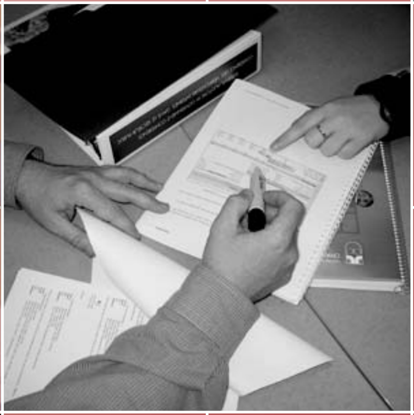
Internal Audit Services

Strategic Policy and Planning

Program of Spot Audits of Contribution Recipients



Human Resources and Skills Development Canada
Ressources humaines et Développement des compétences Canada

Canada

SP-610-12-04E

Program of Spot Audits of Contribution Recipients

Project No: 6557/03

Project Team

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December 2004

SP-610-12-04E
(également disponible en français)

Paper
ISBN: 0-662-41485-3
Cat. No.: HS28-33/2005E

PDF
ISBN: 0-662-41486-1
Cat. No.: HS28-33/2005E – PDF

HTML
ISBN: 0-662-41487-X
Cat. No.: HS28-33/2005E – HTML

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1. INTRODUCTION

1.1 Background

At the request of Senior Management, Internal Audit Services (IAS) conducted a program of spot audits of contribution recipients characterized by several risk factors. The intent of the program was two-fold: to provide a level of assurance regarding the general internal controls in recipient organizations; and secondly, to enhance the Department's approach to fraud prevention.

An initial study was conducted by Deloitte and Touche to establish a working definition of risk factors. This study concluded that certain characteristics increased either the likelihood or impact of internal control problems in recipient organizations, including: larger dollar value agreements; multiple agreements with HRSDC; projects administered by more than one HRSDC office; and larger percentage of agreement activities performed by subcontractors. A full copy of the Deloitte and Touche report is available upon request; the recommended risk-based criteria for a random selection of recipient organizations are found in Appendix C.

1.2 Audit Focus

Professional firms were engaged to conduct financial surveys of the selected contribution recipients. For each organization selected for a financial survey, there were three objectives:

- Provide assurance that the recipient's internal financial controls were adequate;
- Provide assurance that there was adequate documentation on file to support claims for payment; and
- Provide a recommendation on whether further audit work would be required.

1.3 Scope of the Audit

Recipients with cumulative receipts from Human Resources Development Canada (HRDC) in the period January 2003 to November 2003 under any HRDC grant or contribution program greater than one million dollars were eligible to be selected. Transfers to Provinces were not included in the population. Recipients in the greater Toronto area were excluded from the sample because there were already audits being conducted in the region. With the split of HRDC into HRSDC and Social Development Canada (SDC), recipients of SDC contribution funding were also excluded.

1.4 Methodology

A database was compiled listing all grants and contributions payments from January to November 2003, subtotalled by recipient. Any recipient with a total greater than one million dollars was included in the selection database: 209 organizations met this test and were included in the population database. One "risk point" was then assigned for each project managed by the recipient organization over $25,000 and one point for each $500,000 paid to the recipient. The points were then doubled if more than one HRSDC office was involved with the recipient.

Thirty recipients were selected randomly from the population of the 209 organizations, using a weighted value method based on cumulative risk points, to ensure that files would be available from different regions and programs. Weighted value methodology allows for all items to have a chance of being selected, but the greater the value of the item, the greater chance it has to be selected. Twelve of those 30 recipients were selected for audit.[1]

The selections were made in early December 2003. One of the recipients selected became the sole responsibility of SDC on December 12, 2003 with the creation of the two departments. As a result, a replacement recipient within HRSDC's jurisdiction was selected for audit.

[1] A sample of 12 recipients provides a moderate level of assurance about compliance versus non-compliance in the community of larger recipients. Extrapolation of the results to the entire population of 209 recipients is not appropriate due to the size of variance for any estimates.

