

October 31, 2000

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**DEPARTMENT OF THE
SOLICITOR GENERAL OF CANADA**

**Report on the Audit of
the Contribution Agreement with
the John Howard Society of Manitoba**

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1. INTRODUCTION

A financial audit relative to the contribution agreement dated October 30, 1998, between the Department of the Solicitor General of Canada (Department) and the John Howard Society of Manitoba (Recipient) was conducted on behalf of the Management Review Division of the Department. The audit was undertaken in October 2000.

The subject of this audit is the contribution of \$356,791 (Department - \$142,716, Other - \$214,075) awarded to the Recipient to support the implementation phase of the Restorative Parole Project/Restorative Community Reintegration Project.

The project is managed by the Recipient's Executive Director, Case Planners and Administrative Support Worker. The current contribution from the Department is in support of costs related to the above project, exclusive of capital expenditures, as outlined in the budget estimation in this agreement.

The period covered by the agreement and the audit period is from November 5, 1998 to March 31, 2000.

2. AUDIT OBJECTIVES

2.1 The general objectives of the audit are:

- 2.1.1 to ensure that claimed expenditures have been incurred by the Recipient and are in accordance with the contribution agreement, and departmental and central agency guidelines;
- 2.1.2 to verify and report on the costs incurred and claimed and indicate the concurrence or otherwise of the Recipient with the audit findings; and
- 2.1.3 to bring to the attention of the Department, any matters considered to be of significance or requiring management action.

2.2 The specific objectives include determining that:

- 2.2.1 the Recipient is meeting both the financial and non-financial terms of the contribution agreement;

2. AUDIT OBJECTIVES (cont'd)

2.2 Specific objectives included determining that (cont'd):

2.2.2 as they relate to the contribution agreement:

- financial operations were conducted properly;
- financial statements were presented fairly;
- financial reports contained accurate and reliable information; and

2.2.3 the Recipient has an adequate internal control system to account for and manage the contribution received.

3. AUDIT SCOPE

3.1 The audit scope was limited to the verification of the Recipient's financial records, supporting documentation, and claims for the period November 5, 1998 to March 31, 2000, and included:

- an examination and assessment of the quality, propriety and accuracy of the Recipient's financial records, accounting procedures and internal controls as they relate to the costs charged under the terms of the agreement; and
- an assessment of the reasonableness and eligibility of the expenditures incurred or charged in accordance with generally accepted accounting principles, and with the terms of the agreement.

3.2 The audit was conducted in accordance with generally accepted auditing standards, and in accordance with the Office of the Comptroller General's guide on the audit of Federal Contributions.

4. AUDIT APPROACH

Our approach was based on recognition of the need to focus on the key issue, which is the compliance by the Recipient with the terms and conditions of the contribution agreement, and primarily to ensure that the claimed expenditures have been incurred, and the Recipient is meeting the financial terms of the agreement.

4. AUDIT APPROACH (cont'd)

The audit was undertaken in three phases:

- planning;
- field work and analysis; and
- reporting.

The planning phase included an orientation/familiarization with the mandate, obtaining information and documentation from the Department, developing the detailed audit program, and arranging the on-site visit with the Recipient.

The field work and analysis consisted mainly of undertaking the detailed audit program to gather evidence to support our audit opinion, findings, and conclusions. The principal audit activities included interviews with the Recipient's representatives, an examination and evaluation of accounting systems, controls, and the results of the tests conducted on the books and records and supporting documentation of the recipient as they relate to this contribution, and obtaining the Recipient's response to the audit findings.

The reporting phase involved an analysis of our findings, and the formulation of an opinion on the information obtained from the Recipient, for inclusion in the audit report. In addition, we have debriefed the Director, Management Review Division and the Director, Corrections, Research and Development, on the results of the audit.

5. CONCLUSION

Our review indicated that the implementation phase activities of Restorative Parole Project/ Restorative Community Reintegration Project, administered by the Recipient, appeared to be consistent with the stated objectives of the agreement.

