



Human Resources and
Social Development Canada

Ressources humaines et
Développement social Canada

Workplace Skills Branch (WSB)

A Guide to Managing Your Contribution Funds

Table of Contents

TABLE OF CONTENTS	II
1.0 INTRODUCTION	I
1.1 CONTRIBUTION FUNDING SIMPLY DEFINED.....	1
1.2 ELIGIBLE COSTS IN A NUTSHELL	1
1.3 YOUR RESPONSIBILITIES AS A RECIPIENT	1
2.0 YOUR "CONTRIBUTION AGREEMENT": NO ACTIVITIES UNTIL IT'S SIGNED!	2
2.1 AGREEMENT SET-UP MEETING	3
2.2 CONTRIBUTION AGREEMENT AND SCHEDULES	3
2.2.1 Articles.....	3
2.2.2 Description of activities (Schedule A).....	4
2.2.3 Project budget (Schedule B).....	5
2.2.3.1 Cost-sharing.....	5
2.2.4 Terms of payment (Schedule C)	5
2.2.5 Additional conditions (Schedule D).....	6
2.2.6 Audit requirements (Schedule E)	6
2.3 NUMBER OF PARTIES ALLOWED TO SIGN THE AGREEMENT	6
2.4 AMENDING THE AGREEMENT.....	7
3.0 PROPERLY MANAGING CONTRIBUTION FUNDS.....	7
3.1 AUDITOR'S REPORTS: EACH YEAR AND KEPT ON FILE.....	8
3.2 INTEREST OR REVENUE EARNED ON HRSDC FUNDS.....	8
3.3 CAPITAL ASSETS: DEFINING, BUYING AND DISPOSING.....	8
3.3.1 Acquiring capital assets	9
3.3.2 Disposing of capital assets: HRSDC approval needed.....	10
3.4 CONFLICT OF INTEREST	10
3.5 CONTRACTING	10
3.5.1 Requesting a sole-source contract	10
3.5.2 Contractor or employee?	11
3.5.3 Office space for contractors.....	12
3.5.4 Personal Service Contracts: For individuals, not firms.....	12
3.6 ELIGIBLE EXPENSES.....	12
3.6.1 Wages, salaries and benefits: Mostly eligible for reimbursement.....	12
3.6.1.1 Mandatory employment-related costs (MERCs).....	13
3.6.1.2 Leave: Minimum reimbursement unless... ..	13
3.6.1.3 Other Employee Benefits.....	13
3.6.2 Hospitality expenses: Not for travel or for public servants	13
3.6.3 Staff training: Eligible only if directly project-related	14
3.6.4 Travel within Canada.....	14
3.7 EMPLOYEES	15
3.7.1 Hiring immediate family: Transparency and objectivity above all.....	15
3.7.2 Former public-service employee: Watch for conflicts of interest	15
3.8 EXPENDITURES REQUIRING PRE-APPROVAL.....	16
3.8.1 Honoraria	16
3.8.2 International travel.....	16
3.8.3 Travel costs for provincial officials	16
3.9 FISCAL YEAR DATES	16
3.10 GOODS AND SERVICES TAX (GST)	17
3.11 INELIGIBLE EXPENSES.....	17
3.11.1 Car allowances and parking.....	17
3.11.2 Gifts.....	17
3.11.3 In-house contracting	18
3.11.4 Recreational activities.....	18
3.11.5 Miscellaneous ineligible expenses	18

3.12 ADDRESS CHANGES	18
3.13 TRACKING FINANCIAL RECORDS	18
3.14 THIRD-PARTY AGREEMENTS	18
4.0 ADVANCES, PROGRESS PAYMENTS AND CLAIMS.....	19
4.1 ADVANCES AND PROGRESS PAYMENTS	19
4.2 EXPENSE CLAIMS: THE BASICS	19
4.3 CLAIMS: GETTING THEM PROCESSED FAST	20
4.3.1 Initial budget review	20
5.0 MONITORING BY HRDSC	21
5.1 PREPARING FOR AN ACTIVITY-MONITORING VISIT.....	21
5.2 MATERIAL REQUIRED FOR FINANCIAL-MONITORING VISITS	21
6.0 CLOSING A PROJECT	22
6.1 PREPARING FOR CLOSE-OUT	22
6.2 TERMINATION NOTICES TO PROJECT STAFF	22
6.3 DISPOSING OF CAPITAL ASSETS.....	22
6.4 FINAL PAYMENT	23

1.0 Introduction

As a recipient of contribution funds from the Workplace Skills Branch, you want to know and understand not only what your roles and responsibilities are, but also the processes and rules that govern how you can spend the funds you receive.

With that in mind, we've designed this guide to help you along the way, so that your experience is both productive and trouble-free.

1.1 Contribution funding simply defined

Contribution funding helps organizations like yours conduct activities that support the goals of the government or that advance goals you share with us.

A contribution is a conditional transfer of funds to an organization for a purpose specified in a formal agreement. **This payment is subject to accounting and audit by the Department.**

1.2 Eligible costs in a nutshell

The Workplace Skills Branch provides you with different types of support. Generally, eligible costs include wages, capital costs, project or activity overhead costs and, in some cases, support for individuals.

