

V.5. Grant Management

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V.5. GRANT MANAGEMENT

1. INTRODUCTION

Every year, the Ville de Montréal (the city) receives grants from various government bodies. These grants are awarded under a wide range of government programs and are used primarily to fund city activities by covering operating expenditures or eligible capital project expenditures.

In the 2010 budget, transfer revenue from government grants amounted to \$548,615,600: \$337,555,600 for operating activities and \$211,060,000 for capital property activities.

A significant percentage of grants related to operating activities are unconditional transfers (e.g., amusement tax and provincial sales tax offsets) and transfers for funding costs for long-term debt. Other transfers for operating activities include reimbursement for selective collection, landfill fees and urban renewal programs and contributions to local development centres (CLDs).

Payment of grants pledged to the city for investment activities depends on the eligibility of work expenditures, respect for established timeframes and compliance with the terms and conditions of the corresponding memorandums of understanding.

Grant programs can be divided into two categories: those that are exclusive to Montréal and those that are available to municipalities throughout Québec.

Exclusive agreements with the city are negotiated and discussed with funding ministries based on the city's needs. They are long-term and renewed regularly, e.g., the Imagining—Building Montréal 2025 cultural development agreement.

“Open” government assistance programs are available to all municipalities. They are created by the provincial and federal governments to address municipal infrastructure upgrades that require major investment, economic recovery, the war on poverty or job creation. These programs target well-defined sectors, such as municipal water supply and treatment infrastructure or sports and recreational facilities. The following programs fall under this category:

- Programme d'infrastructures de loisirs (PIL)
- Programme de soutien aux installations sportives et récréatives (PSISR)
- Canada Strategic Infrastructure Fund (CSIF)

- Programme de renouvellement des conduites (PRECO)
- Programme d'infrastructures Québec-Municipalités (PIQM)
- Building Canada Fund—Québec (FCCQ), Components 1 and 2
- Programme de la taxe sur l'essence et de la contribution du Québec (TECQ 1 and TECQ 2).

Although the TECQ program is classified in this category, it is in fact a transfer program. The government contribution is based on population and not on projects submitted by the city. In other words, the number of projects has no influence on the amount of the grant. Grants awarded through other programs are often conditional on project eligibility, type and cost.

It is important to draw a distinction between these two types of programs and their specific characteristics. These features determine the management skills city executives require to maximize funding opportunities the grants provide, especially for programs open to all municipalities. Administrators need to know all about these grants, proactively prioritize projects, ensure projects are carried out within the specified timeframes and diligently adhere to the grant programs terms and conditions so that projects and eligible expenditures comply with established criteria. The city must use its own financial resources for every grant or grant opportunity lost, instead of directing these funds toward other projects.

2. AUDIT SCOPE

The objective of this audit was to ensure that the city's business units are taking the necessary steps with various government bodies take advantage of all grants to which the city is entitled. We therefore examined grant application management, planning and implementation of funded projects and accountability measures used to monitor grant programs.

Our audit comprised an in-depth examination of government assistance programs that were active in 2010, the details of which are presented in Appendix 4.1, namely:

- Imagining—Building Montréal 2025 agreement
- Programme d'infrastructures de loisirs (PIL)
- Programme de soutien aux installations sportives et récréatives (PSISR)
- Programme de renouvellement des conduites (PRECO)
- Canada Strategic Infrastructure Fund (CSIF).

Most of these programs fund investment activities, with the exception of the Imagining—Building Montréal 2025 agreement, where a portion of the funds is used to cover operating costs in support of community organizations.

Capital property activities were the main focus when auditing these programs. Some investment projects were therefore examined more thoroughly so we could gain a better understanding of how grants and the projects they fund are managed by the funded administrative unit. These projects are:

- Imagining—Building Montréal 2025 agreement:
 - Project 1: Place du Canada and Square Dorchester (phase 2)
 - Project 2: Île des Sœurs entrance shoreline and infrastructure redevelopment
- PIL:
 - Project 3: Full restoration of the outdoor swimming pool at parc L.-O.-Taillon
 - Project 4: Rehabilitation of parc Félix-Leclerc, reconstruction of its sports grounds and expansion of its chalet
- PSISR:
 - Project 5: Aréna Jacques-Lemaire
 - Project 6: Benny sports and community complex
 - Project 7: parc Riverside (sports field and track)

Our audit focussed on verifying specific aspects of the management of grant programs and underlying agreements for the two other programs. In the case of the PRECO, our emphasis was on work planning and execution to ensure program deadlines were met. For the CSIF program, we looked at accountability and monitoring activities for grants that had been received.

