



Industry
Canada

Industrie
Canada

AUDIT OF THE SCHOOLNET FAMILY PROGRAMS

Final Report

Audit and Evaluation Branch

January 2005

Canada

Table of Contents

1. Executive Summary	<u>1</u>
2. Background	<u>4</u>
SchoolNet Programs	<u>4</u>
Key Risk Factors	<u>4</u>
Risks Specific to Third Party Delivery Arrangements	<u>5</u>
3. Objectives, Scope, Approach and Criteria	<u>7</u>
Objectives and Scope	<u>7</u>
Audit Approach	<u>7</u>
Audit Criteria	<u>8</u>
4. Audit Findings	<u>9</u>
4.1 Management Control Framework and Practices	<u>9</u>
4.2 Internal Controls Related to the Selection, Approval, Payment and Review of Projects and Operations	<u>12</u>
4.3 Contribution Operations and Delivery Systems	<u>13</u>
4.4 Compliance	<u>15</u>
Appendix A – Management’s Response to the Conclusions and Recommendations on Monitoring	<u>17</u>
Appendix B – List of Individuals Interviewed	<u>22</u>
Appendix C – Audit Criteria	<u>23</u>
Appendix D – Leading Practices	<u>26</u>
Appendix E – Critical Success Factors	<u>29</u>
Appendix F – Relative Risks Applicable to Each Lifecycle Stage of a Third Party Delivery Agreement	<u>30</u>
Appendix G - Management Response and Action Plan	<u>32</u>

1. Executive Summary

The objectives of the audit of the SchoolNet program were to provide an independent and objective assessment of: the adequacy of SchoolNet's management control framework and practices, including its risk management strategies and practices and information used for decision-making and reporting purposes; the adequacy of internal controls; the economy, efficiency and administrative effectiveness of contribution operations and delivery systems; and compliance with Treasury Board's *Policy on Transfer Payments*, general terms and conditions of agreements, and the adequacy of efforts to determine compliance. The scope of the audit was limited to the First Nations SchoolNet (FNS), Computers for Schools (CFS) and GrassRoots (GR) programs based on a risk assessment conducted in February 2004. The audit focused on management practices and contribution agreements in effect between January 2003 and March 2004.

The scope of the audit was modified at the inception of the audit field work due to program changes resulting from the 2004/05 federal budget, resulting in the elimination of further audit work on the GR program and expanded field work on the FNS program. The audit was conducted in accordance with the Institute of Internal Auditors' *Standards of the Professional Practice of Internal Auditing* and Treasury Board's *Policy on Internal Audit*.

The results of the audit are intended to be used by SchoolNet management to improve existing management practices, controls, processes and procedures in its various program areas.

Background

The SchoolNet family of programs relies heavily upon partnerships and third party delivery arrangements to achieve programming objectives. As a result, two of the key risks facing the program are the indirect control exercised by the program as a result of the use of third party delivery agents and reliance on partnerships to achieve its objectives. In addition, SchoolNet programs have faced a considerable amount of change over the past three years, primarily due to changes in funding and a restructuring within the Information Highway Applications Branch in response to findings identified in the September 2000 internal audit.

A summary of the programs subject to the audit is as follows:

1. *First Nations SchoolNet* – Through contribution agreements with six Regional Management Organizations (RMO's), FNS programming is delivered on a national basis to connect and maintain the connections of First Nation schools to the Internet and to accelerate the development of stronger communities, people and economies.
2. *Computers for Schools* – CFS is delivered by not for profit organizations within each province of Canada through the provision of refurbished computers to schools throughout the country.
3. *GrassRoots*– Through the GR program, contributions are made towards the development of innovative multimedia online learning projects to encourage the use of and develop skills in Internet and multimedia technologies.

Conclusions and Key Findings

Overall, we found that SchoolNet's management control framework and related practices and internal controls are in place, operating as intended, and are in compliance with Treasury Board's *Policy on Transfer Payments*. The SchoolNet family of programs has implemented a number of noteworthy and leading practices, including the programs' successful use of partnerships to leverage additional support for program delivery, the use of a

collaborative approach in the development of programming objectives and priorities, the high level of commitment among staff and management, and the frequency and form of communications between program staff and management and its recipients. Many of the better practices currently employed by the SchoolNet programs examined are provided in Appendix D.

In addition, through the course of our audit, we identified potential opportunities for further improvement that have been summarized below by audit objective.

1) Management Control Framework and Practices

Because partnerships are a critical success factor in SchoolNet program delivery, it is recommended that a formal framework be developed to provide guiding principles over the selection and management of partnership arrangements, both within programs and between IHAB programs. Such a framework should include standard partnership agreements, clear roles and responsibilities, the development of a national partnership database, and supporting policies and processes. A formal framework may improve opportunities to share lessons learned and leverage off existing partnerships on a national level. In addition, the development of formal agreements between recipient organizations and local partners may reduce risks associated with varying levels of partner support.

Due to a significant amount of turnover at the Program Officer level and Branch restructuring that has resulted in modified roles and responsibilities, additional training in the processing and monitoring of contribution agreements is recommended at the Program Officer level. Prior to the development of specific training plans, Program Officer roles and responsibilities should be reexamined, and consideration be given to expanding roles and responsibilities to allow for the assignment of a specific officer for each recipient organization for monitoring, financial verification, and other activities. Once roles and responsibilities have been finalized, gaps in individual capabilities should be assessed and training plans developed for all personnel at the Officer level.

Finally, existing information and reporting provided to management require improvements in content and timeliness. It is recommended that management identify potential changes in the data collection required in order to provide for more timely and detailed reporting to better meet their needs. It is further recommended that the development of a national FNS database be considered a priority.

This database should be a key source of information in demonstrating program performance and the achievement of program objectives and intended outcomes.

2) Internal Controls

Although recipient monitoring activities are currently performed in a variety of forms, evidence of monitoring activities is not currently documented in sufficient clarity or detail. This may create difficulties in determining the current progress of a recipient and in identifying issues and the status of any resolutions. It is recommended that file documentation standards be revised to require an appropriate and specific level of documentation as evidence of monitoring activities, such as a sign off on recipient activity reports and provision of commentary on reports received and meetings attended.

3) Contribution Operations and Delivery Systems

A number of opportunities for improvement in the efficiency of the current claims verification process exist,

including: the adoption of a more risk-based approach to claims verification through which a selected portion of supporting documentation would be examined based on risk; increased training for recipients on reporting requirements to reduce systemic and recurring errors; a more rigorous follow up on the reasonableness of cash flow forecasts by recipients in support of advances to reduce the programs' exposure to risk; and a reduction in the amount of paperwork required for each claim. By focusing on these improvements, the claims processing time may be reduced and the administrative burden on recipients may be lessened.

It is further recommended that standard templates be developed for the FNS program, similar to those currently used by CFS, to be submitted on a quarterly basis and allow for less formal activity reporting in support of monthly claims. Standard quarterly recipient reporting should include status, outcomes and action plans against specific performance measures and business plan objectives.

4) Compliance

In some instances, specific provisions required under the RMO contribution agreements were not included in contracts between the First Nations Schools and the recipient organization. It is recommended that a standard contract be developed by FNS management, in consultation with Legal Services, and included as an appendix to the standard RMO contribution agreement. It is our understanding that this issue was resolved in early fiscal 2004/2005 through the development of agreements between RMOs and First Nations Schools that meet all the requirements of the RMO contribution agreements.

SchoolNet management has accepted all findings, conclusions and recommendations of this audit report. The detailed management responses for each of the recommendations raised can be found in Appendix A of this report. As demonstrated in Appendix A, SchoolNet management has clearly identified an action plan, including key areas of responsibility and anticipated time lines, to address each recommendation, many of which are currently underway or have been completed.

