

Chapter 1

Section 1.11

Treasury Board Secretariat

Oversight of Time-Limited Discretionary Grants

Follow-Up on VFM Section 3.11, *2019 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2		2			
Recommendation 2	1			1		
Recommendation 3	1			1		
Recommendation 4	2	1	1			
Recommendation 5	3	1	1	1		
Recommendation 6	1			1		
Recommendation 7	1			1		
Recommendation 8	2	2				
Recommendation 9	1			0.8	0.2	
Recommendation 10	6	2.8	0.2	2.8	0.2	
Recommendation 11	1			1		
Recommendation 12	1			1		
Recommendation 13	2		1	1		
Total	24	6.8	5.2	11.6	0.4	0
%	100	28	22	48	2	0

Overall Conclusion

The Treasury Board Secretariat; the Ministry of Government and Consumer Services; the Ministry of Economic Development, Job Creation and Trade; the Ministry of the Environment, Conservation and Parks; the Ministry of Heritage, Sport, Tourism and Culture Industries; the Ministry of Indigenous Affairs; and the Ministry for Seniors and Accessibility, as of

August 31, 2021, have fully implemented 28% of the actions we recommended in our *2019 Annual Report*. An additional 22% of recommended actions were in the process of being implemented.

Fully implemented recommendations included the Treasury Board Secretariat reinforcing the requirements of the Transfer Payment Accountability Directive with ministries, with respect to the use of exemptions and the need to document the rationale for funding decisions. As well, at least one granting

ministry implemented our recommendation to require grant recipients to submit audited segmented financial information (Ministry of Heritage, Sport, Tourism and Culture Industries; and Ministry for Seniors and Accessibility); use a risk-based approach to select which grant recipients to visit to verify the use of funding provided (Ministry of Heritage, Sport, Tourism and Culture Industries); select grant recipients on a risk-based approach for invoice testing (Ministry of Heritage, Sport, Tourism and Culture Industries; Ministry of Economic Development, Job Creation and Trade; and Ministry of the Environment, Conservation and Parks); and take corrective action, including recovering funds from those grants recipients that don't meet their obligations (Ministry of Economic Development, Job Creation and Trade; and Ministry of the Environment, Conservation and Parks; and Ministry for Seniors and Accessibility).

Recommendations in the process of being implemented included showing time-limited discretionary grants separately from government funding for ongoing programs in the Estimates of the Province and the Public Accounts of Ontario, and implementing practical solutions that will make the Grants Ontario system user-friendly, effective and efficient.

However, little progress has been made on 48% of the actions we recommended. These included disclosing details of all grant opportunities on the Grants Ontario system (now known as the Transfer Payment Ontario system) website, publicly disclosing on one platform all recipients of government funding received directly through a ministry or indirectly through a flow-through organization, and communicating the need for all ministries to use the government-wide Grants Ontario system and all relevant and applicable modules available in the system.

The status of actions taken on each of our recommendations is described in this report.

Background

In 2020/21, the province provided about \$4.7 billion (\$3.9 billion in 2018/19) annually in time-limited grants to third parties to pay for activities that are intended to benefit the public and help achieve public policy objectives. These grants were discretionary, meaning the province was not required to provide funding for these activities to meet statutory obligations. The ministries were responsible for determining the level of funding for their specific grant programs in their annual budgets, based on their objectives and priorities. The Treasury Board Secretariat was responsible for reviewing the final allocation of these grants for each ministry based on government priorities, political direction and the economic climate.

The following were our significant findings in our 2019 audit:

- The government reported all grant payments together in the Public Accounts and the Estimates of the Province of Ontario, without differentiating between those for time-limited activities (funded through discretionary grants) and those for the delivery of government services (for example, to hospitals for health care or to school boards for education). Without being able to identify which grant payments are for time-limited projects and which are for ongoing programs, Members of Provincial Parliament did not have the necessary information on which to base funding allocation decisions in times of fiscal constraint or changing government priorities.
- Public disclosure of government grants was not always consistent or transparent. For grant recipients that were paid directly by ministries, their names and amounts received were disclosed in the province's Public Accounts. However, we identified eight organizations that had received \$402 million in grant funding from the province in 2018/19 and

had then disbursed those funds to other parties not disclosed in the Public Accounts. While some of these flow-through organizations listed the grant recipients and amounts awarded to them on their own websites, disclosure of grant recipient information was inconsistent and difficult to find.

- Some grant recipients that did not meet evaluation criteria received funding under ministerial discretion. From 2016/17 to 2018/19, all applicants to the Ministry of Heritage, Sport, Tourism and Culture Industries' (Ministry) Celebrate Ontario grant program that had achieved the minimum required score were approved for grant funding. However, the grant program had also provided almost \$6 million in funding through ministerial discretion to 132 applicants that had not achieved the minimum required evaluation score. The explanation justifying these approvals was that these applications fell under a certain priority category, but there was no other documented justification on file explaining why the Minister chose to fund a certain applicant over another in the same category that had a higher score. The Ministry had not requested an exemption from Treasury Board as required by the Transfer Payment Accountability Directive for the grants that were awarded under ministerial discretion.
- Most grant programs did not consider an applicant's need for funding during the selection process. Only two of the 15 grant programs we reviewed considered the need for grant funding as part of the selection process. We noted that the Ontario Scale-Up Vouchers Program, where the objective was to accelerate the growth of start-up technology companies, provided \$7.65 million in 2018/19 to businesses that already had a significant amount of resources available to them. Prior to receiving support from the program, 27 recipients combined had raised \$491 million in capital.
- Ministries relied mostly on self-reported information to assess whether the recipients used grant funding as intended. In our review of 15 grant programs, we selected a sample of recipients and noted that some recipients had claimed ineligible