During the course of our audit, we worked with the following administrative entities:

- Direction générale
- Service de l'eau
- Service du développement et des opérations (SDO):
 - Direction des sports
 - Direction de l'administration
- Service de la concertation des arrondissements et des ressources matérielles:
 - Direction stratégies et transactions immobilières
- Mercier–Hochelaga-Maisonneuve borough
- Côte-des-Neiges–Notre-Dame-de-Grâce borough

- LaSalle borough
- Verdun borough

We also consulted the Direction de la comptabilité et du contrôle financier of the Service des finances to validate the process used for handling claims.

3. FINDINGS, RECOMMENDATIONS AND ACTION PLANS

We examined each of the selected programs through three components that, in our opinion, represent to some extent the entire grant management cycle, namely:

- Component – Grant application management: all activities carried out by business units to prepare and submit grant applications within the required timeframe. Best management practices for grant applications involve the following:
 - Identifying and prioritizing projects with the greatest potential for being accepted and adequately documenting them
 - Submitting applications, along with supporting documents, by the deadlines to tap into grants before funding is exhausted
 - Ongoing monitoring of grant applications' status until they are officially accepted and an agreement signed
- Component – Planning and implementation of funded projects: all activities carried out by business units in charge of planning, executing and monitoring work so that a funded project is completed on time and on budget. Best management practices for this component entail:
 - Planning and executing projects within the timeframe stipulated by the program, factoring in the time required for internal decision-making processes and legal requirements
 - Proactively monitoring the progress of grant-aided projects on the basis of work performed, authorized costs and eligibility cut-off dates
- Component – Accountability for the grant program: all documentation and activities that comprise an accountability framework consistent with the terms and conditions of grant program agreements and internal management practices. This entails the following activities and processes:
 - Ensuring compliance with the requirements specified in the corresponding memoranda of understanding
 - Submitting regular reports to city authorities to keep them informed of the status of active grant programs and the progress of funded projects
 - Tracking the progression of grants actually received compared to pending grants

3.1. CORPORATE FRAMEWORK

3.1.A. Background and Findings

The best management practices outlined in these three components could be supported by a grant management policy that would specify scope, policy statements and roles and responsibilities of the various parties.

FINDING

We observed that the programs¹ and projects examined in most of the business units we audited have no formal, structured process in place that adheres to any corporate framework designed to standardize grant management practices through policies and procedures.

The lack of any such process or grant management policy means that:

- Documentation for programs is not formally distributed on an organization-wide basis to share key elements related to the programs the city is applying to or their administration. These elements include:
 - program objectives
 - city obligations
 - project eligibility criteria
 - ineligible expenses
 - payment terms
 - accountability mechanisms
 - public communications
 - length of the agreement or program
- The following divisional responsibilities for administering grants are not clear:
 - Who is responsible for managing and applying the terms of a memorandum of understanding?
 - Who is responsible for ensuring contractual obligations are met and expenditures comply with eligibility requirements?

FINDING

Each division or business unit has its own operating practices for managing grants.

¹ See Appendix 4.1 for program descriptions.

Generally, this diversity in management practices has resulted in the following:

- Some financial and operational information is inaccurate or inconsistent from one administrative unit to the next:
 - Incomplete or inconsistent information in the file itemizing sports and recreational facility grant applications
 - Errors between the amounts entered in project data sheets and the amounts in the file used to track grant utilization for the Imagining—Building Montréal 2025 agreement
- Application of memoranda of understanding terms, especially those covering eligible expenditures and work, is subject to personal interpretation rather than a structured, official interpretation at the corporate level. We determined that the individuals in charge of monitoring funded projects had not seen or read the applicable memoranda of understanding:
 - In the parc Riverside project, the memorandum of understanding was sent to the project manager the day before our meeting, even though the project had already been completed.
 - In the aréna Jacques-Lemaire project, the project manager had never received nor read the memorandum of understanding governing the project.

FINDING

In the \$140,000,000 agreement the Imagining—Building Montréal 2025 action plan, we noted the existence of a handbook prepared by the Service de la mise en valeur du territoire et du patrimoine (SMVTP) in 2009 specifically to inform, support and provide a step-by-step guide to coordinators, managers and front-line staff for projects funded under the memorandum of understanding. This handbook, which the Direction générale adopted as an administrative directive, was distributed to all project managers whose activities were funded under the Imagining—Building Montréal 2025 agreement.