2. Background

The SchoolNet program supports the attainment of the government objective in the *Connecting Canadians* framework “to make Canada the most connected nation in the world”. The SchoolNet program encourages the development and efficient use of Internet-based communications systems within the Canadian learning community by increasing the integration of information and communications technologies (“ICT”) into learning settings and supporting communities of interest and by assisting the development of the Canadian learnware industry.

SchoolNet began as a pilot project in 1993 to link a limited number of schools to the Internet. It was then incorporated into the 1994 micro-economic strategy of “Building a More Innovative Economy”. SchoolNet’s first target of connecting all schools (including First Nations schools) and libraries to the Internet by March 31, 1999 was achieved with the assistance of both public and private sector partners. The second target, achieved by March 31, 2001, consisted of ensuring connectivity equivalent of one computer per classroom, generating 20,000 Grass Roots projects and connecting all First Nations communities.

SchoolNet Programs

Most programs within the SchoolNet “family” of programs reside within the Information Highway Applications Branch (“IHAB”) of the Spectrum, Information Technologies and Telecommunications Sector of Industry Canada. The core SchoolNet program is administered by a Director who reports to the Director General: Programs (IHAB). The core SchoolNet program consists of the following “sub-programs”, each of which is headed by a Manager who reports to the Director: LibraryNet; E-Learning Programs (GrassRoots); Network of Innovative Schools; SchoolNet First Nations; and, E-Learning Portal.

In addition to the main program, there are a number of independent programs within the SchoolNet family headed by the Director, Learning Access who reports to the Director General: Programs (IHAB). These independent programs consist of: Computers for Schools; SkillNet; Canada’s Campus Connection; Multimedia Learning Group; and, Digital Collections. Other independent programs that are headed by the Director ICT Skills Promotion and Marketing (who reports to the Director General: Policy, Planning and Promotion) are SchoolNet Youth Employment Initiative, Prime Minister’s Awards, NetCorps, Office of International Partnerships, CanConnect, and ISE Camps. Both Director Generals report to the Associate Assistant Deputy Minister for IHAB.

In 2003/04, the Student Connections program initiative joined the SchoolNet family and is administered by the Chief Information Officer of Industry Canada.

Key Risk Factors

A critical factor that has continued to impact the SchoolNet family is its extensive reliance on partnerships and third party delivery arrangements to achieve programming objectives. SchoolNet relies heavily upon partnerships and collaborations with other governments, school boards, schools, education associations and the private sector in achieving its mandate. Under many arrangements, aspects of SchoolNet program delivery are transferred to a third party organization to deliver the programming on behalf of SchoolNet through contribution agreements. As a result, two of the key risks facing the program are the indirect control exercised by the program as a result of the use of third party delivery agents, and reliance on partnerships to achieve its objectives.

The most significant changes impacting the SchoolNet family of programs relate to the restructuring within the Branch and the implementation of new initiatives in response to significant areas of weakness identified in the September 2000 internal audit of the Information Highway Application Branch. In particular, the following changes have had the most significant impact on the program’s management controls, policies, procedures and

practices:

- The centralization of support functions within the Branch in 2002. Previously, the programs had dedicated Informatics personnel within each program. Programs now rely upon the services of a centralized unit that prioritizes responses based on the urgency of the issue in relation to the Branch's overall objectives;
- The implementation of the Contributions Quality Assurance Unit that provides assistance in performing claims verification services under certain conditions and is available to provide quality assurance and support services related to project approval and project claims;
- Formal structures for measuring and reporting on program performance and demonstrating financial and operational accountability through the program's RBAF and RMAF developed in 2003;
- Standardized tools and checklists have been developed for contracts, payments for claims and monitoring processes and detailed program manuals developed to help ensure compliance with the IHAB Program Management Framework and relevant Treasury Board policies; and
- Program funding mechanisms changed from primarily using contracts to primarily using contribution agreements over the past two years, resulting in additional monitoring and reporting requirements.

Funding for the SchoolNet program was significantly reduced in the 2004/05 federal budget which has resulted in several organizational changes and reductions in staffing.

Risks Specific to Third Party Delivery Arrangements

Because SchoolNet relies heavily upon third party organizations to deliver its programming, specific risks implicit in third party delivery arrangements need to be considered. The success of third party delivery arrangements requires the efforts of both the initiating organization and the provider. To increase the likelihood of success, some key control mechanisms include: choosing the most appropriate provider (as determined through the selection process); agreeing on a rigorous, mutually beneficial governance process; and, managing and monitoring the third party delivery arrangement throughout its life-cycle.

Uncertainty or risk should be formally considered and evaluated from the time SchoolNet contemplates a third party delivery arrangement to the time when the initiative is completed. Any change in the delivery of the service will lead to a change in the risk profile faced by management. Therefore, an understanding of the risks, and controls that need to be in place, will facilitate decision-making. Risk management is an ongoing process that should be applied to each of the four life-cycle stages of a third party delivery arrangement: Decision Stage, Development and Approval Stage, Operational Stage, and Wind-up/Renewal Stage. Given that control is a key consideration in assessing risk, we also assessed the management controls in place that assist SchoolNet with decision-making and monitoring of its third party delivery agreements.

SchoolNet's programs falls within the Operational Stage in terms of its arrangements with its third party delivery organizations. This stage is characterized by a completed transition of the service delivery to the third party, (Transition Plan Process) followed by the day-to-day operations of the third party organization in its delivery of the outsourced service (Performance Monitoring and Evaluation Process).

Some potential risks within the implementation of the transition to use third party delivery organizations (Development and Approval Stage) include:

- Failure to properly define the roles and responsibilities of each party; and
- Lack of flexibility of the third party deliverer to meet new and changing requirements.

Some potential risks within the performance monitoring and evaluation stage of third party delivery

arrangements (Operational Stage) include:

- The service provider does not meet objectives;
- Inefficiency by the service provider; and
- Lack of performance reporting.

Other potential risks related to the various stages of third party delivery arrangements are provided for information purposes in Appendix E.

3. Objectives, Scope, Approach and Criteria

Objectives and Scope

The objectives of the audit of the SchoolNet program were to provide an independent and objective assessment of:

- The adequacy of SchoolNet's management control framework and practices, including its risk management strategies and practices and information used for decision-making and reporting purposes, with a particular focus on the adequacy of management control practices over third party delivery arrangements and the management of partnerships;
- The adequacy of internal controls related to the selection, approval, payment and review of projects and SchoolNet operations;
- The economy, efficiency and administrative effectiveness of contribution operations and delivery systems; and
- Compliance with the TB Policy on Transfer Payments, general compliance by recipients to terms and conditions of agreements and the adequacy of management efforts to determine compliance, including audits undertaken of recipients of contributions.

During our audit we reviewed the availability of timely, relevant, and reliable management information (both financial and non-financial), compliance with authorities, accountability in the use of resources, monitoring and reporting of actual results, the overall management control framework applied and the efficient and effective management of risk.

Consistent with our risk assessment completed in February 2004, three sub-programs were selected for inclusion in this audit: First Nations SchoolNet (FNS), Computers for Schools (CFS), and GrassRoots (GR). These three programs represent over 52% of the total SchoolNet family budget and are the most heavily impacted by the risks facing the SchoolNet program, including risks related to third party delivery, materiality, and the impact of recent changes affecting the program. The audit scope focused on management practices and contribution agreements in effect between January 2003 and March 2004.

The announcement of the 2004/05 federal budget in March of 2004 resulted in significant changes to the SchoolNet family of programs. Due to the overall reductions in program funding, the following changes were made to the three SchoolNet sub-programs included in this audit:

- The elimination of the GR program resulting in a winding-up of the program, effective immediately;
- Extension of the CFS program for one additional year, during which time alternative funding or delivery mechanisms for CFS will be examined to further continue the program; and
- Increased funding to the FNS program to a total of \$15 million per year.

