

Auditor's Report

Department of Employment and Social Development Canada

Canada Service Corps - Youth Service Opportunities Program

Audit of the Contribution Agreement Signed on June 17, 2019 with Multicultural Association of Northwestern Ontario

Project: Minogin Kitiganens "Gardens Growing Well" (Project 1573207)

June 2022

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INDEPENDENT AUDITOR'S REPORT

Canada Service Corps - Youth Service Opportunities Program
Department of Employment and Social Development Canada (ESDC)

Subject: Contribution Audit – Multicultural Association of Northwestern Ontario
Project: Minogin Kitiganens “Gardens Growing Well”
(Project #1573207)

Opinion

We have audited the total project expenses presented in Appendix A with respect to the Minogin Kitiganens “Gardens Growing Well” Project for the period from June 18, 2019 to March 31, 2020 as incurred by the Multicultural Association of Northwestern Ontario (the Recipient).

In our opinion, the audited amounts presented in Appendix A present fairly, in all material respects, the expenses incurred and allowable under the financial terms and conditions of the Contribution Agreement for the Minogin Kitiganens “Gardens Growing Well” Project dated June 17, 2019 and its Amendment 1 and 2 signed with Employment and Social Development Canada (ESDC).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Information section of our report. We are independent of the Recipient in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Appendix A of the report which is prepared to assist the Department of Employment and Social Development Canada in assessing the ineligible project expenses audited and establishing its contribution on these expenses. As a result, the financial information presented in Appendix A may not be suitable for another purpose. Our report is intended solely for the Recipient and ESDC and should not be distributed to parties other than the Recipient and ESDC. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the financial information in accordance with the financial terms and conditions of the Agreements, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Recipient's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Recipient's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Dillon.



Mark Dillon, CPA Auditor, CA
Samson & Associates CPA/Consulting Inc.
Gatineau (Quebec)
June 22, 2022

2. Introduction

2.1 Background

Canada Service Corps - Youth Service Opportunities Program (CSC)

The Canada Service Corps - Youth Service Opportunities Program (CSC) is Canada's national youth volunteer service program that provides contribution funding to organizations to create service placements for young Canadians (aged 15 to 30), and micro-funding for small-scale youth-led projects. Organizations offer a diverse array of placements along themes such as promoting diversity, the environment, and reconciliation, strengthening youth resilience, and promoting civic and democratic engagement. Placements and micro-grants allow young Canadians to build personal and professional skills, while making a positive impact on communities across Canada. By empowering youth to give back to their communities, the CSC contributes to building a culture of volunteer service in Canada.

Program objectives are to create, promote and facilitate access to volunteer service placements that are meaningful to young Canadians, support lasting civic engagement, and provide youth with skills that will benefit them in both life and work. CSC focuses on two key areas:

- Youth Service Placements – The program provides funding to organizations to deliver volunteer service placements to engage young Canadians, in addressing community needs, developing life and work skills and promoting greater civic engagement and inclusion.
- Youth-led Projects – The program provides funding to organizations to deliver micro-grants to youth, who take ownership of an issue, propose a solution, and implement it at the local level.

Recipient

The Multicultural Association of Northwestern Ontario (MANWO) is a regional umbrella organization for multicultural groups and ethnocultural communities in Northwestern Ontario. The association serves to link small, isolated communities across the region and promote the concept of multiculturalism. The idea of forming MANWO came from recommendations by delegates at the first Northwestern Ontario Regional Multicultural Conference held in Thunder Bay in February 1979. A Steering Committee set up the blue-print for a regional multicultural network, and drafted the constitution. The first Board Members were elected in April 1980, and MANWO was formally registered as a corporate organization in November 1981.

MANWO's mission is to achieve a fair and just society with equal opportunity, equal access, and equal participation by all citizens in every aspect of Canadian life by removing artificial barriers and promoting acceptance of all people.

Project Description

From June 18, 2019 to March 31, 2021. MANWO will work to address racism, youth suicide, and provide an avenue for youth to effectively acknowledge and deal with the systemic exclusion of Indigenous youth from the economic and educational opportunities in the City of Thunder Bay.

