



# **Report of the Auditor General of the Ville de Montréal** to the City Council and to the Urban Agglomeration Council

For the Year Ended December 31, 2014

# 4.12

## **MANAGEMENT OF FINANCIAL CONTRIBUTIONS**



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## List of Acronyms

AGM	annual general meeting	DOÉÉPS	Division des orientations, équipements, événements et pratique sportive
BD	board of directors		
CTA	<i>Cities and Towns Act</i>	MHM	Mercier–Hochelaga-Maisonneuve
DCSLDS	Direction de la culture, des sports, des loisirs et du développement social	NPO	non-profit organization
DDS	Division de la diversité sociale	RDP–PAT	Rivière-des-Prairies–Pointe-aux-Trembles
DGIS	Division de la gestion des installations sportives	RLPP	Rosemont–La Petite-Patrie
		VSMPE	Villeray–Saint-Michel–Parc-Extension

## 4.12. Management of Financial Contributions

### 1. Introduction

Budgets are allocated to the central departments and to the boroughs to enable them to support paramunicipal bodies and other non-profit organizations (NPOs) operating in various sectors (e.g., the social, community, cultural and economic sectors), mainly in the form of financial contributions. From 2009 to 2013, the sums allocated by Ville de Montréal (the City) in the form of financial contributions increased from \$574 million to \$662 million. Apart from the sums allocated to the AMT<sup>1</sup>, the CMM<sup>2</sup>, municipal bodies audited by the auditor general of the Ville de Montréal<sup>3</sup>, CLDs<sup>4</sup> and CDECs<sup>5</sup>, the financial contributions granted other organizations increased from \$81 million in 2009 to \$99 million in 2013. Moreover, the City also supports organizations' activities through non-monetary contributions, for example, by providing the free use of premises and sports facilities.

Four authorities are responsible for approving the contributions made to organizations, namely the agglomeration council and City council, in the case of contributions of \$50,000 or more, the executive committee for amounts less than \$50,000 and the borough councils regardless of the amount.

When contributions are to be approved, a decision-making record, generally accompanied by an agreement reached between the City and the organization, is presented to the competent authority. Two chapters of a guide produced by the Direction du greffe in 2011 deal with the content and the presentation of decision summaries concerning financial contributions. The decision summaries must namely describe the organization's activities as well as the activities for which support is being granted, the amount, in the case of financial support, as well as the nature of any non-monetary support provided. The agreement between the parties, i.e., the legal document, also specifies the nature, amount and duration of the support provided and is accompanied by contract provisions that mainly stipulate the parties' obligations.

Once financial contributions have been granted, the City's central departments and boroughs are responsible for ensuring that the NPOs comply with the agreements' provisions. This

<sup>1</sup> Agence métropolitaine de Montréal.

<sup>2</sup> Communauté métropolitaine de Montréal.

<sup>3</sup> Conseil des arts de Montréal, Office de consultation publique de Montréal, Office municipal d'habitation de Montréal, Société de transport de Montréal, Société d'habitation et de développement de Montréal, Société du parc Jean-Drapeau.

<sup>4</sup> Centres locaux de développement.

<sup>5</sup> Centres de développement économique communautaire.

includes making sure that the contributions made are used for the purposes set out in the agreements.

With respect specifically to contributions of \$100,000 or more, Section 107.9 of the *Cities and Towns Act* (CTA) provides that any legal person receiving an annual subsidy from the City of \$100,000 or more is required to have its financial statements audited. Said financial statements, copies of which must be forwarded to the City, provide the independent opinion of an auditor on the organization's financial situation, the results of its activities and its cash flows. The legal person's auditor is namely required to provide the City's auditor general with a copy of these audited financial statements.

## 2. Purpose and Scope of the Audit

The objective of the audit was to ascertain the extent to which the business units had monitored contributions made by the authorities to ensure that:

- The organizations complied with Section 107.9 of the CTA;
- The allocated sums had been used for the intended purposes.

For this purpose, we examined the process used to identify and monitor the organizations subject to Section 107.9 of the CTA. Moreover, we examined the authorizations for the contributions made by the concerned authorities, the existence of agreements between the parties as well as the provisions of such agreements. Furthermore, we examined the accountability requirements imposed on the organizations receiving support as well as the monitoring carried out by the persons in charge within the business units.

The scope of our audit covered the financial contributions made to NPOs in 2013. In certain regards, data dating back prior to 2013 were also taken into consideration. We conducted the bulk of our audit in 2014, but it also took into account information provided to us up until March 2015.

During our audit, we focused on both central departments and boroughs. The following business units were audited:

- Service de la culture;
- Service de la diversité sociale et des sports;
- Service des grands parcs, du verdissement et du Mont-Royal;
- Ahuntsic-Cartierville borough;
- LaSalle borough;
- Mercier–Hochelaga-Maisonneuve (MHM) borough;

- Montréal-Nord borough;
- Rosemont–La Petite-Patrie (RLPP) borough;
- Rivière-des-Prairies–Pointe-aux-Trembles (RDP–PAT) borough;
- Saint-Léonard borough;
- Le Sud-Ouest borough;
- Villeray–Saint-Michel–Parc-Extension (VSMPE) borough.

### 3. Summary of Findings

Our audit work revealed sectors where improvements are required. The following sections of this audit report highlight deficiencies with respect to:

- Compliance with Section 107.9 of the CTA (Section 4.2):
  - No formal process has been established to identify all of the organizations subject to this section of the Act.
- Contributions of goods and services (Section 4.3):
  - No process exists to evaluate all of these contributions to establish the actual and total values of the contributions made to the organizations on an annual basis.
- Business units' management of the financial contributions (Section 4.4):
  - In the case of most of the contributions examined, measurable objectives had not been set;
  - The organizations are not subject to the same requirements for all contributions. The requirements depend on the agreements and applications for support. This may complicate the business units' evaluation of how the allocated sums were used;
  - The existing monitoring procedures made it possible to evaluate expected outcomes in only 33% of the contributions;
  - The existing monitoring procedures made it possible to establish whether the contributions had been used for the intended purposes in only 19% of cases;
  - Elected officials and City employees sat as directors on the boards of directors of 15 organizations, possibly compromising their duty of loyalty to the City.

## 4. Detailed Findings and Recommendations

### 4.1. Portrait of the Financial Contributions Made

#### 4.1.A. Background and Findings

To conduct this audit, we first took stock of the amounts paid out in contributions from 2009 to 2013. This portrait is based on the transactions recorded in the SIMON application. Over the course of this period, the financial contributions made to NPOs increased 22%, from \$80.8 million in 2009 to \$98.8 million in 2013. As indicated in the table below, the contributions increased gradually over this period.

**Table 1 – Total Financial Contributions (2009–2013)**

Year	Total contributions (\$M)	Variation (current year / previous year)	Variation (2009–2013)
2013	98.8	+1%	22%
2012	97.8	+5.8%	
2011	92.4	+6.8%	
2010	86.5	+7%	
2009	80.8		

We also sought to establish, for the years 2009 to 2013, the distribution of the total contributions between those of \$100,000 or more and those of less than \$100,000. Table 2 below indicates that the sums allocated to organizations having received a contribution of \$100,000 or more represented between 75% and 79% of all contributions for these years (see Table 2, Column d). Conversely, the sums allocated to organizations having received a contribution of less than \$100,000 represented between 21% and 25% of the total (see Table 2, Column h). With respect to the distribution of the number of organizations, our analysis indicates that fewer than 10% of the organizations (see Table 2, Column f) received support totalling \$100,000 or more. Conversely, a little more than 90% of the organizations (see Table 2, Column j) received less than \$100,000 in support.

**Table 2 – Consolidated Portrait of Contributions (2009–2013)**

Year	Total contributions		Contributions of \$100,000 or more				Contributions of less than \$100,000			
	(a) (\$M)	(b) Number of NPOs	(c) (\$M)	(d) % (c/a)	(e) Number of NPOs	(f) % (e/b)	(g) (\$M)	(h) % (g/a)	(i) Number of NPOs	(j) % (i/b)
2013	98.8	1,805	78.2	79%	161	9%	20.6	21%	1,644	91%
2012	97.8	1,833	77.2	79%	158	9%	20.6	21%	1,675	91%
2011	92.4	1,699	72.9	79%	151	9%	19.3	21%	1,548	91%
2010	86.5	1,687	67.3	78%	146	9%	19.2	22%	1,541	91%
2009	80.8	1,742	60.4	75%	146	8%	20.4	25%	1,596	92%

Given that the City's budget divides financial contributions between the central departments and the boroughs, we also looked into the distribution of the financial contributions between the central departments and the boroughs over the same period. From 2009 to 2013, between 66% and 69% of the total financial contributions came from the central departments' budgets (see Appendix 6.1, Table A). Conversely, the boroughs' budgets were used to make financial contributions representing between 31% and 34% of all contributions (see Appendix 6.1, Table A).

At this stage, we continued the analysis to determine the percentage of the sums allocated to organizations having received contributions of \$100,000 or more, for both the central departments and the boroughs. In the case of the central departments, the sums allocated to these organizations represented between 78% and 81% of the total (see Appendix 6.1, Table B). Conversely, the sums allocated to organizations having received a contribution of less than \$100,000 represented between 19% and 22% of the total. Taking into consideration the number of organizations having received support from the central departments, our analysis indicates that only 11% to 13% of them received contributions of more than \$100,000. Conversely, most of the organizations, i.e., between 87% and 89%, received support totalling less than \$100,000.

With respect to the boroughs, the sums allocated to organizations having received a contribution of \$100,000 or more represented between 58% and 81% of the total (see Appendix 6.1, Table C). Conversely, the sums allocated to organizations having received a contribution of less than \$100,000 represented between 19% and 42% of the total. Taking into account the number of organizations, our analysis indicates that only 4% to 5% of them received support totalling \$100,000 or more. Conversely, most of the organizations, i.e., between 95% and 96%, received less than \$100,000 in support.

This analysis indicates that most of the organizations supported by the central departments or the boroughs receive financial contributions of less than \$100,000. For illustrative



purposes, we looked at the distribution of organizations by contribution amount for 2013. We also matched the value of the contributions to each range. As indicated in Table 3, close to half of the organizations received a contribution of more than \$5,000, representing 95% of the amount of the financial contributions in this category.

**Table 3 – Contributions of Less Than \$100,000  
Distribution of the Number of Organizations by Contribution Amount  
of Contributions Paid  
(2013)**

From	To	Number of organizations		Value (\$M)	
\$1	\$4,999	881	54%	\$0.9	5%
\$5,000	\$9,999	208	13%	\$1.4	7%
\$10,000	\$14,999	119	7%	\$1.4	7%
\$15,000	\$24,999	127	8%	\$2.4	11%
\$25,000	\$49,999	196	12%	\$6.7	32%
\$50,000	\$74,999	70	4%	\$4.1	20%
\$75,000	\$99,999	43	2%	\$3.7	18%
<b>Total</b>		<b>1,644</b>	<b>100%</b>	<b>\$20.6</b>	<b>100%</b>

In conclusion, the portrait of the sums allocated as financial contributions can be used to inform the measures that the different business units must take to ensure that the organizations subject to Section 107.9 of the CTA are compliant and to implement various monitoring mechanisms.

## 4.2. Compliance with Section 107.9 of the *Cities and Towns Act*

### 4.2.A. Background and Findings

Beyond the fact of whether the subsidies are managed by the central departments or the boroughs, it remains that Section 107.9 of the CTA applies to all organizations that receive an annual subsidy of \$100,000 or more from the City. All organizations subject to the Act are under obligation to have their financial statements audited and to have their auditor forward a copy of said audited annual financial statements to the auditor general of the City.

From the onset, financial statements are prepared to meet the needs of several users. For example, they can be used to take stock of an organization's financial situation before granting it financial support. They should also allow the concerned business units to verify whether the allocated sums were used in accordance with the application for funding and

subsequent approval. Audited financial statements provide the independent opinion of a CPA auditor on the organization's financial situation, its operating results and its cash flow.

In order for the City to receive the audited financial statements of the organizations subject to Section 107.9 of the CTA and the auditor general of the City to receive a copy of said financial statements, the organizations must be systematically informed of their obligation and the City must clearly establish a monitoring procedure. A business unit responsible for managing a contribution of \$100,000 or more must make sure that it receives audited financial statements. Moreover, monitoring mechanisms must be implemented to detect situations where two or more business units manage contributions of less than \$100,000 made to a single organization resulting in a total annual financial contribution made to the organization of more than \$100,000.

Firstly, as part of our audit, we evaluated the extent to which the business units responsible for managing financial contributions of \$100,000 or more received audited financial statements from the organizations, in compliance with Section 107.9 of the CTA.

To this end, we requested that each borough and the Direction générale provide us with the list of organizations that were granted contributions of \$100,000 or more in 2013 as well as the audited financial statements provided in accordance with Section 107.9 of the CTA.

For this aspect in particular, we focused our audit on five boroughs: the LaSalle, MHM, RDP-PAT, RLPP and VSMPE boroughs. We identified 39 organizations in these boroughs that had received contributions of more than \$100,000. With respect to the central departments, we selected ten organizations supported by the Service de la culture and the Service de la diversité sociale et des sports. It should be noted that a total annual contribution of \$100,000 or more made to an organization may consist of several contributions. During the year, each contribution must be approved by the competent authority and an agreement is usually reached between the City and the organization. Generally speaking, a provision stipulates that the organization is required to produce audited financial statements in accordance with Section 107.9 of the CTA when it receives more than \$100,000 from the City. Thus, for these 49 organizations, we identified 177 contributions made, 129 of which were the subject of an agreement (see Table 4).

Based on the information we received from the business units, 43 out of a total of 49 organizations, or 88%, had provided audited financial statements. However, 6 out of 49 organizations, or 12%, did not comply with Section 107.9 of the CTA in that they had either not had their financial statements audited, not provided financial statements or not provided the auditor's report. We noted, however, that these six organizations had been informed of

their obligation in at least one agreement reached with the City. It is our opinion that the business units should take the necessary measures to ensure that organizations produce audited financial statements.

**Table 4 – Audited Financial Statements Forwarded  
in Accordance with Section 107.9 of the CTA  
Sample of 49 Organizations**

Business unit	Number of organizations having received a contribution of \$100,000 or more	Number of organizations having been informed of their obligations under Section 107.9 of the CTA in at least one agreement	Number of audited financial statements received by the business units	Financial statements not compliant with Section 107.9	Number of contributions	Number of agreements
LaSalle borough	5	3	4	1	13	8
MHM borough	14	14	12	2	43	25
RDP-PAT borough	4	4	3	1	12	10
RLPP borough	7	7	7	0	27	18
VSMPE borough	9	9	9	0	51	39
Service de la culture	7	5	6	1	18	17
Service de la diversité sociale et des sports	3	2	2	1	13	12
<b>Total</b>	<b>49</b>	<b>44</b>	<b>43</b>	<b>6</b>	<b>177</b>	<b>129</b>

Secondly, we determined whether mechanisms had been implemented to detect situations in which more than one business unit had made financial contributions of less than \$100,000 to an organization resulting in that organization receiving a total amount greater than \$100,000.

As part of our audit, we used the SIMON application to identify 15 organizations that had received total financial contributions of \$100,000 or more but for which the boroughs and central departments involved had individually managed contributions of less than \$100,000. We questioned the boroughs involved on 11 of these cases in order to determine the extent to which they had received audited financial statements. Our audit reveals that most of the organizations at issue had fulfilled their obligation regarding the audited financial statements. Thus, the boroughs involved had received nine audited financial statements and two unaudited financial statements. However, there was no evidence that these financial statements had been received as part of a formal monitoring process. It is our opinion that monitoring mechanisms should be implemented to detect such situations and ensure that the organizations fulfil their obligations regarding audited financial statements.

Thirdly, we also evaluated the extent to which a formal process had been implemented to identify all organizations subject to Section 107.9 of the CTA and verify that they had fulfilled their obligations.