As a result of these changes, our scope was reduced to focus the audit on the CFS and the FNS programs, and discontinue any further audit work on the GR program.

Due to the increase in funding allocated to the FNS program, the scope of this audit was increased to include an examination of all six contribution agreements in place with the Regional Management Organizations (RMO's), rather than selecting a sample of these organizations.

Audit Approach

The audit was conducted in accordance with the approach detailed in the internal audit plan finalized on March 15, 2004. Our original approach was modified due to the change in scope described above. However,

modifications were limited to discontinuing further field work on the audit of the GR program after March 30, 2004, and an expansion of our file review to include all six RMO's under the FNS program due to the increase in funding allocated to this program and the small number of contribution agreements in effect.

The audit approach included a review of a sample of project files related to the CFS and FNS programs; a review of documentation including contribution agreements and business plans of the recipients' selected; and consultations with representatives of SchoolNet management and officers in Ottawa, project leaders of the RMO's under the FNS program, management of the CFS organizations selected in our sample, and representatives from Industry Canada regional offices. No representatives from the GR program were interviewed and only two GR project files were examined prior to the decision on March 30, 2004 to discontinue this portion of the internal audit. A listing of interviewees included in our consultation process is provided in Appendix B.

In addition, we conducted a site visit to one of the RMO organizations under the FNS program, which included detailed discussions with the project leader on the program in general, and management of the services to First Nations schools under the contract with the RMO.

The sample of CFS agreements was selected for examination on a judgmental basis, based on the materiality of the funding provided and to ensure an appropriate representation from across the country. This resulted in a total of eight files being reviewed representing approximately 78% of total CFS funding. A tour of the CFS facility in Gatineau, Quebec was also conducted in conjunction with the audit.

The audit plan was developed from the risk assessment conducted in February 2004, consultations held with SchoolNet management in Ottawa, a review of background documentation on SchoolNet, and previous audit reports.

Audit Criteria

The audit plan finalized in February 2004 describes the criteria to be applied in the audit. The audit criteria define the standards against which SchoolNet's management practices were assessed and were selected with reference to legislative and regulatory requirements; by reference to standards, policies and practices followed by SchoolNet and by other public sector organizations; and, to professional literature. In particular, we referred to Treasury Board's *Policy on Internal Audit*, *Policy on Transfer Payments*, and *Policy on Alternative Service Delivery*, and the *Alternative Service Delivery Internal Audit Guide* and *Alternative Service Delivery Management Guide*.

The audit criteria are outlined in Appendix C of this report. Each of the criteria was examined through our consultations with selected representatives of SchoolNet and the selected recipient organizations, our review of the contribution agreements and related files for the selected recipient organizations included in our sample, and with reference to leading practices in management control frameworks, risk management, grants and contribution program delivery, and alternative delivery arrangements.

4. Audit Findings

In accordance with the March 15, 2004 internal audit plan, management practices and procedures within the FNS and CFS programs were examined, and to a limited extent, within the GR program, against each of criteria listed in Appendix C.

Through the course of the audit, a number of noteworthy and leading practices were identified under each of the four audit objectives. In particular, the programs' successful use of partnerships to leverage additional support for program delivery, the use of a collaborative approach involving stakeholders and recipients in the development of programming objectives and priorities, the high level of commitment among staff and management to the achievement of program objectives, and the frequency and form of communications between program staff and management and its recipients are commendable. Further details and other examples of leading practices currently employed by the program are provided in Appendix D.

Overall, we found that SchoolNet's management control framework and related practices and internal controls are generally in place, operating as intended, and are in compliance with Treasury Board's *Policy on Transfer Payments*. However, a number of findings were identified that are worthy of management's attention and represent areas where further improvements in efficiency and/or effectiveness may be gained.

SchoolNet management has accepted all findings, conclusions and recommendations of this audit report. The detailed management responses for each of the recommendations raised can be found in Appendix A of this report. As demonstrated in Appendix A, SchoolNet management has clearly identified an action plan, including key areas of responsibility and anticipated time lines, to address each recommendation, many of which are currently underway or have been completed.

Our findings, categorized by each audit objective to which they relate, are provided below.

4.1 Management Control Framework and Practices

4.1.1 Finding: Processes over the development and management of partnerships are largely informal in nature.

Previous evaluations of various programs within the SchoolNet family have consistently identified partnerships as a critical success factor for successful program delivery. Currently, a small number of SchoolNet partnerships exist on a national basis that are supported by documented agreements, such as the provision of operating software by Microsoft under the CFS program. On a national basis, partners within SchoolNet are generally relayed to each recipient organization through its Industry Canada regional contact or the program manager. However, there is currently no formal means of identifying the number and nature of partnerships that have been entered into by the various recipient organizations across the country.

In addition, in general no formal agreements or memorandums of understanding exist between recipient organizations and local partners. This may expose the programs to risk in the event of turnover within the partner organization, as many partnerships at the local level are based on personal relationships between the recipient organization and the partner. Given the high level of support provided by partners and its criticality to the successful delivery of the program, a reduction in the level of support provided by a particular partner may negatively impact a recipient's ability to meet objectives and expected performance targets. Finally, the lack of a formal database and process to identify and manage partnerships may reduce opportunities to share lessons learned and leverage off existing partnerships on a national level, and may also reduce opportunities for leveraging off partnerships across program areas.

The development of a formal partnership framework would assist in providing guiding principles over the selection and management of partnership arrangements for all programs within the SchoolNet family. The framework should be consistent with the Departmental *Sponsorship and Partnership Management Framework* and other efforts occurring within the Department to better integrate partnership arrangements. While it is recognized that, in many cases, partnerships are formed at a local level to respond to local needs and may not lend themselves to a national scope, a consistent approach should still be followed across the Branch with respect to the types of arrangements entered into and the terms of agreements with partners. A formal partnership framework should encompass the following components at a minimum:

- Standard partnership agreements to help protect the Department from potential conflict of interest situations and to protect the program by formalizing the level of support to be received by the program from a particular partner;
- The development of a national database to capture partnership information to assist in increasing awareness of existing partnerships, the nature and number of partnerships that have been entered into, and the area of coverage provided by the partnerships. Common data elements that may be considered for such a database include: the type of partnership or type of donation provided (i.e. time, equipment, etc); contact name for the partnership organization; length of time in partnership status; the key contact within the Branch for each partner; and, status to date of the donations provided and the amount provided to each program;
- Clear roles and responsibilities of both partners and Industry Canada representatives as they relate to identifying, selecting and managing partnerships. In particular, consideration may be given to expanding the role of the regional Industry Canada representatives to require a more proactive approach to educating recipients under all Industry Canada programs of existing partnerships and existing programs that may be of benefit to their particular program; and
- Partnership selection criteria and processes over the identification, selection and management of partnerships.

Recommendation

The Director General IHAB, in consultation with SchoolNet program management, should develop a formal framework and accompanying guidelines over the development and management of partnerships for IHAB programs. This should include the development of a database to capture partnership information across the IHAB programs, the development of standard templates for partnership agreements and standard policies and procedures over the key phases in the partnership life cycle, and the clarification of roles and responsibilities of all parties involved in the partnership life cycle.

4.1.2 Finding: Additional training in the delivery of contribution agreements may be required at the Program Officer level.

While significant efforts have been made to assist in ensuring that the majority of staff have received mandatory IHAB training that includes grant and contribution courses provided by Program Services Branch as well as Contracting and Financial Delegation courses, no formal in-depth training on file and client management has been provided at the Program Officer level. This is due to a number of factors including the centralization of SchoolNet support functions in 2003 which required modifications to Program Officer roles and responsibilities, a high level of turnover experienced within the programs due to the SchoolNet program's temporary mandate, and the transition from contracts to the use of contribution agreements in 2002 within the FNS program.

