Canadian Heritage   Patrimoine canadien

Report on the Audit of Multiculturalism Program Grant and Contribution Files

Corporate Review Branch

December, 2000

Canada

Foreword

Following the Report of the Auditor General in December 1998 the Department of Canadian Heritage took a number of steps designed to address the recommendations of the chapter dealing with the Multiculturalism Program. That work continued throughout 1999, was accelerated in the fall and was assessed in two internal audits conducted in 1999 and 2000.

This is the final report of the internal audit conducted on the Multiculturalism Program's Grants and Contributions approved between January 1 and May 31, 2000 and followed up on the Auditor General Report Chapter of December 1998.

This report includes the Management Response, with a report of the Management Improvement Action Plan implemented on September 25 and completed on November 30, 2000.

All elements of the Management Response have been completed and the actions required are being implemented. The products and tools required to enhance the management controls in place throughout the system have been presented and commented on by staff and managers at all levels in the Multiculturalism Program. They have been approved by the Action Plan Steering Committee and will be edited and issued with this report to everyone involved in the program.

The capacity of the Multiculturalism Program to achieve its objectives, demonstrate clear results, manage resources with due diligence and due regard to value for money has been reinforced dramatically. The continuing process of confirming those lessons learned, sharing best practices and monitoring performance at all levels will strengthen the work already done.

Anne Scotton
Director General

Management Response

Management accepts and has now addressed all recommendations of the audit. The process of change began immediately following the first report by the Auditor General in 1999. Training sessions were organised to implement the new guidelines, work was begun on the evaluation framework and a limited scope audit was conducted. While the current audit does note that some improvements did occur as a result of these actions, it is clear that the actions did not achieve all the necessary change.

In part, the time taken to implement changes can be attributed to the Department's decision to examine all grants and contributions across the Department and to implement a comprehensive approach to improving procedures, information, monitoring and oversight. In addition the Department continues to work with stakeholders on the new reporting and due diligence requirements.

As well, the Department decided to expand management improvement initiatives to cover all Departmental grant and contribution programs. These initiatives include the establishment of the Integrated Planning and Reporting Renewal Exercise in June 1999, resulting in a new set of strategic objectives to guide all programs and activities, implementation of a Department-wide Grants and Contributions Information Management System (GCIMS), provision of due diligence training to all program staff and, a systematic approach to review all grant and contribution programs terms and conditions over the next three years to ensure their alignment with the strategic objectives.

To improve the management focus on the Multicuturalism Program, the Canadian Identity Sector was restructured to realign and clarify responsibilities and accountabilities. A revised Management Framework for the Multiculturalism Program was developed to ensure that changes would be sustainable and enduring.

To assess and accelerate progress the Department established a Steering Committee under the leadership of the Associate Deputy Minister. With the assistance of external consultants (KPMG), the Committee developed an enhanced Management Improvement Action Plan which is now being implemented.

In the context of the Departmental strategic objectives, the Multiculturalism Program developed a Performance Management Framework which strongly supports those objectives. This framework, formally presented to all Multiculturalism staff at a workshop in November 2000, forms the basis for business planning, and measuring and reporting on results, at the national, regional and local levels for fiscal year 2000-2001.

All work was reviewed and direction was provided by the Steering Committee, which met weekly. The Committee presented their findings and the results of the Action Plan at the Multiculturalism Program National Meeting held November 22-24 2000 and reported to the Review Committee.

This included:

- a project complexity assessment tool has been developed for use at the outset of project assessment.

- an enhanced Management Framework that addresses issues and risks identified by KPMG.

- directives to address the deficiencies identified in the internal audit.

- enhanced system controls and procedures and new forms, in particular, a guide for applicants to prepare a project proposal in order to facilitate officers' assessments against program objectives and a project final report outline to facilitate performance measurement and reporting.

- enhanced monitoring procedures which effectively serve as a file audit for every step of the process for every file for every grant and contribution. A report on the success rate of attention to due diligence reflected in those files will be prepared in January, 2001 and will govern future action in this regard.

- establishment of regional review committees, a headquarters review committee and a national review committee, as called for in the Action Plan.

- further enhancement of the Departmental Grant and Contribution Information System (GCIMS) to provide for inclusion of tracking and reporting of information for performance measurement and reporting for accountability, including a program specific model based on the Multiculturalism Program Management Framework, to be completed by March 31.

- workshops of the Program's Performance Management Framework and Management Framework by all regional and headquarters staff to ensure successful implementation across the country. Clear links to accountabilities have been established and the Performance Management Agreements of senior managers will reflect their accountabilities for performance and the impact of the other measures that have been taken within their areas of responsibility.

- Prepare communications materials for staff in dealing with stakeholders to ensure that they understand the enhanced reporting and due diligence requirements and are able to meet them.

- management implemented a new process for all current and pending files which requires that all files be reviewed in their entirety to ensure compliance with due diligence prior to any approval or funding decisions being taken. Review is undertaken through a committee chaired by the Director General, responsible for audit, evaluation and review.

- in total over 500 staff across the Department, including senior officials and project officers have completed training. The training is ongoing and will be provided to all new personnel.

The Steering Committee will report again in three months and in six months to the Deputy Minister. Corporate Review will work with the KPMG consulting team to establish appropriate monitoring tools to assure the Department of the rigour and integrity, as well as the sustainability of these improvements.

The Management Improvement Action Plan documented and assessed all elements of the Multiculturalism Management Framework, including the objectives and strategies for achieving the objectives, the structure and reporting relationships, and the policies, systems and procedures that have been put in place to manage the Multiculturalism Program. The Action Plan specifically identified and implemented measures to address issues or areas in need of further improvement as indicated by recent audits, e.g. a separation of the social development and project approval roles currently expected of project officers, the implementation of a standard approach to reporting of projects results, and the appropriate use of grants and contributions as funding vehicles. Program directives have been issued to clarify a number of expectations, practices and procedures.

All aspects of the Department's improvement initiative are now being implemented and all recommendations of the audit are now being addressed.

Judith A. LaRocque   Norman Moyer
Associate Deputy Minister   Assistant Deputy Minister
Canadian Heritage   Canadian Identity

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Background

In December 1998, the Auditor General (AG) audited the Multiculturalism Program's grants and contributions files processed in fiscal year 1997-98. His staff found significant opportunities to improve the management and delivery of the grants and contributions funding program.

In an appearance before the Public Accounts Committee (PAC) on February 11, 1999, the Auditor General stated that due diligence means *"ensuring that funding decisions take into account the funding criteria set by the Treasury Board (TB) and that they [decisions] are based on reliable information and that there are periodic audits of all grant and contribution programs"*.

The purpose of this audit was to determine whether the Department has made progress, since the Auditor General's audit, in assessing proposals to ensure that due diligence is evident in decisions taken to fund projects.

Our audit took into consideration three of the Auditor General's findings:

- Concern that, in 30 per cent of files audited, funding decisions did not take into account the funding criteria set by the TB and were not based on reliable information. For example, funding justifications had not been linked to a management framework or to program priorities (due diligence);

- That the Department was slow in implementing the transition from program to project-specific funding; and

- Inadequate performance monitoring by staff and, in a third of files audited, performance information was not provided by funding recipients.

In summary, the Auditor General's report states,

"We found that management has not ensured that the assessment process is rigorous and that funded projects demonstrably support the Program objectives and respect its terms and conditions.

At the same time, management must meet its responsibilities without requesting more information from applicants than is needed, given the relatively small amounts of some of these grants".

To address the findings of the Auditor General's report, the Department undertook in December 1998 to:

- do a follow-up audit of Multiculturalism grants and contributions files within a one year period of the Auditor General's report (the report on an audit of 20 files covering the period from October 1, 1998 to March 31, 1999 was released in March 2000);

- develop new reference materials and program guidelines for employees and for funding applicants;

- conduct cross-Canada training to ensure staff diligence in the assessment of funding requests;

- develop and implement data entry coding to track program expenditures and results; and

- monitor results of funded activities in order to analyze/assess their impact(s) and effectiveness and develop and implement an evaluation framework which would include reporting and assessment tools and process for staff and funding recipients.

