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Audit of the Homelessness Partnership Initiative

Project Number: 17017/09-10

CA-SP-940-03-10E

February 2011

Paper

ISBN: 978-1-100-15275-2

Cat. No.: HS28-168/2010E

PDF

ISBN: 978-1-100-15276-9

Cat. No.: HS28-168/2010E-PDF

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EXECUTIVE SUMMARY

Introduction

The audit of the Homelessness Partnership Initiative (HPI), one of the three components of the Homelessness Partnering Strategy announced by the federal government on December 19, 2006, was part of the Human Resources and Skills Development Canada 2008-2011 Risk-Based Internal Audit Plan.

Audit Objective

The objective of the HPI audit is to provide assurance to senior management on the adequacy of:

- Administrative and financial management controls and practices of the program;
- Project and program information generated and used for decision making; and
- Roles and responsibilities and the capacity to effectively deliver the program.

Summary of Findings

Overall, we found the management of Shared Delivery (SD) agreements to be satisfactory. Adequate support (tools and training) is available to program staff to manage these agreements and responsibility for SD monitoring is clear.

We observed opportunities to improve the monitoring of Community Entity (CE) Contribution Agreements. With respect to *CE Active Agreements*, we found deficiencies regarding reporting by recipients, monitoring procedures, documentation and external audits provided by recipients. As capital purchases have become an increasingly large part of the program, and more communities are moving to the CE model, a tailored monitoring regime for these agreements is warranted.

Regarding *Closed Agreements of Third Party Facilities*, we found that there was no process in place to monitor whether CEs verified if closed agreements of facilities continued to be used for homelessness services for a five year period as required under the agreements.

Management action plans from previous Grants and Contributions audits will address the training needs identified around advanced financial monitoring. However, there is an opportunity to improve access to expertise regarding capital projects and analysis of external audit reports.

Audit Conclusion

The Department has developed and implemented appropriate procedures to manage agreements for specific project activities using the SD delivery model (one recipient, one agreement). However, the Department has not yet developed comparable procedures for the CE model (these include multiple third party sub-agreements including capital

projects) where the program officer needs to ensure recipients are meeting their obligations under the contribution agreements.

Statement of Assurance

In our professional judgement, sufficient and appropriate audit procedures have been performed and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on observations and analyses of the situations as they existed at the time against the audit criteria. The conclusions are only applicable for the Homelessness Partnership Initiative. The evidence was gathered in accordance with the Internal Auditing Standards for the Government of Canada and the International Standards for the Professional Practice of Internal Auditing.

1.0 BACKGROUND

The Human Resources and Skills Development Canada (HRSDC) 2008-2011 Risk-Based Internal Audit Plan included an audit of the Homelessness Partnership Initiative (HPI), one of the three program components of the Homelessness Partnering Strategy (HPS) announced by the federal government on December 19, 2006.

HPI was implemented by the Homelessness Partnering Secretariat (HP Secretariat) on April 1, 2007, under the Income Security and Social Development Branch to provide \$209.6 million over a two-year period starting on April 1, 2007. The government has recently renewed the HPS at the current funding level of \$134.8 million per year, until 2014.

Effective October 1st, 2009, responsibility for the regional delivery of the program was transferred to the Labour Market and Social Development Programs Operations (LMSDPO) within the Program Operations Branch. LMSDPO provides functional direction and advice to regions to support the implementation of the HPS.

The challenges of homelessness are complex and are addressed through a community based program between all levels of government, as well as the private and voluntary sectors to find local solutions for people who are homeless or at risk of becoming homeless. The program strategy aims to prevent and reduce homelessness by helping to establish the structures and supports needed to move homeless and at-risk individuals towards self-sufficiency and full participation in Canadian society and supports 61 designated communities (Appendix B) and some small, rural, northern, and Aboriginal communities to develop community-based measures that help homeless individuals and families.

HPI has two delivery models. Under the Shared Delivery (SD) model, HRSDC works in partnership with the community to implement funding priorities, resulting in a joint selection and decision-making process. Where appropriate, partners may include the provinces/territory. For this delivery model, HRSDC is responsible for project approval, contribution agreement preparation and monitoring activities.