The project's specific objectives are to:

- Leverage the participation of 20 young Canadians (aged 15-30) to effect a reconciliation process through service opportunities;
- Introduce new skills for 20 young Canadians, to inspire service community engagement, suicide prevention, and engagement in environmental stewardship;

2. Introduction

- Increase national awareness of the reconciliation and community rebuilding process in Thunder Bay between Indigenous, Settler and Newcomer communities; and
- Allow the host non-for-profit organization and partnered not-for-profit organizations to carry the reconciliation process and suicide prevention activities beyond the project end date.

2.2 Audit Objectives

The objectives of the audit are to:

- Provide assurance that funds disbursed to the Recipient under the terms and conditions of their Contribution Agreement (CA) have been used for the intended purpose;
- Assess whether the Recipient had an adequate financial and internal control framework in place to ensure appropriate management of the financial activities of the Project;
- Assess whether reporting processes of the Recipient are in line with the templates provided by the Program, as prescribed by the terms and conditions of the Agreement;
- Assess whether the Recipient complied with the following other specific terms of the Agreement (as applicable);
 - Canada's Right to Audit
 - Contracting Procedures
 - Project Records
 - Insurance
 - Disposition of Capital Assets
 - Interest Earned
- Assess whether the Recipient monitors the Sub-agreement Holder (AlterEden) to ensure compliance with the agreement. It is expected that:
 - The Recipient has established an agreement or Memorandum of Understanding (MOU) with the Sub-agreement Holder;
 - The clauses allowing the Recipient to meet its obligations from the agreement between ESDC and the Recipient are included in the agreement between the Recipient and Sub-agreement Holder or its MOUs;
 - The Recipient exercises due diligence in the administration of its agreements with Sub-agreement Holders; and
 - The Recipient meets the reporting requirements of the signed Agreement with ESDC.

2.3 Audit Scope

The scope of the assignment was to audit the costs claimed by the Recipient for the period from June 18, 2019 to March 31, 2020 as presented in the project financial reports submitted to ESDC and to ensure their compliance with the terms and conditions of the CA and its amendments.

2.4 Approach and Methodology

2. Introduction

In planning the audit of the expenses submitted by the Recipient, we obtained an adequate understanding of the objectives, anticipated results of the Project, and reviewed the CA in detail. We also communicated with ESDC head office in order to obtain all relevant information and documentation to plan our audit. In order to facilitate our fieldwork, we further communicated with the Recipient to advise them of the audit objectives, our work plan, and to obtain a copy of the general ledger. This enabled us to adequately plan the audit, select a sample of transactions in advance and prepare our audit approach and procedures.

The audit procedures have been planned and executed in accordance with Canadian Auditing Standards, which include examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. As needed, our audit work has relied on the methodology and criteria which is part of the *Transfer Payment Policy* and the *Grants, Contributions and other Transfer Payment Guide*.

Review of the Internal Control Framework

During our assignment, we performed a review of the internal controls implemented by the Recipient for the Project through discussions with the Recipient's Executive Director, and through a review of the documentation.

2.5 Conclusions

1. As detailed in Appendix B, we were unable to confirm that most of the funds disbursed have been used for the intended purpose, in compliance with the financial terms and conditions of the Recipient's Contribution Agreement, and have reflected these amounts as audit adjustments.
2. As detailed in Section 3 of our report, we have identified a number of observations that should be addressed to ensure that the Recipient will have an appropriate internal control framework in the future to carry out the activities outlined in the Contribution Agreement.
3. With the exception of the observations and recommendations presented in Section 3 of our report, the Recipient's reporting processes are in line with the templates provided by the Program; and
4. With the exception of the observations and recommendations presented in Section 3 of our report, the Recipient complied with the following other specific terms of the Agreement (as applicable):
 - Canada's Right to Audit
 - Contracting Procedures
 - Project Records
 - Insurance
 - Disposition of Capital Assets
 - Interest Earned
5. As detailed in Section 3 of our report, we have identified a number of observations that should be addressed to ensure that the Recipient will have an appropriate internal control framework in the future to monitor the Sub-agreement Holder (AlterEden) to ensure compliance with the agreement.

3. Observations and Recommendations

3.1 Review of the Organization's Internal Control Framework

Our comments relate to the internal control framework implemented by the Recipient for the purposes of the Project and are based on discussions held with Recipient's Executive Director, and the review of documentation provided during our audit.

Project Accounting

The Recipient used the accounting software Wave and Excel spreadsheets for accounting purposes and for tracking expenses for the project.

Salary Allocation

The Recipient claimed salary expenses related to the Executive Director to ESDC. The amount claimed was based on a budget established between the Recipient and the Sub-agreement Holder (AlterEden) at the beginning of the project.