Please see "[Eligible expenses](#)" in Section 3.6 for a more detailed explanation of allowable expenses.

1.3 Your responsibilities as a recipient

When you receive funding, you enter a formal agreement that entails these responsibilities for you, the recipient

- ❖ meet the objectives stated in the agreement by the negotiated deadlines;
- ❖ report on your progress and accomplishments;
- ❖ keep accurate financial and activity records, in compliance with your agreement;
- ❖ apply good management practices that allow you to maintain and submit accurate progress reports and financial records;
- ❖ practise "generally accepted accounting principles," which means you make sure that the funds are being used for their intended purpose, that the objectives in the agreement are met, and that your payment claims come with appropriate supporting documentation; and
- ❖ adhere to all applicable Canadian laws.

The formal agreement is the tool that allows us to actually support your activity; that's why adhering to it (producing the results and outcomes in the time allowed and on budget) is essential.

2.0 Your "Contribution Agreement": No activities until it's signed!

The signing process

Once the proper authorities have approved your project proposal, what's known as a *Contribution Agreement* is drawn up for you and our department officials to sign. You first receive two copies to sign, and you send both back for signatures by HRSDC representatives. You then have a signed original returned to you for your records.

Effective date, expiry and...

Please note that you cannot launch project activities or incur expenses before the agreement has been signed by everyone involved. Remember also that we cannot reimburse expenses you incur after the agreement's expiration date. Finally, because of rapidly changing priorities and constant pressures on the limited resources at our disposal, it's best not to assume that your agreement will be automatically renewed or extended.

The agreement takes effect only when both your organization and the government officials concerned have signed it. So, be sure to hold off on all activities until then.

A legal document you need to understand fully

The agreement is a legally binding document between your organization and the Government of Canada, hence the critical importance for you to understand it thoroughly.

There are two parts to the agreement: the articles and the schedules. The agreement outlines

- what you/your organization has agreed to do;
- how and when activities will be conducted; and
- the conditions, terms and other details for program funding, including a list of eligible expenses for which you can be reimbursed and the maximum amount of funding by category.

Although all agreements are unique, they all require funding recipients to

- use funds only as outlined in the agreement;
- account for the use of those funds;
- submit financial and activity reports according to a prescribed standard and schedule; and
- ensure that the objectives in your agreement are met in the time allowed.

An important reminder: Your agreement specifies the conditions under which HRSDC will transfer funds. If you fail to meet the conditions, HRSDC does not have to reimburse the expense claimed.

Do not file your agreement under "Forgotten"!

After your project is approved, you'll experience a flurry of activity getting it up and running. In all the frenzy, stay focussed on the terms and conditions of your first point of reference, the **Agreement with HRSDC**. Consult it frequently at various stages of your project.

2.1 Agreement Set-Up Meeting

Shortly after your agreement is signed, HRSDC representatives review it with your organization to clarify expectations. Because projects differ greatly, the review may take place in person at the project site or over the telephone.

Take advantage of this opportunity to ask questions and to clarify points on all aspects of the agreement. After the review, you are responsible for sharing details of the agreement with the key people in your organization.

2.2 What your contribution agreement contains

2.2.1 ARTICLES

The **articles** of the agreement are the cornerstone of what you and the Government of Canada commit to one another. As such, they *detail* all the items, conditions and related pieces of information you need to understand in order to fulfill your obligations, including:

- **Agreement** – lists the attached schedules, with accompanying titles.
- **Interpretation** – explains the terminology in the agreement, particularly the schedules.

- **Contribution** funding – explains the rules governing this type of funding made by the Government of Canada.
- **Payment terms** – explains both the Treasury Board’s and Parliament’s role in approving and providing contribution funds for specific programs.
- **Declarations** – deals with *outstanding amounts you might owe to the Government of Canada*, and with your need to declare registered lobbyists’ status regarding your contribution funding, if applicable.
- **Conflict of interest** – briefly explains conflict of interest guidelines.
- **Financial requirements** – describes how you need to maintain financial records, meet audit requirements, and comply with financial monitoring and reporting requirements.
- **Contracting procedures** – highlights what you should know about Government of Canada rules and regulations for contracting with outside parties.
- **Disposition of assets** – outlines how capital assets are to be disposed of at the end of a project, or when your agreement ends.
- **Default and right of early termination** – explains how and why an agreement can end before its stated date, from both your perspective and the Government of Canada’s.
- **Federal visibility clauses** – highlights regulations that require you to acknowledge federal assistance for and participation in your activities; also specifies departmental involvement in announcements for these activities.

The list above presents some of the more prominent sections of your agreement with the Government of Canada. HRSDC representatives can elaborate on and explain other portions of the agreement, including *Official Languages* requirements and *Liability* matters.

The main section of the agreement also includes a signature block, where your legal signatory and HRSDC representatives must sign.

Do take the time to ensure you understand all of the information before accepting and signing your contribution agreement. HRSDC representatives will gladly clarify any part of the agreement for you and answer all of your questions.

2.2.2 DESCRIPTION OF ACTIVITIES (SCHEDULE A)

Schedule A describes the activity/project that you and HRSDC or the Government of Canada have agreed to. In addition to summarizing the activities listed in the proposal, it contains the following information:

- **Objective** – a brief synopsis outlining the focus of the project; this section includes the ultimate goals of your efforts.