Under HPI, the community, through a Community Advisory Board and in consultation with HRSDC, may choose to designate responsibility for delivery of the Community Plan to a Community Entity (CE). The CE is normally an incorporated organization that is responsible for the implementation of the Community Plan and manages all agreements with the sub-agreement holders to carry out the projects and activities. For this delivery model, all requests for funding must go through the CE, which is responsible for project approval, third party agreement preparation and monitoring activities.

1.1 Risk Environment

We used the HRSDC Grants and Contributions (Gs&Cs) Management Framework Criteria¹ (Appendix C) to identify the following potential risk areas for this audit: adequacy of administrative and financial controls and procedures, adequacy of tools and training, and adequacy of monitoring.

1.2 Audit Objective

The objective of the HPI audit is to provide assurance to senior management on the adequacy of:

- Administrative and financial management controls and practices of the program;
- Project and program information generated and used for decision making; and
- Roles and responsibilities and the capacity to effectively deliver the program.

1.3 Scope

The audit was conducted from June 7, 2009 to January 25, 2010. The audit scope covered 583² agreements and sub agreements from the 61 designated communities located across seven regions. Of these, 375 included capital investments.

The selection of files for testing was based on the dollar value, a sample from each delivery model and other attributes such as: the number of third party sub-agreements for CE agreements, representation of federal investments among the four activity areas (facilities; prevention services; support services; and improvement of community services and service delivery networks), the amount of expenditures to date and a selection of files from each region. Recipient audit reports for projects subject to an annual external audit were also reviewed to ensure they met the terms and conditions of the contribution agreement. The reports reviewed covered the period from April 2007 to December 2008.

Representation for both delivery models - CE and SD were included to test the adequacy of controls in place. The nine Federal Horizontal Pilot projects and the 84 Outreach Communities projects were not included in the audit sample since they were assessed as lower risk activities and represented lower dollar value.

The file population represented \$74,496,516³ or 42% of the total \$175,434,253 of HPI committed funds for 2007-2009.

¹ This reference, developed by the Internal Audit Services Branch is used as a standard to assess Gs&Cs programs.

² There were 43 CE and 540 SD agreements.

³ The file population under the CE model is \$64,454,523; under the SD model it represents \$10,041,993.

1.4 Methodology

The audit was conducted in accordance with the Treasury Board Secretariat Policy on Internal Audit and the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Assurance is provided through a number of methodologies including:

- A national survey and interviews with national and regional management and program staff responsible for the delivery and management of the HPI (82 operational staff and 17 managers, with a response rate of 62%);
- On-site field visits in five designated communities in three of the seven regions with CE projects;
- Review and analysis of 21 project files: 15 of 540 SD⁴ and 6 of 43 CE⁵;
- Review of 44 external audit reports submitted by recipients (17 SD and 27 CE);
- Review and analysis of relevant HPI policies, procedures, operations manuals and directives including available program delivery training material; and
- Review and analysis of results data systems for reporting and information capture.

2.0 AUDIT FINDINGS

Overall, we found the management of SD agreements to be satisfactory. Adequate support (tools and training) is available to program staff to manage these agreements and responsibility for SD monitoring is clear.

We observed opportunities to improve the monitoring of CE Contribution Agreements. With respect to *CE Active Agreements*, we found deficiencies regarding reporting by recipients, monitoring procedures, documentation and external audits provided by recipients. As capital purchases constitute a large part of the program⁶, and more communities are moving to the CE model⁷, a tailored monitoring regime for these types of agreements is warranted.

Regarding *Closed Agreements of Third Party Facilities*, we found that there was no process in place to monitor whether CEs verified if closed agreements of facilities continued to be used for homelessness services for a five year period as required under the agreements.

⁴ Total HPI funding for 15 SD Agreements is \$12,242,069 and funding from other sources is \$24,448,767

⁵ Total HPI funding for the 6 CE Agreements is \$120,460,649 and funding from other sources is \$348,375,041.

⁶ Capital projects represent 37.2% of the CE funding amount.

⁷ In 2008, two additional designated communities use the CE model.

Management action plans from previous Grants and Contributions audits will address the training needs identified around advanced financial monitoring. However, there is an opportunity to improve access to expertise regarding capital projects and analysis of external audit reports.

Active CE Agreements

Results Reporting by Recipients. Program officers⁸ reported that recipients (end-users) were experiencing ongoing difficulty completing the results reporting forms, even though HP Secretariat staff had provided training in 2007. Recipients reported having to upload results information several times before data was accepted. Our audit identified that about 51% of results reporting information from the recipients was late, missing or incomplete. Varied interpretation of terminology also contributed to the high level of incomplete and/or missing data.