Audit Objective & Scope

The audit objective was to determine how well projects are currently being assessed and monitored in the Multiculturalism Program.

The audit scope encompassed the Program's grants and contributions that were approved between January 1, 2000 and May 31, 2000 and which were administered by the regional offices and Headquarters. All applicable program legislation, regulations, Departmental directives and guidelines and literature authorized by the Department in promoting the Multiculturalism Program to potential recipients were reviewed.

A sample selection of files was evaluated by addressing:

whether approved projects make sense for the applicant to carry out and for the program to fund, based on:
- a review of the approved eligibility and assessment criteria and processes
- the existence of evidence of due diligence in project assessments
- a discussion of results with program officers; and

whether program funds were used for the purposes stated in the applications, based on:
- a review of the project monitoring
- an examination of information provided on the use of funding
- a discussion of results with program officers.

In addition to reviewing the files, the Contractor conducted interviews with program staff

responsible for managing or delivering the Multiculturalism Program in order to clarify and/or confirm findings and observations.

Audit Methodology

The sampling universe of 178 grant and contribution files approved in the period under review represented a dollar value of $4.3 million. The national sample of 60 files, made up of 55 grant files and five contribution files, was valued at $2.3 million.

The sample audited was split 50/50 between files selected by the Branch's consultant and those suggested by all the regions and NHQ to the Corporate Review Branch as reflecting current practices. All files were selected at random.

The sample broken down by regions is as follows: Atlantic - five files totaling $128,603; Quebec -four files totaling $54,800; Ontario - 20 files totaling $1001,729; Prairie - three files totaling $80,530; Western - 12 files totaling $343,751 and Headquarters -16 files totaling $747,796.

The audit program (AP) covered the application assessment process, namely:

(1) the initial assessment by the Program Officer of the grant application as it pertained to meeting both the Treasury Board's approved eligibility criteria and the Program's own Terms & Conditions;

(2) the Program Officer's relevance assessment against the program's goals, objectives, and business plan priorities;

(3) the application of the General Evaluation Criteria & Activity Guidelines;

(4) the affirmation on file that any ministerial conditions in the approval letter were satisfied;

(5)   the proposal assessment and file management practices applied at key decision points throughout the process culminating in a recommendation to approve, or not, the application for a grant or contribution;

(6)   performance monitoring where required; and

(7)   ensuring that funds were used for the purposes stated in the application and proposal.

The audit program reflected the requirements of the Multiculturalism Program's applicable Treasury Board Minutes, the Treasury Board's Policy on Transfer Payments, the Program Guidelines for applicants and the Program Handbook, including proposal assessment tools.

The preliminary assessments were provided to each of the Program Officers responsible for the selected file for their review and comment.

Overall Assessment

The proposal assessment control framework of TB Eligibility Criteria, Program Guidelines, and Program Handbook including written procedures and recommended practices continues to have sufficient rigour to meet the Program's needs as long as they are effectively utilized.

In discussions with Program Officers as part of our file assessments, we found an improved, constructive attitude towards the Department's efforts to improve due diligence.

Program Terms and Conditions satisfactorily met included linking an identified issue to one of five Program Objectives, planning for evaluation of project outcomes, identifying target groups, involving key stakeholders, assessing the activity type, and fulfilling ministerial conditions.

We believe that since the 1997-1998 audit by the AG, the Multiculturalism Program has made measurable improvement in terms of the AG's audit findings.

The need remains, however, to formalize the improvements to-date into a set of current, practical Program Directives and convey them to those responsible.

In the interim, specific written directions need to be issued on some of the Program's Terms and Conditions which are not adequately administered by the Program. These include clarity as to eligibility exclusions, more pragmatic justifications, proper amendment procedures for GAFs, more formal arrangements for co-funded projects, clearer needs statements and more detailed budgets, commensurate with the project's cost, to facilitate detailed analysis.

Consideration needs to be given to separating the Program Officer's two key roles of:
(1) social development through the support of emerging projects; and
(2) prudent administration of public funds through assessment of applications for funding.

We believe the "challenge" activity, which is a key strength in any due diligence scheme, is unavoidably compromised when officers must perform these two roles for any one project.

Key Findings

ELIGIBILITY CRITERIA & GENERAL EVALUATION CRITERIA

• We found 10 of the 57 GAFs had changes made by the use of white out, without being approved by the applicant. These changes affected either or both of the original start and finish dates as well as either or both of the amounts that represented the total cost and the requested amount.   Inasmuch as there is a Statement of Affirmation included in the sign off

by the applicant, it is important that all managers treat the GAF as a legal document.

- There were three projects where some of the activities appeared to be for the provision of one-to-one services which are ineligible for funding; there were three projects where it was not clear what the eligible activities were that the Multiculturalism Program was funding in partnerships with other Departments; and there were three for-profit organizations (generally not eligible) funded without clarification on file of what made them eligible.

THE FUNDING APPLICATION PROCESS

- Since the Limited Scope Audit, December, 1999, a number of Program Officers have noticeably incorporated better documentation practices in respect of acquiring and retaining on the current file, permanent-type information on the organization. When the practice is adopted by all Officers and Managers Program due diligence will be greatly enhanced.

- In respect of providing the required information within the proposal itself, one-half of the proposals were satisfactory while a further one-third were just acceptable. The remaining eighteen percent, or ten files, were unsatisfactory for the primary reason that they failed to contain the minimum information required to enable the Program Officer to conduct a complete and proper assessment.

While the social development role requires a good level of knowledge about the individuals, the organization and a commitment to the project ideas, the Program Officers in their assessment role must determine whether the project proposal meets all the requirements of the Program's Eligibility Criteria and General Assessment Criteria and must ensure that proposals demonstrate the need, identify clear outcomes and expected results and contain all organizational information.

In our opinion, the dual roles of social development officer and project assessment officer do not complement each other when statements of fact or representation in the proposal and other documents must be properly challenged by a person whose state-of-mind is independent from the nurturing side of the proposed project. This is a must for any due diligence program to succeed.

THE PROPOSAL ASSESSMENT PROCESS

- Twenty-two project proposals clearly established a need in the proposal while some 26 project proposals contained a weaker statement of need. These weaker needs statements were not suitably defended and were characterized by: not citing figures from referenced materials, using anecdotal examples in lieu of using a more convincing style of argument, using pithy statements or jargon, using a self-serving style of argument directed at the applicant rather than the affected community, and citing the need for a product rather than revealing the messages that the medium was going to employ.

- Twenty-seven proposals clearly identified the project objectives and/or the expected, measurable outcomes. In twenty-two proposals there was room for improvement as the applicant either failed to highlight the objectives or did not address the outcomes in other than vague terms that were not easily measurable.

- In nineteen proposals there was room for improvement as the proposed evaluation plan was either not specific about what was to be measured or it was more in the realm of planning to submit an activity report which, in our view, is not the same as performance measurement data. Other "plans" were in the form of having participants complete a questionnaire or provide "feedback" but no details were provided. Proposals that did not mention assessment and evaluation plans at all were rated unsatisfactory.

• There was a noticeable trend to improve the documentation of files by more use being made of the activity-type assessment worksheets from the Program Handbook. While not yet a widespread practice, it nevertheless did afford us the opportunity for a more efficient and effective review of this part of the audit for those files involved. In one region, there was a noticeable improvement to obtain better, clearer information on this aspect of the proposal.

• The number of proposals where the work plans needed improvement and the number of unsatisfactory work plans was noticeably on the increase. Unsatisfactory proposal work plans were characterized as either not being specific enough to tasks or were not put into a time frame with project personnel identified with assigned tasks or were too simplistic compared to the amount and value of work being funded. In a few cases there was no plan at all.

PROJECT RECOMMENDATION & APPROVAL PROCESS

• Out of 57 RAFs, 11 were unsatisfactory. One factor that contributed to the weaker RAF's was essentially related to the poor quality of the underlying proposal which did not fully support the justification statements made by the Program Officer in the RAF.