- **Activities/Milestones** – a complete list of the activities to be undertaken, with associated timelines and milestones.
- **Outcomes** – a summary of what the activity or project is expected to produce for you and other partners.
- **Reporting details** – a summary of planned activities and their forecasted results.
- **Communication plan** – an explanation of how you intend to share or announce activity or project achievements and highlights.

2.2.3 PROJECT BUDGET (SCHEDULE B)

Schedule B describes how you plan to use the contribution amount provided for in the agreement. Schedule B contains the following information:

- **Eligible costs** – the costs you're allowed to claim or declare for the project, including a breakdown of resource allocation by line object.
- **Declarations** – this is where you report on funding sources other than those listed in the agreement. Please refer also to *Other Sources of Financial Assistance for the Project*, the tool you use for your declarations.
- **Contributions** – the total maximum contribution is listed, as well as a fiscal year breakdown of the overall contribution.
- **Project period** – gives the exact length of the agreement.

Once you have signed the budget, you cannot alter it or deviate from it without prior *written* permission from HRSDC officials. If you discover that something has been left out or needs to be changed, contact HRSDC representatives as soon as possible and avoid making ineligible expenses.

2.2.3.1 COST-SHARING

When mandatory in the Terms and Conditions of the funding program/initiative, costs of eligible activities will be shared between you and/or the Government of Canada, and/or the private sector. However, if not mandatory the government assistance (federal, provincial or municipal) may go as high as 100% of eligible costs.

HRSDC will ask you to submit a statement or financial report for the eligible activity being cost shared.

2.2.4 TERMS OF PAYMENT (SCHEDULE C OR FOR SOME PROGRAMS SCHEDULE E)

Schedule C outlines how and when you receive your funds. Payments consist of either advances or progress payments (see section 4 for detailed information).

2.2.5 ADDITIONAL CONDITIONS (SCHEDULE D)

Schedule D is optional and is used to include additional conditions to the agreement or to set out additional expectations and obligations. For example, you could find details on how to dispose of capital assets or particular communication requirements and procedures for a project, or you could see an outline of activities to be completed by a third party, specific details on eligible expenses or reporting requirements and other possible conditions.

2.2.6 AUDIT REQUIREMENTS (SCHEDULE E)

Audit requirements have been implemented to ensure transparency and integrity in the administration of large contribution agreements. For instance, by requiring interim audits, we can help you identify potential problems or issues early on, so they can be tended to quickly.

In addition, contribution agreements with a dollar value of \$350,000 or more include a clause requiring *external* audits. The funds for these audits are included in your budget forecast and contribution agreement. The minimum number of audits required depends on the duration of your agreement; specifically:

- agreements nine months or less require a single final audit;
- agreements greater than nine months but less than two years require at least one interim audit (mid-way point) and a single final audit; and
- multi-year agreements require an audit for each 12-month period.

Contribution agreements all state that HRSDC or the Government of Canada may delay paying any claim until an audit ends. They also say that, based on program guidelines, a percentage of the total contribution will be withheld until HRSDC has:

1. received and verified the final claim; and
2. received the auditor's report and any other reports required for HRSDC or the Government of Canada under the agreement.

2.3 Number of parties allowed to sign the agreement

HRSDC can sign agreements with both *incorporated* and *unincorporated* organizations; generally, an agreement can have only one organization at a time, but there are two situations where HRSDC can work with multiple organizations on one agreement:

- an incorporated organization signs an agreement and acts as a sponsor on behalf of a number of organizations; or

- a number of individuals sign an agreement as an unincorporated organization; in this instance, HRSDC must be notified before signing the agreement.

In all cases, only the person with officially delegated authority must sign the articles of agreement, the schedules and any amendments.

As for any legal document, be sure to know what you're signing before putting pen to paper.

2.4 Amending the agreement: the right time, the right way

Once again, a contribution agreement is a legally binding document. That means you and HRSDC must follow it to the letter. That said, if new circumstances alter or change the main focus of what you have agreed to, you have to notify HRSDC's representative right away so that an amendment can be drafted, approved and signed.

You need to negotiate an amendment to your original agreement in these cases:

- when your allocation for a given fiscal year has to change (examples: carrying over your project budget or unspent funds to future years; reducing or de-committing unused or unneeded funds);
- when your project time frame changes (extending its end date, for example);
- when you want to change the budget (increase or decrease amounts);
- when you want to change the objective of the project; or
- when you want to add activities to your project.

How an amendment is approved: You first have to submit a written request that includes a rationale and a revised, signed cash flow. HRSDC representatives then assess your request and make a recommendation to management. If management approves, HRSDC representatives complete the required paperwork and have you sign a formal amendment (if applicable). Note that larger-scale amendments may require the Minister's approval.

3.0 Properly managing contribution funds

Managing contribution funds requires you to understand a number of rules and regulations for the use of public money, and to fully comply with them.

Not all project expenses are born equal...