Firstly, in December 2013, City council unanimously resolved that organizations receiving an annual subsidy of \$100,000 or more subject to Section 107.9 of the CTA from the City be required to file their annual report with City council. The resolution also applies to paramunicipal bodies and legal persons required under Section 107.7 of the CTA to have their accounts and affairs audited by the City's auditor general. These organizations' officers must make themselves available for a plenary session of City council in accordance with the *Règlement sur la procédure d'assemblée et les règles de régie interne du conseil municipal*.

Since this resolution was adopted, the organizations concerned have filed annual reports, activity reports or financial statements with municipal council assemblies. A list titled "Répertoire des organismes ayant déposé leur rapport annuel/d'activité/ou états financiers en vertu de la résolution CM13 1157", updated on March 9, 2015, provides the dates on which documents were filed by 43 organizations subject to Section 107.9 (at assemblies between May 26, 2014, and February 23, 2014). In our opinion, this list does not enable users to identify all of the organizations to which City council's resolution applies and does not provide information on the outcomes of the implemented process. Based on the data we extracted from the SIMON application, a total of 161 organizations were granted a contribution of \$100,000 or more in 2013 (see Table 2, Column e). However, 73% of the organizations concerned had not yet filed their annual reports (including audited financial statements) with City council as of February 23, 2015. We believe that a formal process should be established requiring that the list of all organizations subject to Section 107.9 of the CTA be kept up to date. This list should provide the results of the monitoring carried out with respect to receipt of the audited financial statements.

Moreover, it should be noted that it is during our audit that the business units provided the auditor general of the City with the audited financial statements. Had it not been for the request we made to all business units in May 2014, we would not have systematically received copies of the audited financial statements, as prescribed under the CTA. Thus, the process is neither formal nor systematic. In our opinion, a formal process should be implemented to ensure that the auditor general of the City receives the audited financial statements of all of the organizations subject to Section 107.9 of the CTA.

#### 4.2.B Recommendation

We recommend that the LaSalle, Mercier–Hochelaga-Maisonneuve and Rivière-des-Prairies–Pointe-aux-Trembles boroughs as well as the Service de la culture and the Service de la diversité sociale et des sports implement monitoring mechanisms to ensure that they systematically receive the audited financial statements of organizations subject to Section 107.9 of the *Cities and Towns Act* in accordance with the legislation in force.

#### Business units' responses:

##### LASALLE BOROUGH

*[TRANSLATION] Ever since the Politique de reconnaissance et de soutien des organismes LaSallois was revised in the fall of 2014, each recognized organization is required to file all documents needed for the purpose of renewing their status by December 1 of each year.*

*The organizations must provide the following documents:*

- *Copy of the last annual declaration;*
- *List of board of directors (BD) members;*
- *List of the organization's members (along with full contact information);*
- *Copy of the activity report;*
- *Financial statement and/or budget estimates;*
- *Minutes of the last annual general meeting (AGM);*
- *Proof of insurance.*

*Obviously, the borough complies with Section 107.9 of the CTA and requires that organizations that are allocated financial contributions of more than \$100,000 provide audited financial statements. (Completed)*

##### MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH

*[TRANSLATION] For each organization:*

- *Identify all of the support provided by the borough;*
- *Verify whether the borough provided an amount of \$100,000 in support;*
- *Remind the organizations concerned of their obligations under Section 7.4.1 of the agreement (obligation to provide financial statements within a prescribed period and to have them audited when the contributions made total more than \$100,000);*
- *Explain to the organizations the nature of the support taken into consideration to determine whether or not Section 7.4.1 of the agreement applies;*
- *Ensure that audited financial statements have been provided within 30 days following the AGM. (Planned completion: June 2015)*

**RIVIÈRE-DES-PRAIRIES–POINTE-AUX-TREMBLES BOROUGH**

*[TRANSLATION] The four organizations subject to Section 107.9 provided audited financial statements. However, in the scanned documents of one of the organizations' audited financial statements sent to the auditor general, the notes page was missing. (Planned completion: April 2015)*

**Auditor General's Comments:**

**At the time of our audit, the organization had not provided an auditor's report. The auditor's report that we eventually received was not dated.**

**SERVICE DE LA CULTURE**

*[TRANSLATION] Involve the Service des affaires juridiques to have agreement templates systematically include a provision clearly stipulating that when the "combined" total value of subsidies received by the organization is \$100,000 or more, the organization is required to provide its audited financial statements to the auditor general and the person in charge of its file at the Service de la culture.*

*When financial contributions are granted, send a letter to the organization's manager to remind him/her of the organization's main obligations.*

*Hold a central registry of the organizations and financial contributions.*

*Systematically send a letter or email on a yearly basis to remind the organizations to provide their audited financial statements to the auditor general, with a copy to the person in charge of their file at the Service de la culture.*

*Implement standardized tools for all business units to ensure closer monitoring. (Planned completion: March 2016)*

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

***Division de la diversité sociale (DDS)***

*[TRANSLATION] Include a provision in all proposed agreements, if not already done, informing organizations of the obligation for organizations subject to Section 107.9 of the CTA to provide audited financial statements to the manager and auditor general.*

*For contributions managed by the DDS, develop a monitoring worksheet, if one does not already exist, to verify whether organizations met their obligations under the proposed agreement. This worksheet will apply to all recommendations made in the audit report, will be an integral part of the file and will include the following:*

- *Audited financial statements for contributions of \$100,000 or more;*
- *Measurable objectives;*
- *Separate accounting;*
- *Consultation of account books and supporting documents;*
- *Separate financial information;*

- Signed confirmation of the use of the allocated sums;
- Production of reports on each contribution;
- Forwarding of the information deemed necessary;
- Conditional terms of payment;
- Separate presentation of the expenditures incurred for each contribution;
- Use of the allocated sums.

For contributions managed by the boroughs, ask the boroughs to develop a monitoring worksheet, if one does not already exist, to verify whether the organizations met their obligations under the proposed agreement. This worksheet will be an integral part of the file and will be sent to DDS management. **(Planned completion: December 2015)**

**Division de la gestion des installations sportives (DGIS) and Division des orientations, équipements, événements et pratique sportive (DOÉÉPS)**

[TRANSLATION] Pursue the action undertaken since 2014 to include in the agreement a provision informing organizations of their obligation to comply with Section 107.9 of the CTA.

Develop a monitoring worksheet for the obligations stipulated in the agreement for each organization, with corresponding timelines, namely to obtain audited financial statements from the organizations subject to Section 107.9 of the CTA. Provide this sheet to the organizations. This worksheet will also be used by the person in charge of the agreement in question to monitor the organization's compliance with its obligations. **(Planned completion: December 2015)**

#### 4.2.C Recommendation

We recommend that the Direction générale implement monitoring mechanisms aimed at identifying all organizations that receive a total contribution of \$100,000 or more and ensuring that they fulfil their obligations regarding the audited financial statements in accordance with Section 107.9 of the *Cities and Towns Act*.

#### Business unit's response:

[TRANSLATION] The Direction générale estimates that the required measures to achieve this objective have been taken as part of the management systems currently in use.

The Direction générale will mandate the Service des finances to ensure that this objective can be achieved through the next financial accounting system. **(Planned completion: December 2015)**

#### 4.2.D Recommendation

**We recommend that the Direction générale implement a formal process under which a list providing the results of the monitoring carried out with respect to the receipt of annual reports (including audited financial statements) by all supported organizations subject to Section 107.9 of the *Cities and Towns Act* is kept up to date and made available to users, including the auditor general of the City.**

#### Business unit's response:

*[TRANSLATION] The Direction générale will prepare the list of organizations that were granted an annual subsidy of more than \$100,000, as it did in 2014. This time, the list will include all subsidies granted by borough councils.*

*The list will be sent to the competent units to enable them to make sure that the organizations concerned comply with this legal requirement (providing audited financial statements) and the resolution passed by City council (filing annual reports) to support sound accountability of all public funds spent on subsidies.*

*The list will also be filed with the clerk's office for the purpose of taking stock of all annual reports filed under CM13 1157. **(Planned completion: June 2015)***

### 4.3. Contributions of Goods and Services

#### 4.3.A. Background and Findings

Apart from financial contributions, the City also makes non-monetary contributions to organizations. The support provided may be of a technical, logistical or physical nature. For example, the City provides organizations with free access to premises and sports facilities. It can also pay for the upkeep and electricity costs associated with the premises occupied by an organization or provide an organization with professional services.

In certain cases, the value of contributions of goods and services may be significant. When it is possible to estimate the fair value of such goods and services, the estimated value is added to the value of the financial contributions.

During our audit, we sought to estimate the extent of the City's contributions of goods and services to organizations. For this aspect in particular, we based our audit on the same selection of organizations as in Section 4.2. The following business units were therefore audited: the LaSalle, MHM, RDP-PAT, RLPP and VSMPE boroughs as well as the Service de la culture and the Service de la diversité sociale et des sports. As previously stated, we identified 49 organizations that received a contribution of \$100,000 or more and we examined



129 agreements reached between those organizations and the City (see Table 4). Our audit revealed that non-monetary contributions of goods and services were made to 28 out of a total of 49 organizations, or 57%, in 2013 (see Table 5).

**Table 5 – Contributions of Goods and Services  
Sample of 49 Organizations Having Received Contributions of \$100,000 or more**

Business unit	Number of organizations	Number of organizations receiving non-monetary contributions	Nature of the non-monetary contributions
LaSalle borough	5	4	Building including maintenance and electricity, sports facilities, office space, equipment
MHM borough	14	10	Facilities and material, stage equipment, computers
RDP-PAT borough	4	3	Facilities and material
RLPP borough	7	5	Sports facilities, rooms, equipment, tables
VSMPE borough	9	5	Sports facilities, material
Service de la culture	7	1	Facility maintenance
Service de la diversité sociale et des sports	3	0	
<b>Total</b>	<b>49</b>	<b>28 (57%)</b>	

In accordance with the accounting standards in the CPA Canada Handbook – Accounting, these non-monetary operations should be evaluated on the basis of the most reliable assessment of their fair value. Currently, these contributions are not evaluated for the purpose of the agreements or for accounting purposes.

It is our opinion that the value of the goods and services provided to organizations should be established to determine the value of these contributions. Although the organizations making up our sample received contributions of \$100,000 or more and were already required to produce audited financial statements, situations could arise where contributions received by other organizations could total \$100,000 or more if non-monetary contributions were considered.

### 4.3.B. Recommendation

We recommend that the LaSalle, Mercier–Hochelaga-Maisonneuve, Rivière-des-Prairies–Pointe-aux-Trembles, Rosemont–La Petite-Patrie and Villeray–Saint-Michel–Parc-Extension boroughs as well as the Service de la culture establish the fair value of the goods and services they provide to the non-profit organizations that they support in order to determine the real value of the contributions made and to make the appropriate decisions.

#### Business units' responses:

##### **LASALLE BOROUGH**

*[TRANSLATION] By the end of 2015, for the purpose of renewing the status of recognized organizations in 2016, we will assess the fair value of the goods and services provided to non-profit organizations (NPOs) under the Politique de reconnaissance et de soutien des organismes LaSallois.*

*We will therefore evaluate and quantify, in monetary terms, the services offered to our organizations and comply with the recommendation made by the Bureau du vérificateur général, that organizations that receive an estimated value of more than \$100,000 in services per year be required to provide audited financial statements. (Planned completion: December 2015)*

##### **MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH**

*[TRANSLATION] The evaluation of the fair value of the goods and services will take into account the following items:*

- *The sum of all financial contributions made by the borough to the organization;*
- *The rental value of the facilities provided by the borough;*
- *The lease cost of the facilities provided by the borough;*
- *The value of the human resources provided by the borough to provide services to the population;*
- *The value of the rental costs of sports facilities;*
- *The value of the equipment loaned by the borough.*

*A detailed statement will be presented annually to the organization before it holds its AGM. (Planned completion: June 2015)*

##### **RIVIÈRE-DES-PRAIRIES–POINTE-AUX-TREMBLES BOROUGH**

*[TRANSLATION] The lack of information can be explained by the fact that this file is not managed by the same department that usually grants subsidies.*

*Indeed, useful information for the purpose of determining the value of real property support is compiled by the department in charge of providing facilities to the organization, whereas another department in this latter case prepared the*

organization's agreement and subsidy file. To ensure that all information is included in the decision-making record, the borough's management will make sure to require the involvement of the two departments when required and to accurately calculate the value of each form of support in goods and services to the organizations. **(Planned completion: December 2015)**

#### **ROSEMONT-LA PETITE-PATRIE BOROUGH**

[TRANSLATION] Catalogue the types of activities and events that are supported. **(Planned completion: June 2015)**

Estimate the rental value of the facilities loaned to certain NPOs. **(Planned completion: September 2015)**

Create an annual registry (table) of all NPOs supported by the borough and include the following amounts:

- The borough's financial contributions;
- The City's financial contributions;
- The borough's non-monetary contributions. **(Planned completion: November 2015)**

Update the registry annually. **(Planned completion: January of each year)**

#### **VILLERAY-SAINT-MICHEL-PARC-EXTENSION BOROUGH**

[TRANSLATION] In response to this recommendation, a workgroup will be set up by the table of cultural, sports, leisure and social development managers to establish common guidelines for the entire network.

Implementation of the committee: end of spring 2015.

Committee's work: throughout 2015. **(Planned completion: January 2016)**

#### **SERVICE DE LA CULTURE**

[TRANSLATION] More effectively frame and entrench the practice of the mandatory evaluation of goods and services throughout all of the department's units. Ensure the support of the different departments to obtain the required information (the Service des finances, the Service de la gestion et de la planification immobilière, etc.).

Systematically provide the value of goods and services under the 'Financial Aspects' of each decision-making record. **(Planned completion: March 2016)**

## 4.4 Business Units' Management of Financial Contributions

### 4.4.A. Background and Findings

As previously mentioned, the central departments and boroughs are jointly responsible for managing the financial contributions made to NPOs.

Firstly, contributions are made under different programs, each of which has a general objective and specific objectives. When these programs are launched, eligible organizations are asked to apply for support and to present their projects or a service offer, as the case may be. Applications are evaluated by a selection panel based on selection criteria. Under certain programs, a list of selected projects is drawn up. This list includes the names of the organizations and the recommended subsidy amount and is approved by the competent authority. No agreements are signed between the selected organizations and the City. In the case of other programs, the selected organization proposes a service offer that is approved by the competent authority along with the amount of support and the agreement reached between the parties.

In other cases, the contributions are not made as part of programs. Generally, the organizations that receive them applied to the City to receive support for a given project or were approached by the City to conduct ongoing or event-specific activities. For contributions of this type, the authorities approve the nature of the supported activities, the type of support, the amount and terms of payment as well as the funding source. Decision-making records are generally accompanied by an agreement between the parties.

When authorizing contributions to several NPOs, the authorities expect that these organizations will use the sums they receive for the intended purposes and abide by the terms and conditions agreed to by the parties. They also expect that the intended objectives will be achieved.

As part of our audit, we sought to evaluate the extent to which the business units had followed up on the contributions granted by the authorities to ensure that the allocated sums had been used for the intended purposes.

To achieve this, we first sought to determine the existence of agreements (or equivalent) between the organizations and the City. Secondly, we verified whether measurable objectives had been agreed on with the organizations when these contributions were approved. Thirdly, we examined whether or not the agreements provided for monitoring by the responsible business units, imposed accountability requirements on the supported

organizations and protected the City's interests in cases of default. Finally, we examined the follow-up carried out by the business units to receive the requested reports and obtain the assurance that the sums had been used for the intended purposes.

In this respect, for the purpose of our audit, we selected 24 organizations that had received support from a central department or a borough. The central departments and boroughs were selected on the basis of the value of the contributions they had made in 2013. We thus selected organizations supported by the boroughs of MHM (4) and VSMPE (3), the Service de la diversité sociale et des sports (11), the Service de la culture (5) and the Service des grands parcs, du verdissement et du Mont-Royal (1). Among this sample, 19 organizations received contributions of \$100,000 or more and 5 benefitted from contributions of less than \$100,000. For the selected business units, a total of 54 contributions were made to these 24 organizations. Note that contributions paid out of the budget of the Service de la diversité sociale et des sports are managed by other business units. Our selection is presented in Appendix 6.2.