2. FINDINGS OF THE SPOT AUDITS

All significant audit findings are presented in this section in accordance with the audit objectives and criteria described in detail in Appendix A -- Audit Objectives, Criteria and Methodology. Internal Audit Services' conclusions with respect to all of the criteria are included. Appendix E summarizes the results of the financial surveys.

2.1 Internal Control System

For each recipient selected for audit, the auditors were to provide assurance that the internal financial controls are designed to provide accurate and timely financial information in respect of HRSDC agreements.

The internal control system at 11 of the 12 recipient organizations was reported as fully adequate. For the one exception, the control weaknesses resulted from inadequate segregation of duties inherent in a small administration staff. However, management of the recipient organization has accepted the auditor's recommendations for improvement. That recipient was also recommended for further audit work.

From these results IAS concludes that larger recipients generally have enough staff and transaction volume to set up adequate internal control systems.

2.2 Adequacy of Documentation

*For each recipient selected for audit, the auditors were to provide assurance that the documentation on file with the recipient is adequate to support any claims for payment***.**

The documentation to support claims for payment was reported as adequate for all recipients. However, for both of the Aboriginal Human Resources Development Agreements (AHRDAs) selected, the monitoring of sub-agreements with local entities was considered to be in need of improvement. As a result, for both of those recipients, further audit work was recommended.

From these results IAS concludes that larger recipients will generally have systems in place to organize and retrieve documentation upon request, where those documents are under their sole control.

IAS is conducting a separate study of AHRDAs. We have informed the audit team of the results of the two spot audits. Conclusions and recommendations with respect to AHRDA agreements will be deferred until that audit is completed.

2.3 Other Findings

For each recipient selected for audit, the auditors must perform such reasonableness testing as may be required in order to make one of three recommendations: no further audit work required; financial compliance audit required; or forensic audit required.

Each audit team performed a variety of testing on a limited basis to be satisfied that their recommendation with respect to further audit work was valid for that recipient. In the process, various issues were raised by the auditors. These are discussed below.

2.3.1 Overall Results

In two of the ten non-ARHDA recipients audited further audit work to determine the accuracy of the method used to allocate indirect costs was recommended (see 2.3 below). In an additional three there were issues for follow-up, but no recommendation for audit. No recipients were recommended for a forensic audit. IAS intends to carry out the recommended audits of the two recipients.

Based on the sample size and methodology, it is not possible to extrapolate the data to the full set of larger recipients with a sufficient degree of confidence. However, there is cause for concern when issues are noted in more than half of the recipients sampled.

The issues discovered are potential risks only. It is not possible to estimate with any degree of certainty what the financial impact may be. Therefore, we have recommended some incremental changes to the monitoring of larger recipients that should allow the Department to obtain better information for decision making purposes.

IAS is aware of the February 2004 directive requiring scheduled compliance audits for larger agreements. These audits will be conducted by external audit firms and are intended to provide assurance to the Department that the amounts expended and claimed by the recipient are eligible under the agreement. To ensure this mechanism is effective, follow-up is required by the Department to ascertain that these audits are performed as intended and that they provide useful feedback to both the recipient and the Department. We understand that the Performance Tracking Directorate will be reviewing a sample of these audit reports for the Employment Benefits and Support Measures program.

It has been brought to our attention that smaller audit firms outside major centres may be reluctant, in some cases, to express an opinion on the eligibility of expenditures in contribution agreements. Currently, there is no comprehensive guidance that is readily available to the accounting profession to enable them properly judge the eligibility of expenditures. There is a large amount of information available to assist the profession, but it is not found in one place.

As well, we note that many of the older current multi-year agreements do not have the newly mandated compliance audit clauses included in them. There will be a transition period until all larger agreements are subject to the same audit requirements. There may also be situations where the mix of smaller and larger agreements with the same recipient may trigger audits in one agreement, but not another.

The current quality assurance framework of the Department consists of three main avenues to monitor the internal and external compliance to the transfer payments policy and operational guidelines. These are the Program Operations Consultants embedded in the Grants and Contribution operational units; the Performance Tracking Directorate; and Internal Audit Services. Each of these has a role to play with respect to the financial monitoring of recipients.