One of the biggest fund-management principles you need to remember is that only certain expenses are eligible for reimbursement, and that some are eligible only under certain conditions. This section not only touches on some of the more common budget and management issues affecting project-based activities, but also outlines some of the more common expenses you'll have to consider.

3.1 Auditor's reports: each year and kept on file

Have your financial records audited at the close of each financial year by a certified professional selected by your organization; keep a copy of the auditor's report on file and, if called for in your agreement, send a copy submitted to the HRSDC representative.

3.2 Interest or revenue earned on HRSDC funds

All **bank interest** earned on HRSDC contributions, excluding industry-generated funds, must be reported on claim forms. The interest earned from HRSDC contributions must be tracked separately, and later deducted from our contribution to the project.

Revenue that your project generates during the life of the agreement must be reported on the monthly claim forms. This includes not only interest earned from our contribution, but also revenue from a source of income, gross proceeds from a sale of goods or services, and dividends from investments.

3.3 Capital assets: defining, buying and disposing

Capital asset

A capital asset is any single or multi-part item that is not physically incorporated into another product and that remains functional at the end of the project. Specific amounts are included in the terms and conditions of the funding program, because maximum amounts vary from one program to another.

A **composite capital asset** is a collection of unique items or articles forming one identifiable functional unit where all the components are needed for the unit to work properly (for example, a personal computer composed of at least a hard-drive, a monitor, a keyboard, a mouse and cabling). The composite capital asset is treated as a single asset if the cost of the individual components is equal to that of a capital asset under the funding program (e.g. \$500 or \$1,000).

3.3.1 ACQUIRING CAPITAL ASSETS

Be sure to discuss the acquisition of specific capital assets with HRSDC representatives as soon as the agreement process begins to ensure that all parties comply with the rules in question.

You can acquire capital assets by different means, for example:

- short-term renting;
- outright purchase; or
- lease-to-purchase arrangements.

Capital leases or rental contracts and leasehold improvements (see below for definition) are considered a capital asset when the rights and obligations of ownership are transferred to the lease-agreement-holder. This transfer must be done in writing, with a copy of the contract placed on file at the end of the project.

A lease is a contract between a lessor (a person offering a product or property for lease) and a lessee (who gets the right to use the product or property for a specific time, in return for periodic payments). A lease becomes a “capital lease” if any of the following conditions apply:

- there is a transfer of ownership to the client (lessee);
- there is a bargain purchase option;
- the lease term is greater than or equal to 75% of the asset’s economic life; or
- the present value of the periodic payments is greater than or equal to 90% of the fair value of the asset.

Leasehold improvements and renovations are changes or alterations to a rented or leased property that enhance the performance, value or capability of a capital asset or extend its useful or economic life by more than a year. The improvements would likely be retained by the property owner when you vacate the property. For this reason, all renovations or leasehold improvements need to be approved in writing by HRSDC representatives. Your request must include a rationale.

Software that’s worth more than the value specified in the terms and conditions of your funding program for capital-asset acquisition and that you will still be using after the end of the project is considered a capital asset.

If the software you purchase is “off the shelf” (with a CD), it can likely be used at a different location or by different individuals, and this makes it a capital asset. On the other hand, if you acquire the software by other means (downloading, for instance), it usually cannot transfer easily to others, so it’s considered to be incorporated into another asset. When the cost of the software is included in the hardware (such as

operating system software), the software is part of the hardware and disposed of accordingly (see 3.3.2 below).

One way or another, it's always best to check with HRSDC representatives to confirm the status of capital assets.

3.3.2 DISPOSING OF CAPITAL ASSETS: HRSDC APPROVAL NEEDED

Treasury Board requires that all capital assets you purchase or lease with contribution funds be disposed of in a manner approved of by the funding program. The process generally works this way:

- You provide a plan that outlines how your organization plans to dispose of the capital assets at the end of your agreement.
- In many cases, recipients ask that the assets be retained for future use.
- Other options include donating the assets to another organization doing similar work or selling the capital assets to reduce HRSDC's contribution or to fund other expenses of your organization.

Only the Department (HRSDC) can approve the disposal plan for capital assets.

3.4 Conflict of Interest

Some times, you might need the services of an outside consultant or organization to complete a project or a task, and occasionally, the most suitable individual or organization for the job may be an active member of your board or steering committee.

Under normal circumstances, this situation would present a conflict of interest for the individual or organization in question. However, if indeed the individual or organization in question is best suited to complete the work, or is the most reasonably priced, you can consider this option, provided you meet a series of conditions. Contact your HRSDC representative if you need more information.

3.5 Contracting

The use of professional fees to contract for services or to order goods can be an eligible expense. Refer to your agreement for specific details on sub-contracting, or contact your HRSDC representative for more information.

3.5.1 REQUESTING A SOLE-SOURCE CONTRACT

A sole-source contract is a non-competitive contract for which bids are not solicited. Normally, you have to hold competitive bidding for all contracts over \$25,000. In rare circumstances, however, you can have a sole-source contract pre-approved by HRSDC

representatives and thus make it qualify for reimbursement. If you fail to have it approved ahead of time, it won't qualify.