While Program Officers have received less formal on-the-job training in these areas, additional training may be required at the Program Officer level in order to deal with the significant changes in responsibilities experienced by Program Officers over a short period of time. Shifts to monthly reporting by recipients and the predominant use of contribution agreements requires a specific skill set and generally also requires additional human resources for appropriate monitoring and performance management activities. In particular, Program Officers are required to assess the reasonableness of activities performed by recipients in relation to recipient business plans, stated objectives, and costs claimed. However, due to the largely technical nature of program delivery, Program Officers may not possess the required specialized expertise to fully assess the reasonableness of recipient activity and costs claimed. In addition, without formal training on the file and client management, inconsistencies may exist in program delivery and the level of support provided to recipients.

Prior to the development of specific training plans, existing roles and responsibilities at the Program Officer level may require reexamination, with consideration being given to expanding these roles and responsibilities to allow for the assignment of a specific officer for each recipient, and include monitoring recipient performance, performing financial verification of claims, and ensuring the terms and conditions of contribution agreements continue to be met. This would allow for each recipient to have one key and consistent point of contact within the program to resolve issues and should reduce the amount of time required by the Program Managers to respond to routine operational matters within recipient organizations. Once roles have been redefined, gaps in individual capabilities may be assessed and training plans developed for all personnel. This training should include the identification of sources of technical expertise that may be required to verify the reasonableness of recipient activity and related costs claimed, such as SITT specialists. This should result in the provision of more consistent and efficient service to recipients and internal clients, and ensure roles and responsibilities are clear among all personnel. A senior staff member may also be identified as a mentor for new or inexperienced staff to seek out for assistance.

Recommendation

The Director E-Learning should re-examine and clarify roles and responsibilities at the Program Officer level and identify and resolve related training needs.

4.1.3 Finding: Detailed performance information is not consistently available to management on a timely basis.

Although a pilot project has recently been completed with the SAS Database that allows the ability to view the status of actual performance against key performance indicators on a live basis, consultations with management revealed that there is inadequate reporting and information received for many other aspects of performance management. Currently, monthly summaries of the types and results of program monitoring activities are not provided on a formal basis, and there is limited reporting available on funding at the program level on a timely basis (i.e. detailed data down to the project level is not currently available in real time).

In addition, although efforts have been underway over the past two years to develop a national FNS database for capturing progress reports and allowing for the assessment of the performance and success of each RMO, this database has yet to be completed due to resource constraints. Efforts to develop a national FNS database should be considered a priority when assessing and allocating Informatics resources. Although the current SAS database captures data on performance indicators as defined in the SchoolNet RBAF, these indicators do not provide detailed information of the individual RMO, the individual schools assisted by each RMO, details on impacts such the actual usage of computers and connectivity in First Nations Schools, or demographic and geographic indicators to identify market needs and support future business planning. Relevant, timely and robust indicators are a key element in demonstrating the achievement of program objectives, intended

outcomes, and performance in support of future funding renewals. Indicators that may be required in a national database may include the number of eligible schools, total schools participating, regional and geographic factors and statistics on the target population, and ratios of computers to students and computers to schools.

The Informatics function within IHAB has gone through several restructurings over the past few years, from being a largely decentralized function to a centralized function at the Branch level, and more recently has been restructured again to have a core team at the Sector level. Currently, IHAB Directors General and Directors meet with Informatics representatives to determine priorities, a practice that should be continued. However, a greater focus on information management needs and more clearly defining specific information technology needs is required to help ensure that program and branch management receive the right information at the right time to support decision-making.

Recommendation

The Director E-Learning should, in consultation with program and Informatics representatives, clearly define their information and reporting needs and make any necessary modifications to supporting processes required to provide management with the information they need for informed decision-making. This should include a prioritization of information technology services, such as the completion of the national FNS database.

4.2 Internal Controls Related to the Selection, Approval, Payment and Review of Projects and Operations

4.2.1 Finding: Ongoing monitoring activities are not supplemented with sufficient documentation.

SchoolNet programs are required to monitor the progress of recipients to help ensure that funding is being used for intended purposes and that objectives are being achieved. Program monitoring takes many forms, including the filing and assessment of recipient claims, filing of scheduled recipient activity reports, frequent communication between the program and the recipient organization, and the conduct of recipient compliance audits as required by the program RBAF. Based on our review of contribution agreement files and discussions with program representatives, although monitoring is required and is undertaken, there is little documented evidence to support certain monitoring activities, such as the review of recipient activity reports and other supporting documentation, the clear resolution of issues identified, and the result of both formal and informal meetings or discussions with recipients. For example, although copies of e-mail correspondence with recipients are maintained in the files, there are instances in which the resolution of issues identified is not clearly documented.

Inconsistent and/or incomplete file documentation may create difficulties in determining the current progress of a recipient and in identifying issues and the status of their resolution. This becomes even more critical when files change hands or when issues arise that require attention, as the paper trail to provide a history of events on the recipient may be unclear.

Guidelines would assist in ensuring that an appropriate level of standardized documentation is provided as evidence of monitoring activities. In particular, Program Officers should have responsibility for documenting activities in support of monitoring efforts, such as a sign off on recipient activity reports and the provision of commentary on the recipient's progress against their business plan or objectives. Similarly, discussions with the recipient, required action steps, and any follow-up undertaken should be clearly documented and dated in a summary form at the front of the file. This would allow for a clear history of client discussions, issues and actions, and a clear identification of the Program Officer's or Manager's last date of contact with the client.

Recommendation

The Director General IHAB, in consultation with the Contribution Quality Assurance Unit and SchoolNet Directors and Management, should develop standard file documentation requirements and provide related training as necessary.

4.3 Contribution Operations and Delivery Systems

4.3.1 Finding: There are opportunities for improved efficiency in the processing of claims and advances.

Since July 2003, the financial verification of claims has been performed centrally by the Quality Assurance Unit (QAU) for programs with higher risk, and decentralized within lower risk programs. For higher risk programs, the coverage of review is 100%, regardless of the value of the expense category.

Although the claims verification process is effective in that it appears that funding is not provided for ineligible amounts or goods or services; it is time-consuming on the part of the QAU who reviews all documentation, the Program Officer who must follow up on all discrepancies, and the recipient who must devote considerable time to resolving issues and preparing supporting details for claims. Results of our consultation process indicate that much of the administrative time currently required to support the filing of claims significantly reduces the amount of time available for actual program delivery and business planning activities. Based on the results of our review of recipient files and consultation process, a number of opportunities for improvement in the efficiency of the claims process were noted as follows:

- Many claims were placed on hold and significant periods of time elapsed to resolve issues on relatively small dollar amounts (i.e. adjustments under \$100). In some cases, reducing the claim by the amount of the invoice in question in order to continue with processing has rectified this. However, this has led to reconciliation issues on future claims and in many cases, file documentation was difficult to follow to trace the resolution of the issue.
- Recipients expressed frustration with the length of time to process claims. Further, the amount of documentation required to support claims is felt to be excessive in relation to the requirements of other programs through which recipients receive funding.
- In many cases, similar errors (mostly related to travel expenses and GST amounts) were made by recipients in filing claims, indicating that recipients require additional training on the claims verification process. Although CFS recipients received recipient guidelines and training when the guidelines were initially developed, recipients of the FNS program did not. However, error rates are still high for both programs.
- In many cases, there is a significant delay by FNS recipients in providing documentation to support advances received, and actual invoices are often received in small increments. This is indicative of a consistent overstatement of cash flow forecasts in support of advances in many cases. This compounds the accounting for claims, which is complex, requiring frequent reconciliations. Program Officers need to follow up more rigorously on advance requests to ensure sufficient explanations are received and documented when cash flow forecasts are not fulfilled and/or there is a significant discrepancy between forecasts and actual.
- The majority of claims issues relate to insufficient documentation in support of travel, further

indicating a need for additional training to recipients on the level of support required for travel expenses.