#### 4.4.1. Existence of Agreements Between the Organizations and the City

##### 4.4.1.A. Background and Findings

During our audit, we first made sure that the competent authorities had approved all of the contributions. Based on the results of our audit, we can confirm that all contributions had been approved by the borough councils, the executive committee, City council or the agglomeration council.

We also evaluated the extent to which agreements had been concluded between the parties for the contributions made in 2013. Out of a total of 54 contributions, agreements existed for 83%, or 45 of them (see Appendix 6.2, Table A, Column a). These agreements contained provisions describing the nature of the support, the amount and terms and conditions of the contribution as well as the organization's obligations.

For the nine contributions for which there was no agreement:

- Three had been granted to organizations following an application for support under programs managed by the Service de la culture<sup>6</sup> (see Appendix 6.2, Table A, Column b, Nos. 16b, 16c and 16d). According to the operational model, the organizations must not only apply for a contribution, but also sign a registration form indicating their consent to

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<sup>6</sup> Programme montréalais d'action culturelle 2013, Programme de partenariat culture et communauté 2013 and Programme de soutien à la diffusion du patrimoine montréalais 2013.

abide by all of the relevant program's conditions should the executive committee approve their application for financial assistance in whole or in part. The organizations also acknowledge that the acceptance of their application for financial assistance by the executive committee constitutes the agreement between the parties. Thus, once the City approves the application for support, the organization accepts to abide by all of the program's conditions and this acceptance constitutes a binding agreement with the City. Note that the programs and registration form stipulate the obligations that are binding upon the organization. It is the opinion of the City's legal department that this is an acceptable approach.

- Three contributions (nos. 2a, 3a and 4b) were made by the MHM borough (see Appendix 6.2, Table A, Column b). The organizations were invited to apply for support. Contrary to the Service de la culture, the organizations were not required to sign a registration form, acknowledging that the acceptance of their application for financial assistance constituted the agreement between the parties. In the borough's opinion, the application for support replaced the agreement. However, we were unable to find a list of the obligations binding upon the organizations in either the support program or the application for support. It is our opinion that the business units should have seen to including, either in the application for financial support or in a registration form, the main conditions imposed on organizations applying for financial support in order to protect the City's interests in the event services were not provided as intended.
- For three contributions made to organizations (nos. 2b, 3c and 14a), we were unable to track down agreements between the parties (see Appendix 6.2, Table A, Column b). Contributions nos. 2b and 3c were made by the MHM borough. In the first case, the contribution was in addition to contribution no. 2c, which was already subject to an agreement. Contribution no. 3c involves the renewal of support granted in 2012 for which an agreement had been signed. Finally, in the case of contribution no. 14a, paid from the budget of the Service de la diversité sociale et des sports but managed by the RLPP borough, we were not provided with a copy of the agreement between the parties. In our opinion, for these three contributions, the pertinent business units should have an agreement or an addendum (as the case may be) approved, such as to create binding obligations on the organizations and protect the City's interest should the organizations not provide services as intended.

#### 4.4.1.B. Recommendation

**We recommend that the Mercier–Hochelaga-Maisonneuve borough, as part of its support programs, see to including, either in the application for financial support or a registration form, the main conditions imposed on organizations applying for financial support such as to protect the City’s interests in the event services are not provided as intended.**

#### Business unit’s response:

*[TRANSLATION] For all financial contributions made by the borough, make sure to include the required provisions in the legal documents. (Planned completion: January 2016)*

### 4.4.2. Establishment of Measurable Objectives for Contributions Made

#### 4.4.2.A. Background and Findings

In general, NPOs apply for financial contributions namely to fund projects or ongoing or event-specific activities. To enable the business units to ascertain the extent to which the City benefits from the contributions it makes, objectives must first be agreed upon with the supported organizations. To be able to periodically measure the achievement of these objectives, they must be measurable.

As part of our audit, we evaluated the extent to which measurable objectives had been set for each of the contributions made.

In this optic, we determined whether objectives had been set for each contribution granted and whether these objectives had been included in agreements or equivalent instruments.

As indicated in Table 6 below, our audit revealed that measurable objectives had been set for only 22 contributions out of a total of 54, or 41%. These organizations will thus be able to compare the outcomes produced with what had been forecasted and the responsible business units will be able to determine how the sums were used. Note that four contributions managed by the Service de la culture were granted for upgrading buildings to standard (see Appendix 6.2, Table A, Column e, nos. 15, 16a, 19a and 19b). In these cases, we considered that the measurable objectives matched the allocated budget and established timeframe. Also, a non-negligible proportion of these results can be attributed to seven contributions paid directly from the budget of the Service de la diversité sociale et des sports – division du développement social (see Appendix 6.2, Table A, Column e, nos. 10a, 10b, 12b, 13b, 14a,

14b and 14c). These sums are derived from agreements reached with the Quebec government<sup>7</sup> and distributed namely to support boroughs' eligible projects. The process used is based on that of the provincial government. Indeed, organizations seeking to obtain such funds must first complete a standard application for financial support in which they must describe the project, its objectives, its planned activities and its expected outcomes. Once the project has been approved, the application for support is annexed to the agreement concluded between the City and the organization. The objectives described on this application become the objectives for monitoring and accountability purposes.

Although measurable objectives were established for these contributions, they will be useful for the business units only on the condition that accountability mechanisms are developed and the project is monitored to ensure the organization achieves the expected outcomes.

In the other cases, totalling 26 contributions out of 54, or 48% (see Appendix 6.2, Table A, Column e), our audit of the agreements and applications for support indicated that there were objectives but that these were not stated in measurable terms. We believe that the accountability requirements imposed on the organizations will not make it possible to demonstrate the extent to which the objectives were achieved nor how the allocated sums were used. Consequently, the business units will not be able to ascertain whether the sums were used for the intended purposes.

Finally, in the case of 6 contributions out of 54, or 11%, we noted that the parties had not agreed on objectives (see Appendix 6.2, Table A, Column d). At issue were three contributions (nos. 7, 8a and 8b) granted by the VSMPE borough and by the Service de la diversité sociale et des sports – division du développement social to finance organizations' ongoing activities. Also at issue were two contributions (nos. 2b and 3c) granted by the MHM borough without any agreement having been reached between the parties. With respect to the last contribution, no. 20, in the amount of \$800,000, it was paid in 2013 directly out of the budget of the Service de la diversité sociale et des sports – division des orientations, équipements, événements et pratiques sportives. This contribution matched one of the five annual payments provided under a \$4 million agreement over a five-year period. Under this agreement, the City—along with other partners—made a contribution for the modernization and expansion of a sports stadium. This agreement was signed in 2009 and managed at the time by the Service de la mise en valeur du territoire. Although the agreement required the organization to provide the City with plans and specifications upon request, our audit revealed

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<sup>7</sup> Administrative agreement on the management of the Fonds québécois d'initiatives sociales dans le cadre des alliances pour la solidarité, administrative agreement regarding social development and the fight against poverty and social exclusion, agreement reached between the Ministère de l'Immigration et des Communautés culturelles (MICC) and the City, 2011–2014.



that no such plans or specifications had been requested. The City was therefore not in a position to verify whether the organization had achieved the established objectives, i.e., compliance with costs and schedules.

**Table 6 – Establishment of Objectives in Measurable Terms  
Selection of 54 Contributions**

Business unit	Number of contributions	Objectives <sup>[a]</sup>		No objectives <sup>[b]</sup>
		Measurable	Non-measurable	
MHM borough	9	1	6	2
VSMPE borough	11	2	8	1
Service de la diversité sociale et des sports – Division du développement social	5	0	3	2
• Managed by the Ahuntsic-Cartierville borough	2	2	0	0
• Managed by Le Sud-Ouest borough	3	0	3	0
• Managed by the Montréal-Nord borough	3	1	2	0
• Managed by the Saint-Léonard borough	1	1	0	0
• Managed by the RLPP borough	3	3	0	0
Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive	4	2	1	1
Service de la culture	9	9	0	0
Service des grands parcs, du verdissement et du Mont-Royal	4	1	3	0
<b>Total</b>	<b>54</b>	<b>22 (41%)</b>	<b>26 (48%)</b>	<b>6 (11%)</b>

<sup>[a]</sup> Audit results (Appendix 6.2, Table A, Column e).

<sup>[b]</sup> Audit results (Appendix 6.2, Table A, Column d).

In our opinion, the business units concerned should systematically agree on measurable objectives for each approved contribution made at the time of approval by the authorities. This would make it easier to monitor the use of the allocated sums.

#### 4.4.2.B. Recommendation

**We recommend that the Mercier–Hochelaga-Maisonneuve, Villeray–Saint-Michel–Parc-Extension, Le Sud-Ouest and Montréal-Nord boroughs as well as the Service de la diversité sociale et des sports and the Service des grands parcs, du verdissement et du Mont-Royal implement mechanisms ensuring systematic agreements with the supported organizations on measurable objectives for each contribution made in order to facilitate organizations’ accountability and to be able to evaluate how the allocated sums were used.**

**Business units' responses:**

**MERCIER-HOCHELAGA-MAISONNEUVE BOROUGH**

*[TRANSLATION] Under the agreements, organizations will be required to provide annual action plans. The action plan is filed with the borough by the organization for prior approval.*

*Under the memorandums of understanding, the evaluation will be made by comparing the proposed activities to the activities carried out. **(Planned completion: January 2016)***

**VILLERAY-SAINT-MICHEL-PARC-EXTENSION (VSMPE) BOROUGH**

*[TRANSLATION] Agree on measurable objectives with the partner regarding the activities supported in its action plan. **(Planned completion: April 2015)***

**LE SUD-OUEST BOROUGH**

*[TRANSLATION] Training will be offered to all partners to inform them of our expectations regarding the objectives set for their projects. The training will be based on the SMART (specific, measurable, achievable, realistic, time-bound) model. **(Planned completion: September 2015)***

*We will mandate our administrative consultant to develop this training. The borough's community development consultant will also contact the City's social diversity and sports team to jointly develop the training content. **(Planned completion: June 2015)***

**MONTRÉAL-NORD BOROUGH**

*[TRANSLATION] Develop a guide on drafting objectives for our partner organizations to enable them to include measurable objectives in their applications for financial support, and implement related training coaching. **(Planned completion: March 2016)***

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

**DDS**

*[TRANSLATION] If applicable, annex to the proposed agreements the organization's application for financial support containing a description of the project, objectives, planned activities and expected outcomes.*

*For contributions managed by the DDS, develop a monitoring worksheet, if one does not already exist, to verify whether the organizations met their obligations under the agreement. This worksheet will apply to all recommendations made in the audit report, will be an integral part of the file and will include the following:*

- *Financial statements for contributions of \$100,000 or more;*
- *Measurable objectives;*
- *Separate accounting;*
- *Consultation of account books and supporting documents;*
- *Separate financial information;*
- *Signed confirmation of the use of the allocated sums;*
- *Production of reports on each contribution;*
- *Forwarding of the information deemed necessary;*
- *Conditional terms of payment;*
- *Separate presentation of the expenditures incurred for each contribution;*
- *Use of the allocated sums.*

*For contributions managed by the boroughs, ask the boroughs to develop a monitoring worksheet, if one does not already exist, to verify whether the organizations met their obligations under the agreement. This worksheet will be an integral part of the file and will be sent to DDS management. **(Planned completion: December 2015)***

#### **DGIS and DOÉÉPS**

*[TRANSLATION] Pursue the action undertaken since 2014, namely with the Cadre de référence en matière de soutien financier aux organismes, to agree on measurable objectives for the supported activities (annexed to the agreement or in the organization's action plan appended to the agreement). **(Completed)***

#### **SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

*[TRANSLATION] The SGPVMR will implement mechanisms to systematically agree with the supported organizations on measurable objectives for each contribution made, in order to increase organizations' accountability and better evaluate the extent to which the allocated sums were used. **(Planned completion: June 2015)***

### **4.4.3. Provisions of the Agreements Between the City and Supported Non-profit Organizations**

#### **4.4.3.A. Background and Findings**

To ensure that the organizations use the allocated sums for the intended purposes, the business units are required to monitor the supported activities or projects. To enable such monitoring, the organizations must fulfill certain obligations as set out in the agreements reached between the parties or in other documents, if applicable. The organizations must

also be informed that the City is authorized to recover any sums that were not used for the intended purposes.

### 4.4.3.1. Mode of Operation Demonstrating the Use of the Allocated Sums

#### 4.4.3.1.A. Background and Findings

During our audit, we sought to determine whether the organizations were under an obligation to implement a mode of operation demonstrating the use of the sums they had received. We thus sought namely to determine whether the organizations were required to:

- Keep separate accounts for the supported activities or projects;
- Allow the City to consult their account books and supporting documents;
- Provide separate financial information on the subsidized activities in their financial statements.

For this purpose, we analyzed the agreements and applications for support for each contribution included in our selection to confirm the existence of such provisions. Despite the fact that templates for agreements concerning financial contributions are available on the intranet, we observed disparities in the use of the provisions provided in the templates. Thus, for all of the contributions examined, we observed (see Table 7) that:

- In close to half of the cases, the responsible business units had provided provisions concerning:
  - Separate accounts (52%);
  - The consultation of account books and supporting documents (52%);
  - Separate financial information on the subsidized activities in the financial statements (41%).

**Table 7 – Requirements Imposed on Organizations to Enable Monitoring by the City  
Selection of 24 Organizations and 54 Contributions**

Business unit	Number of contributions	Separate accounts <sup>[a]</sup>	Consultation of account books and supporting documents <sup>[b]</sup>	Separate financial information on the subsidized activities or projects <sup>[c]</sup>
MHM borough	9	1	2	3
VSMPE borough	11	2	3	2
Service de la diversité sociale et des sports – Division du développement social	5	5	5	4
• Managed by the Ahuntsic-Cartierville borough	2	2	2	2
• Managed by Le Sud-Ouest borough	3	2	2	2
• Managed by the Montréal-Nord borough	3	3	3	2
• Managed by the Saint-Léonard borough	1	1	1	1
• Managed by the RLPP borough	3	2	2	2
Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive	4	2	2	1
Service de la culture	9	6	4	0
Service des grands parcs, du verdissement et du Mont-Royal	4	2	2	3
<b>Total</b>	<b>54</b>	<b>28 (52%)</b>	<b>28 (52%)</b>	<b>22 (41%)</b>

[a] Audit results (Appendix 6.2, Table A, Column f).

[b] Audit results (Appendix 6.2, Table A, Column g).

[c] Audit results (Appendix 6.2, Table A, Column i).

Beyond the general results of our sample, each audited business unit's situation is different. Thus:

- The MHM borough did not systematically require the organizations to comply with the three accountability requirements regarding the use of the allocated sums, including with respect to two contributions of \$100,000 or more (nos. 1 and 3b). Furthermore, no agreement had been reached by the parties in five cases (nos. 2a, 2b, 3a, 3c and 4b). Such a situation fundamentally places the borough at risk of not being able to verify how the allocated sums were used;
- The VSMPE borough also did not systematically impose on the organizations the three accountability requirements with respect to the use of the allocated sums. Although the obligation to provide financial statements is stipulated in most agreements, it is our belief that the borough risks not being able to verify the use of the allocated sums if the organizations are not informed of all of their obligations;

- Generally, the Service de la diversité sociale et des sports – Division du développement social required the supported organizations—through the business units managing the contributions—to implement an operating mode that accounts for the use of the allocated sums. It must be pointed out that all of the contributions examined, with the exception of contribution no. 14a (see Appendix 6.2, Table A, Column b), were accompanied by agreements and that most of the contributions are funded through agreements between the City and the Quebec government. The City itself must give accounts on how it uses the budget it receives from the Quebec government. Fundamentally, this will make it easier to verify the use of the allocated sums for the boroughs that are managing the contributions as well as for the Service de la diversité sociale et des sports – Division du développement social;
- The Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive also did not systematically require the organizations to fulfill the three accountability requirements regarding the use of the allocated sums, including in the case of one contribution of more than \$100,000 (no. 22). In the case of one of the contributions, no. 23, we identified a requirement for the organization to fill out a form indicating the sums allocated by the City that were used exclusively to carry out the project. This is a good practice. However, in the case of the other contributions, the situation places the Service at risk of not being able to verify how the allocated sums were used;
- The Service de la culture also did not systematically impose on the organizations the three accountability requirements regarding the use of the allocated sums. Indeed, for the three contributions (nos. 16b, 16c and 16d) granted under cultural programs, even though signing the registration form is binding upon the organization to use the contribution to carry out the project as submitted, the pertinent provisions were absent from the document. In the case of two contributions of more than \$100,000 (nos. 17 and 18), however, the agreements require the organizations to sign a form confirming that the allocated sums were used for the sole purpose of carrying out the project. Notwithstanding this obligation applying to contributions nos. 17 and 18, the situation places the Service at risk of not being able to verify the use of the allocated sums for all contributions;
- The Service des grands parcs, du verdissement et du Mont-Royal partially required the supported organizations to implement an operating mode ensuring and accountability mechanism regarding the use of the allocated sums. As is the case with the other business units, the situation nevertheless places the Service at risk of not being able to verify the use of the allocated sums for all contributions.