Submit your sole-source requests **in writing** to the HRSDC representative concerned, and include whichever of the details below are relevant in your case:

- Name of the contractor or vendor
- Duration of proposed contract
- Dollar value of the contract
- Rationale for the sole-source request
- Previous experience with contractor or vendor (work well done? deadlines met? deliverables completed?, etc.)
- Details of previous contracts with the contractor or vendor
- Results of previous competitions for similar work
- Declaration of any conflict-of-interest or nepotism concerns with the contractor or vendor.

3.5.2 CONTRACTOR OR EMPLOYEE?

A contractor or consultant

- is not an employee of your organization;
- does not receive employee benefits;
- has no salary deductions taken off at source;
- receives specified fees and expenses;
- is responsible for his or her own office space;
- has clear deliverables and expectations set out in a contract; and
- cannot sign cash flows, agreements or other legal documents on behalf of your organization.

A contractor or consultant differs from an employee who has a contract to work for a set period; contracted employees

- are entitled to receive benefits;
- may be given legal signing authority; and
- have deductions like income tax, CPP and EI taken at source.

Professional fees paid to contractors or firms should be all-encompassing, meaning that all costs they incur should be included in the amount paid to them in a given period. Do not submit contractor costs for office space (including home office space), equipment and other capital assets or benefits to HRSDC for reimbursement – contractors are considered “self-employed” and, as such, must cover their own operating expenses. Please consult the Canada Revenue Agency (CRA) at <http://www.cra-arc.gc.ca> for more information on professional fees.

3.5.3 OFFICE SPACE FOR CONTRACTORS

Avoid equipping consultants or contractors **for telework**, because equipment and costs tied to their teleworking are not eligible expenditures. Also, office space you give them *within* your organization normally doesn't qualify for reimbursement, again because consultants or contractors are expected to provide their own equipment and workspace. In some cases, however, they may simply not be able to do so, especially if you truly need them to work on site. In such instances, you must request and receive pre-approval in writing to have this special office-space expense qualify for reimbursement.

3.5.4 PERSONAL SERVICE CONTRACTS: FOR INDIVIDUALS, NOT FIRMS

The ***Personal Service Contract (PSC)*** is often confused with a professional fee. First, the bidding process required for a PSC differs from the one mentioned in section 3.5.1. Second, the PSC is used to retain the services of an ***individual*** (as opposed to a firm or agency) for a specific role or job, such as project manager for one of your projects.

The competitive bidding process for a PSC is not a request for proposals (RFP). Instead, you advertise for the work required, and at least three individuals need to provide, at a minimum, their daily rate, their curriculum vitae, and any further documentation you need in order to make the best choice for the contract.

You can use the PSC to hire an individual for a specific time without taking the person on as a full-time employee. The contract would include

- a daily pay rate
- additional fees as required (for example, travel)
- an updated curriculum vitae and a short profile of the hiree (highlighting special qualifications for the work in question)

As mentioned, the individual would not be considered an employee, so **mandatory employment-related costs (MERCs) would not apply to the contract.**

3.6 Eligible expenses

This section outlines the more common expenses included in contribution agreements. While the following all qualify as eligible expenses, many have conditions attached to them. HRSDC representatives can provide more information if you need.

3.6.1 WAGES, SALARIES AND BENEFITS: MOSTLY ELIGIBLE FOR REIMBURSEMENT

Salaries and wages, including mandatory employment-related costs (MERCs) and some employee benefits, are eligible expenditures under contribution agreements for persons you hire as employees to help conduct your project.

3.6.1.1 MANDATORY EMPLOYMENT-RELATED COSTS (MERCs)

MERCs are what each province and territory requires employers to pay for their staff under the law (MERCs can vary a bit between provinces). The MERCs for employees who are paid through your contribution agreement with HRSDC are eligible for reimbursement.

Note: Vacation pay is reimbursed only if your employee does not also receive vacation leave as outlined in your personnel policy. Please visit CRA's Web site for more information.

3.6.1.2 LEAVE: MINIMUM REIMBURSEMENT UNLESS...

HRSDC reimburses employer costs for employee leave at the minimum rate required by law, unless your board of directors provides us with a personnel policy that properly details its employee leave policy. This information must be presented and justified by your board of directors and not by your organization's executive director or its staff.

3.6.1.3 OTHER EMPLOYEE BENEFITS

HRSDC may reimburse some employee benefits (such as dental, medical, health) only if they are warranted by your organization's HR/Personnel policies. The costs must be foreseeable so that they can be negotiated in your original agreement; otherwise, they require a negotiation and an amendment prior to incurring the cost.

3.6.2 HOSPITALITY EXPENSES: NOT FOR TRAVEL OR FOR PUBLIC SERVANTS

Hospitality expenses normally consist of ***meals and refreshments*** at board meetings, business lunches or receptions; travel expenses are not included. To claim against your hospitality budget, you need to briefly explain the purpose of the event and how it supports your organization's or project's activities and objectives (a list of participants and their title or position are also needed).

Finally, you cannot use your hospitality budget to meet with public servants.

HRSDC uses Treasury Board hospitality and meal-allowance guidelines as the basis for reimbursement. Normally, we reimburse only the "average per-person cost," which must include gratuities and HRSDC's contribution to GST.