In addition to the above observations, the current process requiring a review of all documentation in support of claims may limit the amount of time and resources available to devote to other significant activities, such as ongoing risk assessment and monitoring of the recipient.

The adoption of a more risk-based approach to the claims verification process should allow for the allocation of more resources to the ongoing monitoring of recipient progress against business plans and objectives and overall program performance management. Such an approach would require a determination by program management of an appropriate materiality threshold for claims verification. There are a number of approaches that may be considered in development of a more risk-based approach. For example, guidelines for verification may be based on the number of invoices to review expressed as a percentage of the dollar value of the claim, e.g. for claims in excess of \$200 thousand, 75% of the invoices need to be submitted. Verification may also be based on proof of payment of invoices expressed as a percentage of the dollar value of each claim, e.g. for claims in excess of \$200 thousand, proofs of payment may be obtained for the highest invoices totalling 50% of the dollar value of the claim.

To supplement a reduced verification process based on risk, additional requests for supporting documentation could be made on a periodic or random basis to provide additional support that funding is being used for intended purposes. In addition, the conduct of scheduled recipient compliance audits as defined within the program RBAF represent a key control in helping to ensure that funding is being used for intended purposes. The filing of electronic claims and supporting schedules would also improve efficiencies in the claims process. For example, the filing of electronic claims would reduce the need to manually foot totals on claims submitted and would permit Program Officers to select the specific invoices required to be submitted in support of the claim, reducing the amount of administrative tasks currently performed by recipients.

The adoption of a more risk-based approach needs to be supported by the development of guidelines that provide guidance on how to adopt a more risk-based approach in reviewing the claims submitted and how to determine if and how much of the supporting invoices should be reviewed. In addition, existing recipient guidelines would require revision to reflect any changes in processes and procedures. The guidelines should clearly indicate the type of supporting evidence required as well as provide clarification on specific requirements as they relate to travel. The submission of actual receipts in support of travel is a Treasury Board requirement that is a standard business practice for all recipients or contractors under government funding, and recipients need to clearly understand that this is a central agency requirement and not an administrative policy developed by the program. Once revisions to the guidelines and process have been made, a formal session should be held with recipients to clarify reporting expectations.

Recommendation

The Director General IHAB, in consultation with the Contributions Quality Assurance Unit, should develop a more risk-based approach to the processing of claims and support this approach through improved education of recipients.

4.3.2 Finding: Recipient reporting under the FNS is not standardized.

Currently, recipients under the FNS program provide monthly progress or activity reports that describe key activities performed during the month. However, recipient reports are not consistent in format and do not report on consistent criteria and/or items, as the format and content of the reporting has largely been left to the discretion of the recipient organization to provide for flexibility and limit the administrative reporting burden on recipients. While additional details on expected reporting requirements have been provided to recipients

under the fiscal 2004/05 contribution agreements, there is still considerable latitude provided to recipients in the format and level of detail for many reporting items. This may not provide the program with sufficient detail to appropriately monitor and assess recipient performance and may not support program management's information needs, particularly as they relate to performance indicators that may be developed for a national FNS database.

The development of a standard activity reporting template may improve the ability of FNS staff and management to monitor both recipient and overall program performance. Consideration should be given to requiring a standard and formal report on a quarterly basis, similar to the template followed by the CFS program, under which recipients are required to report on status, outcomes and action plans against specific performance measures and business plan objectives. While monthly activity reporting would still be required in support of the reasonableness of financial claims, these reports may be less detailed in nature and can take the form of reports prepared internally for recipient management's use, to reduce the reporting burden on recipients. A more formal report on a quarterly basis however should be standard and comprehensive in nature and clearly provide all statistics required by FNS management to monitor RMO performance and First Nations school needs on an ongoing basis. Formal reporting should also include information on the actual usage of equipment and service in First Nations schools to facilitate business planning and performance evaluation.

Management may also want to consider conducting a focus group of program personnel and recipients to determine the minimum information to be reported and its value, the frequency of reporting, the format to be used, and the criteria for reporting the information. Involvement of the recipients would serve to increase ownership of the reporting process.

Recommendation

The Director E-Learning should develop a standard template for quarterly activity reporting by FNS recipients.

4.4 Compliance

4.4.1 Finding: Contracts between recipient organizations and individual First Nations schools do not comply with all requirements of the contribution agreements.

The FNS contribution agreements provide for specific requirements for the development of contracts between the First Nations School and the recipient organization. A review of a standard contract revealed that the following provisions were lacking: a description of the project that the First Nations schools on reserve are expected to deliver; clear description of roles and responsibilities, including financial responsibilities; and a requirement that First Nation schools on reserve and the third party retain books, records, and supporting documentation relating to the project for three years following the completion date of the project. This increases the risk to which the FNS program is exposed and may reduce accountability for performance, as responsibilities and expected results may not be clearly defined and documented. In consultation with Legal Services, a standard contract for use between recipients and First Nations schools should be developed and included as an appendix to the standard RMO contribution agreement. At a minimum, the contract with the First Nations schools should contain the provisions as required in the contribution agreement.

Recommendation

The Manager First Nations SchoolNet, in consultation with Industry Canada Legal Services, should develop a standard contract for First Nations Schools as an appendix to the FNS contribution agreement. It is our understanding that this issue was resolved in early fiscal 2004/2005 through the development of agreements between all RMOs and First Nations schools that comply with all relevant clauses as set out in attachment 2 of

Schedule A of the RMO contribution agreements, in consultation with Industry Canada's Legal Services.

Appendix A – Management’s Response to the Conclusions and Recommendations on Monitoring

SchoolNet management’s formal response to each of the recommendations identified through the audit are provided below, along with management’s intended course of action to implement recommendations.

1. Management Control Framework and Practices

Finding #1: Processes over the development and management of partnerships are largely informal in nature.

Recommendation #1: The Director General IHAB, in consultation with SchoolNet program management should develop a formal framework and accompanying guidelines over the development and management of partnerships for IHAB programs.

Since its inception in 1994, SchoolNet has achieved all its objectives regarding connectivity and integrating information and communications technologies in schools through a range of partnerships forged with public- and private-sector organizations and with not-for-profit associations and bodies. Despite this success, there is no formal mechanism to identify the number and nature of most of these partnerships. Since SchoolNet will continue to depend on third parties to deliver its sub-programs, a formal framework would be invaluable for developing and managing partnership agreements, as well as a database to collect and generate information on these partnerships.

Management’s response: It accepts the principle of developing and using a formal framework to negotiate and manage partnerships unique to SchoolNet, and accepts to set up an appropriate mechanism to capture partnership information.

Justification: Within SchoolNet, not all sub-programs follow the same model to establish partnership agreements with third parties. There are sub-programs that are based on the model developed by Industry Canada and IHAB, while others are based on professional and interpersonal relationships for negotiating and managing their partnerships. Such a situation requires the guidelines for negotiating and managing partnership agreements within the family of SchoolNet sub-programs to ensure that agreements meet and pass tests of equity and probates, but which also recognizes that in certain cases, informality is required to successfully establish partnerships. It also requires the development of a central mechanism accessible to all sub-programs in the SchoolNet family and IHAB to capture and share information on partnerships.

Mitigation strategy: In order to develop a formal partnership management framework, SchoolNet will work with the Communications and Marketing Branch (CMB) and Industry Canada’s Legal Services, who are involved in developing partnership agreements. With regard to developing the content of the partnership agreements, guidelines for the selection process and managing working relationships between partners, SchoolNet will base much of these on documents prepared by the Department’s other branches, which it will then tailor to suit its own needs. Contacts to accomplish this have been made and the documents gathered.

