of Keji Cooperating Association	\$51,273
	Battle River Settlement Foundation	\$48,438
	Les Compagnons du lieu historique – L. St. Laurent	\$44,250
	Corporation du Pôle des Rapides	\$20,000
Cost-Sharing Contributions	North Pacific Cannery (Gwaii Haanas)	\$404,721
	Manoir Mauvide Genest	\$1,000,000
Miscellaneous Contributions	Nature Conservancy of Canada	\$775,000
	Columbia Mountain Institute	\$9,000
	Town of Banff Wastewater Treatment Plant	\$1,000,000
	Cathédrale Marie-Reine du Monde	\$450,000
	Info Nature Mauricie	\$20,000
	Hamilton CN Railway Station	\$500,000
	Kokanee Glacier Alpine Campaign	\$25,000
	TV Sites Production	\$65,000
	Pier 21 Society	\$400,000
	I.U.C.N – World Conservation Union	\$10,000
	Cité de L'Énergie	\$1,333,054
	Rivers/Rivières Canada	\$20,000
Canadian Parks and Wilderness Society – (CPAWS)	\$123,750	
		\$9,803,166

Appendix B: Field Unit Responses to Requests for Contribution Agreement Documentation

The following table represents the level of response to requests for information during the development of the draft audit report.

Type of funding agreement and name of recipient	Information request sent	Response received?
Miscellaneous Grants		
Canadian Irish Studies Foundation assets	No	-
Jasper Municipality – Emergency Vehicles and others	Yes	Yes
Cost-Share Contributions		
Manoir Mauvide Genest	Yes	Yes
North Pacific Cannery (Gwaii Hannas)	Yes	Yes
Cooperating Association Contributions		
Friends of Prince Albert National Park	No	-
Friends of Keji Cooperating Association	No	-
Battle River Settlement Foundation	No	-
Les Compagnons du lieu historique – L. St. Laurent	No	-
Corporation du Pôle des Rapides	Yes	Yes
Miscellaneous Contributions		
Nature Conservancy of Canada	No	-
Columbia Mountain Institute	Yes	Yes
Town of Banff Wastewater Treatment Plant	Yes	No
Cathédrale Marie-Reine du Monde	Yes	Yes
Info Nature Mauricie	No	Yes
Hamilton CN Railway Station	Yes	No
Kokanee Glacier Alpine Campaign	Yes	Yes
TV Sites Production	Yes	Yes
Pier 21 Society	Yes	Yes
I.U.C.N – World Conservation Union	Yes	Yes
Cité de L'Énergie	Yes	Yes
Rivers/Rivières Canada	Yes	Yes
Canadian Parks and Wilderness Society – (CPAWS)	Yes	Yes
Total	15	13

Appendix C: Comparison of the 2001 and 2004 Audits of Parks Canada Agency's Grants and Contributions

The table below highlights the 2004 audit findings relative to the recommendations of the 2001 audit.

2001 Audit Recommendations	2004 Audit Findings
<p><u>Completeness of Documentation</u> The Agency should develop and implement a process that will facilitate the compiling of critical documentation related to individual Gs&Cs on a timely basis</p>	<p>No change in performance We were required to make multiple requests for information and encountered delays in receiving documents. We also found the efficiency and the quality of file/records management at NHQ varied from fairly well organized to poorly organized.</p>
<p><u>Existence of an Application or Proposal</u> The Agency should develop and implement a process that will ensure that all funding arrangements are supported by some sort of "application" for funding and ensuing payments being lesser of the amount requested or the amount approved following assessment of the application.</p>	<p>Decline in performance In the 2001 audit, 89% of funding agreements were supported by some form of application. Our audit found that 54% agreements were supported by an application or proposal.</p>
<p><u>Existence of a Letter of Award from the Minister or Deputy Minister</u> All funding arrangements should be approved by the delegated authority through either: 1) a letter of award issued to the recipient; or 2) an internal document authorizing Agency personnel to proceed with the funding arrangement</p>	<p>Improvement in performance In the 2001 audit, 79% of agreements were supported by a letter of award from the Minister, Deputy Minister, or Chief Executive Officer. Our audit found that 95% of the agreements were supported by a letter of award from the Minister and/or the CEO.</p>
<p><u>Existence of a Signed Agreement</u> No payments should be issued until the individual authorizing payment is in possession of an agreement signed by both parties and that the individual signing the agreement on behalf of the Agency has the delegated authority.</p>	<p>No change in performance In the 2001 audit, 95% of the funding agreements files contained a copy of a signed contribution agreement. Our audit yielded the same 95% compliance rate. With the exception of one funding agreement where we were unable to locate a contribution agreement, the other 21 files contained a copy of the CA, and 20 were signed.</p>
<p><u>Compliance of Agreements with Terms and Conditions</u> The Agency should prepare a checklist for each program category containing items for consideration that would ensure that all agreements are in compliance with the relevant Terms and Conditions.</p>	<p>Decline in performance In the 2001 audit, 67% of the agreements were certified/validated as compliant with the Terms and Conditions pursuant to the contribution agreement. Our audit found that 40% of payment requests for recipients were certified compliant with Terms and Conditions.</p>

<p><u>Interim Reporting</u> Agency personnel for management of a funding arrangement should develop a process that will ensure interim reports are provided by the recipient in accordance with requirements pursuant to agreements</p>	<p>Decline in performance In the 2001 audit, 81% of recipients provided some form of interim report, as called for by the CA. Our audit found that 66% of agreements required to submit interim reporting were compliant.</p>
<p><u>Authorization for Payments</u> Agency personnel performing Section 34 activities should be in possession of and retain evidence in this regard, and that the evidence is readily available.</p>	<p>Decline in performance In the 2001 audit, 86% of funding agreements files contained Section 34 signoff for payments. Our audit found evidence of Section 34 signoff in 40% of the files.</p>
<p><u>Final Reporting</u> Agency personnel responsible for management of a funding arrangement should develop a process that will ensure that final reports are provided by recipients in accordance with requirements pursuant to agreements and that the form of reporting is appropriate for the circumstances.</p>	<p>Decline in performance In the 2001 audit 83% of recipients required to submit final reporting were compliant pursuant to the terms of the contribution agreement. At the time of this audit, only 42% of the recipients required to submit final reporting were compliant with the terms of the contribution agreement. However, 2 recipients are due to submit a final report in September 2004, and 1 project was not yet complete.</p>
<p><u>Conduct of Audits of the Contributions</u> The Agency should develop an audit framework for contribution funding arrangements</p>	<p>In the 2001 audit Management Response, the Agency committed to a program of periodic audits of grants and contributions agreements to have begun in 2002. We were informed that this audit is the first to have been carried out since 2001, and that such a program has not been established by the Agency.</p>