Still, some situations might require that you exceed this amount. But to have us consider reimbursing the "maximum-per-person cost," you have to get the expense pre-approved and provide us with a written justification.

The Treasury Board reviews rates for travel and hospitality twice a year, and you're responsible for keeping up to date in this area. For the most current rates, consult the Treasury Board Web site at www.tbs-sct.gc.ca

3.6.3 STAFF TRAINING: ELIGIBLE ONLY IF DIRECTLY PROJECT-RELATED

Individuals you hire through your contribution agreement are expected to have appropriate qualifications and work experience at the outset. Though you can provide support to help an employee with personal career development, HRSDC reimburses professional-development initiatives only if they contribute directly to the success of your funded project or activity.

3.6.4 TRAVEL WITHIN CANADA

The cost for travel to carry out project activities is an eligible expense if it's reasonable. Meals and incidentals are reimbursed according to Treasury Board rates. The actual costs for accommodations and transportation are also reimbursed if they are reasonable. For example, train and air fare reimbursements are based on economy rates. First-class and business-class fares (or their equivalents) are not normally reimbursed; also, extra insurance purchased by the traveller does not qualify.

Exceptions to this rule include travel lasting more than nine continuous hours, including flights or trips taken by train; for flights, first-class tickets can be reimbursed according to Treasury Board guidelines and for the train, the next higher class after the full economy class is reimbursed.

One way or another, to be reimbursed for travel, you have to submit a copy of the original invoice or, for electronic tickets, a copy of the boarding pass. That said, be sure that your employees and consultants provide you with original invoices before you reimburse their travel expenses. HRSDC is not allowed to reimburse you in turn if you do not have the original invoices.

Finally, travel policies apply to every project contributor whose travel is paid through contribution funds.

Common travel guidelines summarized

The list below is partial, and we remind you that as a funded recipient you have to follow the travel policy in its entirety. For questions on specific entitlements, please consult HRSDC representatives.

- As a general rule, HRSDC can contribute toward travel costs up to the maximum allowed by Treasury Board.

- Travelling has to take place by the least expensive means.
- **Airline travel** for trips fewer than nine continuous hours are reimbursed at the economy rate, while **train travel** is reimbursed at one level above economy.
- **For meals**, we reimburse according to a daily allowance set by Treasury Board. Meals cannot be claimed when they're included in the travel ticket being claimed (meals served on flight, for example).
- Kilometre rates for **personal-vehicle travel** away from the office are eligible expenses, but not for daily commuting. Rates change periodically, so be sure to stay up to date on the latest adjustments.
- You can reimburse staff and board members for travel costs that exceed the Treasury Board's maximums, but we must limit reimbursements to these maximums. For instance, if you decide to buy first-class airfare, we reimburse only the cost of an economy ticket. That said, you need to provide us with the economy price, although we may check this independently and reimburse at a different rate.
- Reimbursements for **hotels** vary from region to region. You should seek a reasonable rate and when in doubt, please consult your HRSDC representative to discuss acceptable rates for hotel stays across Canada.
- For travellers who opt to **stay in private, non-commercial accommodations**, we reimburse at the Treasury Board's approved rate.

3.7 Employees

3.7.1 HIRING OF IMMEDIATE FAMILY: TRANSPARENCY AND OBJECTIVITY ABOVE ALL

HRSDC has very clear policies on the hiring of immediate family members, and we do recognize that, in some instances, they may be the best choice based on their unique knowledge or experience. Still, if you decide to go that route, **care and transparency** are essential.

And if you indeed want to hire an immediate family member, it's your responsibility to request **written authorization from HRSDC**. Finally, to approve your request, we need to confirm that the recruitment or hiring would not result from sheer favouritism.

3.7.2 FORMER PUBLIC-SERVICE EMPLOYEES: WATCH FOR CONFLICTS OF INTEREST

HRSDC contribution agreements require that former public service employees comply with the *Conflict of Interest and Post-Employment Code for Public Office Holders* and with the *Conflict of Interest and Post-Employment Code for the Public Service*. For details, please contact your HRSDC representative.

3.8 Expenditures requiring pre-approval

Some expenses require HRSDC approval, based on a solid rationale from your organization, **before** you expend the funds required. If you spend the funds without pre-approval, HRSDC is not obliged to reimburse your organization.

3.8.1 HONORARIA

In exceptional circumstances, honoraria (for speakers, outside experts, focus group participants, etc.) may qualify as an eligible expense. Each honorarium must not only be legitimate and reasonable, but also be truly necessary for the activity in question.

However, individuals whose participation in a project is already being compensated (by their employer, for example) must not receive honoraria. What's more, honoraria cannot be provided for partners whose time is being accrued as part of their in-kind contribution. For this reason, participation in focus groups and similar commitments are generally seen as in-kind contributions.

All honoraria must be pre-approved in writing by HRSDC. Note that whether or not HRSDC reimburses you for honoraria expenses, you should issue a T-4(A) slip to the person being compensated, because honoraria are taxable. Please see the CRA's Web site for more information.

3.8.2 INTERNATIONAL TRAVEL

International travel for project activities must be pre-approved in writing by HRSDC. Please contact the HRSDC representative on how to provide details and a justification, also in writing.