As for the gathering of information on partnerships, SchoolNet may use the CMB partnerships database or develop a reporting template to be placed on a shared drive accessible to all sub-programs. Once completed it will be updated on a quarterly basis. CMB staff have already given their agreement in principle to allow SchoolNet to use its partnerships database and has volunteered to offer an information session on Industry Canada’s partnership management framework on how to use their database.

Deadline: September 2004 to March 2005

Follow-up: In order to successfully implement this initiative, management involvement is invaluable. Therefore, a partnership champion will be designated to oversee the full implementation of the initiative and report to the director in each designated program to ensure the full implementation of the initiative.

Finding #2: Additional training in the delivery of contribution agreements may be required at the Program Officer level.

Recommendation #2: The Director E-Learning should re-examine and clarify the roles and responsibilities at the Program Officer level and identify and resolve related training needs.

The current level of training for SchoolNet program officers is inadequate given the extent of their roles and responsibilities. Training on file management and client relations, in addition to the mandatory position-related courses, is invaluable so they can more effectively deliver the programs they manage.

Management's response: Management accepts this finding.

Justification: There has been much change with regards to employee responsibility over time, and more recently because of the re-structuring of the Directorate. Management has been working to define essential skills and will identify mandatory training and continue to support employees development.

Mitigation strategy: Given the expansion of the roles and responsibilities of program officers and the assignment of new duties, a significant amount of training is likely to be required. Each employee skills will be assessed against identified mandatory skills and mandatory courses will be provided to all who need them. Activities to match experienced officers with new recruits will also be organized to help them acquire new skills related to their new responsibilities.

Deadline: September 2004 - March 2005

Follow-up: SchoolNet management has appointed a training champion who will work closely with management, employees and the Human Resources Branch to identify training needs, the design of the training plans and course delivery. This champion reports directly to the Director.

Finding #3: Detailed performance information is not consistently available to management on a timely basis.

Recommendation #3: The Director E-Learning should, in consultation with program and informatics representatives, clearly define their information and reporting needs and make any necessary modifications to supporting processes required to provide management with the information they need for informed decision-making. This should include a prioritization of information technology services, such as the completion of the national FNS database.

The performance measurement frameworks and the program performance reporting system within SchoolNet are not consistent. Program performance reporting practices need to be standardized.

Management's response: Management accepts this observation.

Mitigation strategy: Management will work on improving the standardized program performance information

frameworks. These tools include frameworks for performance measurement, performance reporting and results-based reporting, which needs to be communicated more effectively to employees. These frameworks to guide managers in collecting the information required for decision-making will be in the form of templates. Managers will more clearly define their performance information needs regarding their respective programs.

Deadline: September 2004 - March 2005

Follow-up: Management will be heavily involved in developing and implementing these frameworks for standardized performance measurement and results-based performance reporting.

The managers and officers responsible for program integrity will discuss their experiences on the issue through a working group.

2. **Internal Controls Regarding the Selection, Approval, Payment and Review of Projects and Operations**

Finding #1: Ongoing monitoring activities are not supplemented with sufficient documentation.

Recommendation #1: The Director General IHAB, in consultation with the Quality Assurance Unit and SchoolNet Directors and Management, should develop standard file documentation requirements and provide related training as necessary.

Management's response: Management accepts this observation.

Mitigation strategy: IHAB has developed Branch guidelines¹ for file documentation management and for project monitoring, which are available to all staff via the Branch's shared drive. All SchoolNet's staff were provided with training /awareness sessions on these guidelines. SchoolNet's management continues to ensure that all program officers and the newcomers adhere to these guidelines. Information sessions on processing information received from clients and managing their files will be offered to new program officers on a continuous basis, to ensure adequate follow-up of recipient activities and their documentation. In addition to these information sessions, the officers will be required to take training on managing project performance to improve follow-up and documentation of the status of projects.

Deadline: September - March 2005

Follow-up: Managers will work directly with the Quality Assurance Unit to define the officers' needs and provide on-the-job training. Management will ensure that all officers have received this training by March 2005.

3. **Contribution Operations and Delivery Systems**

¹ File references on the shared drive:

IPMF-Contribution toolkit Training , which addresses the Branch's requirements for project monitoring
ToolBox- Prepare Project Information Files, which address the format, content and disposition of project files.

Finding #1: There are opportunities for improved efficiency in the processing of claims and advances.

Recommendation #1: The Director General IHAB, in consultation with the Contributions Quality Assurance Unit, should develop a more risk-based approach to the processing of claims and support this approach through improved education of recipients.

Management's response: Management agrees with this recommendation. IHAB has re-organized the Branch's corporate and operations directorates. The scope and responsibilities of the Contributions Quality Assurance Unit (QAU) were modified and the Unit became the Quality Management Group (QMG). The financial verification of progress claims component of the QAU was disbanded and the responsibilities were decentralized to the operations directorates of the Branch. The IHAB directives and procedures guidelines developed by QAU for recipients and for program staff however remain in effect.

Because of a continuing need to have a Branch centre of knowledge for financial claims verification and for the independent review of adherence to Branch directives and procedural guidelines, a centre of knowledge capacity has been re-established within QMG. Rather a post review capacity, founded on risk assessment based sampling of the progress claims processed and paid by operations staff has been put in place. Branch Directors and staff were formally advised of these changes.

Mitigation strategy: Management, in consultation with the Quality Management Group and the Programs and Services Branch, have reviewed processes and guidelines for the processing of claims and advances. Management will continue to ensure that all recipients and programs staff adhere to the IHAB directives and procedures guidelines developed by QAU. Information sessions on this will be given to all program officers and recipients. Recipients will be provided with sessions on preparing documentation that meets our requirements.

Deadline: September - December 2004

Follow-up: Each manager will ensure that the officers in his or her program have received adequate information on processing claims and advances. As well, management will ensure that the new roles and responsibilities of officers include these activities.

Finding #2: Recipient reporting under the FNS is not standardized.

Recommendation #2: The Director E-Learning should develop a standard template for quarterly activity reporting by FNS recipients.

The activity reports submitted by the various First Nations SchoolNet Program recipients vary significantly, as report content is left up to their discretion. This discrepancy in activity report content does not provide managers with the information they need to make informed decisions about the control, follow-up and evaluation of recipient activities.

Management's response: Management accepts this finding.

Justification: Activity reports provided by recipients need to be able to provide managers with the relevant information they need to evaluate the status of their activities and to measure program performance. It is therefore up to the program managers, not the recipients, to determine the type of information they need to adequately manage the program.

Mitigation strategy: In its operational plan for 2004-2005, the First Nations SchoolNet Program is currently developing and implementing standardized quarterly results-based management tools, including a results-based reporting framework and performance measurement framework for each recipient. Along with implementing these tools, there will be a training session on results-based management offered to all its recipients.

Deadline: January 2005

Follow-up: At the end of each quarter, once these results-based recipient activity reporting tools are implemented, SchoolNet management should receive recipient performance reports in a standardized form.

4. Compliance

Finding #1: Contracts between recipient organizations and individual First Nations schools do not comply with all requirements of the contribution agreements.

Recommendation #1: The First Nations SchoolNet Program, in consultation with Legal Services, should develop a standard contract for First Nations schools as an appendix to the FNS contribution agreement.

Management's response: The First Nations SchoolNet Program has already resolved this issue with Industry Canada's Legal Services. During this year (2004-2005), all Regional Management Organizations (RMOs) have worked with First Nations schools to develop agreements that comply in every respect with the clauses set out in attachment 2 of Schedule A of the contribution agreements they have signed with Industry Canada.

Note: The auditors noted in the final draft that the issue was resolved in early fiscal year 2004/2005.