expenditures. For example, under the Ontario 150 Partnerships program, the Ministry provided \$75,000 in funding to an organization to promote women's engagement in politics and to host an event at Queen's Park. However, the organization claimed the majority of the expenditures for consulting work performed by its executive director at a rate of \$675 per day, even though regular staff salaries were not eligible for funding under this program.

- Ministries did not verify the performance results reported by recipients for reasonableness. One recipient we spoke with informed us that they had simply guessed at the number of attendees and the amount spent by visitors at their event. The Ministry had deemed some performance results unreliable but had not followed up with recipients and did not take this into consideration in subsequent grant funding decisions.

We made 13 recommendations, consisting of 24 action items, to address our audit findings.

We received commitment from the Treasury Board Secretariat, the Ministry of Government and Consumer Services and granting ministries that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between May 2021 and September 2021. We obtained written representation from the Treasury Board Secretariat; the Ministry of Government and Consumer Services; the Ministry of Economic Development, Job Creation and Trade; the Ministry of the Environment, Conservation and Parks; the Ministry of Heritage, Sport, Tourism and Culture Industries; the Ministry of Indigenous Affairs; and the Ministry for Seniors and Accessibility that effective November 24, 2021, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Discretionary Grant Information and Disclosures

Recommendation 1

To improve transparency in government reporting and allow the members of the legislative assembly to have better information with which to make informed funding allocation decisions, we recommended that the Treasury Board Secretariat:

- *show time-limited discretionary grants separately from government funding for ongoing programs in the Estimates of the Province and the Public Accounts of Ontario;*

Status: In the process of being implemented by September 2022.

Details

In our 2019 audit, we reported that both the Public Accounts of Ontario and the Estimates of the Province grouped all transfer payments to third parties together, without differentiating between those for time-limited activities and those for the delivery of government services, whether legislated or not. Therefore, it was difficult to confirm how much of the transfer payments provided in the year were for ongoing programs, such as education grants to school boards, versus time-limited discretionary grants.

In our follow-up, we found that Treasury Board Secretariat had sent instructions in October 2020 to all ministries to compile an inventory of all transfer payment programs. With these instructions, Treasury Board Secretariat aimed to create a single source of all government transfer payment programs (including discretionary and entitlement programs). The instructions noted that discretionary programs (often referred to as grants) are to be captured to maintain a central list of these programs and to make these programs available in the Estimates of the Province and the Public Accounts of Ontario. Treasury Board Secretariat was able to compile a list by March 2021. However, at the time of our follow-up, the discretionary grant information had not been made public. Treasury Board Secretariat is planning to review

the 2021/22 Public Accounts instructions to determine if additional guidance will be required for ministries in order to publicly report their transfer payment programs (including time-limited discretionary grants) by September 2022.

- *compile and maintain a central list of all time-limited discretionary grant programs.*

Status: In the process of being implemented by March 2022.

Details

In our 2019 audit, we found that the government did not have a centralized list of time-limited discretionary grants and there was no clear or consistent understanding and reporting of discretionary grants across the ministries. We noted that the purpose of the central list and disclosure would be to allow legislators to make informed decisions in times of fiscal constraint or changing government priorities.

In our follow-up, we found that the Treasury Board Secretariat had worked with all ministries to compile a list of all transfer payment programs. However, the list compiled does not identify programs that can be cut without impacting essential services such as health care. In addition, the list does not identify whether the recipient needs to apply for the funding program. To illustrate, the Ministry of Health's annual transfer payments to hospitals to fund services under the *Public Hospitals Act* is listed as an ongoing discretionary grant. In another example, the Home for Good - Ending Homelessness program, which is intended to provide support payments for 20 years, ending in 2040, is identified as a time-limited discretionary grant. However, some grants under the Ministry of Heritage, Sport, Tourism and Culture industries to support Sport Culture Attractions Agencies and Athlete development are considered discretionary ongoing programs without a definite end date instead of time-limited discretionary grants that can be eliminated. Treasury Board Secretariat will examine the feasibility of including additional information, such as the type and criticality of programs, into their 2022/23 budgeting process in March 2022.

Recommendation 2

To inform the public about all grant programs available, we recommend that the Ministry of Government and Consumer Services disclose on the Grants Ontario System details on current and upcoming grant opportunities.

Status: Little or no progress.

Details

At the time of our audit, only 25% of the time-limited discretionary grants in the Grants Ontario system (now known as the Transfer Payment Ontario system) were listed on Grants Ontario's public website, describing the purpose of grant funding and eligibility requirements. The decision of whether or not to list the grants publicly was made based on input from the granting ministry. For the grants not listed on the Grants Ontario website or not yet transferred to the Grants Ontario system, it was difficult to find a description of the grants and their eligibility requirements on the respective ministries' websites. This prompted us to recommend that the Ministry of Government and Consumer Services disclose on the Grants Ontario system details about current and upcoming grant opportunities.