In conclusion, the fact that provisions requiring the implementation of an operating mode that favours accountability on the use of the allocated sums are not systematically included in the

agreements does not enable the business units to monitor the use of the allocated sums. The fact however remains that, where contributions are governed by agreements containing all of the provisions favouring monitoring of the use of the allocated sums, conclusive results will depend on the monitoring actually carried out by the business units. This subject is covered in Section 4.4.4 of our report.

#### 4.4.3.1.B. Recommendation

We recommend that the Mercier–Hochelaga-Maisonneuve, Villeray–Saint-Michel–Parc-Extension, Le Sud-Ouest, Montréal-Nord, Rosemont–La Petite-Patrie and Saint-Léonard boroughs as well as the Service de la diversité sociale et des sports, the Service de la culture and the Service des grands parcs, du verdissement et du Mont-Royal systematically include the following obligations in agreements reached with the supported organizations:

- To keep separate accounts for the supported activities or projects;
- To allow the City to consult account books and supporting documents;
- To provide separate financial information on the subsidized activities in the financial statements;
- To sign a form confirming the use of the allocated sums for the sole purpose of carrying out the project or planned activities;

in order to be able to verify the use of the allocated sums when monitoring the contributions granted.

#### Business units' responses:

##### **MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH**

*[TRANSLATION] Under the agreement:*

- *The requirement of separate accounting is provided under Section 7.4.2;*
- *The use of the sums for the sole purpose of carrying out the project or planned activities is provided in the program booklet appended to the agreement.*

*Under the memorandums of agreement:*

- *The requirement of separate accounting is provided under Section 4.9;*
- *The use of the sums for the sole purpose of carrying out the project or the proposed activities is provided under Section 4.3. (Planned completion: January 2016)*

**VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH**

*[TRANSLATION] Include in all agreements for contributions of more than \$100,000 reached with the supported organizations the following obligations:*

- *Keep separate accounts for the supported activities or projects;*
- *Allow the City to consult the account books and supporting documents;*
- *Provide separate financial information on the subsidized activities in the financial statements;*
- *Sign an agreement confirming the use of the allocated sums for the sole purpose of carrying out the supported activities. (Planned completion: April 2015)*

**LE SUD-OUEST BOROUGH**

*[TRANSLATION] Two of the obligations in the recommendation are already included on the current agreement form that is included in the City's legal bank of decision-making summaries. The obligations are as follows:*

*[TRANSLATION]*

**Section 4 – Organization's obligations**

4.6 *Financial aspects.*

4.6.1 *Hold separate accounts on the use of the sums allocated by the City under this agreement.*

4.6.2 *Authorize the manager of the Service des finances and the auditor general or their representatives to examine the account books and ledgers reserved for the use of the sums allocated by the City as well as supporting documents and make free copies thereof.*

*We will ask the partner to initial this paragraph when signing the agreement to confirm that it was read and understood. (Planned completion: May 2015)*

*We will review the agreement and ask the Service juridique to insert paragraphs stipulating the organization's obligations to:*

- *Provide separate financial information on the subsidized activities in the financial statements;*
- *Sign a form confirming the use of the sums allocated for the sole purpose of carrying out the project or planned activities.*

*Upon receipt of the legal department's opinion, we will request amendments to the agreement and have the document replaced in the legal bank.*

*The new agreement will be used once this has been completed. (Planned completion: June 2015)*



### **MONTRÉAL-NORD BOROUGH**

[TRANSLATION] The following two provisions are already included in the agreements currently reached between the borough and the supported organizations in order to:

- Allow the City to consult the account books and supporting documents;
- Provide separate financial information on the subsidized activities in the financial statements.

In order to verify how the allocated sums were used when monitoring the contributions made to the organizations, the Direction de la culture, des sports, des loisirs et du développement social (DCSLDS) will see to systematically including in each agreement the obligation to hold separate accounts on supported activities or projects and will have the documents validated by the borough's clerk.

The DCSLDS will develop a form confirming that the sums allocated to the organizations were used for the sole purpose of carrying out the project or planned activities. This form will be signed by the organization's manager at the same time as the agreement.

The DCSLDS will inform the Service de la diversité sociale et des sports—with whom it works closely under municipal programs and agreements reached with the Quebec government—of corrective measures that it intends to implement in response to the recommendations made in the audit report. **(Planned completion: March 2016)**

### **ROSEMONT-LA PETITE-PATRIE BOROUGH**

[TRANSLATION] Our agreements already stipulate the obligation to hold separate accounts for the activities, programs and projects. It is important to point out that several partners receive a financial contribution from the borough to leverage or support their mission. This contribution is sometimes minute compared with their other sources of funding.

Catalogue all of our agreements currently in effect. **(Planned completion: June 2015)**

Harmonize the agreements through the addition, if applicable, of provisions requiring:

- Separate accounts per activity, program or project;
- Access by the City to their account books and supporting documents;
- The production of separate financial information on subsidized activities in the financial statements or in an explanatory notes, when justified. **(Planned completion: January 2016)**

NOTE: In cases where agreements are currently in effect, the new clauses will be added when the agreements are renewed.

Verify that accounting and monitoring costs are not disproportionate to the risks (for both the municipal administration and the supported NPOs). **(Planned completion: September 2015)**

Develop a simple method (confirmation form or the equivalent such as an annual evaluation grid confirming compliance signed by both parties) to enable the borough to make sure the NPOs are using the allocated sums for the intended purpose. **(Planned completion: September 2015)**

Inform the NPOs of the new method and monitor it. **(Planned completion: November 2015)**

#### **SAINT-LÉONARD BOROUGH**

[TRANSLATION] The agreement reached as part of the administrative agreement on the management of the Fonds québécois d'initiatives sociales dans le cadre des alliances pour la solidarité between the Ministère du Travail, de l'Emploi et de la Solidarité sociale and the City (2013–2016) stipulates the following obligations:

[TRANSLATION]

4.6 Financial aspects.

4.6.1 Hold separate accounts on the use of the sums allocated by the City under this agreement.

4.6.2 Authorize the manager of the Service des finances and the auditor general or their representatives to examine the account books and ledgers reserved for the use of the sums allocated by the City as well as supporting documents and make free copies thereof.

4.6.3 Provide the City with a copy of its annual financial statements within 30 days following their adoption. Said financial statements must provide financial information on the activities subject to this agreement separately from that of the organization's other sectors of activity, if applicable.

Sign the final report form. **(Planned completion: April 2015)**

#### **SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

##### **DDS, DGIS and DOÉÉPS**

[TRANSLATION] Include in proposed agreements that do not already contain such a provision the obligation on the part of the supported organizations to:

- Keep separate accounts for the supported activities or projects;
- Allow the City to consult the account books and supporting documents;
- Provide separate financial information on the subsidized activities in the financial statements;
- Sign a form confirming the use of the allocated sums for the sole purpose of carrying out the project or planned activities. **(Planned completion: December 2015)**

#### **SERVICE DE LA CULTURE**

*[TRANSLATION] During the review and harmonization of practices, the Service de la culture, jointly with the Service des affaires juridiques, will see to including in all agreements the organizations' obligations to, namely:*

- *Provide a balance sheet or financial statements presenting the supported activities or projects separately as well as expenses incurred for them;*
- *Allow the City to consult the account books and supporting documents;*
- *Confirm the use of the sums allocated for the sole purpose of carrying out the project or planned activities.*

*Furthermore, the department will use the relevant monitoring processes and tools to achieve these objectives. (Planned completion: March 2016)*

#### **SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

*[TRANSLATION] The SGPVMR agrees to require the organization, through the agreement, to systematically meet the following obligations:*

- *Keep separate accounts for the supported activities or projects;*
- *Allow the City to consult the account books and supporting documents;*
- *Provide separate financial information on the subsidized activities in the financial statements;*
- *Sign a form confirming the use of the allocated sums for the sole purpose of carrying out the project or planned activities. (Planned completion: June 2015)*

### **4.4.3.2. Scheduled Reports**

#### **4.4.3.2.A. Background and Findings**

During our audit, we verified whether the organizations were required to produce reports on the use of the allocated sums, on one hand, and on the achievement of the expected outcomes, on the other hand. To do so, we examined the agreements and the other documents binding the parties to determine whether or not the organizations were required to account for the outcomes of their activities.

As shown in Table 8, our audit demonstrated that, in the case of a majority of the contributions examined, (44 out of a total of 54, or 81%), either the agreements contained provisions stipulating that activity or other reports were to be produced or the applications for financial support referred to dates for producing interim and final reports.

**Table 8 – Accountability Requirements Imposed on the Organizations  
Selection of 24 Organizations and 54 Contributions**

Business unit	Number of contributions	Requirement to provide reports <sup>[a]</sup>	Nature of the information required <sup>[b]</sup>	Production of financial statements in reference to Section 107.9 of the CTA <sup>[c]</sup>
MHM borough	9	5	1	3
VSMPE borough	11	8	0	10
Service de la diversité sociale et des sports – Division du développement social	5	5	0	4
• Managed by the Ahuntsic-Cartierville borough	2	2	0	2
• Managed by Le Sud-Ouest borough	3	3	0	3
• Managed by the Montréal-Nord borough	3	3	0	3
• Managed by the Saint-Léonard borough	1	1	0	1
• Managed by the RLPP borough	3	3	0	2
Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive	4	1	0	4
Service de la culture	9	9	8	4
Service des grands parcs, du verdissement et du Mont-Royal	4	4	1	4
<b>Total</b>	<b>54</b>	<b>44 (81%)</b>	<b>10 (19%)</b>	<b>40 (74%)</b>

<sup>[a]</sup> Audit results (Appendix 6.2, Table A, Column j).

<sup>[b]</sup> Audit results (Appendix 6.2, Table A, Column k).

<sup>[c]</sup> Audit results (Appendix 6.2, Table A, Column h).

Consequently, in 19% of the contributions granted, the production of reports by the organizations was not mandatory. Namely:

- Four contributions made by the MHM borough (see Appendix 6.2, Table A, Column j, nos. 2b, 3b, 3c and 4a). The amounts at issue varied between \$16,000 and \$103,823;
- Three contributions made by the VSMPE borough (see Appendix 6.2, Table A, Column j, nos. 5a, 5b and 5f), for which the amounts at issue varied between \$18,900 and \$29,747;
- Three contributions made by the Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive (see Appendix 6.2, Table A, Column j, nos. 20, 22 and 24), the amounts at issue varying between \$35,900 and \$800,000.

Contribution no. 20 was paid in 2009 by the Service de la mise en valeur du territoire for the modernization and expansion of a sports stadium (\$4 million over a five-year period). In 2011,

the responsibility for this contribution was transferred to the Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive. Beyond the transfer of responsibilities resulting from administrative reorganizations, the organization was required under the agreement to immediately provide the City only upon request by the assistant City manager, documents including agreements, contracts, reports, plans, specifications, progress estimates, supporting documents, invoices and engineering or architecture certificates certifying the work had been carried out. In our opinion, the wording of this provision poses an accountability risk with respect to the organizations. Given the extent of the project, we believe that the production of reports and supporting documents should systematically be made mandatory.

Moreover, the agreements or financial support programs of only ten contributions, or 19%, described the nature of the information required from the organizations. For the other contributions, the business units had not specified the information they required. The business units are therefore at risk of receiving reports that do not meet their expectations. This is especially true of the ten agreements (nos. 3b, 4a, 5a, 5b, 5c, 5d, 6a, 6b, 6c and 6d) containing a provision referring to an evaluation of the achievement of the objectives stipulated in the plan of action without however requiring the production of a corresponding report. We believe that such an evaluation should be mandatory for all contributions. Also, in our opinion, the business units should systematically specify the information they require in order to verify the use of the allocated sums and the achievement of the outcomes.

Finally, among all of the contributions examined, our audit revealed that 14 out of a total of 54 agreements, or 26%, contained no provision informing the organization of its obligation to provide audited financial statements to the auditor general of the City in the case of contributions of \$100,000 or more. We contend that this obligation must be systematically stipulated in all agreements reached with the supported organizations.

#### 4.4.3.2.B. Recommendation

We recommend that the Mercier–Hochelaga–Maisonneuve, Villeray–Saint-Michel–Parc-Extension, Ahuntsic–Cartierville, Le Sud-Ouest, Montréal-Nord, Saint-Léonard and Rosemont–La Petite-Patrie boroughs as well as the Service de la diversité sociale et des sports, the Service de la culture and the Service des grands parcs, du verdissement et du Mont-Royal systematically include in the agreements reached with the supported organizations the following obligations:

- The obligation to provide reports on each contribution made;
- The information required in each mandatory report;

in order to provide accountability on the achievement of the expected outcomes and the use of the allocated sums for the intended purposes.