This handbook outlines the administrative procedure for including a project in the program, eligibility criteria for projects and expenses, the decision-making process and the documentation required for project approval, key reports and their frequency for accountability purposes. The handbook also includes the names of the individuals involved at each step of project implementation, as well as a copy of the memorandum of understanding between the city and the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire (MAMROT).

In our view, this handbook constitutes a good management practice because it ensures the program is carried out in an organized, structured and cohesive manner. It reduces the risk of

misinterpretation and omission, as it spells out the decision-making process and the responsibilities of each of the parties involved in processing and managing grant applications.

The use of this type of tool should be expanded to all business units that deal with grant programs to address the shortcomings observed in shared responsibilities, accuracy of financial and operational information and application of program requirements.

3.1.B. Recommendations

In order to ensure a consistent, organization-wide approach to managing grants and the corresponding memoranda of understanding, we recommend that the Direction générale adopt a grant management policy, supported by the necessary directives and procedures. This policy would include the following elements:

- **Scope of application**
- **Definitions**
- **Policy statements**
- **Roles and responsibilities**
- **Processing procedures**

We recommend that the Direction générale ensure that all divisions administering grant programs or specific memoranda of understanding involving several parties produce and distribute an internal handbook on managing these programs and agreements to guide the grant administration process.

3.1.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “In collaboration with the other units involved, propose policies or a management framework to the city administration to administer the grants awarded to the city by other government bodies.

The management framework will clarify the role of the key units that manage grant programs and the distribution of division-specific grant administration guides.” (Planned completion: February 2012)

“The corrective actions concerning the management handbooks are addressed in the previous action plan.” (Planned completion: February 2012)

3.2. IMAGINING—BUILDING MONTRÉAL 2025 AGREEMENT

3.2.A. Background and Findings

This is a \$140,000,000 memorandum of understanding for 2008–2012 specific to the city. This assistance covers capital project expenditures and operating expenditures for community organizations supported by the city. Projects must comply with the five strategic directions² outlined in the Imagining—Building Montréal 2025 strategy. The responsibility for administering the memorandum of understanding originally fell to the SMVTP but, following restructuring in 2010, it is now shared by the Direction générale associée – Développement et opérations and the Direction de l'administration of the SDO. Projects approved by City Council and, where appropriate, the Urban Agglomeration Council, are incorporated into a project line-up that the city submits to the MAMROT on an ongoing basis for the duration of the agreement. The projects are approved following a series of checks, correspondence and discussions. Table 1 below provides an overview of projected grants for various TCWP-related projects and initiatives involving operating expenditures covering the five-year term of the memorandum of understanding.

Table 1—\$140 Million Memorandum of Understanding: Projected Grant Use
(in thousands of dollars)

	Projected grant	Actual			Projections	
		2008	2009	2010	2011	2012
Operating budget						
Urban agglomeration projects	19,567.7	0.0	0.0	5,218.5	7,206.8	7,142.4
Corporate projects	53,253.3	1,200.0	7,440.9	9,246.6	24,092.8	11,273.0
Total	72,821.0	1,200.0	7,440.9	14,465.1	31,299.6	18,415.4
TCWP budget						
TCWP projects—Urb. aggl.	72,713.9	575.7	4,130.9	7,952.5	35,106.2	24,948.6
TCWP projects—Corporate	18,404.6	3,170.6	7,846.7	1,347.8	6,039.5	0.0
Total	91,118.5	3,746.3	11,977.6	9,300.3	41,145.7	24,948.6
Grand total	163,939.5	4,946.3	19,418.5	23,765.4	72,445.3	43,364.0
Funds awarded	140,000.0					
Difference	(23,939.5)					

Source: Direction de l'administration, Service du développement et des opérations, Report, December 31, 2010.

The main risk of this type of agreement is with investment projects in the program that are not completed by the December 31, 2012 cut-off date specified in the memorandum of understanding. In such a case, the city would be required to assume any project costs after this date.

² Strategic direction #1: Knowledge, creativity and innovation.
Strategic direction #2: Culture.
Strategic direction #3: Living environment.
Strategic direction #4: Infrastructure.
Strategic direction #5: Openness to the world.