At the time of our follow-up, we found that the Ministry had made little progress on implementing our recommendation. The Ministry of Government and Consumer Services gives other ministries starting new grant programs in the system the choice of whether to publicly disclose the existence of the grant program on the government's website. The Ministry noted that the ownership of transfer payment programs resides with the program ministry, and the Transfer Payment Ontario Branch is not responsible for program launch information on the public website. At the time of our follow-up, only 28 grant opportunities were listed on the public website.

Recommendation 3

To increase transparency and greater accountability for government funding, we recommend that the Treasury Board Secretariat, in conjunction with granting ministries, publicly disclose on one platform all recipients

of government funding received directly through a ministry or indirectly through a flow-through organization, by granting program.

Status: Little or no progress.

Details

In our 2019 audit, we found that recipients of time-limited discretionary grants were not always publicly disclosed or if disclosed, the recipients were not linked to the grant program. As well, we found that recipients of time-limited discretionary grants funded indirectly by the government through organizations that act as flow-through entities, were not disclosed in the province's Public Accounts.

At the time of our follow-up, we found that the Treasury Board Secretariat was planning to implement a project team to consider the costs and benefits of this recommendation, along with implementation options given the complexity around IT solutions, information gathering and privacy issues.

Grants Ontario System

Recommendation 4

To encourage more ministries to use the government-wide Grants Ontario system and all relevant and applicable modules available in the system for the administration of their grants, we recommend that the Transfer Payment Ontario Branch within the Ministry of Government and Consumer Services:

- *develop a plan with specific timelines to address concerns with the system raised by ministry staff and external users in its user satisfaction surveys;*

Status: Fully implemented.

Details

In our 2019 audit, we reported that user satisfaction with the Grants Ontario system (now known as the Transfer Payment Ontario system) was low. According to surveys conducted in 2018, 41% of ministry users and 51% of external users found the system difficult to navigate. Most difficulties encountered by external users related to finding their way around the system

(70%); downloading or uploading an application (57%); downloading or uploading a report (50%); attaching documents (50%); and uploading organization profile information (37%). Most difficulties encountered by ministry staff involved querying the system (28%); case view (22%); payments (22%); and reports (22%).

In our follow-up, we found that the Ministry of Government and Consumer Services had developed a plan to conduct user research and engagement sessions in fall/winter 2021 with internal and external stakeholder groups, to further understand the user experience. Based on the feedback received, the Ministry plans to implement targeted improvements starting in March 2022.

- *implement practical solutions that will make the Grants Ontario system user-friendly, effective and efficient.*

Status: In the process of being implemented by March 2022.

Details

In our follow-up, we found that the Ministry of Government and Consumer Services had implemented new enhancements in 2020 aimed at making the system more user-friendly and efficient by adding headings that identify the grant program, adding instructions to clearly outline the application process, allowing applicants to opt in or out of multiple draft creations to avoid confusion during the application process, adding a drop-down menu to make it easier to attach files and adding a progress bar that helps track the progress of each application. In addition, the Ministry is planning to implement a new dashboard to alert program staff of activities related to the program, including new submissions, status of applications, payments, report backs received, etc.

Despite the improvements implemented in 2020, the most recent applicant survey in September 2021 noted that about 35% of respondents still found the system difficult or very difficult to use compared to 51% in 2019. The applicant survey also found similar concerns to what was noted in our 2019 audit

with slight improvements. The survey respondents noted that 53% had difficulty navigating the system (compared to 70% in 2019), 46% had difficulty in downloading and uploading applications (compared to 57% in 2019), and 47% had difficulty attaching documents (compared to 50% in 2019). Navigating the site, downloading/uploading applications and attaching documents remained the most noted concerns. As noted earlier, the Ministry is working to understand the needs of users and to implement improvements based on user feedback starting in March 2022.

Recommendation 5

To maximize the benefits of a complete government-wide grants database that produces comparable, consistent and reliable reporting, we recommend that the Treasury Board Secretariat, in conjunction with the Transfer Payment Ontario Branch:

- *reinforce the communication that all ministries are to use the government-wide Grants Ontario system and all relevant and applicable modules available in the system for the administration of their grants once the concerns raised by ministry staff and external users with respect to the system have been addressed;*

Status: Little or no progress.

Details

In our 2019 audit, we found that some ministries were not using the mandatory Grants Ontario system (now known as the Transfer Payment Ontario system). As of September 2019, only 53% of the time-limited grant programs had implemented the mandatory system. Furthermore, for those grant programs that were using the system, most were not using all available modules. For example, 100% were not using the standardized contracts module, 97% were not using the risk assessment module, and 72% were not using the performance measures module.