3.8.3 TRAVEL COSTS FOR PROVINCIAL OFFICIALS

In exceptional circumstances, travel costs for provincial officials (employees of provincial or territorial governments) may be eligible expenses, but they require pre-approval by HRSDC.

3.9 Fiscal-year dates

The Government of Canada's fiscal year begins April 1 and ends March 31.

3.10 Goods and Services Tax (GST)

You are responsible for checking each year if you are eligible for the GST rebate and at what percentage, and to provide written confirmation to HRSDC. For more information, simply consult the CRA Web site.

Under your contribution agreement, we reimburse only the GST-HST portion of eligible expenses that is not subject to a rebate or an input-tax credit you might receive from the CRA.

That said, be sure to code the GST separately in your chart of account in order to identify the portion of GST that you claim to HRSDC and the portion that you submit to the CRA for the GST rebate. For your claim to HRSDC, report the GST under the *General Project Cost* category.

3.11 Ineligible expenses

Again, HRSDC only reimburses expenses tied directly to the project activities stipulated in your contribution agreement. Expenses that do not follow HRSDC guidelines aren't eligible. Please check with your HRSDC officer if you're unsure about a particular expense. The following six sub-sections list common ineligible expenses.

3.11.1 CAR ALLOWANCES AND PARKING

Car expenses are generally not eligible for reimbursement. However, as we mentioned before, you can claim car expenses while travelling away from the office, but only if your travel is directly related to the project.

The cost of parking at the one's place of work is not an eligible expense, but if parking is provided as part of your office **rent**, it may qualify if you have no option to decline the space for a reduced cost and if the cost of the spaces is not specified. You'll need to provide us with a copy of the lease to have this cost reimbursed.

3.11.2 GIFTS

Gifts offered as rewards and recognition, when purchased with public funds like contribution dollars, are not eligible expenses. However, the Government of Canada recognizes that giving gifts (like hospitality) may be culturally integral to the work, purpose or approach of a partner organization. In these exceptional cases, the cost could be considered eligible under your contribution agreement if gifts are seen as appropriate. We require that you submit a written request outlining the circumstances, what you're proposing to give as gifts, how much you plan to spend, and who will be receiving the gifts.

3.11.3 IN-HOUSE CONTRACTING

In-house contracting means granting a contract to an employee from your organization or board of directors. Charges for in-house contracting are not eligible expenses under HRSDC contribution agreements.

3.11.4 RECREATIONAL ACTIVITIES

Costs for recreational activities (club memberships, green fees) are not eligible expenses.

3.11.5 MISCELLANEOUS INELIGIBLE EXPENSES

The following list rounds out the most common ineligible expenses, but it isn't comprehensive:

- alcohol;
- bus passes;
- coffee for daily use in office;
- flowers;
- interest charges on credit cards or interest charged by suppliers;
- kitchen supplies;
- late-submission fines and other penalties from CRA;
- laundry/dry cleaning; and
- MERCs for contractors.

3.12 Address changes

You are responsible for informing HRSDC if your organization or project team changes its address.

3.13 Tracking financial records

Your organization can use any computerized record-keeping system that works according to "generally accepted accounting principles" and that clearly reflects the project's financial status. Like all good record-keeping systems, it should be clear, verifiable, up to date, consistent and complete.

3.14 Third-party agreements

Third-party agreements are used when your organization hires a consultant for a project activity or when you decide to contract work out. Though you're ultimately responsible for the administration of the HRSDC funds, you may enter into a contract

with another party who becomes responsible for specific aspects of the project activities.

You're also responsible for demonstrating that funds used through third-party contracts are being spent in accordance with your contribution agreement, and in keeping with the intent of your program (*You need to keep a satisfactory audit trail for these expenses, just as for your other expenditures*). Your organization must also ensure that no conflicts of interest arise in the awarding of contracts (refer to the applicable clauses in your agreement).

What's more, to ensure that your funds are being spent in accordance with the requirements in your agreement, be sure to review the agreement carefully and to consult with HRSDC representatives if you have any questions.

We may ask you for a copy of the signed contract for consultation, and we reserve the right to monitor the activities conducted by the third party on your behalf.

4.0 Advances, progress payments and claims

4.1 Advances and progress payments

The Treasury Board's transfer-payment policy provides for two types of payments:

- 1) **Progress payments** are issued monthly or quarterly (every three months), to reimburse expenses you incurred during the reported period and according to the budget and activities approved under your contribution agreement; progress payments require that you submit a signed payment claim and an activity report.
- 2) **Advance payments** are occasionally made at the start of an agreement when it's clear you need them to achieve your program objectives. Specifically, under such an agreement, HRSDC can advance funds to cover your first two months of projected expenses.

You receive more advances once you submit an expense claim to reconcile the first period of advances. You also have to provide an updated cash flow with your claim form. Each new advance depends on the amount already advanced, the amount spent and your forecasted requirement.

4.2 Expense claims: The basics

A claim is a request you make to receive a reimbursement for or to reconcile an advance expense you incur under your contribution agreement. You receive payment once your claim is approved.

You submit claims monthly or quarterly, as your agreement states, to reflect the expenses you incur in that period. Your claims have to come with supporting documentation (general ledger, revised cash flow and, if required, copies of invoices and an activity report). If you do not incur expenditures during the period, simply submit a NIL claim.