Component – Planning and Implementing Funded Projects

Based on our detailed examination of the activities for the two projects we reviewed, as outlined in Table 2 below, and the supporting documentation (project calendar, TCWP and progress estimates), we are able to make the following observations about project planning:

**Table 2—\$140 Million Memorandum of Understanding:
Projected Grant Use for Audited Projects**
(in thousands of dollars)

	Projected	Actual				Projection	
		To date	2008	2009	2010	2011	2012
TCWP Budget							
Redevelopment of Ile des Soeurs shoreline and infrastructure	10,928.0	6,702.5	3,170.6	2,496.4	1,035.5	4,225.5	
Place du Canada and Square Dorchester	13,018.2	220.2			220.2	6,398.0	6,400.0

Source: Direction de l'administration, Service du développement et des opérations, Report, December 31, 2010.

- Features of the Île des Sœurs shoreline and infrastructure redevelopment project, overseen by the Verdun borough:
 - 61% of the grant was utilized as of December 31, 2010.
 - According to the plans in place, work will be completed in 2011, before the 2012 cut-off date for the memorandum of understanding, and 100% of the grant will have been used.
- Features of the Place du Canada/Square Dorchester project, for which a large-scale, four-phase project will be carried out in 2011–2012 (phases 1 and 2) and 2013 (phases 3 and 4):
 - 1.7% of the grant was utilized as of December 31, 2010.
 - According to the plans in place for 2011 and 2012 for phrases 1 and 2 and the cut-off date for the memorandum of understanding (2012), the project will have to be carefully managed to ensure 100% of the grant is used.

As Table 2 shows, the \$140,000,000 fund supports 11 projects that are currently underway (7 at the urban agglomeration level and 4 at the corporate level), for a total of \$91,118,000 in grants. In addition, 12 backup projects are in the pre-planning stages. In the event an authorized project cannot be implemented until after 2012, it would be replaced by a backup project, to ensure that 100% of the grant is used by the end of 2012.

Table 3—\$140 Million Memorandum of Understanding: Projected Grant Use
(in thousands of dollars)

	TCWP grant Invest.	Actual				Projection	
		To date	2008	2009	2010	2011	2012
TCWP budget – Urban agglomeration							
Revitalization – Boulevard Saint-Laurent							
Redesign – Concordia area	2,512.2	2,512.2	575.7	1,171.9	764.6		
Redevelopment – Museum of Fine Arts area	3,660.8	52.8			52.8	3,608.0	
Rehabilitation – Chaboillez area							
Rehabilitation/redevelopment – Quartier de la santé de l'Université de Montréal							
Redevelopment – Sherbrooke-Est area							
Rehabilitation – Quartier Griffintown							
Havre de Montréal – Autoroute Bonaventure, Phase 1	32,771.7	1,281.1		1,053.7	227.4	12,942.0	18,548.6
Technoparc de Montréal and rehabilitation – Ruisseau Bertrand area							
Dynamic message signs – Vieux-Montréal and Quartier des spectacles							
Place d'Armes	15,453.0	8,592.8		1,905.3	6,687.5	6,860.2	
Place du Canada and Square Dorchester (Phase 2)	13,018.2	220.2			220.2	6,398.0	6,400.0
Square Cabot – Development of public land	655.0					655.0	
Quartier chinois – Development of public land	4,643.0					4,643.0	
Subtotal	72,713.9	12,659.1	575.7	4,130.9	7,952.5	35,106.2	24,948.6
TCWP budget – Corporate							
Shoreline and infrastructure development in Île des Soeurs	10,928.0	6,702.5	3,170.6	2,496.4	1,035.5	4,225.5	
Rehabilitation – Outremont railroad yards							
Rehabilitation and redevelopment – Quartier de la santé Glen							
Redevelopment – Carrière Francon area and Contrecoeur site							
Revitalization – Saint-Viateur Est area	1,972.1	658.1		658.1		1,314.0	
Redevelopment – Saint-Jacques and Upper Lachine area							
Revitalization – Acadie-Chabanel area	5,004.5	5,004.5		4,692.2	312.3		
Redevelopment – Carrière Saint-Michel							
Lachine Est – Revitalization and infrastructure	500.0					500.0	
Subtotal	18,404.6	12,365.1	3,170.6	7,846.7	1,347.8	6,039.5	
Total TCWP budget	91,118.5	25,024.2	3,746.3	11,977.6	9,300.3	41,145.7	24,948.6

Source: Direction de l'administration, Service du développement et des opérations, Report, December 31, 2010.

We feel that 2011 is crucial from a project management standpoint, with a projected total of \$41,200,000 in grants to administer. Two large-scale undertakings dominate the 2011–2012 horizon, namely the Havre de Montréal project, with an estimated \$12,900,000 in grants in 2011 and \$18,500,000 in 2012, and the Place du Canada project, with approximately \$6,400,000 in grants expected in both 2011 and 2012.