We are informed that the Performance Tracking Directorate (PTD) entered into an agreement with the Employment Operations Branch to conduct audits of recipients of funding from their contribution programs. We fully support this initiative and would like to see it extended to cover other grant and contribution programs administered by the Department.

There are reasons for considering such an expansion of PTD's role. These include: a) providing a moderate level of assurance that the extended audit program is working as planned; b) the provision of some audit coverage for larger agreements not covered by the extended audit directive; and c) to support the general fraud awareness and prevention program of the Department.

Recommendation #1: *IAS should schedule follow up audits with the recipients identified as requiring further audit work in respect of the allocation of overhead costs because the agreements selected do not have the new compliance audit provisions built into them.*

Recommendation #2: *Management should extend the role of PTD to include on-site financial monitoring of recipients who receive funding under all of the Department's grant and contribution programs.*

Recommendation #3: *IAS and Employment Program Operations Branch should consult with central agencies, other Departments with contribution programs and the professional accounting associations on whether a set of standards, operational guidelines and training for the conduct of grant and contribution audits by accounting firms would be useful and cost-effective, and if so, what actions are worth pursuing.*

2.3.2 Monitoring and Audit of Sub-Agreements

AHRDAs, and other master agreements using the community coordinator model, have services delivered locally via sub-agreements. The master agreement requires the community coordinator to perform monitoring of those sub-agreements and have the monitoring regime audited by an external auditor on an annual basis. In both aboriginal organizations audited there were deficiencies noted in the auditing of sub-agreements. IAS is auditing the AHRDA program separately and will make any recommendations in that report.

2.3.3 Contracting and Procurement Practices in Recipient Organizations

One of the twelve recipients had minor issues with procurement of capital assets. The conflict of interest guidelines and the requirement for contribution recipients to compete capital requirements or professional service contracts over $25,000 have not been well understood by recipient organizations. Based on our experience and that of our consultants, one area where there is significant potential for fraudulent activities in contribution agreements is in the contracting out of work; especially with parties related to the recipient organization. A regular cycle of contribution agreement audits combined with a communications strategy would help to inform and remind recipients of their obligations in this area. HRSDC has recently strengthened the wording of the standard contribution agreement templates to address this area, undertaken initiatives to improve communication with recipients, and introduced new accountability measures that include new requirements for external audits. However, these measures are recently implemented and there has been no opportunity to evaluate the effectiveness of these new initiatives.

Recommendation #4: *Employment Programs Operations Branch should lead an assessment of the department's current strategies for communicating with contribution recipients regarding their obligations under those contribution agreements.*

2.3.4 Allocated Overhead

For five of the twelve organizations reviewed, the auditors noted issues regarding the allocation of overhead. Further audit work was recommended in two of these cases regarding the accuracy of the allocation models used by the recipient to generate claims for payment.

Many large recipients operate in a multi-project multi-funder environment. The accounting systems used are often complex and difficult for our program staff to understand without specialized training. Overhead costs are not consistently defined: what is overhead to one organization may be a direct cost to another. There are many different correct ways to account for overhead costs; therefore a one-size-fits-all approach will lead to inequitable treatment of recipients. Each allocation model must be examined and explained by the recipient and must be susceptible to audit. The directive, "Negotiating the Contribution Amount for Administrative Costs", which was issued by the Department on June 15, 2004 recognizes and addresses many of these problems, but does not eliminate the need for specialists to support our program officers.

As well, there are often revenues and rebates that may not be known to the program officer, or that come into existence after the signing of the agreement, such as the Ontario government's property tax rebate program for charities. These rebates are recorded in the books and records, but may not be applied as a reduction to the rent cost in our agreements. Many of these types of issues with a recipient organization can only be discovered as a result of audits. See section 2.3.5 below for our recommendation.

2.3.5 Segregation of Duties at HRSDC

In one of the files reviewed, the auditors noted that the agreement was developed, recommended for approval and monitored by the same officer. In the opinion of the audit team this was a situation where there was insufficient segregation of duties. IAS notes that this was not an uncommon practice prior to the directives issued in February 2004 as part of the Specialization and Concentration initiative. These directives should substantially reduce the likelihood of this situation reoccurring, but the Department should monitor compliance to the directives.