4.3 Claims: Getting them processed fast

To avoid delays in processing your claims, ensure that

- you submit them according to the timelines outlined in your agreement and schedules;
- all expenses are actual costs eligible under your agreement and schedules;
- your claim is accompanied by both a copy of the general ledger entries and an updated cash flow for that period, and is signed by the appropriate authority;
- copies of invoices, payroll records and other necessary documentation are attached when specifically requested;
- copies of invoices accompany your claim for capital assets;
- your revised cash flow comes with a projection of financial needs for the remaining months of your agreement, as well as the actual expenses incurred;
- an activity report is included, if required; and
- you provide HRSDC with a signed claim to process the payment.

You can speed up your reimbursement if you submit a copy by fax, but you need to send the original signed claim by mail afterward. We also recommend that you sign the revised cash flows you submit with the claim forms.

4.3.1 INITIAL BUDGET REVIEW

When you submit a proposal, HRSDC representatives review the proposed budget to

- assess if it is directly related with the project's objectives, activities and outcomes; and
- confirm that project costs are reasonable and reflect "fair market value."

If you happen to hold several agreements with HRSDC, and possibly with other government departments, we suggest that you design and submit a "matrix." The matrix should establish all costs and the funding source that will pay for each one. This can save you a lot of trouble and confusion in the management of multiple agreements.

For multiple agreements with shared expenses, a matrix works well to identify related expenses with the funding source.

5.0 Monitoring by HRSDC

Be aware that HRSDC must monitor your project, reconcile expenses against the contribution funding paid, and check the results achieved to date. The number of monitoring visits varies according to the complexity of your project, your organization's history in managing contribution funds, the amount of the contribution, the time frames and other factors. If your organization has multiple agreements, we combine the monitoring of the various projects, thus reducing the time required at your end.

Activity and financial monitoring may involve desk audits based on documentation, site visits, telephone calls, faxes, e-mails or meetings. The purpose of monitoring is to ensure the public funds entrusted to your organization are being spent in accordance with your agreement, that the project is on schedule, and that it's doing what it was intended to do.

5.1 Preparing for an activity-monitoring visit

An HRSDC representative contacts you when preparing for an activity- or financial-monitoring visit. That said, you should

- ensure that the appropriate staff are on hand to help HRSDC representatives (they may wish to speak to staff, contractors, participants, the bookkeeper, accountant or project manager, etc.);
- ensure that any documentation, products, etc. are readily available;
- ensure that all records are collected ahead of time (see below); and
- ensure that enough time is set aside for the visit.

HRSDC's aim is to ensure the project is progressing according to timelines, and isn't facing obvious impediments to its success. Monitoring thus increases your ability to carry out the project successfully.

5.2 Material required for financial-monitoring visits

When conducting an on-site financial monitoring, the project officer needs access to the following information:

- employee contracts; payroll records;
- bank statements, deposit books, cancelled cheques, invoices;
- contributions from other partners;
- an up-to-date general ledger;
- leases, contracts for rental equipment, third-party agreements (includes contractors and consultants);

- an up-to-date inventory list, documentation specified by HRSDC representatives, or activity reports in the agreement; and
- On-site access to the bookkeeper or some other contact who knows the computer and filing systems.

All cancelled cheques, original receipts and invoices must remain in your office with the project's financial records (credit card statements or slips do not qualify as receipts or invoices; this includes original airline, train tickets, etc.). Also, remember that you have to keep all records on site for at least six years after your agreement's end date.

6.0 Closing a project

Upon receiving the final claim, an HRSDC representative contacts you to schedule the final monitoring visit. Your final claim should reach us within 60 days after the end date of your agreement. The final monitoring is needed to close an expired agreement.

6.1 Preparing for close-out

In preparation for this monitoring, you need to

- update the list of capital assets acquired during the life of the agreement;
- submit a copy of the final project report to the HRSDC representative before the final monitoring visit, to allow enough time for review (see your agreement);
- have the final bank statement, all cancelled cheques, payroll, original invoices and contracts on hand for HRSDC verification; and
- ensure that you provide HRSDC with a copy of all products that were developed during the agreement (brochures, CD, Web links, etc.).

6.2 Termination notices to project staff

At the end of an agreement, and if the services are no longer required, you are responsible for giving project employees the proper notice required by your province's *Employment Standards Act*. HRSDC is not responsible for additional costs you incur if you overlook this requirement.

6.3 Disposing of capital assets

HRSDC has no property rights or security interests in capital assets purchased with contribution funds. However, provisions in your contribution agreement allow HRSDC to direct how any assets you purchased with HRSDC funds must be disposed of.

If capital assets were purchased, your executive director has to send a letter to HRSDC's director general of the funding program, asking to retain the assets.

6.4 Final payment

Once the final monitoring is complete and no outstanding issues are left, HRSDC processes your final claim. If we owe you a final payment, we issue a cheque. On the other hand, if we've overpaid you, we send you a letter requesting a cheque for the amount in question.

IMPORTANT NOTE: Please make your cheque to the *Receiver General of Canada*.