In our follow-up, we found that the Treasury Board Secretariat announced a new directive in January 2021, entitled the Transfer Payment Consolidation

Operational Directive that requires all new transfer payment programs to be onboarded to the Transfer Payment Ontario system. In addition, all ministries were directed by the Treasury Board Secretariat to work with the Ministry of Government and Consumer Services to develop a plan to transition their existing transfer payment programs/IT systems, as well as those of their provincial agencies, onto Transfer Payment Ontario and report back to Treasury Board/Management Board of Cabinet through the 2021/22 Multi-Year Planning process by March 2021. All transfer payment programs are to be transferred to the Transfer Payment Ontario system, with the exception of programs that provide support payments (for example, the Ontario Disability Support Program or Ontario Health Insurance Plan).

The Transfer Payment Consolidation Operational Directive requires all ministries to use only three of the 23 modules in the system, which consists of the modules for contracting, reporting (report backs) and making payments to grant recipients. Provincial agencies that are or will be using the system are only required to use the contracting and reporting modules. Although provincial agencies are not required to use the payment module, they are required to record payment data in the system. The Treasury Board Secretariat continues not to require ministries and agencies to use the risk assessment and performance measures modules, among others.

- *clearly define all key inputs to be entered into the Grants Ontario system and ensure all ministries are entering information consistently;*

Status: In the process of being implemented by September 2023.

Details

In our 2019 audit, we found that most provincial-level reporting generated from the Grants Ontario system was not useful because the ministries, along with not using all available modules, were not collecting data in a manner that was easily transferable to the Grants Ontario system. For example, some ministries were simply attaching a scanned file or email attachment

to the system that could not be read by the system or used to generate reports.

In our follow-up, we found that the Ministry of Government and Consumer Services had established a Transfer Payment Ontario Data Governance Council, which is responsible for the application of the data governance framework, prioritization for the data governance initiatives, and approval of Transfer Payment Ontario data standards. In May 2021, a data catalogue with 55 input terms and their definitions was communicated to users of the Transfer Payment Ontario system.

The Ministry of Government and Consumer Services, Treasury Board Secretariat and Ministry of Children, Community and Social Services are planning to establish a data governance body by September 2023 to support the implementation of the enterprise data governance strategy.

- *monitor utilization of the system.*

Status: Fully implemented.

Details

At the time of our follow-up, we found that the Ministry of Government and Consumer Services was monitoring on a quarterly basis the utilization of all 23 modules in the Transfer Payment Ontario system.

Recommendation 6

To manage the Grants Ontario system cost-efficiently, we recommend that the Transfer Payment Ontario Branch within the Ministry of Government and Consumer Services develop workload and efficiency measures and review its staffing model on an ongoing basis.

Status: Little or no progress.

Details

In our 2019 audit, we reported that from fiscal 2015/16 to fiscal 2018/19, the annual cost of operating the Grants Ontario system increased by over 120% (from \$4.0 million to \$8.9 million), the number of staff grew 228% (from 17.5 to 57 full-time-equivalent positions) and the number of grant programs on the system increased by 268% (from 88 to 324

programs). Further, the initial cost of developing the system was less than its ongoing costs because of the high number of staff in the Transfer Payment Ontario Branch. We further noted that the Branch did not have workload and efficiency measures needed to assess if its staffing levels were appropriate, and the Branch did not have plans to deploy implementation staff elsewhere once all ministries were transferred onto the mandatory system.

In our follow-up, we found that the staffing level for the Transfer Payment Ontario Branch had further increased to 64 staff as of September 2021 from 57 in 2019. The Ministry of Government and Consumer Services stated that it uses an activity tracking tool to measure staff effort on program implementation activities and results will be reviewed annually to ensure the cost efficiency of the staffing model considering the Branch's role in supporting the government's priority of transfer payment consolidation. However, we noted that the only measure the Transfer Payment Ontario Branch is using for its implementation staff is the tracking of total hours per activity. In addition, the Branch also measures productivity at the group level (operations and maintenance, and customer services). However, there were no measures in place to assess the efficiency or workload of individual staff.

Recommendation 7

In order that government funding is provided only to grant applicants in good standing with provincial statutes when the grant constitutes a significant monetary amount, we recommend that the Treasury Board Secretariat require ministries to verify an applicant's status with respect to outstanding environmental and labour violations and any outstanding taxes before making a grant payment.

Status: Little or no progress.

Details

In our 2019 audit, we found that prior to awarding grants, most granting ministries did not check whether grant applicants (that is, businesses) were in violation of any provincial legislation such as those relating to

environmental protection or occupational health and safety, or whether applicants were under investigation for such things. Granting ministries also did not ensure whether the applicant had provincial taxes owing.

In our follow-up, we found that the Treasury Board Secretariat had completed initial research and analysis to identify jurisdictional best practices related to verifying transfer payment recipients' status with respect to outstanding environmental, labour, and tax violations. In addition, the Treasury Board Secretariat told us that it was assessing options with ministries to confirm a recipient's compliance with provincial statutes on an enterprise-wide basis. The options under consideration include having the regulatory ministries verify compliance with specific statutes; establishing a definition of compliance that would include reference to formal allegations, tickets or orders; requiring tax compliance verification; and an attestation of compliance with environmental, labour and tax laws from the transfer payment recipients that would refer to convictions only. Treasury Board Secretariat plans to implement updates to the Transfer Payment Consolidation Operational Directive by adding an attestation of compliance for recipients. The revision is expected to be released in December 2021, with an effective date of January 1, 2022. However, an attestation alone from the recipient without further verification would not ensure an applicant's good standing with respect to environmental and labour violations.