Recommendation #5: *The Performance Tracking Directorate should ensure they have procedures to assess and report on compliance with the new directives*.

3. CONCLUSION

In general, the community of larger recipients has the capacity and sufficient internal controls to properly account for funds claimed under contribution agreements. This means that the Department can rely on the information provided by the recipients to make informed decisions regarding the eligibility of amounts claimed under contribution agreements.

Within the Department, there has been significant progress in identifying and implementing improvements to the management control framework surrounding the administration of grants and contributions. Based on the findings of the auditors reported above we have noted some areas where some incremental improvements can strengthen this framework.

A summary of the management action plan is found in Appendix B.

APPENDIX A
AUDIT OBJECTIVES, CRITERIA AND METHODOLOGY

AUDIT OBJECTIVE #1

For each recipient selected for audit, provide assurance that the internal financial controls are designed to provide accurate and timely financial information in respect of HRSDC agreements.

AUDIT CRITERIA:

The criteria used were based on Canadian generally accepted accounting principles (GAAP). Any deviation from GAAP should be noted for follow up.

AUDIT OBJECTIVE #2

For each recipient, provide assurance that the documentation on file with the recipient is adequate to support any claims for payment.

AUDIT CRITERIA:

The criteria used were also based on GAAP. The primary criteria is existence, i.e., that the recipient has actually incurred the expenses claimed and can support that claim with the source documents.

AUDIT OBJECTIVE #3

For each recipient, perform such reasonableness testing as may be required in order to make one of three recommendations: no further audit work required; financial compliance audit required; or forensic audit required.

AUDIT CRITERIA:

These criteria were developed by the firms engaged based on GAAP and their professional expertise.

AUDIT SCOPE:

Recipients with cumulative receipts from HRDC in the period January 2003 to November 2003 under any HRDC grant or contribution program greater than one million dollars were eligible to be selected. Recipients in the greater Toronto area were excluded from the sample because there were already audits being conducted in the region. With the split of HRDC into HRSDC and Social Development Canada (SDC), recipients of SDC contribution funding were also excluded.

AUDIT METHODOLOGY:

A database was compiled listing all grants and contributions payments from January to November 2003, subtotalled by recipient. Any recipient with a total greater than one million dollars was included in the selection database. One “risk point” was assigned for each project over $25,000 and each $500,000 paid to the recipient. The points were then doubled if more than one HRSDC office was involved with the recipient.

Thirty recipients were selected randomly from the population of 209, using a weighted value method based on cumulative risk points, to ensure that files would be available from different regions and programs. Individual risk points cannot be examined separately; therefore the recipient which includes the selected risk point is selected for examination. Weighted value methodology allows for all items to have a chance of being selected, but the greater the value of the item, the greater chance it has to be selected. Twelve of those 30 recipients were then judgmentally selected for audit to ensure equitable coverage on a national and program basis. See Appendix E for a table of the programs represented.

The selections were made in December 2003. One of the recipients selected became the sole responsibility of Social Development Canada on December 12, 2003 with the creation of the two departments. As a result, a replacement recipient within HRSDC’s jurisdiction was selected for audit.

APPENDIX B
MANAGEMENT ACTION PLAN

MANAGEMENT ACTION PLAN

IAS Recommendations	Corrective Management Action Plan	Expected completion date	Responsibility
#1: IAS should schedule follow up audits with the recipients identified as requiring further audit work in respect of the allocation of overhead costs because the agreements selected do not have the new compliance audit provisions built into them.	Audits of the allocation models will be scheduled with the two recipients.	February 2005	Internal Audit Services
#2: Management should extend the role of PTD to include on-site financial monitoring of recipients who receive funding under all of the Department's grant and contribution programs.	EPO has already entered into an MOU with PTD for which PTD will assume the responsibility of carrying out 50 on-site financial verification reviews annually of contribution agreements between $50,000 and $350,000. These reviews will be prioritized where there are multiple agreements with the same sponsor.	Action taken	G&C Program Branches
	In 2005-2006, PTD will analyze the results on a sample of 15- 20 external audits to ensure the audits were carried out in a consistent approach and report any areas of risk and issues to senior management	April 2005	Performance Tracking Directorate
	PTD will develop a comprehensive framework for their financial verification reviews. The framework will include a clear definition of the roles and responsibilities of the key players, as well as the development of a review methodology, process and audit guide.		
	IAS will contact other branches responsible for Grants and Contribution Programs to obtain management responses.	February 2005	