In several instances there was ambiguity as to which activity type applied and in the absence of any detailed assessment worksheets or cross-referencing to the proposal itself it was unclear as to which activity type the Project Officer's justification should have focussed on to prove its eligibility.

DUE DILIGENCE

The findings of this audit reflect our consideration of three of the AG's concerns:

(1) that in 30 per cent of files audited, funding decisions did not take into account the funding

criteria set by the TB and were not based on reliable information;

(2) that the Department was slow in implementing the transition from program funding to project-specific funding; and

(3) that there was inadequate performance monitoring by staff and, in a third of files audited, performance information was not provided by funding recipients.

Findings
(1) We found that 46 project files, or 81% of the 57 files sampled took into consideration the funding criteria set by Treasury Board.

(2) 53 of the 57 projects audited were clearly projects while only four exhibited characteristics of being more akin to program funding.

(3) Of the 30 files that had performance information as a Ministerial condition that came into effect during the audit scope period, 26 (87%) had met the condition.

Conclusion
We believe that since the 1997-1998 audit by the AG, the Multiculturalism Program has made measurable improvement in terms of the AG's audit findings.

The need remains, however, to reinforce the improvements to date through a set of current Program Directives. In the interim, specific written direction for some of the criterion elements which are not properly administered by the Program needs to be issued.

USE OF CONTRIBUTION AGREEMENTS & GRANTS

• During the course of the audit, four projects were found to have been for the provision of services to the Department in direct support of promotion activities by the Multiculturalism Program for March 21 events. We brought these

files to the attention of Program Management at the time the situation was discovered and they took immediate action to prevent reoccurrence.

Key Recommendations

ELIGIBILITY CRITERIA & GENERAL EVALUATION CRITERIA

• The Program should consider:

(i) Issuing clear instructions against the use of whiteout to cover over any original information on the GAF and to detail, from a legal point-of-view, how to accommodate these changes so as not to compromise due diligence.

(ii) In co-funding with other government departments and agencies, developing a "partnering agreement" format that clearly details the specific activities and related costs that the Multiculturalism Program will fund, and a rationale for our percentage participation.

(iii) To ensure that only eligible activities and costs are funded, making the check-off of each of the current non-eligibility criteria a mandatory step in the documentation workflow of the GCIMS.

THE FUNDING APPLICATION PROCESS

• The Program should consider establishing a quality assurance (QA) program in support of due diligence including the initial assessment of all proposal applications, "challenging" proposals being recommended by Program Officers including the justification statement, approving the funding mechanism (grant or contribution) and providing training to Program Officers in acceptable due diligence practices.

THE PROPOSAL ASSESSMENT PROCESS

• The Program should assess the instructions in both the Program Guidelines and the Program Officer's Handbook to determine if due diligence would be better served by clarifying for both applicants and Program Officers the attributes of an acceptable needs statement.

• The Program should instruct Program Officers, in those instances where the applicant has neither clearly identified the project objectives and/or the expected, measurable outcomes nor adequately addressed the mandatory requirement for the inclusion of an Impacts Assessment & Evaluation Plan in the proposal, not to accept proposals past the initial assessment stage until the mandatory information is provided.

• The Program should consider incorporating proof of a proposed project meeting the specific activity type(s) into the GCIMS workflow scheme, cross-referenced to the pages in the proposal containing the information.

• The Program should review the emerging problems associated with Work Plans and reiterate to Program Officers the importance of ensuring that every applicant provides a work plan sufficiently detailed so that costs are itemized and suitably explained.

PROJECT RECOMMENDATION & APPROVAL PROCESS

• The Program should examine the quality of the current arguments presented in the RAF justification section with a view to having them objectively and clearly focus on: (1) the clarity of issues and the existence of a real need; (2) how eligibility was met; (3) validating the proposal's suggested approach; (4) defending the type and level of resources being applied for; and (5) confirming the measurable benefits in consideration of activities to be undertaken. The arguments should be less esoteric and more pragmatic than is presently the case

USE OF CONTRIBUTION AGREEMENTS & GRANTS

• The Program should issue a notice to employees delivering the Multiculturalism Program reminding them how to properly plan for and procure needed services, in particular for March 21 events, and under what conditions it is proper to use a contribution or a grant to accommodate promotion-type activities associated with projects.

Background

In December 1998, the AG audited the Multiculturalism Program's grants and contributions files processed in fiscal year 1997-98. His staff found significant opportunities to improve the management and delivery of the grants and contributions funding program.

In his report, which was tabled in the House of Commons in December 1998, and during his February 1999 appearance before the House of Commons' Standing Committee, the AG outlined his findings as follows:

- Ambiguous performance expectations - the Department has not supported the general program objectives with more clearly stated and focused goals and expected results;

- Concern that in 30 per cent of files audited, funding decisions did not take into account the funding criteria set by the TB and were not based on reliable information. For example, funding justifications have not been linked to a management framework or to program priorities (due diligence);

- A slow transition by the Department to project-specific funding rather than program funding; and

- Inadequate performance monitoring by staff and, in a third of the files audited, performance information was not provided by funding recipients.

As a result of his findings, the AG made three recommendations:

(1)   further clarify the Multiculturalism program objectives by defining clear, attainable goals and expected annual results;

(2)   ensure that due diligence is exercised by staff in the review and approval of grants and contributions; and

(3)   ensure that funding recipients provide the required performance information.

To address findings of the AG's report, in December 1998 the Department undertook to:

- do a follow-up audit of Multiculturalism grants and contributions files within a one year period of the AG's report;

- develop new reference materials and program guidelines for employees and for funding applicants;

- conduct cross-Canada training to ensure staff diligence in the assessment of funding requests;

- develop and implement data entry coding to track program expenditures and results; and

- monitor results of funded activities in order to analyze/assess their impact(s) and effectiveness and develop and implement an evaluation framework which will include reporting and assessment tools and process for staff and funding recipients.

The Assistant Deputy Minister, Citizenship and Canadian Identity, who has overall program management responsibilities for the Multiculturalism Program, responded to a number of questions in the hearings. Some of the responses which relate to this particular audit are:

- "Grants have the distinct advantage of being less labor-intensive and time-consuming to prepare and monitor", whereas, "contributions offer advantages in terms of making funding more contingent upon results";

- "Recipients (of grants) know they are going to have to demonstrate, either in the form of an interim report or a final report, for example, that they have implemented their grant as intended if they want to receive subsequent funding"; and

- "The Program Handbook was developed to provide better guidance to staff, to ensure that they have more precise written instructions on what information needs to be documented in a project file".

As part of the hearings the AG stated that due diligence means *"ensuring that funding decisions take into account the funding criteria set by the TB and that they [decisions] are based on reliable information and that there are periodic audits of all grants and contribution programs"*.

In order to assess how well the Multiculturalism Program had advanced the notion and practice of due diligence in its own grant and contribution files, the Corporate Review Branch undertook a limited scope audit in October, 1999, of a sample of grant and contribution files within the Multiculturalism Program for projects approved in 1998-1999. The objective was to assess whether there was the required evidence in each file to substantiate that an adequate review process took place and that the file documented the review process in terms of the presence of letters, memos and notes-to-file relative to each stage of the review process.

The files were to have demonstrated where value was added, thereby supporting the elements of a due diligence program for the Multiculturalism

Program. With respect to the practice of due diligence, the audit identified areas for improvement in the Multiculturalism Program.

In response to the commitment made by the Auditor General to the PAC to follow-up on his 1998 audit of the Multiculturalism Program's grants and contributions, the Corporate Review Branch offered to complete an audit, using the same approach and techniques it successfully employed in the aforementioned limited scope audit, in expectation that the Auditor General would rely on it.

Prior to the commencement of this audit, the Auditor General's representatives were provided the opportunity to review the audit program employed by the Corporate Review Branch's consultants. During the early stages and upon completion of the field work the representatives reviewed several completed files.

This audit report completes the Department's commitment to the reliance audit process as offered to the Office of the Auditor General.

Audit Objective & Scope

The audit objective was to determine how well projects are currently being assessed and monitored in the Multiculturalism Program.