Grant Programs Tested—Selection and Funding of Grant Recipients

Recommendation 8

To provide funding to grant recipients in an objective and transparent manner based on their applications submitted, we recommend that:

- *the Ministry of Heritage, Sport, Tourism and Culture Industries follow the Transfer Payment Accountability Directive in selecting grant recipients and seek Treasury Board/Management Board*

of Cabinet approval prior to awarding grant funding to recipients that did not meet eligibility criteria and were selected under the Minister's discretion;

Status: Fully Implemented.

Details

During our audit, we found that for grant programs offered by the Ministry of Heritage, Sport, Tourism and Culture Industries, some grant recipients did not meet evaluation criteria, but were awarded funding under the discretion of Ministers. Specifically, from 2016/17 to 2019/20, the Ministry awarded \$8.4 million in grants under the Celebrate Ontario grant program to about 200 recipients for various festivals and events. This Ministry also awarded \$1.2 million to low-scoring applicants based solely on ministerial discretion under two programs intended to celebrate Canada's 150th birthday: \$700,000 in total funding to 13 recipients under the Ontario 150 Partnerships grant program and \$520,000 to 15 recipients under the Ontario 150 Community Celebration grant program. This practice was contrary to the government's Transfer Payment Accountability Directive.

During our follow-up, we found that the Ministry of Heritage, Sport, Tourism and Culture Industries had updated its 2020 application guide for the Celebrate Ontario grant to outline that only applications with a score of at least 55 out of 100 would be eligible for consideration. (An additional ten bonus points were awarded for Francophone and Indigenous events.) As indicated in the 2020 approval note, all 259 events presented for Minister approval for funding met the scoring eligibility criteria.

- *Treasury Board Secretariat reinforce the requirements of the Transfer Payment Accountability Directive with ministries, with respect to the use of exemptions and the need to document the rationale for funding decisions.*

Status: Fully implemented.

Details

In our 2019 audit, we reported that the Transfer Payment Accountability Directive provides direction on determining a recipient's eligibility and requirements for documenting funding decisions. A ministry that wants an exemption from part or all of the directive, only for exceptional circumstances, must seek Treasury Board/Management Board of Cabinet approval. In addition, the ministry must set out the rationale for the exemption in a business case. We noted the Ministry of Heritage, Sport, Tourism and Culture Industries had not requested an exemption from the Treasury Board Secretariat for any of the grant programs we tested where grants were awarded under ministerial discretion.

In our follow-up, we found that the Treasury Board Secretariat launched a new training portal in February 2020 on the Ontario Public Sector intranet that is available to all public sector employees to increase their knowledge of transfer payment rules and capacity to comply with requirements. One of the training modules on the training portal (called Requirement for Funders) describes the requirement for program staff to document evidence that the recipients are selected based on eligibility criteria and that all recipients met all eligibility criteria to receive funding. This module also indicates that the rationale for funding must be documented. The Treasury Board Secretariat also added a tip sheet that states that funders must seek Treasury Board/Management Board of Cabinet approval if, in exceptional circumstances, they require an exemption from all or part of the Transfer Payment Accountability Directive. This includes situations where funders may wish to select a recipient that has not clearly met the established eligibility criteria.

Recommendation 9

In order to provide funding where most needed, we recommended that the granting ministries provide grant funding to recipients based on need and establish evaluation criteria that better assess whether funding for projects is needed in order for the project to proceed.

Status:

Ministry of Indigenous Affairs – Will not be implemented.
The Office of the Auditor General continues to believe this is a significant recommendation and continues to recommend that the Ministry of Indigenous Affairs implement it.

Ministry of Economic Development, Job Creation and Trade; Ministry of the Environment, Conservation and Parks; Ministry of Heritage, Sport, Tourism and Culture Industries; and Ministry for Seniors and Accessibility – Little or no progress.

Details

In our 2019 audit, we found that for 11 grant programs we reviewed across five ministries, the applicant's need for funding was not considered when determining the amount of funding awarded to a grant recipient. For another grant program (the Jobs and Prosperity Fund provided by the Ministry of Economic Development, Job Creation and Trade), where the Ministry had established evaluation criteria to assess whether funding for projects was needed in order for the project to proceed, the need for government support accounted for only 5% of the evaluation criteria. Since this program started in 2015, only two of 31 grant recipients indicated that their projects would not go ahead without provincial funding.

In our follow-up, we found that the Ministry of Heritage, Sport, Tourism and Culture Industries, for its 2020 Celebrate Ontario program, added a 5% scoring component for events occurring during non-peak seasons (October 1 to May 31) or in rural northern communities and an additional 10% was added to all events operated by Francophone or Indigenous (First Nations, Métis or Inuit) applicants. Although this Ministry asked applicants about their plans in the event they did not receive provincial funding, this was not incorporated into the scoring or evaluation of the applicant.

The Ministry of the Environment, Conservation and Parks and the Ministry for Seniors and Accessibility do not assess whether funding for projects is needed in order for the project to proceed, according to the grant evaluation criteria established for their grant programs.