MANAGEMENT ACTION PLAN (continued)

IAS Recommendations	Corrective Management Action Plan	Expected completion date	Responsibility
#3: IAS and Employment Program Operations Branch should consult with central agencies, other Departments with contribution programs and the professional accounting associations on whether a set of standards, operational guidelines and training for the conduct of grant and contribution audits would be useful and cost-effective, and if so, what actions are worth pursuing.	The report acknowledges that much of the needed information pertaining to the conduct of grant and contribution audits is currently available. For instance, there are operational guidelines and training that relate to this particular activity (audits).	Ongoing	Internal Audit Services
	Efforts to clarify the pertinent information, and to communicate it more directly, are ongoing. For instance, a financial management workshop was conducted with all Project Officers in every region late last year. This effort pertains to availability of information to HRSDC staff, who are the ones in most frequent contact with representatives of recipient organizations, including accounting professionals working for those organizations. By increasing the knowledge base of front-line HRSDC staff, there will be a direct and positive impact on sponsors representatives, including accountants working on those project files.	May 2005	Employment Programs Operations Branch Performance Tracking Directorate
	FAS and EPO have agreed to collaborate in modifying the statement of work used to guide the conduct of audit activities. This will include a sample audit report from which future reports may be based. This modification is being planned for early 2005.		
	In addition to this effort, FAS and EPO have agreed to co-author a short guide containing key information of use to external accounting professionals working on contribution agreements. This guide will be made available on the HRSDC Internet website when completed.		
	IAS will take the lead on coordinating efforts with external stakeholders.	December 2005	

MANAGEMENT ACTION PLAN (continued)

IAS Recommendations	Corrective Management Action Plan	Expected completion date	Responsibility
#4: Employment Programs Operations Branch should lead an assessment of the department's current strategies for communicating with contribution recipients with a view to improving awareness of recipient organizations' obligations under contribution agreements.	The Branch agrees in principle with this finding, and will continue to assess its communications with sponsors, especially in setting out obligations held by those organizations. The Branch is currently refining its training program for all Project Officers, and sponsor obligations will be additionally reinforced in that revised offering. The report notes that segregation of duties has occurred, with the net impact of increasing the specialization of Project Officers. This segregation enables PO's to emphasize the importance of particular obligations in their discussions with sponsors, rather than all obligations at one time.	Ongoing	Employment Programs Operations Branch
#5: The Performance Tracking Directorate should ensure they have procedures to assess and report on compliance to the new directives.	PTD reviews and implements necessary changes to its procedures as part of the ongoing file review process.	Action taken	Performance Tracking Directorate

APPENDIX C
SELECTION CRITERIA FOR THE SPOT AUDIT PROGRAM

Excerpted from the November 5, 2003 report of Deloitte & Touche

Selection Criteria

Based on the discussions that have taken place and our own experience, we have developed the audit selection criteria and list them below. Our comments as to the rationale for criteria follow the listing. Main criteria listed in order of importance:

- High dollar value of projects with same sponsor (national total);
- Number of projects for same sponsor;
- Number of projects for same sponsors administered by different HRDC offices;
- Number of subcontractors used by the sponsor.

Once a sample is retrieved from the system based on the above criteria, the following additional indicia should be considered to identify an appropriate sample:

- Projects with line amounts that are unusually high;
- For-profit sponsors;
- Sponsors having projects in HRDC Offices where;
  - Manager Corporate Services and/or Manager of Employment positions have been vacant for an extended period;
  - Segregation of duties is not possible;
  - Limited financial skills to do financial monitoring;
  - Many grievances have been filed;
  - Region or National offices are not consulted or involved;
- Projects in which actual expenditures are the same as the planned budget;
- Sponsors with funding from other departments that overlap the period of HRDC funding;
- Agreements with multiple amendments increasing dollar limits.