#### Business units' responses:

##### **MERCIER–HOCHELAGA–MAISONNEUVE BOROUGH**

*[TRANSLATION] The following additions will be made to the legal documents:*

- *The content of the required reports will be determined by the borough and shared with the organization before the agreement is signed;*
- *The summaries filed by the organizations will be evaluated based on the action plan filed. (Planned completion: January 2016)*

##### **VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH**

*[TRANSLATION] Include in all agreements for contributions of more than \$100,000 reached with the supported organizations the obligation to:*

- *Produce an activity report on the supported activities;*
- *Specify that the report must demonstrate the achievement of results based on the stated measurable objectives. (Planned completion: April 2015)*

##### **AHUNTSIC–CARTIERVILLE BOROUGH**

*[TRANSLATION] Request progress reports from the organizations to ensure better mid-point follow-up and final reports providing detailed information on how the funds were used.*

*Together with the Service de la diversité sociale et des sports, evaluate the possibility of producing various progress and final report forms that more effectively demonstrate achievement of the expected results. (Planned completion: March 2016)*

##### **LE SUD-OUEST BOROUGH**

*[TRANSLATION] The progress report (if applicable) and the final report will be provided to the manager and will include the required information, including the breakdown of*

*activities, the use of the allocated sums, the project's objectives and its impact on the community or targeted client groups.*

*We will ask the partner to initial this paragraph when signing the agreement to confirm that it was read and understood. (Planned completion: April 2015)*

**MONTREAL-NORD BOROUGH**

*[TRANSLATION] The obligation to produce a report on each contribution received is already stipulated in the agreements currently in effect between the borough and the supported organizations.*

*For the purpose of accountability demonstrating that the expected results were achieved and the allocated sums were used for the intended purposes, the DCSLDS will see to systematically including in the agreements reached with the organizations the information that must be provided in the required reports and will have the borough's clerk validate the documents. To this end, the DCSLDS will develop indicators that are specific to each contribution made. (Planned completion: March 2016)*

**SAINT-LÉONARD BOROUGH**

*[TRANSLATION] Refer to the agreement's "Progress Report / Final Report" form for the requested information. (Planned completion: April 2015)*

**ROSEMONT-LA PETITE-PATRIE BOROUGH**

*[TRANSLATION] The obligation to produce an activity report is already stipulated in most of our agreements.*

*Catalogue the activities, programs and projects of the NPOs supported by the borough. (Planned completion: June 2015)*

*Determine the clauses that are missing from the legal documents. (Planned completion: September 2015)*

*Add details in our legal documents concerning the information that the activity reports must provide. (Planned completion: January 2016)*

*NOTE: In cases where agreements are currently in effect, the new clauses will be added when the agreements are renewed.*

*Inform the NPOs of the required details. (Planned completion: November 2015)*

*Implement and follow up annually (e.g., during the annual evaluation). (Planned completion: January 2016)*

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS****DDS**

*[TRANSLATION] For the purpose of accountability demonstrating that the expected results were achieved and that the allocated sums were used for the intended purposes, include in proposed agreements that do not already contain such a provision the obligation on the part of the supported organizations to:*

- *Produce a report on each contribution made;*
- *Provide the necessary information in the required reports. (Planned completion: December 2015)*

**DGIS and DOÉÉPS**

*[TRANSLATION] Include in proposed agreements that do not already contain such a provision the obligation to produce activity reports on the supported activities. Specify that the report will outline the achievement of the results with respect to the applicable measurable objectives. (Planned completion: December 2015)*

**SERVICE DE LA CULTURE**

*[TRANSLATION] Agree with the organization on indicators that measure the expected results.*

*Make sure to adequately detail the nature of the information required in the reports that the organizations are required to file for each contribution received. (Planned completion: March 2016)*

**SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

*[TRANSLATION] The SGPVMR agrees to require the organization, through the agreement, to systematically include:*

- *The obligation to provide reports for each contribution made;*
- *The information required in each mandatory report. (Planned completion: June 2015)*

**4.4.3.2.C. Recommendation**

**We recommend that the Mercier–Hochelaga–Maisonneuve, Villeray–Saint-Michel–Parc-Extension and Rosemont–La Petite-Patrie boroughs as well as the Service de la diversité sociale et des sports and the Service de la culture systematically include in the agreements reached with the supported organizations, for all contributions, the obligation to provide audited financial statements to the auditor general of the City when the annual contribution received by an organization is of \$100,000 or more such as to inform the organizations of their obligations under the *Cities and Towns Act*.**



**Business units' responses:**

**MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH**

*[TRANSLATION] The obligation is stipulated in Section 7.4.1 of the agreement.*

*The organizations concerned will be informed of this obligation on an annual basis before they hold their AGM.*

*The manager will send a written reminder to the organization within 15 days following its AGM. (Planned completion: January 2016)*

**VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH**

*[TRANSLATION] Include in agreements for contributions of more than \$100,000 reached with the supported organizations the obligation to provide the auditor general with audited financial statements when the organization receives an annual financial contribution of \$100,000 or more, in order to inform the organizations of their obligations under the CTA. (Planned completion: April 2015)*

**ROSEMONT–LA PETITE-PATRIE BOROUGH**

*[TRANSLATION] The obligation to provide audited financial statements to the auditor general is already stipulated in most of our agreements.*

*Catalogue the activities, programs and projects of the NPOs supported by the borough. (Planned completion: June 2015)*

*Harmonize the legal documents to systematically include the obligation to provide audited financial statements to the auditor general for annual contributions received from the City totalling \$100,000 or more (include the auditor general's address to facilitate the process). (Planned completion: January 2016)*

*Harmonize the legal documents with the addition of an obligation to also provide the borough with the audited financial statements. (Planned completion: January 2016)*

*NOTE: In cases where agreements are currently in effect, the new or amended clauses will be added when the agreements are renewed.*

*Inform the NPOs of their obligations. Issue annual reminders (e.g., during evaluations). (Planned completion: November 2015)*

*IMPORTANT: Certain agreements managed by the borough were drafted by another City department. Said department will have to make the necessary adjustments to the clauses.*

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS****DDS**

*[TRANSLATION] Include in proposed agreements that do not already contain such a provision an obligation on the part of the organizations supported under Section 107.9 of the CTA to provide the auditor general with a copy of the audited financial statements for each contribution when the annual contribution is \$100,000 or more. (Planned completion: December 2015)*

**DGIS and DOÉÉPS**

*[TRANSLATION] Include in proposed agreements that do not already contain such a provision the obligation to provide the auditor general with audited financial statements when the organization receives an annual financial contribution of \$100,000 or more, in order to inform the organizations of their obligations under the CTA. Include this obligation on the monitoring worksheet. (Planned completion: December 2015)*

**SERVICE DE LA CULTURE**

*[TRANSLATION] Involve the Service des affaires juridiques in order to have agreement templates systematically include a provision clearly stipulating that when the “combined” total value of subsidies received by the organization is \$100,000 or more, the organization is required to provide its audited financial statements to the auditor general and the person in charge of its file at the Service de la culture.*

*When financial contributions are granted, send a letter to the organization’s manager as a reminder of the organization’s main obligations.*

*Keep a central registry of the organizations and financial contributions for the department.*

*Systematically send a letter or email on a yearly basis to remind the organizations to provide their audited financial statements to the auditor general, with a copy to the person in charge of their file at the Service de la culture.*

*Implement standardized tools for all business units to ensure more accurate monitoring. (Planned completion: March 2016)*

### **4.4.3.3. Recovery of Allocated Sums Not Used for the Intended Purposes**

#### **4.4.3.3.A. Background and Findings**

As mentioned in the previous sections, the business units are responsible for imposing conditions mandating the organizations to demonstrate that they used the sums they received for the intended purposes and whether they achieved the expected outcomes. The

organizations must also be informed of the measures that the City will take if the contributions made were not used for the intended purposes.

During our audit, we sought to ensure that the City was adequately protected in cases where supported organizations did not use the allocated sums for the intended purposes.

As shown in Table 9, the results of our audit reveal that for 30 contributions out of a total of 54, or 56%, the agreements contained provisions providing for the recovery of all sums not used for the intended purposes from the organizations.

**Table 9 – Presence of Provisions Aimed at Protecting the City's Interests Where Contributions are not Used for the Intended Purposes  
Selection of 24 Organizations and 54 Contributions**

Business unit	Number of contributions	Presence of provisions on remitting unused sums <sup>[a]</sup>	Conditions related to payments <sup>[b]</sup>
MHM borough	9	1	0
VSMPE borough	11	2	1
Service de la diversité sociale et des sports – Division du développement social	5	5	2
• Managed by the Ahuntsic-Cartierville borough	2	2	2
• Managed by Le Sud-Ouest borough	3	2	2
• Managed by the Montréal-Nord borough	3	3	3
• Managed by the Saint-Léonard borough	1	1	1
• Managed by the RLPP borough	3	2	2
Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive	4	1	1
Service de la culture	9	9	6
Service des grands parcs, du verdissement et du Mont-Royal	4	2	3
<b>Total</b>	<b>54</b>	<b>30 (56%)</b>	<b>23 (43%)</b>

[a] Audit results (Appendix 6.2, Table A, Column l).

[b] Audit results (Appendix 6.2, Table A, Column m).

In the case of the 24 other contributions (44%), the agreements contained no provision to this effect (see Appendix 6.2, Table A, Column l). The comments below apply to the following business units:

- MHM borough:
  - For three contributions including two of more than \$100,000 (nos. 2c and 3b), it is only in the event of termination that the organizations were required to remit the unused portion of the sums received;

- In the case of five contributions, no provision authorized the borough to demand the reimbursement of sums that were not used to carry out the planned activities, given the absence of an agreement between the parties (see Appendix 6.2, Table A, Column b, nos. 2a, 2b, 3a, 3c and 4b).
- VSMPE borough:
  - In the case of ten contributions, it is only in the event of termination that the organizations were required to remit the unused portion of the sums received (nos. 5a, 5b, 5c, 5d, 5e, 5f, 6a, 6b, 6c and 6d).
- Service de la diversité sociale et des sports – Division du développement social:
  - In the case of one contribution managed by the Le Sud-Ouest borough (no. 9a), it is only in the event of termination that the organizations were required to remit the unused portion of the sums received.
- Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive:
  - In the case of three contributions, it is also only in the event of termination that the organizations were required to remit the unused portion of the sums received (nos. 20, 23 and 24).

In our opinion, the business units should ensure that each agreement includes provisions stipulating that the organization is required to remit the portion of sums received that was not used to carry out a supported project or activities to the City.

Moreover, our examination of the agreements and other documents revealed that, in the case of several of the contributions that had been made, the allocated sum was paid in full—or a significant portion was paid—at the time the parties signed the agreement. At the time the sums are disbursed, the supported activities or projects have not yet been carried out and the allocated sums are therefore not used. As previously noted, 19 agreements contain a provision authorizing the managing business unit to make the last contribution payment only after having received or approved, as the case may be, an interim or final report. This situation further applies to four more contributions (see Appendix 6.2, Table A, Column M, nos. 15, 16a, 19a and 19b). Indeed, we have found provisions authorizing the business unit to proceed with the last payment upon receipt of the architect's written confirmation that the planned work has been completed. In our opinion, this is a good practice and we contend that such provisions give organizations an incentive to provide the requested reports and required information. Another good practice concerns one of the provisions of the agreement governing contribution no. 21a of the Service des grands parcs, du verdissement et du Mont-Royal. It is a performance measure that is taken into consideration at the time of final payment. The effect of this measure is to reduce the amount of the final payment if the objectives were not met. In our opinion, terms of payment that are conditional on the

production of reports or the achievement of the established objectives should be considered for agreements reached with organizations, depending on the monetary value of the contribution.

In conclusion, although some agreements provide for the recovery of unused sums, if applicable, it nevertheless remains that the results depend on how rigorously and stringently the management of the agreements is monitored.

#### 4.4.3.3.B. Recommendation

We recommend that the Mercier–Hochelaga–Maisonneuve, Villeray–Saint-Michel–Parc-Extension, Le Sud-Ouest and Rosemont–La Petite-Patrie boroughs as well as the Service de la diversité sociale et des sports and the Service des grands parcs, du verdissement et du Mont-Royal systematically include in the agreements reached with the supported organizations provisions authorizing them to recover sums not used for the intended purposes in order to protect the City’s interests.

#### Business units’ responses:

##### **MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH**

*[TRANSLATION] For all financial contributions made by the borough, make sure the required sections in are included the legal documents. (Planned completion: January 2016)*

##### **VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH**

*[TRANSLATION] Include in the agreements for contributions of more than \$100,000 to supported organizations provisions that authorize the borough to recover sums that were not used for the intended purposes. (Planned completion: April 2015)*

##### **LE SUD-OUEST BOROUGH**

*[TRANSLATION]*

##### **Section 4 – Organization’s obligations**

**4.6.4** *Upon expiry of this agreement, remit to the City all sums not spent on the project’s activities within five days following the manager’s written request to this effect.*

*We will ask the partner to initial this paragraph when signing the agreement to confirm that it was read and understood. (Planned completion: April 2015)*

**ROSEMONT–LA PETITE-PATRIE BOROUGH**

[TRANSLATION] Catalogue the activities, programs and projects of the NPOs supported by the borough. **(Planned completion: June 2015)**

Identify the risks of services not being provided to protect the City's interests. **(Planned completion: September 2015)**

Verify that a legal document or its equivalent is associated with each financial contribution. **(Planned completion: October 2015)**

Harmonize the legal documents to include a provision authorizing the City to recover sums that were not used for the intended purposes and terms for reimbursement. **(Planned completion: January 2016)**

NOTE: In cases where agreements are currently in effect, the new or amended clauses will be added when the agreements are renewed.

Inform the NPOs of their obligations. Issue annual reminders (e.g., during evaluations). **(Planned completion: November of each year)**

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

**DDS**

[TRANSLATION] Include in agreements that do not already contain such a provision the obligation on the part of the supported organizations to remit to the City all sums that were not used for the intended purposes. **(Planned completion: December 2015)**

**DGIS and DOÉÉPS**

[TRANSLATION] Include in proposed agreements that do not already contain such a clause provisions authorizing the City to recover sums that were not used for the intended purposes. **(Planned completion: December 2015)**

**SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

[TRANSLATION] The SGPVMR will ensure that each agreement includes provisions stipulating that the organization is required to remit to the City the portion of sums allocated that was not used to complete a supported project or carry out supported activities. **(Planned completion: June 2015)**

#### 4.4.3.3.C. Recommendation

We recommend that the Mercier–Hochelaga–Maisonneuve, Villeray–Saint-Michel–Parc-Extension, Le Sud-Ouest and Rosemont–La Petite-Patrie boroughs as well as the Service de la diversité sociale et des sports, the Service de la culture and the Service des grands parcs, du verdissement et du Mont-Royal, depending on the monetary value of the contributions, include in the agreements terms and conditions of payment conditional on the production of reports or the achievement of the established objectives in order to protect the City’s interests when the allocated sums were not used for the intended purposes.

#### Business units’ responses:

##### **MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH**

*[TRANSLATION] This item will be added and detailed in Appendix 4 of the agreement in the case of sums justifying such a measure.*

*This item will be added to memorandums of understanding when justified by the amount and duration of the project. (Planned completion: January 2016)*

##### **VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH**

*[TRANSLATION] Specify in the agreements terms of payment of the annual financial contribution that are conditional on producing progress reports for the supported activities and forwarding proof of accountability to date when payments are made. These terms of payment will vary according to the value of the annual contribution.*

*This action will need to be validated by the Service des affaires juridiques. (Planned completion: April 2015)*

##### **LE SUD-OUEST BOROUGH**

*[TRANSLATION] We will review the agreement and request that the Service des affaires juridiques insert a paragraph stipulating terms of payment that are conditional on producing reports or achieving the established objectives in order to protect the City’s interests if the sums were not used for the intended purposes. (Planned completion: May 2015)*

*Upon receipt of the Service des affaires juridiques’ opinion, we will request amendments to the agreement and have the document replaced in the City’s legal bank. The new agreement will be used once this has been completed. (Planned completion: June 2015)*

**ROSEMONT–LA PETITE-PATRIE BOROUGH**

*[TRANSLATION] Catalogue the activities, programs and projects of the NPOs supported by the borough. (Planned completion: June 2015)*

*Identify the number of payments made for each project, activity or event. (Planned completion: August 2015)*

*Catalogue the existing and required legal documents. (Planned completion: September 2015)*

*Identify the contribution threshold that would make managing instalments an economical choice for the municipal administration.*

*Identify the circumstances under which an instalment could be conditional on the production of reports. (Planned completion: December 2015)*

*Harmonize the legal documents with the addition of a clause making it possible to withhold an instalment until a report has been produced or established objectives have been achieved. (Planned completion: November 2015)*

*NOTE: In cases where agreements are currently in effect, the new or amended clauses will be added when the agreements are renewed.*

*Inform NPOs of their obligations. Issue annual reminders (e.g., during evaluations). (Planned completion: November of each year)*

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

**DDS**

*[TRANSLATION] Include in agreements that do not already contain such a clause a provision setting out terms of payment that are conditional on the production of reports or the achievement of the established objectives. (Planned completion: December 2015)*

**DGIS and DOÉÉPS**

*[TRANSLATION] Specify in proposed agreements that do not already contain such a provision terms of payment for the annual financial contribution that are conditional on producing progress reports for the supported activities and forwarding proof of accountability to date when payments are made. These terms of payment will vary according to the value of the annual contribution. (Planned completion: December 2015)*

**SERVICE DE LA CULTURE**

*[TRANSLATION] Several agreements already establish clear terms that make payments conditional on the production of reports, summaries, etc. As part of the harmonization*



*of its practices, the Service de la culture will make sure to provide a clear and standardized procedure. (Planned completion: March 2016)*

**SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

*[TRANSLATION] The SGPVMR will ensure that each agreement includes provisions stipulating that the organization is required to remit to the City the portion of sums allocated that was not used to complete a supported project or carry out supported activities. (Planned completion: June 2015)*

#### 4.4.4. Monitoring the Receipt of Requested Reports and the Use of Allocated Sums

##### 4.4.4.A. Background and Findings

Despite the agreements reached between the parties, business unit managers must take steps to ensure that the organizations carry out their activities or that projects are completed as planned. Steps must also be taken to ensure reports and financial statements are received as planned and to enable the business units to evaluate the use of the allocated sums for the intended purposes as well as the achievement of the expected results.