The Ministry of Economic Development, Job Creation and Trade, and the Ministry of the Environment, Conservation and Parks had not taken any action to address the recommendation.

The Ministry of Indigenous Affairs said that it would not be implementing this recommendation because its grant programs are designed to deliver a baseline funding at a flat amount per community, regardless of workload or need.

Monitoring of Grant Recipients**Recommendation 10**

To help ensure grant recipients spend funds for the purposes intended, we recommend that the granting ministries improve the effectiveness of their monitoring processes by:

- *recalculating funding based on final reported costs, where applicable;*

Status:

Ministry of the Environment, Conservation and Parks; Ministry of Indigenous Affairs; Ministry for Seniors and Accessibility; and Ministry of Heritage, Sport, Tourism and Culture Industries – Fully implemented.

Ministry of Economic Development, Job Creation and Trade – Fully implemented at the time of our 2019 audit.

Details

In our 2019 audit, we found that for a sample of events we reviewed that were funded under the Celebrate Ontario grant program offered by the Ministry of Heritage, Sport, Tourism and Culture Industries, the Ministry was not reviewing reports of the actual expenditures submitted by recipients and adjusting the grant amount based on the review. As a result, we noted that 42% of events we sampled were overpaid by \$63,700 in total. We also found that 30% of events we sampled received their final payment without ever submitting a final report.

In our follow-up, we found that the Ministry of Heritage, Sport, Tourism and Culture Industries added a checklist for the Celebrate Ontario 2020

program to support staff in their review of the final report. The Ministry recalculated the funding allocations based on actual spending and reduced the final payments to the recipients to account for the amount underspent.

The Ministry of the Environment, Conservation and Parks implemented a checklist in November 2020, requiring a reconciliation of the grant recipients' final expenses in relation to the funding provided, for the purpose of recovering excess funding. In addition, both the Ministry of Indigenous Affairs and the Ministry for Seniors and Accessibility provided evidence of a reconciliation process and instances of recovery of funds not used by grant recipients.

- *requiring recipients to submit audited segmented financial information, where appropriate given the amount of funding awarded;*

Status:

Ministry of Heritage, Sport, Tourism and Culture Industries; and Ministry for Seniors and Accessibility – Fully implemented.

Ministry of Economic Development, Job Creation and Trade; and Ministry of the Environment, Conservation and Parks – Little or no progress.

Ministry of Indigenous Affairs – Will not be implemented. The Office of the Auditor General continues to believe this is a significant recommendation and continues to recommend that the Ministry of Indigenous Affairs implement it.

Details

In our 2019 audit, we found that three of the grant programs we reviewed required grant recipients to submit audited financial statements with segmented information to provide independent verification of how funds were spent. This represented two of the four grant programs we tested that were administered by the Ministry of Heritage, Sport, Tourism and Culture Industries, and one of the six grant programs we tested that were administered by the Ministry of Economic Development, Job Creation and Trade.

In our follow-up, we found that:

- the Ministry of Heritage, Sport, Tourism and Culture Industries requires recipients that received over \$100,000 in funding to provide audited segmented financial information;
- the Ministry of the Environment, Conservation and Parks has implemented a transfer payment checklist for all new transfer payment programs or agreements started on or after November 1, 2020. The checklist reminds the reviewer to assess whether recipients periodically submit audited financial information, but has not set any requirement for audited financial statements;
- the Ministry of Economic Development, Job Creation and Trade requires audited segmented financial information for its large grant programs but has not implemented this to all grant programs run and funded by the Ministry;
- the Ministry of Indigenous Affairs will not be implementing this recommendation because the Ministry believes it must consider the recipient's cost of providing audited segmented financial information. However, the recommended item only requires recipients to submit audited segmented financial information, where appropriate, given the amount of funding awarded; and
- the Ministry for Seniors and Accessibility does require audited segmented financial information from recipients that receive over \$100,000 in funding. According to this Ministry, due to the low dollar value of the funding it is not economically feasible for some recipients to provide audited segmented information.
- *using a risk-based approach to select which grant recipients to visit and verify that funded activities are taking place as intended;*

Status:

Ministry of Heritage, Sport, Tourism and Culture Industries – Fully implemented.

Ministry of Economic Development, Job Creation and Trade; Ministry of the Environment, Conservation and Parks; Ministry of Indigenous Affairs; and Ministry for Seniors and Accessibility – Little or no progress.

Details

In our 2019 audit, we found that for seven of 15 grant programs we tested, granting ministries did not visit any recipients to confirm that the funded activities were taking place effectively. For one ministry which visited sites, the visits were mainly for promotional purposes and relationship building. Where grant program recipients/events of various ministries were visited by ministry staff to verify whether the grant activities were conducted according to the terms of the funding agreement, those visited were not selected based on risk.