An analysis of the current situation compared with the projections outlined in Table 4 indicates that, if all the projects currently included in the program are carried out the end of 2012 as expected, 100% of the grant will be used.

Table 4—\$140 Million Memorandum of Understanding: Projected Grant Use
(in thousands of dollars)

	Actual To date	Projected	Actual			Projection	
			2008	2009	2010	2011	2012
TCWP budget							
TCWP projects – Urb. aggl.	12,659.1	72,713.9	575.7	4,130.9	7,952.5	35,106.2	24,948.6
TCWP projects – Corporate	12,365.1	18,404.6	3,170.6	7,846.7	1,347.8	6,039.5	0.0
Total	25,024.2	91,118.5	3,746.3	11,977.6	9,300.3	41,145.7	24,948.6
Grants awarded		91,118.5					

Source: Direction de l'administration, Service du développement et des opérations, Report, December 31, 2010.

Current situation					
% grant use	4%	13%	10%	45%	27%
Project-to-date		17%	27%	73%	100%

FINDING

There is, however, a significant risk of not using 100% of the grant, as this target is contingent on the completion of two large-scale projects (Havre de Montréal and Place du Canada) which together account for 47% of the 2011 total of \$41,100,000 in grants and 100% of the 2012 total of \$24,900,000. The risk is even more difficult to manage because both projects:

- are ongoing through the last two years of the memorandum of understanding (2011 and 2012)
- have zero leeway compared with other projects that are planned for 2011 and that may extend into 2012
- have a critical timeframe in terms of grant use, with no possibility of an extension

In our opinion, the situation requires that these projects be tightly managed. If any delays were to occur, the city would have no other choice than to dip into its project reserves to compensate for the lost grant money.

3.2.B. Recommendations

Considering that 100% of the \$140,000,000 fund must be used by the end of the specified period, we recommend that the Direction générale associée – Développement et opérations ensure that rigorous measures to track investment projects of the Imaging—Building Montréal 2025 agreement be put into place by the units involved so that the 2011 and 2012 program can be carried out as planned and the annual grant-use target can be reached.

3.2.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “On February 11, the associate director general issued a memo to all managers in charge of projects associated with the \$140,000,000 agreement with the MAMROT, urging them to be vigilant so that the expenditure projections for the next two years (2011 and 2012) are met. The SDO Direction de l’administration is responsible for following up and compiling the projections issued in February every year.” **(Planned completion: February 2011 and February 2012)**

Component – Accountability

The guide produced in 2009 by the SMVTP clearly outlines the process for ensuring accountability, producing quarterly reports and issuing an audited annual report. It specifies deadlines, the administrative units involved, dates for submitting formal reports and so forth. Table 5, below, shows the reporting calendar.

Table 5—\$140 Million Memorandum of Understanding: Reporting Calendar

Accountability Reporting Calendar				
Quarterly reports				
	Project managers	ADG's office	DAFA	ADG's office
Data cut-off date	Project fact sheets delivered no later than:	Project fact sheets compiled and summary report produced	Report on MOU-related expenditures	Issue report to MAMROT and DG
March 31	April 10	April 10-20	April 15-20	As of April 21
May 31	June 10	June 10-24	June 15-24	As of June 25
August 31	Sept. 10	Sept.10-20	Sept.15-20	As of Sept. 21
Audited annual report				
	External organizations	City's Auditor General	ADG's office DAFA	DG ADG's office
Data cut-off date	Delivery of audited annual statements and audited report on project-related expenditures and revenues no later than:	Production of annual report	Validation of auditor's report	Issue of audited annual report to MAMROT and partners
December 31	Feb. 10	Feb. 15-March 30	Feb. 20-March 25	Before March 31

We examined the quarterly reports for 2009 and 2010 as well as several project sheets. According to the procedure currently in place, project managers are responsible for updating the status of their projects and reporting relevant information, such as the issue of a call for tenders, the awarding of a contract, contract amounts and so forth. Then information on expenditures in projects included in the program is updated. New projects are also added to the program and

exemptions requested, if necessary. This file, which also contains the project fact sheets, is then submitted quarterly to the MAMROT.

FINDING

We examined the report submitted to the MAMROT on grant payments made in accordance with the schedule indicated in the memorandum of understanding. The report clearly documents project-related expenditures and summarizes the city's efforts to meet its obligations and comply with guidelines on ineligible expenditures.