Firstly, we evaluated the extent to which the steps taken by the business units had resulted in the production of the requested reports, enabling the business units to evaluate the achievement of the objectives set forth in the agreements. Secondly, we also examined the extent to which the business units had obtained the assurance that the contributions granted to the organizations had been used for the intended purposes. Finally, we questioned the business units on the mechanisms deployed to recover any sums that had not been used for the intended purposes.

Generally, the designated officials informed us that the following steps were taken to monitor the contributions that had been made:

- Visits to the organizations to verify that the supported activities were carried out or projects completed;
- Attendance, as observers, at board meetings;
- Consultation of the organizations' minutes;
- Consultation of the organizations' advertising of supported events;
- Email or telephone communication with the organizations.

However, only in a small percentage of the audited contributions (20 out of 54, or 37%) was there evidence that at least one of these measures had been taken (see Table 10 below).

**Table 10 – Monitoring of Contributions Made  
Selection of 24 Organizations and 54 Contributions**

Business unit	Number of contributions	Evidence of at least one measure taken <sup>[a]</sup>	Reports obtained <sup>[b]</sup>	Reports making it possible to determine whether the objectives had been achieved <sup>[c]</sup>	Monitoring mechanisms aimed at verifying the use of the sums awarded for the intended purposes <sup>[d]</sup>
MHM borough	9	2	5	0	0
VSMPE borough	11	0	10	4	0
Service de la diversité sociale et des sports – Division du développement social	5	1	3	1	1
• Managed by the Ahuntsic-Cartierville borough	2	0	2	1	0
• Managed by Le Sud-Ouest borough	3	3	3	0	0
• Managed by the Montréal-Nord borough	3	0	3	2	2
• Managed by the Saint-Léonard borough	1	0	1	1	1
• Managed by the RLPP borough	3	3	2	1	0
Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive	4	3	3	2	1
Service de la culture	9	4	2	2	2
Service des grands parcs, du verdissement et du Mont-Royal	4	4	4	4	3
<b>Total</b>	<b>54</b>	<b>20 (37%)</b>	<b>38 (70%)</b>	<b>18 (33%)</b>	<b>10 (19%)</b>

<sup>[a]</sup> Audit results (Appendix 6.2, Table A, Column n).

<sup>[b]</sup> Audit results (Appendix 6.2, Table A, Column o).

<sup>[c]</sup> Audit results (Appendix 6.2, Table A, Column p).

<sup>[d]</sup> Audit results (Appendix 6.2, Table A, Column q).

Beyond the fact of whether or not measures are documented, we observed that the measures taken by the business units resulted in the receipt of 38 reports on the 54 contributions, or 70%. Given that, according to the agreements and applications for support, a total of 44 reports were required (see Table 8) and given that six reports were received without the applicable provisions in the agreements (see Appendix 6.2, Table A, nos. 4a, 5a, 5b, 5f, 22 and 24), a total of 12 reports (22%) are therefore missing.<sup>8</sup> Note that for contributions nos. 15 and 16a, the final report stipulated under the agreement was not yet due at the time of our audit. At this stage, we question the adequacy of the steps taken to ensure receipt of the requested reports.

<sup>8</sup> Number of missing reports: 44 reports required (according to Table 8) minus 38 received (according to Table 10) plus six reports received despite the absence of the applicable provisions in the agreements. The missing reports concern contributions nos. 2c, 7a, 8b, 11b, 14a, 15, 16a, 16b, 16c, 16d, 19a and 19b.

Moreover, of the 38 reports received, we noted that a just under half (18 or 47%) enabled the business units to assess whether the expected outcomes had been achieved.

When these results are extrapolated to the 54 contributions, the business units were therefore able to assess the outcomes in 33% of the cases (18 reports out of the 54 contributions). This is due to the fact that either the objectives had not been initially established in measurable terms or that the organizations did not provide reports demonstrating the achievement of the objectives or that reports had simply not been produced.

In the first case, we already observed in Section 4.4.2. that the objectives were not always worded in measurable terms. Moreover, we recommended in 4.4.2.B. the implementation of mechanisms to ensure the supported organizations systematically agree on objectives worded in measurable terms for each of the contributions granted to facilitate accountability on the part of the organizations. In the second case, we also observed in Section 4.4.3.2. that the business units had not yet specified their needs at the time of requiring reports. In 4.4.3.2.B., we recommended that the business units systematically include provisions specifying the information that was to be provided in the required reports in all agreements reached with the organizations.

Secondly, we also examined the extent to which the business units had implemented adequate monitoring mechanisms to obtain the assurance that the contributions made to the organizations had been used for the intended purposes.

Our audit enabled us to conclude that the business units had implemented monitoring mechanisms aimed at verifying the use of the allocated sums for the intended purposes in only 19% of the contributions examined, 10 out of a total of 54. These mechanisms were however not always sufficient to provide such assurance. Below are our observations concerning the following business units:

- Service de la diversité sociale et des sports – Division du développement social:
  - For 3 of the 17 contributions, managed respectively by the Montréal-Nord and Saint-Léonard (nos. 12b, 12c and 13b) boroughs, and for one managed by the Division du développement social (no. 13a), the reports received from the organizations contained information on the actual and forecasted expenses, indicating how the sums had been used. However, there is no evidence that the business unit managers had carried out the necessary verifications to validate the information provided.

- Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive:
  - In the case of contribution no. 23, the Service requested a confirmation that the organization had used the allocated sums. However, there is no evidence that business unit managers had carried out the necessary verifications to validate the information provided.
- Service de la culture:
  - For two of the nine contributions audited (nos. 17 and 18), we were able to track down a confirmation stipulating that all allocated sums had been used for the sole purpose of carrying out the project. This is a good practice. However, there is no evidence that the Service obtained financial information on how the allocated sums were used.
- Service des grands parcs, du verdissement et du Mont-Royal:
  - For three of the four contributions, the Service obtained the assurance that the sums had been used for the intended purposes. For example, we obtained a follow-up table of the accounting documents provided and proofs of achievement of the deliverable (no. 21c). In the case of contribution no. 21d, we also tracked down a form concerning the hiring of the project manager. This form, signed by the responsible manager, stipulated that the organization had fulfilled all of its obligations.

As for the other contributions, the persons in charge did not deploy monitoring mechanisms to be assured of the use of the allocated sums and did not request information useful for this purpose nor did they provide evidence that they had obtained such assurance. This in spite of the fact that provisions in the agreement authorized certain business units to monitor activities. For example, they could require separate financial information on the contribution activities. They could also ask to consult the organizations' account books and supporting documents. We even observed cases where the financial statements or other reports indicated surpluses for the supported activities without any evidence of a documented analysis. Below are our observations concerning the following business units:

- MHM borough: The reports received from the organizations or other information had not been analyzed with respect to the use of the allocated sums. In certain cases, budget forecasts had been initially provided with the application for support, but the information had not been reconciled with the actual project expenditures.

In the case of contribution no. 1, although the borough was not able to provide assurance that the allocated sums had been used for the intended purposes of the contribution, the person in charge nevertheless pointed out that the financial statements indicated

substantial accumulated surpluses (\$776,000) and asked the organization, at the time of renewal, to bring down these surpluses—without, however, reducing its contribution. It is our opinion that the use of this contribution should be audited, all the more so as the agreement reached between the parties allows the City to consult the account books and supporting documents.

- VSMPE borough: For both contributions examined (nos. 5a and 5b), we found an evaluation form used at the time the contributions were renewed. The person in charge was required to make a decision regarding the use of the allocated sums. However, we found no evidence of an analysis or documentation in this regard.

Monitoring mechanisms available to the business units could include the financial statements provided the information they contain for the fiscal year is useful. During our audit, we examined whether the financial statements received from the 24 organizations provided relevant information allowing the business units to ascertain that the allocated sums had been used for the intended purposes. Our audit reveals that most of the financial statements (20 out of a total of 24, or 83%) did not present separate information on the expenditures related to each contribution. Consequently, they were of no use to the business units. And yet:

- In the case of eight organizations (nos. 2, 3, 4, 8, 11, 12, 13 and 14), the agreements contained this provision. In this regard, we believe that the business units must take measures to ensure compliance with this provision;
- For 12 organizations (nos. 1, 6, 7, 15, 16, 17, 18, 19, 20, 22, 23 and 24), the agreements did not stipulate a requirement that the subsidized activities be reported separately. We believe that the provision should be worded such as to provide for separate follow-up. In Section 4.4.3.1. of this report, we namely recommended that the agreements reached with the supported organizations systematically include the requirement to provide separate financial information on the subsidized activities in the financial statements.

In the case of the other four organizations' financial statements, we were able to track down information that partially met the business units' needs. Thus:

- Two organizations (4%) provided financial information related to the contributions separately from other activities, when stipulated in the agreements (nos. 9b, 9c, 10a and 10b). This information was useful for determining the use of the allocated sums;
- One organization (no. 5) provided in its financial statements program-based results in accordance with the agreement's provision stipulating that the revenues and expenditures related to each subsidized activity (program) be presented separately. However, it was not possible to obtain separate information on the use of the sums allocated by the borough since the organization had received other contributions for the

same programs as those targeted by the City's contribution. We believe that the provision should be worded such as to allow for separate follow-up;

- In the case of one organization (no. 21), one contribution (no. 21a) out of the four was presented separately in the financial statements as required under the agreements. For contributions nos. 21c and 21d, the organization nevertheless provided a statement on the final cost of the subsidized activity consolidating these two contributions. Although this statement was not accompanied by the auditor's opinion (it was accompanied by a notice to the reader), it still made it possible to ascertain how the allocated sums had been used. The statement indicates a surplus of \$4,000. In our opinion, the relevance of extending this practice to other contributions should be evaluated.

In short, the results of our audit led us to conclude that the business units do not dispose of relevant and useful information to ascertain that the allocated sums were used for the intended purposes. In our opinion, this information could be obtained from financial statements providing separate financial information on the contributions granted or—at a minimum—from an appendix. Also, we believe that different mechanisms could be applied depending on the monetary value of the contributions made. For example, a statement of the final cost of the subsidized activity could be relevant for smaller contributions.

When the business units receive information enabling them to determine the use of the allocated sums, they must analyze the information received. Currently, the fact that few business units have implemented monitoring mechanisms to evaluate the use of the allocated sums has consequences for the City. It is possible that sums allocated to organizations were not used for the intended purposes; such situations would negatively affect the City's credibility.

Finally, we evaluated whether the business units had deployed mechanisms to recuperate any sums that had not been used for the intended purposes. Our audit reveals that such mechanisms were not deployed either because the agreements did not contain provisions to this effect or because the business units had not exercised their right to recover overpaid amounts. And yet, in the case of ten contributions, the financial statements indicated surpluses:

- In six cases (4b, 5a, 5b, 5c, 5e, 5f), the organizations had received contributions from other sources, making it impossible to determine whether a portion of the surplus could be allocated to the activities supported by the City. We found no evidence on file indicating that the person in charge had raised questions on this issue. The agreements did not provide for the remittal of unused sums;
- In four cases (9b, 9c, 21c and 21d), the agreements contained provisions, but the two business units at issue had not exercised their right to recover sums.

#### 4.4.4.B. Recommendation

We recommend that the Mercier–Hochelaga–Maisonneuve, Villeray–Saint-Michel–Parc-Extension, Le Sud-Ouest, Montréal-Nord, Saint-Léonard and Rosemont–La Petite-Patrie boroughs as well as the Service de la diversité sociale et des sports, the Service de la culture and the Service des grands parcs, du verdissement et du Mont-Royal monitor compliance with the provisions requiring a separate presentation of the expenditures related to each contribution in order to be in a position to evaluate the use of the allocated sums.

#### Business units' responses:

##### **MERCIER–HOCHELAGA–MAISONNEUVE BOROUGH**

*[TRANSLATION] An addition will be made to the agreement's legal document to require the filing of financial statements.*

*The required frequency of these filings will vary between two and four times per year depending on the value of the contribution.*

*The borough and the organization will agree on the frequency of these filings before signing the agreement. (Planned completion: January 2016)*

##### **VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH**

*[TRANSLATION] Ensure separate financial information on the activities covered by the financial contribution is received.*

*Include in the agreement the obligation to provide separate financial information on the activities supported by the financial contribution in the financial statements. (Planned completion: April 2015)*

##### **LE SUD-OUEST BOROUGH**

*[TRANSLATION] We will review the agreement and request that the Service des affaires juridiques insert a paragraph stipulating that the organization is required to file a document, along with the progress and final reports, that presents the expenses incurred under each contribution separately in order to be able to evaluate the use of the sums allocated. (Planned completion: May 2015)*

*Upon receipt of the Service des affaires juridiques' opinion, we will request amendments to the agreement and have the document replaced in the City's legal bank. The new agreement will be used once this has been completed. (Planned completion: June 2015)*

**MONTRÉAL-NORD BOROUGH**

[TRANSLATION] To ensure that the organizations that receive financial contributions from the borough present the expenditures incurred under each contribution received separately, the DCSLDS will require that the organizations' managers (the chair of the BD and the organization's management) present the expenses associated with each contribution made by the borough separately, in an integrated manner, in their financial statements or as an appendix.

A letter concerning the introduction of this new measure will be sent to the organizations' managers. Thereafter, the DCSLDS will follow up to verify compliance with the measure. Organizations will be provided with the necessary support upon request. **(Planned completion: March 2016)**

**SAINT-LÉONARD BOROUGH**

[TRANSLATION] An audit worksheet with the councillor's comments will be included in the progress and final reports. This document will be included with the supporting documents and sent to the person in charge of the file.

A request to develop the audit worksheet has been sent to the Service de la diversité sociale et des sports. **(Planned completion: December 2015)**

**ROSEMONT-LA PETITE-PATRIE BOROUGH**

[TRANSLATION] Determine the best time to examine the financial statements each year in order to track the revenue and expenses associated with the contributions made:

- At the annual evaluation of compliance with the agreement (November);
- At the NPO's AGM (April).

If clarifications are required, request additional information and access to the account books and supporting documents.

In case of doubt, call upon the services of an external firm specialized in accounting.

In cases where the presentation is not satisfactory, request adjustments.

Verify that accounting and monitoring costs are not disproportionate to the risks (for both the municipal administration and the supported NPOs). **(Planned completion: November 2015)**

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

**DDS**

[TRANSLATION] For contributions managed by the DDS, develop a monitoring worksheet, if one does not already exist, to verify whether the organizations met their obligations under the agreement. This worksheet will apply to all recommendations made in the audit report, will be an integral part of the file and will include the following:



- Financial statements for contributions of \$100,000 or more;
- Measurable objectives;
- Separate accounting;
- Consultation of account books and supporting documents;
- Separate financial information;
- Signed confirmation of the use of the allocated sums;
- Production of reports on each contribution;
- Forwarding of the information deemed necessary;
- Conditional terms of payment;
- Separate presentation of the expenditures incurred for each contribution;
- Use of the allocated sums.

For contributions managed by the boroughs, ask the boroughs to develop a monitoring worksheet, if one does not already exist, to verify whether the organizations met their obligations under the proposed agreement. This worksheet will be an integral part of the file and will be sent to DDS management. **(Planned completion: December 2015)**

#### **DGIS and DOÉÉPS**

[TRANSLATION] Provide separate financial information on the activities covered by the financial contribution:

- Include in proposed agreements that do not already contain such a provision the obligation to provide separate financial information on the activities supported by the financial contribution in the financial statements;
- Include this obligation on the organization's obligation monitoring worksheet;
- Provide this monitoring worksheet to the organization;
- Use this sheet to verify whether the organization (the employee responsible for monitoring the agreement) met its obligations, including this obligation. **(Planned completion: December 2015)**

#### **SERVICE DE LA CULTURE**

[TRANSLATION] Already, certain units provide organizations that receive contributions with accountability grids. The tools must however take into account the amounts received and must be adapted to different options. A review will be carried out to take into account these different realities.