Observation 1

During the audit, we found that the Recipient did not use a timekeeping system and was not able to provide a verifiable methodology to support the cost allocation of the Executive Director's salary and other administrative costs to the Project. We have assessed the allowable costs to the Project via a high-level analysis based on the proportion of revenues generated by projects. The analysis indicated the amount claimed was reasonable.

Recommendation 1

We recommend that the Recipient ensure that the salaries and other administrative costs claimed under the Project are supported by an objective and verifiable methodology.

Review and Approval of Invoices

All invoices are verified and are approved by the Executive Director to confirm receipt of the goods or services before they can be approved for payment. Payments are then approved based on the organization's signing authorities, which requires two signatures.

Insurance

Article 18 of the CA indicates that the Recipient shall arrange and maintain, during the Project, appropriate comprehensive general liability insurance coverage to cover claims for bodily injury or property damage resulting from anything done or omitted by the Recipient or its employees, agents or Project participants, if any, in carrying out the Project.

The Recipient provided the insurance certificate demonstrating that adequate general liability insurance coverage was in place.

Disposition of Capital Assets

There were no capital assets acquired by MANWO under the Project.

3. Observations and Recommendations

Interest Earned

The Recipient does not have a separate bank account for the funds provided under the Project. The contribution amounts are deposited in a non-interest-bearing account. Therefore, there was no interest earned on the contribution provided under the Project.

Funding Agreement – Sub-agreement Holder

The Recipient has established an agreement with the Sub-agreement Holder (AlterEden) through a Memorandum of Understanding (MOU).

Observation 2

During the audit, we noted that funding of \$238,370 was transferred to AlterEden, for the delivery of the funded project. The Recipient could not provide a signed copy of the Memorandum of Understanding (MOU) governing the transfer of funds to AlterEden.

Recommendation 2

We recommend, that prior to any future transfer of government funding to a third-party organization, the Recipient ensure that a MOU or sub-recipient agreement has been signed and executed. A signed copy should also be kept on file by the Recipient for future references and audit purposes.

Observation 3

During the audit, we noted that the MOU between MANWO and AlterEden did not include sufficient clauses to ensure that MANWO could ensure compliance with the Contribution Agreement, including the right to audit clause. The Sub-agreement Holder did not respond to any audit enquiries made from auditors or from MANWO.

Recommendation 3

We recommend, that when MANWO enters into an agreement with a third-party for the delivery of a project, it ensures that it includes, without limitation, a description of activities, payment clause conditional to specified reporting requirements, the right to audit books and records, the reporting requirements, starting date and end date for the funded activities, provision for a right of termination of agreement, costs eligible for reimbursement, maximum amount payable and a refund of surpluses / ineligible expenses clause.

Observation 4

During the audit, we noted that subsequent to the audit period, on September 7, 2021, MANWO terminated its MOU with AlterEden for delivery of the project.

Recommendation 4

We recommend that the Recipient ensures to obtain all relevant project information from AlterEden to complete a final financial and status reporting. The Recipient should also discuss with ESDC, its plans to ensure completion of the funded project.

3. Observations and Recommendations

Sub-agreement Holder Monitoring Process / Audit Process

Observation 5

The Recipient does not monitor the actual expenses incurred by the Sub-agreement Holder (AlterEden) by requesting or verifying the actual documentation supporting the expenses claimed (contracts, invoices, timesheets, etc.). We were told by the Recipient that the financial claims are submitted directly to ESDC by AlterEden.

Recommendation 5

We recommend that the Recipient develop financial monitoring / audits of claims submitted by AlterEden and implement regular monitoring activities to ensure that expenses claimed are supported and eligible as per the CA. The documentation supporting the expenses claimed should normally include, without limitation, invoices, contracts, payroll register, timesheets supporting the time allocated to the funded Project, proof of payments and the methodology used to allocate the overhead costs to the Project, if applicable. This documentation should be kept on file by the Recipient for future references and audit purposes.

Project Records

Article 9 of the CA indicates that the Recipient shall keep proper books and records of all expenditures and revenues relating to the Project and shall keep records of all project-related contracts and agreements, all invoices, receipts and vouchers relating to eligible expenditures.

During the audit, we found that the Recipient kept proper books and records of amounts claimed related to its expenses for the Project.