1. High dollar value of projects with same sponsor across the country

It is our view that the sponsors with the most cumulative dollar amount of funding from HRDC would likely be the sponsors that would put the department at most risk. Therefore, audit priorities would suggest that large sponsors should be high on the target list for spot audits.

2. Number of projects for same sponsor

A sponsor with a large number of projects, particularly if similar in nature, may suggest that contract splitting has occurred to avoid review and scrutiny by higher authorities within the office. It is our understanding that monitoring activities are dependant on the size of the project and therefore a sponsor with many projects of lesser value will undergo less monitoring by HRDC than 1 project having a large total value. Because these projects receive less monitoring, they create the potential opportunity for the sponsor to bill multiple times among the projects for the same cost.

3. Number of projects for same sponsor administered by different HRDC offices

A sponsor with a large number of projects administered different HRDC offices may suggest that contract splitting has occurred to avoid review and by scrutiny by higher authorities within a particular office. It is understood that monitoring activities are dependant on the size of the project and therefore a sponsor with many projects of lesser value will undergo less monitoring by HRDC than a single project with a large total value. Since these projects receive less monitoring, a potential opportunity exists for the sponsor to over bill expenses (such as salaries) between the projects and between offices.

4. Number of subcontractors

A large number of subcontractors should raise a red flag as to why this sponsor is undertaking the project. Typically organizations accept projects in their line of business and may use 1 or 2 subcontractors. A large number of subcontractors may suggest that the organization is a for-profit organization. Care should be taken to ensure that subcontractors are not related parties (such as officers, directors or board members of the sponsor) creating a profit through their subcontract invoices.

5. Projects with line item amounts that are unusually high

Projects with unusually high management/administration/professional fees, high rents, etc. may suggest that over billing has occurred.

6. For-profit sponsors

Our understanding is that HRDC projects are designed to pay costs incurred by sponsors. Agreements are not intended to provide a profit for sponsors. For-profit sponsors may be tempted to generate profit by increasing other costs that are paid for in the agreement. Examples may include management fees, professional fees and/or subcontracting services to a related company, renting premises and/or equipment from a related company at amounts far exceeding fair market value, etc.

7. Sponsors with projects in certain HRDC Offices

Certain HRDC offices may be more at risk of being targeted for fraudulent activities due to inherent control weaknesses. For example, offices with fewer staff makes segregation of duties difficult. The same HRDC staff member maybe involved from start to finish on a project file ie: from the assessment, recommendation, acceptance, monitoring, reviewing the claims and closing of the project. In addition employees may possess limited financial skills to provide strong financial monitoring.

Regions or offices in which certain key financial integrity and program integrity positions are vacant for extended periods of time may leave that particular location at risk. Offices in which employees have filed numerous grievances, or in which other internal issues exist may present red flags with respect to internal complicity in fraud.

8. Projects in which actual expenditures match the budgeted expenditures

The expectation in most cases is that expenditures and budgeted expenditures will not exactly match. Projects in which this is the case may indicate the potential for inflation of costs; these projects should be scrutinized accordingly.

9. Sponsors with funding from other departments that overlap the period of HRDC funding

Projects which receive funding from HRDC as well as other sources may represent the potential for costing of the same amount multiple times.

10. Agreements with multiple amendments increasing dollar limits

Multiple amendments to agreements may represent a variation on criteria 2 above. Multiple amendments may be indicative of contract splitting and may require closer scrutiny to ensure compliance with the terms and conditions of the agreement.

Selection of sample and weighting of sample

The selection of the sample of sponsors should begin with the top 3 criteria (number 4 is not searchable at present) as these items can easily be queried on the Common System for Grants and Contributions. Once this sample is retrieved, a smaller sample can be selected based on the remaining criteria listed above. The higher the number of applicable criteria, the higher the probability these sponsors should be part of the sample.

We believe this process is reasonable because the top 3 (4, should this criteria become searchable on the Common System) criteria can be applied generically on a national basis while the application of the additional criteria allows for a refinement of the search sample providing for regional issues and realities to be considered at a local level.