The audit scope encompassed the Program's grants and contributions that were approved between January 1, 2000 and May 31, 2000 and which were administered by the regional offices and Headquarters. All applicable program legislation, regulations, Departmental directives and guidelines and literature authorized by the Department in promoting the program to potential recipients were reviewed.

A sample selection of files was evaluated by addressing:

whether approved projects make sense for the applicant to carry out and for the program to fund, based on:

- a review of the approved eligibility and assessment criteria and processes
- the existence of evidence of due diligence in project assessments
- a discussion of results with program officers; and

whether program funds were used for the purposes stated in the applications, based on:

- a review of the project monitoring
- an examination of information provided on the use of funding
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In addition to reviewing the files, the Contractor conducted interviews with program staff responsible for managing or delivering the Multiculturalism Program in order to clarify and/or confirm findings and observations.

Audit Methodology

The sampling universe of 178 grant and contribution files approved in the period under review represented a dollar value of $4.3 million. The national sample of 60 files, made up of 55 grant files and five contribution files, was valued at $2.3 million.

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(2)   the Program Officer's relevance assessment against the program's goals, objectives, and business plan priorities;

(3)   the application of the General Evaluation Criteria & Activity Guidelines;

(4)   the affirmation on file that any ministerial conditions in the approval letter were satisfied;

(5)   the proposal assessment and file management practices applied at key decision points throughout the process culminating in a recommendation to approve, or not, the application for a grant or contribution;

(6)   performance monitoring where required; and

(7)   ensuring that funds were used for the purposes stated in the application and proposal.

The audit program reflected the requirements of the Multiculturalism Program's applicable Treasury Board Minutes, the Treasury Board's Policy on Transfer Payments, the Program Guidelines for applicants and the Program Handbook, including proposal assessment tools.

We reviewed the minutes of the (PAC) hearing of February 11, 1999 dealing with the AG's report and recommendations in respect of his 1998 audit of grants and contributions which included the Multiculturalism Program.

The preliminary assessments were provided to each of the Program Officers responsible for the selected file for their review and comment.

Grant & Contribution Files

Management Control Framework

The following Treasury Board authorities and policies, Multiculturalism Program Guidelines and Program Handbook as well as responses by the Deputy Minister to a series of questions posed by the Chairman of the PAC, collectively make up the current control framework within which departmental management currently delivers the Multiculturalism Program.

TB Minute #793058 dated March 29, 1984, cites the approved selection criteria for either of the two funding instruments [grant or contribution] for the Citizenship & Culture Program. In part, the minute states that "If the purpose of the government's support is to permit the recipient to pursue its mission and thereby contribute to the government's policy objective then a grant is likely the appropriate mode. By implication then, sustaining funding of organizations, and funding of creative endeavours by individuals should be in the form of grants".

"If the purpose of the government's support is to seek a certain level of service provision, payments, conditional on performance or achievement, are more appropriate. These conditional payments are made in the form of a contribution".

TB Minute #804469 dated March 19, 1987 updates the general Terms and Conditions [T&Cs] and integrates them into one departmental program. The distinction between a grant and a contribution as noted in the TB

Minute #804469 dated March 19,1987 remains in effect for the Program.

The elements relevant to this audit are:

*   a *precise definition* of the *classes of recipients* - compliance v.s. program guidelines;

*   there are *approval review procedures* and a list of those organizational positions involved;

*   there is a detailed list of material *required* to be submitted or received; and

*   there is direction on how to handle contribution surpluses.

TB Minute #825141 dated April 24, 1997 revises several T&Cs of the *redesigned* Multiculturalism Program. Previously approved T&Cs will prevail for up to three years for sustaining funds from April 1997 to March 2000. New T&Cs will apply effective April 1, 1997 to new "project-based" applications. An evaluation framework will be developed setting out key performance indicators.

The TB Policy on Transfer Payments [October, 1996] governs the use of either a grant or a contribution as a funding instrument and contains restrictions on the use of either one. It also contains a number of financial management guidelines in terms of cash flow, recipient and departmental accountability and reporting. (The

revised policy effective June 1, 2000 did not affect the selected files.)

Multiculturalism Program Guidelines
This is the Department's formal information outreach to potential applicants. The Guidelines advise the applicant on what information must be provided (i.e. mandatory) and what level of detail is required in order that the Department may consider the application eligible after conducting its *initial* assessment. It also details how the assessment process will proceed after the initial assessment and the eligibility assessment criteria that will be used to measure eligibility under each of the four named Activity Types.

Program Handbook
This is the Department's detailed instructions on a number of activities and tasks required to be conducted by the officer in order to: (1) adequately apply the TB's approved eligibility criteria; (2) determine the type of funding mechanism (grant or contribution); and (3) confirm the project's relevance to the Department's mandate in three areas: policy, program objectives and the 1998-2003 business plan priorities. There is a detailed checklist in the back of the manual which requires the officer to confirm the presence and appropriateness of all of the applicant's representations.

Correspondence between PAC and the Department, March to May, 1999. In a response dated March 31, 1999, the Deputy Minister stated that cross-Canada training was held between May and October, 1998 for headquarters and regional staff on program delivery including assistance and direction on interpretation of the program's objectives. Further, "A three day National Development Forum is to be held in May, 1999 to review and address the approved Program priorities, implementation issues and the AG's Report concentrating on areas for improvement identified in the audit".

Under a section titled Due Diligence, the Deputy Minister responded, "Our post-audit review showed that we were diligent in assessing applications, but sometimes lacked diligence in documenting our assessments on paper. The Department agrees that all Multiculturalism funding files should contain full evidence of due diligence in assessment and monitoring projects. Renewed emphasis has been, and will continue to be, placed on the rigorous application of assessment criteria in the review and approval of grants and contributions".

Reference was made to materials in place to support this and included the Program Handbook, Program Guide for Applicants and Guidelines for Project Evaluation.
On April 27, 1999 the PAC posed a number of questions for additional information. With respect to the PAC's question on how the Department intended to exercise Due Diligence, the Deputy Minister responded on May 28, 1999 (under the section Due Diligence and Assessment Procedures) that a number of program and recipient audits would be undertaken in the fiscal year 1999-2000 to ensure due diligence and compliance with terms and conditions and priorities.

Due Diligence Workshops
A national Multiculturalism Program workshop was convened with senior project officers and managers in early February, 2000 to discuss the preliminary findings of the limited scope audit conducted in October-November, 1999 and to receive feedback and comments constructive to the summation of all findings.

From March to May, 2000, 14 workshops were held across the country for the benefit of all officers involved in the delivery of any of the Department's grant and contribution programs.

Over 430 personnel attended these workshops led by the Corporate Review Branch and the Financial Management Branch.

The Grants & Contribution Information Management System (GCIMS)

We did not review this new component of the Multiculturalism Program's G&C Management Control Framework as all of the approved projects we selected were effective prior to the inception of the GCIMS which was April 1, 2000.

The system is designed to provide a broad-based, financial and non-financial, information database to all authorized personnel managing grant and contribution projects within the department.

For the Multiculturalism Program, one of its functions will be to control the workflow and document content for such forms as the Recommendation For Approval (RAF).

Findings & Recommendations

It is not the intention of the audit to present the results of each project file review in detail but rather to use the sample results to determine whether due diligence is reflected throughout the assessment process and in the program's guidelines both to project applicants and to Program Officers.

Where appropriate, for the sake of clarity and/or continuity between this audit and the prior grant and contribution audit conducted in October, 1999, we have referred to the latter as the Limited Scope Audit (LSA).

1. **ELIGIBILITY CRITERIA & GENERAL EVALUATION CRITERIA**

As previously mentioned, the audit program reflected Treasury Board's (TB) currently approved program objectives and eligibility criteria for the Multiculturalism Program as well as the published Guidelines, Program Objectives and General Evaluation Criteria.