Reporting Requirements

Observation 6

During the audit, we found that the Recipient has had difficulties in submitting claims and documents in a timely manner. The most recent examples are the reporting for Q4 2021, was submitted late and as of September 22, 2021, the Q1 2021-22 reporting had not been submitted to ESDC.

Recommendation 6

We recommend that the Recipient ensure that its internal procedures allow to process the activity and financial information in a timely fashion to meet all of the reporting requirements as specified by the CA.

Appendix A - Summary of Reported and Audited Amounts for June 18, 2019 to March 31, 2020

Description	Budgeted Amounts	Reported Amounts	Ref	Adjustment (Appendix B)	Audited Amounts
	\$	\$		\$	\$
Expenditures					
Administration	27,072	18,026	1	(6,899)	11,127
Capital Costs					
Capital Assets	10,100	10,591	2	(10,591)	-
Direct Costs					
Participant Costs	14,700	2,681	3	(2,681)	-
Project Costs	178,102	219,174	4	(219,174)	-
Partnership Development	269,020	-		-	-
Total Project Expenditures	498,994	250,472		(239,345)	11,127

Appendix B - Explanation of Audit Adjustments

1. Administration

Description	Amount
The project is primarily managed by a third-party organization. As such, MANWO transferred a portion of the Administration budget to AlterEden. This organization did not respond to our requests for information or to those from MANWO. As such, no supporting documentation was available for our audit. Therefore, the amounts claimed were adjusted accordingly.	
Total Adjustment	\$(6,899)

2. Capital Assets

Description	Amount
The project is managed by a third-party organization. The entire Capital Assets budget was transferred to a third-party organization. This organization did not respond to our requests for information or to those from MANWO. As such, no supporting documentation was available for our audit. Therefore, the amounts claimed were adjusted accordingly.	
Total Adjustment	\$(10,591)

3. Participant Costs

Description	Amount
The project is managed by a third-party organization. The entire Participant Costs budget was transferred to a third-party organization. This organization did not respond to our requests for information or to those from MANWO. As such, no supporting documentation was available for our audit. Therefore, the amounts claimed were adjusted accordingly.	
Total Adjustment	\$(2,681)

4. Project Costs

Description	Amount
The project is managed by a third-party organization. The entire Project Costs budget was transferred to a third-party organization. This organization did not respond to our requests for information or to those from MANWO. As such, no supporting documentation was available for our audit. Therefore, the amounts claimed were adjusted accordingly.	
Total Adjustment	\$(219,174)

Appendix C – Recipient’s Comments and Auditor’s Response to Comments

The Recipient’s comments were received by email on June 13, 2022.

Recipient’s Comments:

Observation 1 - Salary allocation:

During the audit, we found that the Recipient did not use a timekeeping system and was not able to provide a verifiable methodology to support the cost allocation of the Executive Director’s salary...

Explanation: MANWO’s conflict of Interest and Code of Ethics do not allow the Executive Director to negotiate and take funding allowances from youth projects to “top-up” wages. This is to discourage staff from seeking projects to increase their salaries at the expense of investing the funds for youth initiatives. Hence the absence of a specific timekeeping system in this regard.

While it is appropriate to include administrative and management costs for projects as budgeted, “the assessment of the allowable costs to the Project via high level analysis based on the proportion of revenues generated by the project” was a creative strategy used to bill for these charges to support and benefit the clients without inflating staff salaries just for the duration of the project --which will not be sustained.

Please note that this is the reason MANWO terminated the MOU. Staff was not involved in the project for additional pay (personal gain), and when the Sub-agreement Holder failed to get local youths involved and benefit from the project, MANWO decided to pull out.

Samson’s Response:

No response required.

Observation 2 - Funding Agreement – Sub-agreement Holder:

It would be more accurate to say, the Recipient could not provide a signed copy of the Memorandum of Understanding (MOU) governing the transfer of funds to Alter\Eden for the first six months of the project (June to December) but provided the MOU for the period of January 31, 2020 to July 31, 2021 (see attachment).

Samson’s Response:

The MOU provided by MANWO as an attachment to their comments was reviewed during the audit and is not signed by AlterEden. Therefore, the observation is maintained.

Adjustment 1 - Administration:

This sums up the arrangement outlined in the MOU quite well. This is also the reason MANWO did not open a separate bank account. The third-party organization handled everything as you documented in Appendix B.

Samson’s Response:

No response required.