The Service de la culture agrees to take part in a comprehensive reflection on the development of a common guideline for the entire City regarding the obligation to present separate financial data on the expenditures incurred for each contribution made. **(Planned completion: March 2016)**

#### **SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

[TRANSLATION] The SGPVMR will ensure it receives relevant and useful information to obtain the assurance that the allocated sums were used for the intended purposes. **(Planned completion: June 2015)**

#### 4.4.4.C. Recommendation

We recommend that the Mercier–Hochelaga-Maisonneuve, Villeray–Saint-Michel–Parc-Extension, Ahuntsic–Cartierville, Le Sud-Ouest, Montréal-Nord, Saint-Léonard and Rosemont–La Petite-Patrie boroughs as well as the Service de la diversité sociale et des sports, the Service de la culture and the Service des grands parcs, du verdissement et du Mont-Royal implement monitoring mechanisms enabling an evaluation of the use of the allocated sums in order to be able to recover unused sums, if applicable.

#### Business units' responses:

##### MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH

*[TRANSLATION] For all financial contributions made by the borough, make sure to include the required sections in the legal documents. (Planned completion: January 2016)*

#### Auditor General's Comments:

Although the proposed action plan provides for the addition of contractual obligations, this cannot be considered a monitoring mechanism in itself.

We therefore reiterate our recommendation to the effect of implementing a monitoring mechanism to verify how the sums paid were used and to recover overpaid amounts.

##### VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH

*[TRANSLATION] Implement monitoring mechanisms to evaluate the use of the allocated sums:*

- *Produce an activity report for the supported activities (specify that the report will outline the achievement of the results based on the applicable measurable objectives);*
- *Sign a form confirming the use of the allocated sums for the sole purpose of carrying out the project or planned activities;*
- *Plan three evaluation meetings with the organization per year;*
- *Include in the agreement the obligation to remit unused sums, if applicable. (Planned completion: May 2015)*

#### **AHUNTSIC-CARTIERVILLE BOROUGH**

*[TRANSLATION] Evaluate the organizations' largest expenditures, including salaries.*

*Verify that the promoting organizations use the funds for the planned activities.*

*Identify mechanisms to monitor the use of the funds.*

*Verify the compliance of the actual expenditures with the budget forecasts presented in the application for financial support.*

*Plan a meeting with the funded organizations to inform them of the new financial contribution management practices. (Planned completion: March 2016)*

#### **LE SUD-OUEST BOROUGH**

*[TRANSLATION] The borough's personnel is required to fill out a form following each visit. This form provides information such as the number of persons present, the condition of the premises, the activities under way, etc.*

*Particular attention will be given to social development projects and the number of visits per project will be tracked. (Planned completion: June 2015)*

#### **MONTRÉAL-NORD BOROUGH**

*[TRANSLATION] To ensure a correct evaluation of the use of the financial contributions made to the organizations and to be able to recover unused sums, if applicable, the DCSLDS intends to implement the following monitoring mechanisms:*

- *Create a form to monitor the expenditures and activities carried out that the DCSLDS will provide to the organizations. The form will be completed prior to projects' midterm visits and signed by the organization's manager. Once validated, the form will then be signed by the person in charge of project monitoring for the DCSLDS.*

*A letter concerning the introduction of this new measure will be sent to the organizations' managers. Thereafter, the DCSLDS will follow up to verify compliance with the measure. Organizations will be provided with the necessary support upon request.*

*The DCSLDS will inform the Service de la diversité sociale et des sports—with whom it works closely under municipal programs and agreements reached with the Quebec government—of corrective measures that it intends to implement in response to the recommendations made in the audit report. (Planned completion: March 2016)*

#### **SAINT-LÉONARD BOROUGH**

*[TRANSLATION] Following the audit commented by the councillor and the budget report audit, a recovery plan will be implemented if necessary. This document will be*

included with the supporting documents and sent to the person in charge of the file. **(Planned completion: December 2015)**

**ROSEMONT–LA PETITE-PATRIE BOROUGH**

[TRANSLATION] Adjust the grids used for the annual evaluation of compliance with the agreements in order to validate the use of the allocated sums, and have it signed by the competent division manager as well as the manager of the DCSLDS. **(Planned completion: September 2015)**

Integrate a management monitoring tool to validate the receipt and analysis of the documents required from the NPOs. **(Planned completion: September 2015)**

Prior to implementation, approve the NPOs' action plans in connection with the contributions made.

On an occasional basis (e.g., 3 times per year), carry out visits to evaluate the activities supported by the borough in terms of compliance and quality.

On a yearly basis, evaluate the achievement of the objectives established in the action plan.

At the time of the annual evaluation, determine whether certain sums will not be used.

Determine the recoverable amount or obtain a satisfactory reassignment plan. **(Planned completion: November of each year)**

**SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

**DDS**

[TRANSLATION] For contributions managed by the DDS, develop a monitoring worksheet, if one does not already exist, to verify whether the organizations met their obligations under the agreement. This worksheet will apply to all recommendations made in the audit report, will be an integral part of the file and will contain the following items:

- Financial statements for contributions of \$100,000 or more;
- Measurable objectives;
- Separate accounting;
- Consultation of account books and supporting documents;
- Separate financial information;
- Signed confirmation of the use of the allocated sums;
- Production of reports on each contribution;
- Forwarding of the information deemed necessary;
- Conditional terms of payment;
- Separate presentation of expenditures incurred for each contribution;
- Use of the allocated sums.

*For contributions managed by the boroughs, ask the boroughs to develop a monitoring worksheet, if one does not already exist, to verify whether the organizations met their obligations under the proposed agreement. This worksheet will be an integral part of the file and will be sent to DDS management. (Planned completion: December 2015)*

#### **DGIS and DOÉÉPS**

*[TRANSLATION] Evaluation of the use of the allocated sums for the intended purposes:*

- *Sign a form confirming the use of the allocated sums for the sole purpose of completing the project or carrying out the planned activities;*
- *Produce an activity report for the supported activities. Specify that the report will outline the achievement of the results based on the applicable measurable objectives;*
- *Plan an evaluation meeting with the organization, at least once a year. (Planned completion: December 2015)*

#### **SERVICE DE LA CULTURE**

*[TRANSLATION] Already, the organizations are required to present balance sheets demonstrating that the allocated sums were used for the intended purposes.*

*The grids that provide for monitoring mechanisms and are already used by the different units will be harmonized and applied to all units. (Planned completion: March 2016)*

#### **SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

*[TRANSLATION] The SGPVMR will make sure it receives relevant and useful information to obtain the assurance that the allocated sums were used for the intended purposes.*

*Establish monitoring mechanisms to evaluate the use of the allocated sums in order to be able to recover unused sums, if applicable. (Planned completion: June 2015)*

## **4.5. Presence of Elected Officials or City Employees as Directors on Organizations' Boards of Directors**

### **4.5.A. Background and Findings**

As part of the work we carried out in 2014, we were informed of a memorandum issued in February 2014 by the City's comptroller general to the Direction générale following a mandate concerning the composition of the boards of directors (BDs) of paramunicipal bodies. As part of this mandate, the comptroller general had worked jointly with the City's legal department to issue an opinion on the City's obligations and the problems it faced in deciding whether to appoint elected officials and public servants to BDs. In his memorandum, the comptroller

general recommended that no elected officials or public servants should serve, within the scope of their official functions, as directors on BDs unless the organization's letters patent required otherwise. This recommendation was based on Section 322 of the Civil Code of Quebec, which reads as follows:

*A director shall act with prudence and diligence. He shall also act with honesty and loyalty in the interest of the legal person.*

Thus, when an elected official or public servant sits on a BD within the scope of his official functions with the City, his duties and responsibilities are to the organization rather than to the City. This situation may create a conflict of interest with respect to the person's duty of loyalty to the City.

In his memorandum, the comptroller general stated that elected officials and public servants could sit as observers. In such cases, they do not vote and do not participate actively in the organization's activities. Agreements must therefore provide observers with the possibility of attending all meetings and having access to all documents provided to board members.

According to the information obtained, the Direction générale has yet to provide the City's business units with a guideline to this effect. The line endorsed by the Direction générale would be to prevent all public servants from sitting as directors on BDs of organizations receiving support from the City. However, situations would be settled on a case-by-case basis.

During our audit, we sought to determine whether elected officials or City employees sat on BDs of the supported organizations. For this purpose, we focused on the 66 organizations that we audited. This number corresponds to the 49 organizations selected in Section 4.2. of this report and the 24 selected in Section 4.4. From these, we subtracted 7 organizations that had been selected under both sections. We sought to identify the composition of the BDs and to determine whether elected officials or City employees sat on these boards.

In Table 11, below, the results of our audit reveal that three elected officials sat on BDs of four organizations and that 14 employees sat on BDs of 11 organizations.

**Table 11 – Elected Officials or Employees Sitting as Directors on BDs of Organizations Receiving Support from the City  
Selection of 66 Organizations**

Business unit	Number of organizations selected	Number of organizations concerned		Elected official sitting on the BD	Employee sitting on the BD
		Contribution of \$100,000 or more	Contribution of less than \$100,000		
LaSalle borough	5	3	0	3	3
MHM borough	15	1	0		1
RDP-PAT borough	4	1	0		1
RLPP borough	7	1	0		1 <sup>[b]</sup>
VSMPE borough	10	1	0		1
Service de la culture	10	2	0		5
Service de la diversité sociale et des sports – Division du développement social	10	2	0		2 <sup>[a]</sup>
Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive	4	1	0	1	
Service des grands parcs, du verdissement et du Mont-Royal	1		0		
<b>Total</b>	<b>66</b>	<b>12</b>	<b>0</b>	<b>4</b>	<b>14</b>

<sup>[a]</sup> Organizations supported directly from the budget of the Service de la diversité sociale et des sports. One contribution is managed by the Saint-Laurent borough and the other by the Division du développement social.

<sup>[b]</sup> Organization of which a director is employed by the Service de l'environnement.

We also examined the extent to which each of these organizations had granted, under at least one agreement, an observer status to a representative of the managing business unit. The results provided in Table 12 indicate that 36 organizations out of a total of 66, or 54%, have already granted observer status to a public servant under at least one agreement with the City.

**Table 12 – Provision Granting Observer Status Under at Least One Agreement  
Selection of 66 Organizations**

Business unit	Number of organizations selected	Provision concerning the observer status present in the agreements
LaSalle borough	5	4
MHM borough	15	13
RDP–PAT borough	4	4
RLPP borough	7	4
VSMPE borough	10	7
Service de la culture	10	1
Service de la diversité sociale et des sports – Division du développement social	10	0
Service de la diversité sociale et des sports – Division des orientations – équipements, événements et pratique sportive	4	3
Service des grands parcs, du verdissement et du Mont-Royal	1	0
<b>Total</b>	<b>66</b>	<b>36 (54%)</b>

Since our audit focused on only 66 organizations, we are well aware that other similar situations could exist. Consequently, it is our opinion that the Direction générale should provide clear instructions to all of the City's business units to the effect that the City's elected officials or employees are not to serve, within the scope of their duties, as directors on a BD unless the organization's letters patent require otherwise.

Moreover, we believe that all of the agreements reached with the organizations should systematically include a provision on observer status enabling the City to appoint a representative to a BD when necessary.

#### **4.5.B. Recommendation**

**We recommend that the Direction générale take the necessary measures to prevent elected officials and City employees from sitting, within the scope of their duties, as directors on the board of directors of a supported organization, unless required under the letters patent, to avoid situations where said directors' duty of loyalty to the City could be compromised.**



**Business unit's response:**

*[TRANSLATION] With respect to public servants, the Direction générale will issue a directive forbidding public servants from sitting on the BD of an organization that is subsidized by the City.*

*Moreover, the Direction générale does not consider that it is its role to make a decision regarding the appointment of elected officials to BDs and has informed the president of the executive committee of the content of the recommendation for his consideration. (Planned completion: December 2015)*

**4.5.C. Recommendation**

**We recommend that the LaSalle, Mercier–Hochelaga-Maisonneuve, Rivière-des-Prairies–Pointe-aux-Trembles, Rosemont–La Petite-Patrie and Villeray–Saint-Michel–Parc-Extension boroughs as well as the Service de la culture, the Service de la diversité sociale et des sports and the Service des grands parcs, du verdissement et du Mont-Royal include in agreements reached between the City and supported organizations a provision granting observer status to a City representative authorizing the latter to attend the meetings of the board of directors when necessary.**

**Business units' responses:**

**LASALLE BOROUGH**

*[TRANSLATION] The borough's DCSLDS will verify that no public servant and/or elected official sits on the BD of a recognized organization under the Politique de reconnaissance et de soutien des organismes LaSallois other than as an observer in accordance with a clear provision included in an agreement reached between the parties. (Planned completion: September 2015)*

**MERCIER–HOCHELAGA-MAISONNEUVE BOROUGH**

*[TRANSLATION] Already provided under Section 10.1 of the agreements. (Completed)*

**ROSEMONT–LA PETITE-PATRIE BOROUGH**

*[TRANSLATION] Catalogue the activities, programs and projects of the NPOs supported by the borough. (Planned completion: June 2015)*

*Make sure that the presence of a municipal employee on the BD of the supported NPO, even as a non-voting observer, does not jeopardize the financial support allocated to the NPO by other bodies (e.g., the Secrétariat à l'action communautaire autonome does not tolerate such a practice). (Planned completion: December 2015)*

Harmonize the agreements with the addition of a clause granting observer status to the City, at least at the AGM and certain BD meetings involving the agreement. **(Planned completion: January 2016)**

*NOTE: In cases where agreements are currently in effect, the new clauses will be added when the agreements are renewed.*

Inform the NPOs of the new obligation, if applicable. **(Planned completion: November 2015)**

#### **VILLERAY–SAINT-MICHEL–PARC-EXTENSION BOROUGH**

*[TRANSLATION] Include in agreements reached between the borough and supported organizations a provision granting observer status to a representative of the borough for the purpose of attending BD meetings if necessary. (Planned completion: April 2015)*

#### **SERVICE DE LA CULTURE**

*[TRANSLATION] The recommendation can be applied in certain cases. However, this corrective measure is problematic at different levels and cannot be applied unilaterally. For example, certain agreements signed with organizations are agreements reached with government departments that fund certain programs (e.g., Imaginer-Réaliser Montréal 2025). (Planned completion: March 2016)*

#### **SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS**

##### **DDS**

*[TRANSLATION] Include in agreements that do not already contain such a clause a provision making it possible to grant observer status to the manager or his/her authorized representative for the purpose of attending the organization's AGM or BD meetings, if necessary. (Planned completion: December 2015)*

##### **DGIS and DOÉÉPS**

*[TRANSLATION] Pursue the action undertaken since 2014 to include in the agreements reached between the City and the supported organizations a provision granting observer status to a City representative for the purpose of attending BD meetings if necessary. (Completed)*

#### **SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL**

*[TRANSLATION] The SGPVMR will include in agreements reached between the City and the supported organizations a provision granting observer status to a City representative for the purpose of attending BD meetings if necessary. (Planned completion: June 2015)*

## 4.6. Guide on Managing Contributions Made to Organizations

### 4.6.A. Background and Findings

As we mentioned at the beginning of this report, several organizations receive support from more than one business unit. These same organizations may therefore have received several contributions during the course of the year.

Our audit revealed certain contributions that were made under programs and others that were not. In the first case, the contributions were not accompanied by agreements between the City and the organizations. In the second case, signed agreements exist. In both cases, it is important to make sure that the organizations carry out the activities or projects for which they received support, as planned.

After having identified the provisions contained in the agreements, programs and applications for support, we noted that certain provisions were not always included (e.g., keeping separate accounts for the organizations, providing separate financial information on supported activities or projects, recovering unused sums). In other cases, a comparative analysis of the provisions of the various agreements revealed a different wording (e.g., the payment of a contribution is sometimes subject to the approval of a report; in other cases, the payment is approved upon receipt of a report; other agreements contain no such provisions). Another example: the provision on forwarding the financial statements is worded differently. This lack of consistency may create confusion for the supported organizations.