Appendix B – List of Individuals Interviewed

Name	Date Interviewed/ Delivery	Interviewer(s)
Director General, Programs	Apr. 21/04 - Direct	Nancy Chase Marianne Avarello
Director, SchoolNet	Apr. 23/04 - Direct	Nancy Chase Marianne Avarello
Director, Informatics	Apr. 29/04 - Direct	Nancy Chase Marianne Avarello
Manager, CFS	Apr. 21/04 - Direct	Nancy Chase
Manager, FNS	Apr. 23/04 - Direct	Nancy Chase Marianne Avarello
Manager, CFS	Apr. 21/04 - Direct	Marianne Avarello
Manager, Contributions Manager, Policy, Planning and Evaluation Regional Liaison Senior Officer, Claims	Apr. 29/04 - Direct	Nancy Chase Marianne Avarello
Director, CFS Ontario	May 21/04 - Telephone	Nancy Chase
Director, CFS British Columbia	May 25/04 - Telephone	Nancy Chase
Director, CFS Alberta	May 28/04 - Telephone	Marianne Avarello
Industry Canada Representative - Regional Program Manager (Ontario)	May 18/04 - Telephone	Marianne Avarello
Project Leader – RMO Alberta/Saskatchewan Project Leader – RMO Manitoba Project Leader – RMO Ontario Project Leader – RMO Quebec Project Leader – RMO Atlantic Finance Officer – RMO Atlantic	May 5/04 - Video conference	Nancy Chase Marianne Avarello
Project Co-ordinator – RMO British Columbia Assistant – RMO British Columbia Manager - RMO British Columbia	May 27/04 - Telephone	Nancy Chase
Project Leader – RMO Manitoba	May 19/04 - Direct – site visit	Marianne Avarello
Manager, CFS	May 27/04 - Direct	Marianne Avarello
Financial Officer, CFS	May 19/04 - Direct	Marianne Avarello
Project Officer, FNS	May 4/04 - Direct	Marianne Avarello
Strategic Liaison Officer, FNS	May 26/04 - Direct	Marianne Avarello
Program Officer, FNS	June 1/04 - Direct	Marianne Avarello

Appendix C – Audit Criteria

Objective 1: Assessment of the adequacy of SchoolNet's management control framework and practices.

General:

- A mechanism exists to systematically identify, assess, monitor and report on risks facing the program.
- Roles and responsibilities for managing and delivering the program are well defined.
- Potential applicants and recipients are aware of the program.
- Results expected from the program are clear, measurable, and directly related to program objectives.
- An appropriate segregation of duties between those who review and approve applications and those who approve payments exists.
- Proper financial controls have been designed and implemented to ensure that payments are subject to commitment control, account verification and payment requirements under Sections 32, 33 and 34 of the Financial Administration Act.
- Reporting on project results against the achievement of objectives is timely and accurate.
- Lessons learned from performance monitoring are incorporated into revisions of the program design.
- Program planning and delivery are designed based on an identified need and with the collaboration and input of key stakeholders.

Partnerships:

- Programs are aware of potential partners that could assist in the achievement of program objectives.
- Programs optimize the assistance received from partners to assist in the realization of program objectives.
- A mechanism exists to coordinate the management of partnerships, including partners to more than one SchoolNet program.
- Guidelines exist to help ensure the consistent identification of and management of partnerships.
- A mechanism exists to assess the effectiveness of partnerships.

Third Party Delivery Arrangements:

- A detailed business case was performed to support third party delivery and encompassed factors such as the purpose, description of services to be delivered by third parties, human resource issues, assumptions and constraints, and accountability requirements.
- The proposal evaluation or scoring system has been adequately developed and is relevant to the important criteria outlined in the RFP, and has been communicated to ensure consistency in the proposal evaluation process.
- Third party delivery agreements clearly define terms, service levels, and performance targets.
- Appropriate arrangements for ongoing and regular monitoring and centralized reporting of

performance and actual results has been established.

Objective 2: Assessment of the adequacy of internal controls related to the selection, approval, payment and review of projects and SchoolNet operations.

Project Selection:

- Applicant eligibility is proven and documented.
- Applicant demonstrates appropriate knowledge and capability, and support structures to undertake the project.

Project Approval:

- Assessment criteria supports program objectives.
- Project complies with program eligibility and assessment criteria.
- There is appropriate approval or rejection by a delegated authority based upon review of the PSF.
- There is certification by a responsible officer that sufficient funds were available in the appropriation before the agreement was signed under Section 32 of the FAA.
- The rationale for each funding decision is appropriately documented to permit appropriate supervision and review.
- Terms and conditions in Contribution Agreements are consistent with the Program's Terms and Conditions and the PSF and clearly outlines expected project results.
- CAs meet effective accountability requirements including:
 - statement of objectives;
 - Clear understanding between parties on required outcomes or expected results before funding begins;
 - Monitoring provisions based on assessment of risk; and
 - Conditions that must be met to receive payments.

Project Payment:

- Officers have complied with financial controls including:
 - Section 34 – there is proof that performance conditions of the agreement were met before each payment was made
 - Section 33 – proof that finance officer signing was assured that Section 34 was met prior to payment authorization.
- Claims are reviewed for reasonableness and accuracy and are examined for compliance with terms of contribution agreements.
- Advance payments are properly authorized on the PSF and contribution agreement and are in accordance with TBS guidelines.

Project Review:

- There is a process in place to determine whether the project was successful in contributing to expected program results.

Objective 3: Assessment of the economy, efficiency and administrative effectiveness of contribution operations and delivery systems.

- Support received from IHAB support services is timely and of sufficient quality to enable the achievement of program objectives.
- Processes and procedures over the selection, approval, payment, monitoring and reporting on agreements are reflective of risk.
- Project monitoring focuses on outcomes/results of activities.
- Problems with project performance are resolved quickly.

Objective 4: Assessment of Compliance with the TB Policy on Transfer Payments, general compliance by recipients to terms and conditions of agreements and the adequacy of management efforts to determine compliance, including audits undertaken of recipients of contributions.

- The guidelines in the IHAB Program Management Framework are fully consistent with the *Policy on Transfer Payments*.
- Program policies and procedures are consistent with the IHAB Program Management Framework.
- Progress reports are reviewed to ensure that project is progressing consistently with contribution agreement statement of work.
- A mechanism exists to verify that the terms of contribution agreements have been met.
- Monitoring and audit requirements of the program's Risk-Based Audit Framework are met and issues identified are resolved on a timely basis.

Appendix D – Leading Practices

Several leading practices have been observed within the SchoolNet family of programs and are presented below to clearly showcase sound and better practices currently in place with respect to partnerships, third party delivery and general management. These leading practices have been organized based on the criteria identified in Appendix C.

Management Control Framework	Internal Controls	Contribution Operations and Delivery Systems	Compliance
<ul style="list-style-type: none"> · In June 2003, the IHAB Program Management Framework was finalized. This framework represents a formal management control framework designed to improve control practices and more effectively manage risks by all programs within the Branch. · Long term and mutually beneficial partnerships have been cultivated and maintained to assist in ensuring program success. · The selection and approval process for FNS third party delivery providers was heavily based on the managerial capacity of the potential providers and was comprehensive, thorough, and well documented, including two panels of independent reviewers drawn from individuals experienced in Aboriginal programming. 	<ul style="list-style-type: none"> · SchoolNet programs have each developed policy and procedure manuals that are consistent with the requirements of the IHAB Program Management Framework. · A Program Delivery Manual has been developed which clearly outlines the different project categories and provides rubrics (criteria for assessment) to determine project acceptability (<i>GR</i>). · Frequent and ongoing communication between recipients and national office has led to a strong rapport and commitment to the achievement of program objectives. · Project risk assessments are utilized for individual projects to drive future monitoring of 	<ul style="list-style-type: none"> · Comprehensive and easy to understand “Instructions on Preparing Claims and Advance Requests for Contribution Fund Recipients” have been developed. The instructions also include templates for standardized reporting. · A detailed policy and procedures manual has been developed to preserve corporate memory and serve as an effective training tool (<i>GR</i>). 	<ul style="list-style-type: none"> · SchoolNet’s award winning RMAF was identified by Treasury Board as a best practice and is internationally acclaimed. · Performance data for FNS and GR has been captured through the SAS Strategic Performance Management Database System and all programs are required to report annually to the members of SNAB on the performance information for the previous year. · An RBAF along with an IHAB Monitoring Requirements Table is in place, which provides details on planned monitoring and recipient audit activities using a risk-based approach. · A program specific RBAF has been developed (FNS).