In our follow-up, we found that:

- the Ministry of Heritage, Sport, Tourism and Culture Industries requests its staff to conduct a visit of at least two events, targeting only those of high or medium risk;
- the Ministry of Economic Development, Job Creation and Trade uses a risk assessment tool to assess risk for each recipient, but there are no guidelines on how the risk assessment influences which recipients to visit;
- the Ministry of the Environment, Conservation and Parks has implemented a transfer payment checklist that identifies recipients in financial or operational difficulty that may compromise their ability to meet the stated funding objectives, for the purpose of conducting on-site visits to verify funding activities are taking place. However, there is a risk that some recipients who are not in financial or operational difficulty may also not be performing activities as intended;
- the Ministry of Indigenous Affairs has not developed a plan to travel into communities due to COVID-19, but told us that it plans to implement a travel plan when the travel restrictions are lifted; and
- the Ministry for Seniors and Accessibility told us that the program staff informally attend events and visit recipients' sites, when possible and where geographically feasible. However, the Ministry had not developed a risk-based approach to visiting recipients to verify that funded activities are taking place as intended.

- *selecting recipients for invoice testing using a risk-based approach;*

Status:

Ministry of Economic Development, Job Creation and Trade; and Ministry of Heritage, Sport, Tourism and Culture Industries – Fully implemented at the time of our 2019 audit.

Ministry of the Environment, Conservation and Parks – Fully implemented.

Ministry of Indigenous Affairs; and Ministry for Seniors and Accessibility – Little or no progress.

Details

In our 2019 audit, we found that ten grant programs that did not require grant recipients to submit audited financial statements, verified grant recipient spending by testing invoices on a sample basis. Five of these grant programs were administered by the Ministry of Economic Development, Job Creation and Trade and two were administered by the Ministry of Heritage, Sport, Tourism and Culture Industries. For both ministries, for all their other grant programs we selected for testing, grant recipients were required to submit audited financial statements.

In our follow-up, we found that:

- the Ministry of the Environment, Conservation and Parks implemented a transfer payment checklist in November 2020 stating that if a recipient is identified as a high-risk recipient, then invoices and other documents were requested to verify funding was used as intended; and
 - the Ministry of Indigenous Affairs and Ministry for Seniors and Accessibility had not implemented any new guidelines on invoice testing.
- *verifying performance results reported for reasonability;*

Status:

Ministry for Seniors and Accessibility – In the process of being implemented by March 2022.

Ministry of Economic Development, Job Creation and Trade; Ministry of the Environment, Conservation and Parks; Ministry of Heritage, Sport, Tourism and Culture Industries; and Ministry of Indigenous Affairs – Little or no progress.

Details

In our 2019 audit, we found that for more than 90% (14 of 15) of the grant programs we reviewed, ministries relied on performance results reported by grant recipients to assess progress toward meeting public policy objectives, without verifying these performance results.

In our follow-up, we found that:

- the Ministry for Seniors and Accessibility had plans to enhance instructions for regional staff to verify performance results for reasonability by March 2022;
 - the Ministry of the Environment, Conservation and Parks; the Ministry of Heritage, Sport, Tourism and Culture Industries and the Ministry of Indigenous Affairs have not taken any action to require program staff to verify the performance results reported by recipients; and
 - the Ministry of Economic Development, Job Creation and Trade, although it receives annual audited information which may contain some performance results, has not implemented any guidelines on the need for verifying performance results for all grant programs.
- *taking timely corrective action, including recovery of funds, with those recipients that do not meet their obligations according to grant requirements.*

Status:

Ministry of Economic Development, Job Creation and Trade – Fully implemented at the time of our 2019 audit.

Ministry of the Environment, Conservation and Parks; and Ministry for Seniors and Accessibility – Fully implemented.

Ministry of Heritage, Sport, Tourism and Culture Industries; and Ministry of Indigenous Affairs – Little or no progress.

Details

In our follow-up, we found that:

- the Ministry of the Environment, Conservation and Parks has implemented a checklist that reminds staff to make funding adjustments (include funding recovery), where necessary, based on a program area review of performance reports and other monitoring activities on a monthly basis;
- the Ministry of Indigenous Affairs does not verify expenditures but instead relies on recipients to report any underspending in order to recover unspent funds;
- the Ministry of Heritage, Sport, Tourism and Culture Industries implemented a guideline in 2020 that required corrective actions only in cases where grant recipients miss the reporting requirements but not for any other instances of non-compliance; and
- in its 2021/22 program guidelines, the Ministry for Seniors and Accessibility has formally incorporated the requirement for recovery of funds from recipients that do not meet their obligations according to grant requirements.

Recommendation 11

To confirm that the province is receiving the expected long-term benefits from grant funding, we recommend that the Ministry of Economic Development, Job Creation and Trade implement a process to continue monitoring the progress of recipients after the completion of funding arrangements when providing funds with goals of long-term benefits.

Status: Little or no progress.

Details

In our 2019 audit, we noted that although the Ministry of Economic Development, Job Creation and Trade was funding companies with the expectation of increasing production, sales and exports to benefit Ontario's economy over the long term, the Ministry did not have any contractual agreement to be able to monitor the long-term progress of recipients beyond the term of the funding agreement. Such was the

case for the Jobs and Prosperity Fund – New Economy Stream, where it was unknown whether jobs created or retained during the funding period were retained after the agreement ended. Similarly, for youth that were provided with skills training and related work experience under the Youth Skills Connections – Industry Partnerships program, the Ministry had not followed up beyond the term of the funding agreement to assess whether the grant recipients were still employing the individuals they trained.