During the interviews, interviewees identified what they believed to be the three areas most vulnerable for fraud: the Employment Assistance Services programs (EAS), Local Labour Market Partnerships (LLMP) and Community Coordinator agreements. The above criteria should include these concerns as the agreements in these programs are typically higher dollar value agreements and agreements with sponsors crossing different offices. HRDC should ensure that the audit sample selected addresses these areas and provides a higher weighting of audits within the sample for these three areas of concern. Queries to the Common System can identify projects in these areas.

APPENDIX D
TEMPLATE OF STATEMENT OF WORK PROVIDED TO AUDIT FIRMS

Financial Survey of the Recipient Statement of Work

HRDC requests that limited-scope audit assessments (financial surveys) of the organization be performed to determine whether further financial or forensic audit work should be performed.

The working language for this audit will be *specify* English or French.

The consultants shall perform the survey in three phases:

Phase I: Preliminary Survey

- Preliminary interview with officials of HRDC responsible for the projects per Schedule A;
- Review of the Terms and Conditions of the contribution agreements and sub-agreements;
- Review the project files for each project listed in Schedule A.

Phase II: On site work

- Travel to the offices of the recipient, located at address to perform on site examination of documents;
- Assess the financial controls in place;
- Assess the adequacy of the documentation on file;
- Perform such examinations and reasonableness tests as may be required to determine if the circumstances warrant proceeding to a full financial audit.

Phase III: Final Reports

- Draft reports should contain a discussion of each agreement reviewed;
- Draft reports must contain a recommendation on the level of risk and follow up audit work required i.e. no further audit work required, financial audit recommended, or forensic audit work recommended;
- Draft reports are to be discussed with responsible officials of the organization and contain local management responses and auditor's comments;
- Draft reports should then be discussed with HRDC officials.
- Final reports are to be provided to the contracting authority as follows: an original and two paper copies plus a copy in electronic format (MS-Word, PDF or compatible).

Period of Work

Final reports should be prepared by *due date*.

APPENDIX E
SYNOPSIS OF RESULTS

Recommendation						
Recipient	**Programs**	**None**	**Compliance Audit**	**Forensic Audit**	**Areas of concern**	**Management Response**
Organization # 1	Youth Employment Strategy	×			Same HRDC officer develops and monitors agreement	Addressed by new directives on segregation of duties.
Organization # 2	Employment Assistance Services; Targeted Wage Subsidies; Youth Employment Strategy; Skills Development; Youth Internship	×				
Organization # 3	Employment Assistance Services	×			Auditor recommended fixed overhead percentage	Addressed by new directive on negotiation of overhead costs.
Organization # 4	Aboriginal Human Resources Development		×		Auditing and monitoring of sub agreements for local service delivery	Decision on audit will be deferred until IAS report on AHRD program is issued.
Organization # 5	Sectoral Partnership Initiatives; Youth Employment Strategy	×				
Organization # 6	Employment Assistance Services; Self-Employment Employment Benefit		×		Allocation of overhead expenditures	IAS will conduct an audit during the fall of 2004.

Recipient	Programs	Recommendation (continued) None	Compliance Audit	Forensic Audit	Areas of concern	Management Response
Organization # 7	Employment Assistance Services	×				
Organization # 8	Employment Assistance Services	×			Allocation of headquarters staff time should be clarified for future agreements.	Addressed by new directive on negotiation of overhead costs.
Organization # 9	Employment Assistance Services; Targeted Wage Subsidies	×			Rent and other allocated overheads should be clarified in future agreements.	Addressed by new directive on negotiation of overhead costs.
Organization # 10	Aboriginal Human Resources Development		×		Auditing and monitoring of sub agreements for local service delivery	Decision on audit will be deferred until IAS report on AHRD program is issued.
Organization # 11	Sectoral Partnership Initiatives; Sectoral Youth Focus	×				
Organization # 12	Employment Assistance Services; Local Labour Market Partnerships; Job Creation Partnerships		×		Allocation of rent and other overhead expenditures.	IAS will conduct an audit during the fall of 2004.