Management Control Framework	Internal Controls	Contribution Operations and Delivery Systems	Compliance
<ul style="list-style-type: none"> · SchoolNet has effectively devolved its program initiatives to local responsibility centres to assist in ensuring that differing regional concerns are well understood and managed appropriately. · Industry Canada representatives sit on recipient Boards of Directors in an ex-officio capacity, which allows for increased communication and co-ordination among other Industry Canada programs, and provides an effective sound means of monitoring recipient organizational performance. · Monthly videoconferencing with the RMO project leaders allows for sharing of best practices, lessons learned and has become an economical and efficient communication tool. · Strategic advice is received from SchoolNet’s National Advisory Board, a committee comprised of Deputy Ministers for Education in each province and territory as well as other experienced individuals from across Canada to help ensure that programs 	<p>projects.</p>		<ul style="list-style-type: none"> · Risk-based monitoring guidelines have been developed for projects (CFS). · CFS has taken a lead role in developing a coordinated and consultative strategy for dealing with IT waste by entering into pilot projects to dispose of electronics equipment in an environmentally sound manner. · Standard quarterly reporting on outcomes and progress against key performance indicators and objectives for CFS recipients.

Management Control Framework	Internal Controls	Contribution Operations and Delivery Systems	Compliance
<p>continue to remain relevant and deserving of consideration in the Department’s strategic planning.</p> <ul style="list-style-type: none"> · Service standards have been documented for central support functions, and performance against these standards are monitored and reported. · Risk assessments are conducted to drive decision-making (FNS). 			

Appendix E – Critical Success Factors

Based on consultations with management, staff and recipients of the SchoolNet program, several critical success factors were identified as crucial to the success of the program. This listing has been provided for information purposes only.

Certain critical success factors are currently in place and are well established as leading practices – these have been identified in Appendix D. Several other critical success factors identified represent areas in which room for improvement exists. These have been further discussed in Section 4.

Management Tools	Partnerships	Program Delivery
<ul style="list-style-type: none"> · Clear, measurable performance indicators · Comprehensive database with detailed information for use in informative decision-making 	<ul style="list-style-type: none"> · Engagement of dedicated partners · Integration of partnership efforts at a national level across all programs · Diversified sources of funding · Steady supply of donations (computers) 	<ul style="list-style-type: none"> · Clearly defined roles and responsibilities of both program and recipient personnel · Development and implementation of standard orientation sessions for recipient personnel regarding program objectives, policies and procedures · Information captured through recipient reporting that is clearly relevant and used in decision-making · Promotion of success stories · Increased staffing levels · Frequent, sufficient communication · Standardized, consistent reporting and claims submission · Program staff awareness regarding regional differences and issues within the community in which the recipient serves · Ensuring the recipients understand their responsibilities and client eligibility requirements · Risk-based approach to claims verification · Well-trained staff; effective training materials · Client motivation · Assignment of recipients to specific Program Officers · Payment of claims on a timely basis

Appendix F – Relative Risks Applicable to Each Lifecycle Stage of a Third Party Delivery Agreement

There are four stages in the lifecycle of a third party delivery arrangement and within each stage there are several management process steps. The following chart illustrates the potential, significant risks associated with each of these management process steps. Note that the inclusion of this listing is for information purposes only due to the high level of use of third party delivery arrangements for SchoolNet programming and does not imply that SchoolNet has been exposed or is susceptible to each risk identified.

Lifecycle Stage/ Management Process	Potential Risks
<p>1. Decision Stage</p> <p><i>Strategic Analysis</i></p> <p><i>Analysis Of Opportunity</i></p>	<ul style="list-style-type: none"> · Loss of core competencies within the contracting organization · Lack of a clear understanding of the strategic objectives · Insufficient knowledge of client and stakeholder requirements · Failure to select those services well-suited for third party delivery opportunities · Insufficient understanding of the options available
<p>2. Development and Approval Stage</p> <p><i>Business Analysis</i></p> <p><i>Selection of the Third Party Delivery Provider</i></p>	<ul style="list-style-type: none"> · Lack of competent external service providers · Incomplete analysis in which not all significant factor considered · Poor decisions based on limited information · External costs of the service to be outsourced may be prohibitive · Missed opportunity to outsource · Ineffective evaluation criteria · Lack of a common understanding of the scope of work · Evaluation not seen as an equitable process · Disclosure of confidential information · Inexperienced and uninformed proposal evaluation team · Lack of a sufficient number of bidders

Appendix G - Management Response and Action Plan

SchoolNet Family of Programs-Grassroots, Computers for Schools and First Nations SchoolNet

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p><i>Section 4.1 Management control framework and practices</i></p> <p>Recommendation #1: Develop a formal partnership management framework and accompanying guidelines.</p>	<p>It accepts the principle of developing and using a formal framework to negotiate and manage partnerships unique to SchoolNet, and accepts to set up an appropriate mechanism to capture partnership information.</p>	<p>Director, IHAB and partnership champion to be designated</p>	<p>September 2004 to March 2005</p>
<p>Recommendation # 2: Re-examine and clarify the roles and responsibilities of program officers and provide them with adequate training for their new duties.</p>	<p>Management accepts this finding.</p>	<p>Director, E-Learning through the “training champion”.</p>	<p>September 2004 to March 2005</p>
<p>Recommendation # 3: Clearly define information and reporting needs to ensure management has timely access to information on program performance in order to make decisions.</p>	<p>Management accepts this observation.</p>	<p>Director E-Learning</p>	<p>September 2004 - March 2005</p>

<p>Section 4.2 Internal Controls Regarding the Selection, Approval, Payment and Review of Projects and Operations</p> <p>Recommendation # 1: SchoolNet, in co-operation with the Quality Assurance Unit, should develop standardized documentation for managing recipient files and provide program officers with training.</p>	<p>Management accepts this observation.</p>	<p>Director General IHAB</p>	<p>September - March 2005</p>
<p>Section 4.3 Operations Controls and Delivery Mechanisms</p> <p>Recommendation # 1: SchoolNet, in consultation with the Quality Assurance Unit, should develop a risk-based approach to process recipient expense claims and train them on this new approach.</p>	<p>Management agrees with this recommendation.</p>	<p>Director General IHAB</p>	<p>September - December 2004</p>
<p>Recommendation # 2: First Nations SchoolNet should standardize the activity reports from its recipients.</p>	<p>Management accepts this finding.</p>	<p>Director, E-Learning</p>	<p>January 2005</p>
<p>4.4 Compliance</p> <p>Recommendation # 1: The First Nations SchoolNet Program, in consultation with Legal Services, should develop a model contract for First Nations schools as a schedule to its contribution agreements</p>	<p>The First Nations SchoolNet Program has already resolved this issue with Industry Canada's Legal Services. During this year (2004-2005), all Regional Management Organizations (RMOs) have worked with First Nations schools to develop agreements that comply in every respect with the clauses set out in attachment 2 of Schedule A of the contribution agreements they have signed with Industry Canada.</p>	<p>Manager, First Nations SchoolNet</p>	<p>Completed</p>