The TB criteria require that a project should:

- Address an issue related to one or more objectives of the Multiculturalism Program;

- Identify clear objectives and expected outcomes;

- Include a plan to assess the impact of the project and evaluate its results;

- Provide a detailed budget including the rationale for costs and the need for Program funding, a description of how the funding will be used, and a listing of financial and other resources (including in-kind contributions) from different resources which support the project;

- Involve those most affected by the issues throughout key phases of the project (development, planning, implementation and evaluation);

- Demonstrate the involvement and assistance of key stakeholders (other organizations, institutions, communities and individuals) who are involved in the issue and who can have an impact on the outcome of the project;

- Include a plan to share as widely as possible, information, knowledge and/or experience gained; and

- All recipients of contributions will be required to provide a final financial report, a report on the results of the project to the Multiculturalism Program, and acknowledge the support of the federal Multiculturalism Program.

- Individual applicants must be Canadian Citizens or have Landed Immigrant Status to be eligible to apply.

The Program Guidelines contain detailed instructions on all aspects of applying for a grant

as well as how the Department assesses projects as to their eligibility. It concludes by saying that "eligible projects will be assessed using detailed guidelines based on sound social development principles". The Program Guidelines also state what is not funded. The Program will not fund:

- activities that have already been undertaken before an application is made;

- regular annual general, executive or board meetings of an organization or association;

- festivals, camps, religious activities, celebrations of foreign national days;

- ongoing production of regular newsletters, newspapers, magazines, journals, and radio and television broadcasts;

- activities that take place outside of Canada;

- profit-making activities for commercial gain;

- provision of direct one-to-one services, e.g. individual counseling services; and,

- certain budget items: salaries and honoraria for principal officers of an applying organization; capital costs or expenditures; expenses incurred abroad or related to activities outside Canada; and international travel.

Findings:
(1)   We found that 10 of the 57 GAFs had changes made by the use of whiteout, without being initialed by the applicant. These changes affected either or both of the original start and finish dates as well as either or both of the amounts that represented the total cost and the requested amount. No explanations were put on

the respective project files by any of the Program Officers.

Inasmuch as there is a Statement of Affirmation included in the sign off by the applicant, that is part of the application form, it is important that all managers treat the GAF as a legal document and that changes are made officially.

In addition, to someone reviewing the file, the changes could have been made to accommodate actual activities/costs which began outside the originally submitted dates, thus compromising due diligence. The "whiteout" problem appeared to be concentrated in one region.

(2)   There were three projects where some of the activities appeared to be for the provision of one-to-one services which are ineligible for funding. The activities were centered on new immigrant type services and job-seeking services.

(3)   There were three projects where it was not made clear, either in the proposal or in the justification by the Program Officer, what the eligible activities were that the Multiculturalism Program was funding in partnerships with Health Canada and Citizenship & Immigration.
A clearer delineation of activities embodied in some sort of "partnering arrangement" with the other department could make it possible for the department to properly defend the related cost and activities and enhance due diligence.

(4)   Three "for-profit" organization's projects were funded for the production of film, audiotape and compact disks (CDs) carrying various messages which were described as meeting one or more Program Objectives. None of the files contained any information about the for-profit status of the applicant's project nor the content of the messages.

The Guidelines require that the project be "for specific, limited purposes" and that there not be "commercial gain". Due to the absence of

information (status & messages) it was not possible for us to determine whether the three projects were eligible.

(5) One project was intended to culminate in the establishment of a course curriculum for the applicant university. It was not clear from the current program guidelines whether curriculum development is an eligible activity.

Conclusion
In order to enhance due diligence in respect of defending eligibility issues on file, Program Officers and Managers need to adopt a set of "best practices" in respect of processing changes to GAF information, partnering with other departments and screening proposals to ensure only eligible activities and eligible organizations are accepted for funding.

Recommendations
The Program should consider:

Issuing clear instructions against the use of white out to cover over any original information on the GAF and to describe, from a legal point-of-view, how to accommodate such changes so as not to compromise due diligence.

In co-funding with other government departments and agencies, developing a "partnering agreement" format that clearly details the specific mandates, activities and related costs that the Multiculturalism Program will fund, and a rationale for our percentage participation.

To ensure that only eligible activities and costs are funded, making the check-off of each of the current non-eligibility criteria a mandatory step in the documentation workflow of the GCIMS.

Finding and Conclusion:
Considering that grants are generally unconditional (recipients must maintain their eligibility and funds must be used for purposes approved), it is not clear why the Department

currently requires a number of its grantees to fulfill the activity/financial reporting requirements and/or the acknowledgment of the Department's support.

Conditions for a grant are frequently included in the approval letter signed by the Secretary of State for Multiculturalism. Conditions required of a recipient of a contribution are written into the agreement itself.

Recommendation
The Multiculturalism Program should determine if the current practice of requesting that grant recipients provide activity reports, financial reports and/or an acknowledgment of the Department's funding is required as a condition of eligibility.

If not, the Department should consider whether it is necessary to continue this practice for all grants from a practical standpoint given the risk (type and value) of projects funded and the costs incurred to administer the conditions.

Given that the program is to be projects based and that projects by their nature suggest the need of greater monitoring and measurement of outcomes, the Program should consider limiting its use of grants or at the least provide direction in terms of amounts and situations warranting use of grants instead of contribution agreements.

2. THE FUNDING APPLICATION PROCESS

2.1   Initial contact with the Department.
The Program Guidelines booklet provides good information for first time applicants in respect of outlining how to initiate the process as well as stressing the importance of talking to a Program Officer before getting too far into the process.

Findings
A number of the recipients whose files we audited had been funded in one or more previous years and so the formalities of the Department's organizational profile collection processes were

not pursued. Notwithstanding these instances, since the LSA, a number of Program Officers have noticeably incorporated better file documentation practices in respect of acquiring and retaining currently on-file, permanent-type information on the organization.

This improvement may be attributable to a number of factors, e.g. since the completion of the LSA in March 2000 the Department completed the testing and installation of its automated Grants & Contributions Information Management System (GCIMS). For the Multiculturalism Program this means that its required workflow steps are an integral part of a Project Officer's routine when processing a file including sign-off at each step. Critical data must be entered before the system allows one to proceed to the next step.

In addition, Due Diligence Workshops held from February to May, 2000 have stressed the importance of retaining critical, year-over-year, permanent-type information on all funded organizations.

When improved documentation practices are adopted by all Officers and Managers, Program due diligence will be greatly enhanced.

Conclusion
A number of files examined in this audit had noticeably benefitted from the comments in the LSA audit report.

Recommendation
The Program should consider doing a limited, in-house spot review of fiscal year 2000-2001 projects to ensure that the history data element of the GCIMS is being appropriately completed and will benefit future due diligence review engagements.

2.2   The GAF
The Grant Application Form (GAF) is to be completed following the instructions in the Program Guidelines. In the Program Handbook

there is a proforma checklist which provides the Program Officer with a convenient reference list of items to consider when administering the review process to ensure that the GAF has been fully and properly completed.

Findings
All project files had a signed GAF with the proposal. The reader is referred in this report to Section 1, Finding (1) for a review of the observations made with respect to unauthorized changes being made to some GAFs.

On several files, the purpose section of the GAF said "see attached" which we presumed meant the proposal itself. As we mentioned in the LSA, this section is to be made available to the public for information on all projects. The quality of this part of the GAF is about the same as in the LSA.

Conclusion
The number of unauthorized alterations to the GAFs detracted from an otherwise fully satisfactory part of the application process.

Recommendation
The program should take steps to ensure that the "Purpose" section in the GAF is properly completed. The appropriate place for this mandatory step would be to incorporate it in the GCIMS workflow strategy.

2.3   The Proposal
The Program Guidelines and the GAF form itself are very explicit about the type of information needed in the proposal and how it is to be written up and supported by documentation. There is also a strong suggestion that it be presented in the prescribed order and to a maximum length. This stage in the process is critical to the ultimate success in developing an appropriate framework for due diligence surrounding every assessed proposal.

Findings

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In respect of providing the required information within the proposal itself, one-half of the proposals were satisfactory to fully satisfactory while a further one-third were just acceptable. The remaining eighteen percent, or ten files, were unsatisfactory for the primary reason that they failed to contain the minimum information required to enable the Program Manager to conduct a complete and proper assessment.