Also, as part of our audit, we noted that the persons responsible for monitoring the contributions were not able to demonstrate that the outcomes had been achieved or provide assurance that the allocated sums had been used for the intended purposes. In our opinion, a lack of guidance is partly responsible for this situation.

For this reason, we believe that it would be appropriate for the business units to have access to a reference guide to support them in this process and help them adopt a common approach. This guide could establish a process for evaluating contributions of goods and services and taking this information into consideration with respect to the agreements reached with organizations. It could also provide information on the different steps of the monitoring process. Finally, it could establish a practice whereby organizations certify their use of the allocated sums and another practice by which the responsible manager provides this certification.

This guide could also describe the responsibilities of the various stakeholders involved in keeping up to date a list of the audited financial statements provided in compliance with Section 107.9 of the CTA. It goes without saying that we believe that the Service de la concertation avec les arrondissements should be involved in this process.

#### 4.6.B. Recommendation

**We recommend that the Direction générale and the Service de la concertation des arrondissements develop a guide on the management of contributions made to organizations in order to standardize all business units' operations.**

#### Business unit's response:

##### **DIRECTION GÉNÉRALE**

*[TRANSLATION] The Direction générale will prepare such a management guide. (Planned completion: December 2015)*

## 5. General Conclusion

A large number of organizations receive annual contributions from the City. These are mainly financial contributions, but there are also contributions of goods and services. By law, organizations that receive an annual contribution of \$100,000 or more are required to provide audited financial statements under Section 107.9 of the *Cities and Towns Act* (CTA). Concurrently, in December 2013, City council adopted a motion to receive the annual reports of the organizations subject to Section 107.9 of the CTA. The business units responsible for managing the contributions receive these financial statements. Also, the Direction du greffe files these financial statements at municipal council meetings. Our audit indicated that no formal process had been established to identify all of the organizations concerned to constitute an up-to-date register of audited financial statements. Consequently, City council has no assurance whatsoever of receiving all of the annual reports.

For the purpose of managing the contributions, the business units invoke various provisions contained in the agreements, applications for financial support, registration forms or programs.

Our audit indicated that measurable objectives had not been established for most of the contributions examined. This risks limiting the business units' ability to assess whether the objectives have been achieved. Moreover, the organizations are not all subject to the same obligations for all contributions. This also risks limiting the business units' ability to evaluate

whether the allocated sums were used for the intended purposes. Indeed, the obligations differ or are sometimes altogether absent with respect to the implementation of an operating mode that demonstrates the organizations' use of the contributions, the receipt of the required reports and the information they provide, the production of financial statements and the recovery of allocated sums if not used for the intended purposes.

With respect to monitoring, the business units were able to:

- Evaluate the achievement of the outcomes for only 33% of the contributions, because either the objectives had not been initially established in measurable terms, the organizations had not provided reports indicating the achievement of the objectives or the reports had simply not been provided;
- Implement monitoring mechanisms to evaluate the use of the contributions granted for the intended purposes for only 19% of the contributions, in part because the required information had not been requested.

Thus, for only 12% of the contributions did the financial statements obtained from the organizations provide information that was useful to the business units for evaluating the use of the allocated sums for the intended purposes.

We observed that three elected officials sit on boards of directors (BD) of four organizations and that 14 City officials sit on BDs of 11 organizations. The fact that they hold director status could affect their duty of loyalty to the City.

Finally, to standardize the provisions contained in the agreements, applications for support and other documents, as well as to better define the responsibilities of the various stakeholders, we recommend that a reference guide be developed to give direction to all business units. It goes without saying that the monitoring mechanisms implemented will need to be modulated to take into account the value of the contributions.

## 6. Appendices

### 6.1. Portrait of Financial Contributions Made to Non-profit Organizations

**Table A – Distribution of the Contributions Between the Central Departments and the Boroughs from 2009 to 2013 (\$M)**

	2009 <sup>[a]</sup>				2010 <sup>[a]</sup>				2011 <sup>[a]</sup>				2012 <sup>[a]</sup>				2013 <sup>[a]</sup>			
	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%
Boroughs	27.2	34%	1,448	70%	26.8	31%	1,365	67%	29.9	32%	1,426	70%	30.9	31%	1,536	68%	30.5	31%	1,526	69%
Central departments	53.5	66%	625	30%	59.7	69%	673	33%	62.5	68%	623	30%	66.9	69%	720	32%	68.4	69%	693	31%
<b>Total</b>	<b>80.7</b>	<b>100%</b>	<b>2,073</b>	<b>100%</b>	<b>86.5</b>	<b>100%</b>	<b>2,038</b>	<b>100%</b>	<b>92.4</b>	<b>100%</b>	<b>2,049</b>	<b>100%</b>	<b>97.8</b>	<b>100%</b>	<b>2,256</b>	<b>100%</b>	<b>98.9</b>	<b>100%</b>	<b>2,219</b>	<b>100%</b>

[a] The number of organizations differs from that presented in Table 2 due to the fact that certain organizations received support from both boroughs and central departments.

**Table B – Contributions Paid Directly from  
Central Departments’ Budgets from 2009 to 2013  
(\$M)**

	2009				2010				2011				2012				2013			
	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%
\$100,000+	41.6	78%	83	13%	47.8	80%	75	11%	50.0	80%	75	12%	54.2	81%	87	12%	55.3	81%	88	13%
Less than \$100,000	11.9	22%	542	87%	11.9	20%	598	89%	12.5	20%	548	88%	12.7	19%	633	88%	13.1	19%	605	87%
<b>Total</b>	<b>53.5</b>	<b>100%</b>	<b>625</b>	<b>100%</b>	<b>59.7</b>	<b>100%</b>	<b>673</b>	<b>100%</b>	<b>62.5</b>	<b>100%</b>	<b>623</b>	<b>100%</b>	<b>66.9</b>	<b>100%</b>	<b>720</b>	<b>100%</b>	<b>68.4</b>	<b>100%</b>	<b>693</b>	<b>100%</b>

**Table C – Contributions Paid Directly from  
Boroughs’ Budgets from 2009 to 2013  
(\$M)**

	2009				2010				2011				2012				2013			
	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%	\$	%	Number of org.	%
\$100,000+	15.7	58%	61	4%	16.4	61%	63	5%	19.8	66%	73	5%	19.7	64%	73	5%	19.5	64%	73	5%
Less than \$100,000	11.5	42%	1,387	96%	10.4	39%	1,302	95%	10.0	34%	1,353	95%	11.2	36%	1,453	95%	11.0	36%	1,453	95%
<b>Total</b>	<b>27.2</b>	<b>100%</b>	<b>1,448</b>	<b>100%</b>	<b>26.8</b>	<b>100%</b>	<b>1,365</b>	<b>100%</b>	<b>29.8</b>	<b>100%</b>	<b>1,426</b>	<b>100%</b>	<b>30.9</b>	<b>100%</b>	<b>1,526</b>	<b>100%</b>	<b>30.5</b>	<b>100%</b>	<b>1,526</b>	<b>100%</b>

## 6.2. Management of Financial Contributions

**Table A – Audit Results (Selection of 24 Organizations and 54 Contributions) – 2013**

Organization no.	Total contribution paid from the business unit's budget	Contribution no.	Contributions (2013) \$	Non-monetary support	Agreement		Non-compliance / Agreement signed (c)	Objectives		Provisions present in the agreement or application for support								Monitoring carried out			
					Yes (a)	No (b)		Yes/ No (d)	In measurable terms (e)	Separate accounts (f)	Consultation of accounts (g)	Production of financial statements (h)	Separate financial information (i)	Production of reports (j)	Nature of the information required in the reports (k)	Remittal of sums not used for intended purposes (l)	Terms and conditions of payment (m)	Enables evidence of steps taken (n)	Reports		Monitoring mechanisms aimed at verifying the use of allocated sums (q)
																			Obtained (o)	Evaluation of the objective achieved (p)	
<b>MERCIER-HOCHELAGA-MAISONNEUVE BOROUGH</b>																					
1	\$234,000	1	\$234,000	YES	X		YES		X			X	X				X				
2	\$213,049	2a	\$6,000 and \$5,200			X	YES					X					X				
		2b	\$37,780			X	NO														
		2c	\$164,069		X		YES		X	X	X	X	X	X							
3	\$131,823	3a	\$12,000			X	YES					X					X				
		3b	\$103,823		X		YES			X	X										
		3c	\$16,000			X	NO														
4	\$45,221	4a	\$39,321		X		YES			X	X					X	X				
		4b	\$5,900			X	YES	X					X			X	X				
<b>VILLERAY-SAINT-MICHEL-PARC-EXTENSION BOROUGH</b>																					
5	\$334,934 <sup>[a]</sup>	5a	\$29,747	YES	X		YES			X	X						X				
		5b	\$29,747	YES	X		YES			X	X						X				
		5c	\$15,005	YES	X		YES			X		X					X				
		5d	\$41,451	YES	X		YES			X		X					X				
		5e	\$193,980		X		YES	X	X	X	X		X	X		X		X			
		5f	\$18,900		X		YES	X	X	X					X	X		X			
6	\$178,923 <sup>[b]</sup>	6a	\$63,584	YES	X		YES			X		X					X	X			
		6b	\$63,584	YES	X		YES			X		X					X	X			
		6c	\$10,750	YES	X		YES			X		X					X	X			
		6d	\$32,374		X		YES			X		X					X	X			
7	\$33,602 <sup>[c]</sup>	7	\$31,700		X		NO		X	X		X									

[a] Adjustments totalling \$6,104 were not examined.

[b] Adjustments totalling \$8,631 were not examined.

[c] Adjustments totalling \$1,902 were not examined.



**Table A – Audit Results (Selection of 24 Organizations and 54 Contributions) – 2013 (continued)**

Organization no.	Total contribution paid from the business unit's budget	Contribution no.	Contributions (2013) \$	Non-monetary support	Agreement		Non-compliance / Agreement signed (c)	Objectives		Provisions present in the agreement or application for support								Monitoring carried out			
					Yes (a)	No (b)		Yes/ No (d)	In measurable terms (e)	Separate accounts (f)	Consultation of accounts (g)	Production of financial statements (h)	Separate financial information (i)	Production of reports (j)	Nature of the information required in the reports (k)	Remittance of sums not used for intended purposes (l)	Terms and conditions of payment (m)	Enables evidence of steps taken (n)	Reports		Monitoring mechanisms aimed at verifying the use of allocated sums (q)
																			Obtained (o)	Evaluation of the objective achieved (p)	
<b>SERVICE DE LA DIVERSITE SOCIALE ET DES SPORTS – DIVISION DU DEVELOPPEMENT SOCIAL</b>																					
8	\$410,000	8a	\$360,000		X		NO		X	X	X	X	X		X		X	X			
		8b	\$50,000		X		NO		X	X	X	X	X		X						
9	\$198,486 <sup>[f]</sup>	9a	\$18,613		X		N/C	YES			X		X			X	X				
		9b	\$134,100 and \$25,000		X		YES		X	X	X	X	X		X	X	X	X			
		9c	\$20,775		X		YES		X	X	X	X	X		X	X	X	X			
10	\$52,000 <sup>[g]</sup>	10a	\$27,000		X		N/C	YES	X	X	X	X	X		X	X		X	X		
		10b	\$25,000		X		N/C	YES	X	X	X	X	X		X	X		X			
11	\$218,000	11a	\$178,000		X		YES		X	X	X	X	X		X	X		X			
		11b	\$40,000		X		YES		X	X	X	X	X		X	X		X			
12	\$185,000 <sup>[h]</sup>	12a	\$70,000	YES	X		YES		X	X	X		X		X	X		X			
		12b	\$100,000	YES	X		YES	X	X	X	X	X	X		X	X		X	X		
		12c	\$15,000	YES	X		YES		X	X	X	X	X		X	X		X	X		
13	\$51,000 <sup>[d]</sup>	13a	\$25,000		X		N/C	YES		X	X		X		X			X	X		
		13b <sup>[f]</sup>	\$20,000		X		YES	X	X	X	X	X	X		X	X		X	X		
14	\$103,913 <sup>[i]</sup>	14a	\$18,613			X	YES	X					X			X					
		14b	\$47,300		X		YES	X	X	X	X	X	X		X	X		X	X		
		14c	\$38,000		X		YES	X	X	X	X	X	X		X	X		X			
<b>SERVICE DE LA DIVERSITE SOCIALE ET DES SPORTS – DIVISION DES ORIENTATIONS – EQUIPEMENTS, EVENEMENTS ET PRATIQUE SPORTIVE</b>																					
20	\$800,000 <sup>[e]</sup>	20	\$800,000		X		NO		X	X	X				X	X					
22	\$149,100	22	\$149,100		X		YES	X			X					X	X				
23	\$200,000	23	\$200,000		X		YES	X	X	X	X	X				X	X	X	X		
24	\$35,900	24	\$35,900		X		YES				X					X	X	X			

[d] Includes a payment of \$6,000 for a 2012 contribution (not audited).  
[e] \$4 million (5 annual payments of \$800,000 each between January 2010 and January 2014).  
[f] Contribution managed by Le Sud-Ouest borough.  
[g] Contribution managed by the Ahuntsic-Cartierville borough.  
[h] Contribution managed by the Montréal-Nord borough.  
[i] Contribution managed by the Saint-Léonard borough.  
[j] Contribution managed by the RLPP borough.

Table A – Audit Results (Selection of 24 Organizations and 54 Contributions) – 2013 (continued)

Organization no.	Total contribution paid from the business unit's budget	Contribution no.	Contributions (2013) \$	Non-monetary support	Agreement		Non-compliance / Agreement signed (c)	Objectives		Provisions present in the agreement or application for support								Monitoring carried out			
					Yes (a)	No (b)		Yes/ No (d)	In measurable terms (e)	Separate accounts (f)	Consultation of accounts (g)	Production of financial statements (h)	Separate financial information (i)	Production of reports (j)	Nature of the information required in the reports (k)	Remittal of sums not used for intended purposes (l)	Terms and conditions of payment (m)	Enables evidence of steps taken (n)	Reports		Monitoring mechanisms aimed at verifying the use of allocated sums (q)
SERVICE DE LA CULTURE																					
15	\$195,784	15	\$195,784		X			YES	X	X				X	X	X	X		Note <sup>[k]</sup>		
16	\$405,933	16a	\$349,933		X			YES	X	X				X	X	X	X		Note <sup>[k]</sup>		
		16b	\$30,000			X <sup>[l]</sup>		YES	X					X		X					
		16c	\$13,000			X <sup>[l]</sup>		YES	X					X	X	X					
		16d	\$13,000			X <sup>[l]</sup>		YES	X					X	X	X					
17	\$130,000	17	\$130,000	X			YES	X	X	X	X		X	X	X	X	X	X	X	X	
18	\$100,000	18	\$100,000	X			YES	X	X	X	X		X	X	X	X	X	X	X	X	
19	\$1,795,000	19a	\$1,430,000		X			YES	X	X	X	X		X	X	X	X	X			
		19b	\$365,000		X			YES	X	X	X	X		X	X	X	X	X			
SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL																					
21	\$220,592	21a	\$100,000		X			YES	X			X	X	X	X		X	X	X	X	X
		21b	\$93,395		X			YES				X		X			X	X	X	X	
		21c	\$3,440		X		N/C <sup>[m]</sup>	YES		X	X	X	X	X		X	X	X	X	X	X
		21d	\$23,757		X			YES		X	X	X	X	X		X	X	X	X	X	X
<b>Total contributions</b>		<b>54</b>			<b>45</b>	<b>9</b>	<b>6</b>	<b>54</b>	<b>22</b>	<b>28</b>	<b>28</b>	<b>40</b>	<b>22</b>	<b>44</b>	<b>10</b>	<b>30</b>	<b>23</b>	<b>20</b>	<b>38</b>	<b>18</b>	<b>10</b>

<sup>[k]</sup> The final report required under the agreement was not yet due at the time of our audit.

<sup>[l]</sup> The program and registration form signed by the organization nevertheless specify the applicable obligations.

<sup>[m]</sup> Non-compliant.