In our follow-up, we found that the Ministry of Economic Development, Job Creation and Trade had attempted to receive post-project annual reporting for three years following the end of funding under the Jobs and Prosperity Fund - New Economy Stream. However, the Ministry could not provide evidence of the information reported for the three years past the period of the funding arrangement. The Ministry had not tried to monitor long-term outcomes for any of its other grant programs.

Performance Results Not Measured or Reported Publicly

Recommendation 12

To monitor the impact of grant funding and provide transparency, we recommend that the Treasury Board Secretariat, in conjunction with granting ministries, develop outcome-based performance measures for all discretionary grant programs as applicable, set reasonable targets to measure progress and report this information publicly.

Status: Little or no progress.

Details

In our 2019 audit, we found that for most grant programs tested, the performance measures were primarily activity-based rather than outcome-based. Activity-based measures count actions, but not whether those actions are effective in achieving the desired outcomes. We also found that most grant programs lacked performance targets and that results were not being reported publicly.

In our follow-up, we found that the Treasury Board Secretariat had engaged with ministries in March 2021 to start working on developing consistent outcomes. The Treasury Board Secretariat completed a jurisdictional scan of current key performance indicators that are being reported in other jurisdictions. The Treasury Board Secretariat told us that it is planning to obtain an agreement from all ministries to establish outcomes and to ensure that reporting on the key performance indicators be implemented by December 2021. Currently, the Treasury Board Secretariat has not discussed the implementation of reasonable targets for the performance measures. It further told us that it expects to collect data to establish baseline data to use to establish future targets. These new measures and targets will be implemented into new funding agreements.

Overlap Between Ministries

Recommendation 13

To minimize the risk of multiple ministries funding the same entity for the same or similar activities and to streamline reporting where justified, we recommend that:

- *the Treasury Board Secretariat, along with granting ministries, consolidate grant programs that support similar initiatives for a particular sector into one grant program under one ministry;*

Status: In the process of being implemented by March 2023.

Details

In our 2019 audit, we found that there was potential overlap between grant programs offered by the same ministry and another ministry. Specifically, the Ministry of Indigenous Affairs offered multiple grant programs for similar types of activities. For example, the New Relationship Fund, the Support for Community Negotiations, and the Participation Fund all provided funding to First Nations to support Indigenous communities participating in land claims. In addition, the Ministry of Energy, Northern

Development and Mines also had a grant with the same name (Participation Fund) to help support Indigenous communities and organizations participating in regulatory processes under the *Mining Act* and in economic development activities associated with mineral exploration and development.

In our follow-up, we found that as part of the 2021/22 Multi-Year Planning process, the Treasury Board Secretariat provided templates for ministries to report on their plans to onboard transfer payment programs to the Transfer Payment Ontario system. The templates request ministries to describe how they plan to (1) identify opportunities to consolidate similar programs (within and across ministries) in similar sectors or with similar recipients; (2) integrate agreements where more than one program in the ministry funds the same recipient; and (3) outline the timelines for consolidating similar programs and integrating agreements. According to the template, if a ministry does not plan to consolidate similar programs or integrate agreements when more than one program funds the same recipient, the ministry must provide a rationale, including the list of programs under consideration and explain why integration is not possible and/or will not accomplish positive outcomes.

The Treasury Board Secretariat told us that it plans to perform additional analysis of ministry transfer payment programs based on supplementary information provided by ministries as they onboard programs to the Transfer Payment Ontario system and increase module use. This analysis is expected to examine potential opportunities to consolidate programs across ministries. The Treasury Board Secretariat also told us that it expects to consult with ministries to identify further consolidation opportunities, and any challenges. Treasury Board Secretariat plans to complete the analysis and ministry consultations by the end of 2022/23.

- *where consolidation of funding into one program is not possible, that granting ministries streamline*

reporting activities, in accordance with the Transfer Payment Operational Policy.

Status: The Ministry of Heritage, Sport, Tourism and Culture Industries and the Ministry of Indigenous Affairs – Little or no progress.

Details

In our 2019 audit, we noted instances where ministries were not following the government's Transfer Payment Operational Policy (effective May 1, 2018), which requires a ministry to streamline and consolidate reporting if program areas within one ministry are funding the same recipient. During the audit, we identified about 1,500 grant recipients that received funding from more than one grant program in 2018/19 – 66% received funding from different programs administered by the same ministry and the remaining 34% received funding from grants administered by different ministries. Based on the programs we selected for review, two ministries (the Ministry of Indigenous Affairs and the Ministry of Heritage, Sport, Tourism and Culture Industries) were funding the same recipient through multiple grant programs within their own ministry, but neither had streamlined the reporting for these recipients. Similarly, for recipients receiving grants from multiple ministries for a similar activity—as in the case of First Nations receiving grants from both the Ministry of Indigenous Affairs and the Ministry of Energy, Northern Development and Mines, reporting requirements had also not been streamlined.

In our follow-up, we found that the Ministry of Heritage, Sport, Tourism and Culture Industries and the Ministry of Indigenous Affairs are participating in the Treasury Board Secretariat's Transfer Payment Consolidation initiative with a goal of reducing the administrative burden. The ministries continue to work toward onboarding programs into the Transfer Payment Ontario system and plan to perform future analysis on possible consolidation of funding arrangements.