In completing our write-ups of each file we offered to discuss each with the respective Program Officer. With the exception of those people who were on sick leave, almost all officers communicated in writing or by phone to offer explanations or seek clarification.

One aspect of their work that we feel may contribute to the problem of receiving less than a fully satisfactory proposal is the need in many cases for the Program Officer to be heavily involved with their clientele at the genesis of a project.
Having spent possibly many hours with the applicant in the developmental stage, the officer acquires a level of knowledge about individuals and organizations that, for whatever the reasons, is not adequately reflected in one form or another in the project's file documentation.

Part of the PO-clientele relationship is the sharing of a passion for the issue at hand. This aspect of the PO's work is not evaluated in the measure of the presence of due diligence.
Indeed, it may work against due diligence in those instances where there is a need for compromise in trying to finalize a submission.

Once the application comes to the Program Officer, he or she is required to assume the assessment role dealing with any weaknesses in the project's proposal as well as defending the project to management in a written justification statement and recommendation for approval.

Missing information or less than fully developed ideas and rationales may get accepted because in writing the justification statement in the RAF the PO can "fill in the blanks" due to their intimate knowledge of the group.

In our opinion, this duality of roles as both a social development officer and a project assessment officer is not conducive to a successful due diligence program.

For those unsatisfactory files in particular, it was apparent from discussions with the responsible Program Officers that the unrecorded, supplementary knowledge that came with the developmental role they play may have inadvertently allowed a less than complete proposal to have been accepted by the PO.

Several approaches to solving this dilemma seem possible. One is to segregate the roles. Another would be to incorporate into the process review committees including subject matter experts, community groups and other-year applicants.

One way to introduce a quality control step into the process would be to incorporate the use of an Initial Assessment Form (IAF) (discussed in the LSA report). Such a form could provide an effective control for the PO to be satisfied early in the process that the proposal's contents were complete and judged to be of sufficient quality worthy of further consideration.

The IAF could provide the value-added evidence necessary in support of due diligence to show that time and resources were not wasted in doing a complete assessment. If a rework proved necessary then the rejection letter provides a record of such a decision. The IAF could also require that the choice of funding instrument be defended following preset criteria.

Conclusion

There did not appear to be sufficient quality control over proposals at the very beginning of the application process, particularly high value projects. In our view, the social development role and the project assessment role of Program Officers place them in a compromised position when having to objectively critique a project proposal and maintain due diligence.

Recommendation
The Program should consider establishing a quality assurance (QA) program in support of due diligence including the initial assessment of all proposal applications, "challenging" proposals being recommended by Program Officers including the justification statement, approving the funding mechanism (grant or contribution) and providing training to Program Officers in acceptable due diligence practices.

Establishing an Initial Assessment Form to detail the strengths and weaknesses of a proposal thereby providing a record of decision for any rewrites or the need for further supporting documentation before proceeding.

3. The Proposal Assessment Process

The Program Officer reviews each proposal to ensure that it meets the approved eligibility criteria - discussed in Section 1 above. The Program Handbook contains an assessment tool referred to as "Development & Assessment Worksheets" including a special set of Guidelines in support of assessing the Activity Type, a mandatory requirement of the Multiculturalism Program itself.

We last evaluated the work tools in the LSA to ensure congruence between them and the information provided to the applicants as to what was mandatory and what was desired but not

deemed to be mandatory information by the Guidelines. It was determined then that the worksheets are used as reference documents and are not necessarily appended to the project file.

We then assessed each file against the eight TB Eligibility Criteria and the seven Program Guideline General Criteria - a total of 15 items.

3.1   Program Guidelines & Development & Assessment Work Tools

We reviewed the worksheets (work tools) to assess the coverage given to various mandatory and non-mandatory requirements for information contained in the Program Guidelines. We also

assessed the very detailed worksheets provided for Program Officers to assess the four Activity Types.

The Program Officer's assessment covers the proposal document which is to include a description of the issue/need for the project, its objectives and expected outcomes, the Work Plan including carrying out the activities and involving key stakeholders, a detailed budget and an evaluation plan to measure how well the project met its objectives.

Findings
We found that the worksheets covered all the elements of information asked for in the Guidelines. With the exception of the Activity Type assessment worksheets, the information appeared complete and consistent with what was in the Program Guidelines.

The Activity Type worksheets, referred to as the "relevant assessment guidelines", contain a section for each of the four activity types and each type has its own list of criteria to be used in the assessment.

These are referred to in the Program Guidelines as "assessment guidelines based on sound social development principles". We found that the points to be considered by the Program Officer did not agree with the points that the applicant was to consider in defending the Activity Type.

Then we compared the same points from the Program Guidelines to the assessment worksheets. There were inconsistencies in the three Activity Types, Institutional Development, Public Education, and Research.

It is our understanding that the rectification of the aforementioned problems continues to be under consideration by the Program.

Conclusion
The "Development & Assessment Worksheets" are reasonably effective tools to provide guidance to the Program Officer as to the requirements of the Multiculturalism Program while supporting the due diligence framework.

The differences in the list of Activity Type assessment criteria between the Guidelines and the Handbook Worksheets still need to be eliminated.

Recommendation
The Program should ensure that the current criteria for Activity Types Institutional Development, Public Education, and Research in both the Guidelines and the Handbook Worksheets agree.

3.2 Issue & Need
The Guidelines address the TB eligibility criterion of Issue and general evaluation criterion of Need by requiring an applicant to identify one or more objectives related to the issue and to identify what need the project addresses.

Findings
Overall, the issue/need results of this audit were similar to the LSA.

Forty-seven (82%) project proposals established the linkage of an identified issue to one of the five program objectives. Nine proposals (16%) were judged to be unsatisfactory. The reasons for this included failing to mention the "issue" at all, not being clear enough in explaining how the project met an objective, being perceived as related to an ineligible activity or more appropriate to the mandate of a partnering department.

Twenty-two (39%) project proposals clearly established a need in the proposal while some 26 (46%) project proposals contained a weaker statement of need. Nine proposals (15%) were

judged to be unsatisfactory. The latter group simply failed to take the needs statement beyond the notion that it would be a good thing to do.

The weaker needs statements were not suitably defended and were characterized by: not citing figures from referenced materials; using anecdotal examples in lieu of using a more convincing style of argument; using pithy statements or jargon; using a self-serving style of argument directed at the applicant rather than the affected community; and citing the need for a product rather than revealing the messages that the medium was going to employ.

Conclusion
The Multiculturalism Program's Guidelines and GAF could better serve the applicant and enhance due diligence if the attributes of a proper needs statement supplemented with a few examples were made part of the information package.

Recommendation
The Program should assess the instructions in both the Program Guidelines and the Program Handbook to determine if due diligence would be better served by clarifying for both applicants and Program Officer's the attributes of an acceptable needs statement.

3.3   Identifying Clear Objectives & Expected Outcomes (results)

The Guidelines address this TB eligibility criterion by requiring applicants to include in the proposal the goals and objectives set for the project as these are important in determining whether the project was successful. The applicant must also identify the anticipated outcomes (results) of the project.

Finding

Overall, the results of the objectives/outcomes part of this audit were not as good as the LSA.

In 27 (47%) of the proposals assessed, this was well done compared to 14 files (64%) in the LSA. In twenty-two (47%) of the proposals there was room for improvement as the applicant either failed to highlight the objectives or did not address the outcomes in other than vague terms that were not easily measurable . Eight (6%) files were unsatisfactory - the same result as for the LSA.

Conclusion
Approximately one half of the proposals did not contain clear enough objectives and relative, measurable outcomes, so as to provide the basis for an impact assessment and evaluation plan.

Recommendation
The Program should instruct Program Officers, in those instances where the applicant has not clearly identified the project objectives and/or the expected, measurable outcomes, to not accept proposals for assessment until the mandatory information is provided.