Based on our examination, the eligible amount is \$348,861 (Department's share \$139,544). Adjustments totalling (\$8,003) were made to the reported amounts.

Our review revealed that the Recipient has generally met the financial and non-financial terms of the contribution agreement.

Details of the audit findings are presented in the Auditors' Report and supporting Schedules 1 to 4.

6. AUDITORS=REPORT

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Director
Management Review Division
Corporate Services Directorate
Solicitor General of Canada

The John Howard Society of Manitoba Agreement dated October 30, 1998
Period audited: November 5, 1998 to March 31, 2000

We have audited the accounts and records of the John Howard Society of Manitoba, relative to the above agreement. The preparation of the claims and compliance with the terms of the contribution agreement are the responsibility of the Recipient. Our responsibility is to express an opinion on the reported amounts based on our audit and the terms of the contribution agreement.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the amounts claimed are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the claims. An audit also includes assessing the accounting principles used and significant estimates made by the recipient.

In our opinion, the eligible amount of \$348,861 presents fairly, in all material respects, the eligible amounts allowable under the terms of the agreement. Supporting information and related comments are provided in Schedules 1 to 4.

The Office Manager for the John Howard Society of Manitoba has been informed of the audit adjustments and indicated their agreement with the audit adjustments.

WINNIPEG, MANITOBA

October 31, 2000

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Schedule 1

John Howard Society of Manitoba
Summary of Budgeted, Reported and Eligible Amounts
November 5, 1998 to March 31, 2000

	<u>Budgeted Amounts</u>	<u>Reported Amounts</u>	<u>Adjustments</u>	<u>Eligible Amounts</u>
<u>1998/1999</u>				
Schedule 2	\$ 94,155	\$ 89,931	\$(7,526)	\$ 82,405
<u>1999/2000</u>				
Schedule 3	<u>262,636</u>	<u>266,933</u>	<u>(477)</u>	<u>266,456</u>
	<u>\$356,791</u>	<u>\$356,864</u>	<u>\$(8,003)</u>	<u>\$348,861</u>
Department's portion of the Eligible Amounts (40%)				<u>\$139,544</u>
Less: Funds provided by the Department				<u>\$126,958</u>
Excess of Eligible Amounts over Funds provided by the Department				<u>\$ 12,586</u>
Maximum contribution by the Department				<u>\$142,716</u>

NOTE: The balance of funding under this Agreement was received from Community Corrections Department, Correction Services of Canada, under TB816791.

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Schedule 2

John Howard Society of Manitoba
Budgeted, Reported and Eligible Amounts
November 5, 1998 to March 31, 1999

	<u>Budgeted Amounts</u>	<u>Reported Amounts</u>	<u>Adjustments</u>	<u>Eligible Amounts</u>
Salaries and benefits	\$51,520	\$49,280	\$(4,227)	\$45,053
Benefits @ 15% of salaries		7,392	(634)	6,758
Audit and Legal	1,400	1,400		1,400
Equipment rental	4,290	2,593		2,593
Research and library subscriptions	750	140		140
Memberships	450	315		315
Office rent and parking	5,225	5,497		5,497
Office cleaning	600	600		600
Office supplies	1,500	1,983		1,983
Office photocopying	833	891		891
Office printing	1,500			0
Office postage and courier	1,166	177		177
Program expense	1,500	1,890		1,890
Aboriginal and Elder support	2,500	250		250
Staff expense – travel	2,000	1,648	(702)	946
Staff expense – mileage	4,000	1,249		1,249
Staff expense – training	2,000	1,415		1,415
Telephone	1,933	2,019		2,019
Volunteer expense	900	400		400
Sub-Total	\$84,067	\$79,139	\$(5,563)	\$73,576
Add: Administration 12% of total costs	10,088	*10,792	(1,963)	8,829
Total Expenses	<u>\$94,155</u>	<u>\$89,931</u>	<u>\$(7,526)</u>	<u>\$82,405</u>

* This reported amount for administration is in excess of 12% by \$1,295 and is reflected in the adjustment for (\$1,963), see note d) of Schedule 4.