Program staff reported spending considerable time assisting recipients with the forms completion. Since then, the HP Secretariat and program staff have been obtaining outstanding results reporting information from recipients.

CE Procedures. We found that departmental monitoring procedures have not been defined for CEs. Based on interviews with program staff, the following should be included in the Operations Guide:

- Guidance on how to determine cost categories and activities to monitor (based on risk); and
- Guidance on how to determine the appropriate number of transactions to review (for example, 15% or a maximum of 40 for a certain time period).

Documentation. Our review of the six CE files at Regional Offices indicated there was inadequate documentation to demonstrate HRSDC program officers had verified that CEs met their agreement obligations to ensure monitoring of their third party sub-agreements⁹.

External Audits Provided By Recipients. At the time of our review, for the 2007-2008 fiscal year, 10 of the 27 CE files did not have the required external audit reports from the recipients, as required by the agreement. All of the 17 CE external audit reports on file were missing key audit clause requirements specified in the agreement. During the interviews, program officers told us they do not have the expertise to review the external audit reports, and did not know what action to take with respect to these reports.

⁸ Information gathered via interviews and survey.

⁹ HPS Agreement, Section 15 (6) and Section 15(9)(a)(b).

Closed Agreements of Third Party Facilities

To maintain HRSDC's investment in reducing homelessness, there is a requirement for facilities (capital properties purchased, built or renovated) funded under the previous National Homelessness Initiative and the HPI to be maintained for homelessness services for a five year period following the project end date.

Three of the five offices visited did not monitor whether CEs verified if closed agreements of facilities continued to be used for homelessness services. These offices were unaware whether monitoring was a requirement to ensure these conditions were met. We found there was no process in place to monitor whether CEs verified if closed agreements of facilities continued to be used for homelessness services for a five year period as required.

CE Training and Access to Expertise

The 12 program officers interviewed emphasized they did not feel comfortable monitoring CE Agreements. Survey results indicated that half of the operational staff were unclear about monitoring expectations and several were not certain whether or not they had the authority to monitor CE Agreements. Managers interviewed agreed that CE activity and financial monitoring training is needed.

The Internal Audit HPI national survey results and interviews with regional program staff revealed they require additional training and access to expertise to:

- Review recipients external audit reports and financial statements;
- Reconcile external audit reports with departmental records;
- Conduct activity and financial project monitoring of CE type agreements with multiple third party agreements and verify whether third party monitoring has been carried out by the CE recipient in accordance with their agreement;
- Obtain basic understanding of building and facility purchases, environmental assessment, real estate documents and terminology; and
- Assess sustainability plans.

Previous Gs&Cs audits have made recommendations for more comprehensive Gs&Cs training to be developed. A management action plan is being implemented to address training needs. This includes a portfolio-wide training strategy approved in August 2010. Its implementation over the remainder of the current and next fiscal years includes a single common curriculum (currently under development), with an updated, competency-based accreditation process for full-time trainers.

Recommendations

1. The Program Operations Branch, Centre of Expertise, in conjunction with Labour Market and Social Development Program, should develop a tailored monitoring process for CE type delivery model (multiple third party sub-agreements), to include:
 - A sampling methodology to identify higher risk transactions and activities to appropriately target monitoring efforts;
 - An annual follow-up process at the regional level to ensure recipients comply with the terms and conditions of CE agreements and in particular, external audit reports;
 - Access to expertise regarding capital projects and analysis of external audit reports; and
 - Procedures to follow-up on CEs closed facilities third party agreements to ensure recipients meet their facility provision obligations.

2. The HP Secretariat and/or LMSDPO should:
 - Ensure timely receipt of results reporting from recipients; and
 - Streamline results reporting forms provided by recipients.

3.0 CONCLUSION

The Department has developed and implemented appropriate procedures to manage agreements for specific project activities using the SD delivery model (one recipient, one agreement). However, the Department has not yet developed comparable procedures for the CE model (these include multiple third party sub-agreements including capital projects) where the program officer needs to ensure recipients are meeting their obligations under the contribution agreements.