3.4   Plans To Assess Impacts & Evaluate Results
The Guidelines address this TB eligibility criterion by asking that the applicant include in the proposal an evaluation plan for measuring how well the project met its objectives. The Guidelines state that all proposals must meet this criteria and the Program Handbook worksheets address this item in detail.

Finding
There was an improvement in the correlation of results of this audit with the LSA with respect to the relationship with criterion 3.3. As well, there was improvement in the number and quality of the plans cited in the proposals. In 26 (47%) of the proposals assessed this was well done compared to the 4 LSA files (33%).

In nineteen (34%) of the proposals (the same as the LSA results), there was room for improvement as the proposed plan was either not specific about what was to be measured or it was more in the realm of planning to submit an activity report which, in our view, is not the same as performance measurement data. Other "plans" were in the form of having participants complete a questionnaire or provide "feedback", but no detail was provided.

In this audit only eleven (19%) proposals were unsatisfactory while the LSA found that 6 (40%) proposals were unsatisfactory. Proposals that did not mention assessment and evaluation plans at all made up the majority of the unsatisfactory group of proposals.

Conclusion
An adequate impact assessment and evaluation plan is not being required of the applicant in all cases contrary to approved program criteria.

Recommendation
The Program should instruct Program Officers, in those instances where the applicant has not adequately addressed the mandatory requirement for the inclusion of an Impacts Assessment & Evaluation Plan in the proposal, not to accept proposals for assessment until the mandatory information is provided.

3.5   Project Budget
The Guidelines address this TB eligibility criterion by requiring that an applicant include detailed financial information related to the project's activities as described in the proposal.

Finding
Thirty-three (58%) proposals presented good budget detail. This is down from LSA result of 15 (82%) proposals. Sixteen (28%) proposals were judged just satisfactory, an improvement over the LSA results of 3 (15%). Of particular concern, larger valued projects did not have well developed budgets commensurate with their cost structure. Other proposals lacked the information necessary to determine whether all costs were eligible, particularly in the area of salaries and wages.

In other proposals there was limited information about the Department's contribution to partnering with another Federal Department.

The number of proposals rated unsatisfactory was mainly attributable to 3 large grants where there was a shortage of detailed information considering the large amounts involved. In addition, several other proposals simply had no information provided at all.

Conclusion
Based on the nature of the problems found and the level of information required commensurate

with the value of the project budgets involved, this criterion was weakened by the lack of supporting information in both the proposal and the justification remarks by the Program Managers in defense of those budgets.

Recommendation
The Program should instruct Program Officers not to accept proposals for assessment until the mandatory budget information is provided.

3.6 Affected Target Groups
The Guidelines address this TB eligibility criterion by requiring that an applicant identify and substantiate the choice of target or beneficiary groups in a proposal. The worksheet tools also address this criterion.

Finding
Applicants did a reasonably good job of meeting this criterion. The results of this audit and the LSA were similar in that approximately 73% of the proposals were well done, 16% needed some improvement and 11% did not meet the requirements of the criterion.

Conclusion
The Affected Target Group eligibility criterion was met.

Recommendation
None.

3.7 Involvement Of Key Stakeholders
The Guidelines address this TB eligibility criterion by requiring that an applicant identify and substantiate the choice of key groups in a proposal. The worksheet tools also address this criterion.

Finding
Applicants did a reasonably good job of meeting this criterion. The results of this audit and the LSA were similar in that approximately 71% of the proposals were well done, 18% needed some improvement and 11% did not meet the requirements of the criterion.

Conclusion
The Involvement Of Key Stakeholders eligibility criterion was met.

Recommendation
None.

3.8 Sharing of Information as Widely as Possible
The Guidelines address this TB eligibility criterion by requiring that the applicant include in a proposal how they plan to communicate the information, experience and/or knowledge gained.

Finding
While 43 (78%) proposals contained the requisite information, percentage wise this is down from the 20 (90%) proposals in the LSA. Six (11%) proposals were judged borderline, the same as the LSA results, while some six (11%) other proposals were considered unsatisfactory. There were no unsatisfactory results in the LSA.

Conclusion
In eighty-nine percent of the proposals the criterion to share information as widely as possible was reasonably well met or needed some modest improvement thereby meeting the criterion overall.

Recommendation
None.

3.9 Recipients of Contributions Provide Financial & Results Reports & Acknowledge the Support of the Multiculturalism Program
The Guidelines address this TB eligibility criterion in the section "Affirmation" which requires that funds recipients fulfil a number of (these) responsibilities. The Contribution Agreement (CA) further provides in the Terms & Conditions (T&Cs) for these requirements to be met.

Finding
Recipients of the three contributions did a
reasonably good job of meeting this criterion.

Conclusion
*The requirement for financial and results reports
and acknowledgment of the support of the
Multiculturalism Program were met.*

Recommendation
None.

3.10   Activity Type
The Guidelines address this mandatory
Multiculturalism Program criterion by asking
that the applicant include in the proposal the
identification of the type of activity and how it
addresses the applicable guidelines. Projects
may fall within more than one activity type.
The Program has also developed a very detailed
set of social development assessment criteria
worksheets which may be referenced and/or
employed on the file by the Program Officer
when assessing whether the project meets the
Assessment Guidelines.

The Program Guidelines have two pages devoted
to the four Activity Types and provide a full
description of every criterion.

The incongruity between the details in the
Program Guidelines and the Program Officer's
worksheets has been covered in this report in
Section 3.1 under "Program Guidelines &
Development & Assessment Worksheets".

Notwithstanding this situation, and as in the LSA
for each proposal, we satisfied ourselves that a
project's aims, objectives and planned activities
related to the claimed activity type's criteria.

Findings
There was an impressive improvement in this
part of the assessment process. There were
37 (65%) proposals that were well done as
compared to 5 (23%) in the LSA. There were 15

(26%) proposals that needed improvement
compared to 15 (58%) in the LSA. The results
were the same for those in the unsatisfactory
group where there were five (9%) proposals in
this audit and 2 (9%) in the LSA.

There was a noticeable trend to improve the
documentation of files by more use being made
of the activity assessment worksheets. While not
yet a widespread practice, it nevertheless did
afford us the opportunity for a more efficient and
effective review of this part of the audit for those
files involved. In one region, there was a
noticeable improvement to obtain better, clearer
information on this aspect of the proposal.

Conclusion
*Given the detailed nature of assessing activity
types and the importance of it to the
Multiculturalism Program in terms of an
adequate compliance program, it is imperative
that there be a continued effort to establish and
maintain a proper paper trail in the files in
support of activity type assessments.*

*Given the current congruency problems between
the activity type criterion in the guidelines and
the criterion in the worksheets, these need to be
corrected as part of the enhancements being
made to the Program's file documentation
practices in respect of the new GCIMS.*

Recommendation
The Program should consider incorporating
proof of a proposed project meeting the specific
activity type(s) into the GCIMS workflow
scheme, cross-referenced to the pages in the
proposal containing the information.

3.11   Organization and Individual Profiles
The Guidelines address this mandatory Program
criterion in the section "Applicant Profile". The
applicant is to demonstrate that "the personnel
involved in the development and implementation
of the project possess the necessary skills and
expertise to ensure successful completion".

Findings

As we found in the LSA, a number of project applicants were known to the Department from previous years and while in some of these cases the Program Officers did not copy this information onto the current file there was a noticeable improvement in this area by a number of POs to obtain and put onto the current file the requisite profile documents of repeat grantees.

We found 36 (39%) proposals were well documented as compared to 19 (86%) proposals in the LSA. While the number of proposals needing improvement remained about the same for both audits, for this audit there were 15 (27%) unsatisfactory proposals.

Whether the applicant had the human resources and skills to carry out the project was frequently neither commented on nor confirmed in the file by the Program Officer.

For short-term projects like March 21, the human resource was not identifiable at the time of the assessment as hiring was dependent upon receiving funding approval. Post follow up by the PO to document this aspect was virtually non-existent.

With respect to matters that covered the more permanent data of an organization or an individual applicant such as its corporate status, charitable tax status, By-Laws, organizational mandates, Board memberships, Corporate Officer positions and citizenship status, the Program Officer had not directly confirmed on file that this information was in the permanent possession of the Program and that it was current and accurate.