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Schedule 3

John Howard Society of Manitoba
Budgeted, Reported and Eligible Amounts
April 1, 1999 to March 31, 2000

	<u>Budgeted Amounts</u>	<u>Reported Amounts</u>	<u>Adjustments</u>	<u>Eligible Amounts</u>
Salaries	\$155,637	\$159,033	\$ (553)	\$158,480
Benefits @ 15% of salaries		23,855	(83)	23,772
Audit and Legal	1,500	1,125		1,125
Equipment rental	12,000	10,427		10,427
Research and library subscriptions	1,200	826	96	922
Memberships	600	-		-
Office rent and parking	10,450	11,563		11,563
Office cleaning	1,200	900		900
Office supplies	4,500	5,941	416	6,357
Office photocopying	2,500	3,976		3,976
Office printing	2,800	-	293	293
Office postage and courier	3,500	862		862
Program expense	5,000	1,671		1,671
Aboriginal and Elder support	5,000	-		-
Staff expense – travel	6,000	6,998	(798)	6,200
Staff expense – mileage	12,000	5,711		5,711
Staff expense – training	3,000	2,604		2,604
Telephone	5,800	2,841	203	3,044
Volunteer expense	1,800	-		-
Sub-Total	<u>\$234,487</u>	<u>\$238,333</u>	<u>\$ (426)</u>	<u>\$237,907</u>
Add: Administration 12% of total costs	<u>28,149</u>	<u>28,600</u>	<u>(51)</u>	<u>28,549</u>
Total Expenses	<u><u>\$262,636</u></u>	<u><u>\$266,933</u></u>	<u><u>\$ (477)</u></u>	<u><u>\$266,456</u></u>

John Howard Society of Manitoba
Summary of Audit Adjustments
November 5, 1998 to March 31, 2000

1998/1999

a) <u>Salaries</u>		
To adjust salaries to actual per payroll records for the period November 5, 1998 to March 31, 1999		\$(4,227)
b) <u>Benefits</u>		
To adjust benefits calculated at 15% of eligible gross salaries		(634)
c) <u>Staff Expense – travel</u>		
To adjust travel costs incurred prior to November 5, 1998 the effective date of the agreement		(702)
d) <u>Administration</u>		
To adjust administration overhead reported in excess of 12% of the total reported expenses		(1,295)
To adjust administration overhead to 12% of eligible amounts		<u>(668)</u>
Sub-total		<u>\$(7,526)</u>

1999/2000

e) <u>Salaries</u>		
To adjust salaries to actual per payroll records for the period April 1, 1999 to March 31, 2000		\$ (553)
f) <u>Benefits</u>		
To adjust benefits calculated at 15% of eligible gross salaries		(83)
g) <u>Research and library subscriptions</u>		
To include eligible subscription costs not previously claimed		96
h) <u>Office supplies</u>		
To include eligible office supplies not previously claimed		416
i) <u>Office printing</u>		
To include eligible printing costs not previously claimed		<u>293</u>

Sub-total Carried Forward	\$ 169
<u>1999/2000 (cont'd)</u>	
Sub-total Brought Forward	\$ 169
j) <u>Staff Expense - travel</u> To delete a duplicate claim for travel costs included as a direct payment to American Express and in a travel claim for the Director.	(798)
k) <u>Telephone</u> To include eligible telephone costs not previously claimed	203
l) <u>Administration</u> To adjust administration overhead reported to 12% of eligible cost as allowed in the budget	<u>(51)</u>
Sub-total	<u>\$ (477)</u>
Total Adjustments	<u><u>\$(8,003)</u></u>