APPENDIX A: Glossary

CE	Community Entity
Gs&Cs	Grants and Contributions
HP Secretariat	Homelessness Partnering Secretariat
HPI	Homelessness Partnership Initiative
HPS	Homelessness Partnering Strategy
HRSDC	Human Resources and Skills Development Canada
LMSDPO	Labour Market and Social Development Programs Operations
SD	Shared Delivery

APPENDIX B: Designated Communities

A total of 61 communities across Canada that have a significant problem with homelessness have been selected to receive ongoing support to address this issue. These communities—mostly urban centres—are given funding that must be matched with contributions from other sources. Funded projects must support priorities identified through a community planning process. Proposals for funding are accepted from eligible recipients in these communities.

British Columbia / Yukon: Kelowna, Kamloops, Nanaimo, Nelson, Prince George, Vancouver, Victoria, Whitehorse

Alberta / NWT / Nunavut: Calgary, Edmonton, Grande Prairie, Iqaluit, Lethbridge, Medicine Hat, Red Deer, Wood Buffalo, Yellowknife

Saskatchewan: Prince Albert, Regina, Saskatoon

Manitoba: Brandon, Thompson, Winnipeg

Ontario: Barrie, Belleville, Brantford, Dufferin, Guelph, Halton, Hamilton, Kingston, Kitchener, London, North Bay, Ottawa, Peel Region, Peterborough, Region of Durham, Sault Ste. Marie, St. Catharines-Niagara, Sudbury, Thunder Bay, Toronto, Windsor, York Region

Québec: Drummondville, Gatineau, Montréal, Québec City, Saguenay, Sherbrooke, Trois-Rivières

New Brunswick: Bathurst, Fredericton, Moncton, Saint John

Prince Edward Island: Charlottetown, Summerside

Nova Scotia: Halifax, Sydney (Cape Breton)

Newfoundland and Labrador: St. John's

APPENDIX C: Audit Criteria

1. Adequate administrative and financial controls have been designed, implemented and applied to ensure that:
 - Applicable policies and procedures are appropriate, readily available and consistently applied;
 - Agreements clearly identify eligible activities, expected results and the Agreement holder's responsibilities;
 - Agreements clearly identify recipient obligations for collecting and reporting of financial and non-financial data;
 - There is sufficient documentation that the performance conditions of the agreement were met before each payment was made [section 34 of the Financial Administration Act]; and
 - Payments issued are based on the terms set out in the contribution agreements.

2. Projects are being monitored adequately to ensure that recipients comply with requirements of the agreement and to ensure proper use of public funds.
 - Project monitoring is adequate to ensure that recipients are complying with the requirements of their agreement;
 - Project monitoring is adequate to ensure third parties comply with the requirements of sub-agreements and that payments are for eligible costs, and allowable activities;
 - Documentation on files supports the analyses performed for payment amounts made; validation of records reflect expenditures claimed and shows that expenses have not been charged to another funding source;
 - Progress reports and results are timely, reliable and sufficient for their use;
 - Project sustainability plans for capital projects and service supports exist and progress is monitored;
 - The matching funds provision from other partners stipulated in agreements to complete Community Plans for Designated Communities¹⁰ is adhered to; and
 - Projects subject to an annual external audit meet the terms of the contribution agreement and are utilized for year-end assessment, and corrective actions are implemented as necessary.

3. Management understands the risks facing the program and the risks are being mitigated.
 - Risks have been identified and assessed with proper involvement of regional representation;
 - Mitigation strategies have been developed and implemented to address the risks; and
 - Proper follow-up is conducted to ensure that new and emerging issues are being identified and addressed.

¹⁰ Matching funds is not a requirement for Aboriginal Communities.

4. Management has in place performance indicators and established mechanisms (including data-capture infrastructure) to ensure:
 - Availability of relevant financial and non-financial management information;
 - Availability of timely, relevant and reliable program management information; and
 - Program management information is used for reporting of actual results and for decision making.

5. Roles and responsibilities are clearly defined and understood.
 - A clear and effective organizational structure is established, documented and communicated; and
 - Roles and responsibilities are well defined and relations between the regional and national level are understood.

6. Program staff has access to needed resources, information, skills, tools and training to ensure successful delivery of the program.
 - Program staff have the necessary information, skills, tools and resources needed to manage projects;
 - Program staff have the knowledge to properly manage projects and access to comprehensive program delivery training; and
 - There is a centre of expertise to assist with program management.