Conclusion

The requirement for organizations or individuals to provide full and complete profile information, including the skills and resources that the applicant is proposing, is not being consistently demonstrated in either the proposals or in the Project files.

As the protection of the Program's own funds is an integral part of the recommendation process, it is imperative that good file documentation practices include the update, confirmation and permanent recording of organizational and individual profiles - Corporate Memory.

Demonstrating that the Program knows who the individuals are that they are dealing with through the validation of such key project information generally ensures continued presence of due diligence.

Recommendation

The Program should examine its current file documentation practices in respect of preserving each applicant's organizational or individual profiles on a permanent file, to be brought forward as required for any subsequent grant or contribution.

3.12   Work Plans

The Guidelines address this Program criterion by asking that an applicant include the activities to be undertaken, the target audience, a timetable and comprehensive work plan, indicating for which items assistance is being requested, in an application.

Findings

We found that 28 (49%) proposals had well documented work plans as compared to 14 (64%) proposals in the LSA. There were 18 (32%) proposals where the work plans needed improvement which was an increase from the 5 (23%) in the LSA. The number of unsatisfactory proposal work plans was 11 (19%) compared to 3 (13%) in the LSA. Unsatisfactory plans were characterized as either not being present or were not specific enough to tasks or were not put into a time frame with project personnel identified with assigned tasks or were too simplistic compared to the amount and value of work being funded.

Conclusion

Overall, the Work Plan criterion was not adequately met.

Recommendation
The Program should review the emerging problems associated with Work Plans and reiterate to Program Officers the importance of ensuring that every applicant provides a work plan sufficiently detailed so that costs are itemized and suitably explained.

4. PROJECT RECOMMENDATION & APPROVAL PROCESS

4.1 Relevance to Goals, Objectives & Business Plan Priorities
This part of the overall assessment process requires that the Program Officer confirm that the proposed project is relevant to one of the Multiculturalism Program's three goals and five objectives as well as the Department's current five year business plan priorities. The Activity Type must also be indicated. This information is all recorded on the Project Information Form (PIF).

Findings
All the files contained a completed PIF. There was an overall improvement in the results from the LSA. The number of PIF's fully and properly completed rose from 73% of the files to 84% of the files.

The unsatisfactory group remained about the same at 12% while those needing improvement had been reduced to 4%. The proposals that were unsatisfactory had a common element and that was unclear or ambiguous objectives relative to the project described.

The coding fields in the Program Handbook for the Department's 1998-2003 Business Plan Priorities were incorrectly described. We met with Program Management early in the LSA audit and they reviewed the situation. We did not pursue this further in this audit as it was to be fixed in the new GCIMS.

Conclusion
The Relevance criterion to Goals, Objectives & Business Plan Priorities was met.

Recommendation
None.

4.2 Recommendation & Approval Form
The Recommendation & Approval Form (RAF) is a two page form which, among other things, is a record of the description of the project and the Program Officer's justification for recommending approval for funding. We examined this form as part of our file audit process.

Findings
The level of performance in meeting this criterion was similar to the LSA at 63%. As well, there were 11 unsatisfactory RAFs. One factor that contributed to the weaker RAFs was essentially related to the underlying proposal which was not of the quality to fully support the statements made by the PO in the RAF. In several instances there was ambiguity as to which activity type applied and so it was unclear as to which type the justification should have focused on.

One RAF contained two lines of information relating to the current year with the remainder of the write-up pertaining to prior year's while another was quoting from the proposal itself.

Conclusion
What is needed in the statement of justification is a summary of what the PO's assessment found (strengths and weaknesses) and why the project will be a benefit to the program and country to have it take place.

In the Program Officer's own words, the statement needs to confirm real issues and needs, concurrence that they need to be addressed and that maximum benefits will accrue to Canadian society using the recommended approach, level of budget and the identified group/personnel. The results must be measurable so that the Program will benefit from the performance monitoring.

Recommendation
Justification arguments put forth by the Program Officers are most important and critical in the overall scheme to provide a due diligence framework for the Multiculturalism Program.

Therefore, the Program should examine the quality of the current arguments presented in the RAF justification section with a view to having them objectively and clearly focus on: (1) the clarity of issues and the existence of a real need; (2) how eligibility was met; (3) validating the proposal's suggested approach; (4) defending the type and level of resources being applied for; and (5) confirming the measurable benefits in consideration of activities to be undertaken. The arguments should be less esoteric and more pragmatic than is presently the case.

4.3   Ministerial Conditions
We examined each approval letter for any attached conditions. The general types of conditions were to either remit an interim report before release of the next payment, and/or to submit a final activity report and/or financial report within two months of the end of the project, and/or acknowledge the Department's contribution in any release of project information to the public.

As far as could be determined, these types of conditions in the Multiculturalism Program, contained in TB Eligibility Criteria #8, need only be relative to recipients of contributions.

Findings
Where Ministerial conditions occur in the approval letter of the Secretary Of State (SOS) for Multiculturalism they were to the recipients of grants.

For 30 grants, one or more Ministerial conditions were attached that came into force during the period of our audit scope. The most frequent condition of funding was that the Program's financial contribution be recognized in any public acknowledgment of financial assistance or in any resulting publications or activities.

The second most frequent condition was the requirement to remit to the Department within two months of completing all activities, a descriptive report on the project's activities. In several instances, interim or previous years financial statements were required.

We found that 24 (79%) files reflected that the Minister's conditions had been met and that 4 (13%) files did not disclose whether the condition had been met. The results were the same for the LSA.

Conclusion
While it is the privilege of the Secretary Of State for Multiculturalism to put one or more conditions into a letter approving a grant it does not appear to be mandatory nor was it readily apparent why some projects needed to provide such information given the size of the grant and the relatively short duration of some projects.

Recommendation
The Program should review its practice of recommending that conditions be put into the approval letter of grants in light of the fact that it is not a requirement of TB.

Instead, where a grant requires one or more conditions to be attached to its approval (such as financial reports and activity reports on progress or achievement), then the project should be considered for funding as a contribution.

5. DUE DILIGENCE
The findings of this audit reflect our consideration of three of the AG's concerns:

(1)   that in 30 per cent of files audited, funding decisions did not take into account the funding criteria set by the TB and were not based on reliable information;

(2)   that the Department was slow in implementing the transition from program funding to project-specific funding; and

(3)   that there was inadequate performance monitoring by staff and, in a third of files audited, performance information was not provided by funding recipients.

Findings
(1)   We found that 46 project files, or 81% of the 57 files sampled took into consideration the funding criteria set by Treasury Board.

(2)   53 of the 57 projects audited were clearly projects while only four exhibited characteristics of being more akin to program funding.

(3)   Of the 30 files that had performance information as a Ministerial condition that came into effect during the audit scope period, 26 (87%) had met the condition.

Conclusion
We believe that since the 1997-1998 audit by the AG, the Multiculturalism Program has made measurable improvement in terms of the AG's audit findings.

The need remains, however, to reinforce the improvements to date through a set of current Program Directives. In the interim, specific written direction for some of the criterion elements which are not properly administered by the Program needs to be issued.

6. USE OF CONTRIBUTION AGREEMENTS & GRANTS
During the course of the audit, four projects were found to have been for the provision of services to the Department in direct support of promotion activities by the Multiculturalism Program for March 21 events.

Three files involved contribution agreements totaling $297,500 and one file involved a grant for $25,000. Based on the fact that the Department directly benefitted from the services, responsible managers are required to secure such services through open bidding under the *Government Contract Regulations*.

We brought these files to the attention of Program Management at the time the situation was discovered and they took immediate action to rectify the situation so it would not reoccur.

Conclusion
For four projects, the use of a contribution or a grant was incorrect, not being permitted under the Government Contract Regulations.

Recommendation
The Program should issue a notice to employees delivering the Multiculturalism Program reminding them how to properly plan for and procure needed services, in particular for March 21 events, and under what conditions it is proper to use a contribution or a grant to accommodate promotion-type activities associated with projects.