FINDING

Accompanying this report is a file used to monitor grant utilization projections, which indicates all operating and capital projects that have received funds from the \$140 fund, the amount allocated to each project and the total amount of the grant used to date.

As of December 31, 2010, 34% of the grants had been utilized (\$48,130,200/\$140,000,000). The total projected cost of the projects associated with the grant exceeds \$140,000,000, bringing the projected grant use for operating and capital expenditures to 117% by the close of 2012. This 17% buffer is primarily the result of project "overplanning," which accounts for some \$23,939,500.

Table 6—\$140 Million Memorandum of Understanding: Projected Grant Use
(in thousands of dollars)

	Actual To date	Projected	Actual			Projection	
			2008	2009	2010	2011	2012
Operating budget							
Urban agglomeration projects	5,218.5	19,567.7			5,218.5	7,206.8	7,142.4
Corporate projects	17,887.5	53,253.3	1,200.0	7,440.9	9,246.6	24,092.8	11,273.0
Total	23,106.0	72,821.0	1,200.0	7,440.9	14,465.1	31,299.6	18,415.4
TCWP budget							
TCWP projects - Urb. aggl.	12,659.1	72,713.9	575.7	4,130.9	7,952.5	35,106.2	24,948.6
TCWP projects - Corporate	12,365.1	18,404.6	3,170.6	7,846.7	1,347.8	6,039.5	
Total	25,024.2	91,118.5	3,746.3	11,977.6	9,300.3	41,145.7	24,948.6
Grand total	48,130.2	163,939.5	4,946.3	19,418.5	23,765.4	72,445.3	43,364.0

Grants awarded	140,000.0
Difference	(23,939.5) -17%

Source: Direction de l'administration, Service du développement et des opérations, Report, December 31, 2010.

Current situation					
% grant use	4%	14%	17%	52%	31%
To date		17%	34%	86%	117%

FINDING

The Direction de l'administration also produces a report on the status of reimbursements received, compared to the terms of the memorandum of understanding (reimbursement schedule).

3.3. GRANT PROGRAMS FOR SPORTS AND RECREATIONAL FACILITIES

There are two assistance programs in this category, the PIL and the PSISR. As these programs have similarities in processing grant applications (see Appendix 4.2), managing funded projects (see Appendix 4.3) and ensuring accountability, we will cover them both in this section and propose shared recommendations for them at the end. Whenever necessary, we will point out the differences between them and, as appropriate, put forth recommendations specific to each.

The PIL is a program that is open to all municipalities in Québec and community organizations with projects supported by the city (e.g., Tennis Canada). Given its "open" nature, there is no fixed budget set aside for the city. This program was introduced in August 2009 and wrapped up on December 31, 2010. Given its short duration, the funds allocated to the program ran out quickly. Consequently, the government redirected applications to other grant programs, such as the one run by the FCCQ. Assistance focussed primarily on recreational infrastructure investment projects. The cut-off date for the PIL was subsequently extended to October 31, 2011.

The PSISR is also open to all municipalities in Québec, community organizations with projects supported by the city and educational organizations. It was introduced in August 2006 and will end on March 31, 2012, at which time all eligible work must have been completed. The fund will have therefore been active for six years and eight months. It provides assistance primarily to infrastructure investment projects designed to facilitate physical and sporting activities.

The SDO's Direction des sports – Division des orientations, équipements, événements et pratique sportive and the boroughs are the main users of these two programs and submit applications to the funding ministries, namely the Ministère de l'Éducation, du Loisir et du Sport (MELS) and MAMROT.

Table 7 indicates the number of PIL and PSISR projects submitted by the city to the two ministries (MELS and MAMROT), total estimated project cost, total amount of assistance requested and the total amount of assistance granted.

Table 7—PIL and PSISR Projects Proposed and Accepted

Applicant	Projects proposed	Estimated cost of projects	Amount requested MELS/MAMROT	Projects accepted	Amount rec'd MELS/MAMROT
PIL					
Boroughs	8	\$37,175,710	\$25,858,689	7	\$8,300,000
Central (Direction des sports)	2	\$4,220,705	\$2,813,804	2	\$2,813,804
Subtotal	10	\$41,396,415	\$28,672,493	9	\$11,113,804
PSISR					
Boroughs	46	\$151,048,135	\$82,960,793	16	\$19,526,380
Central (Direction des sports)	18	\$112,633,608	\$100,806,112	6	\$15,539,873
Subtotal	64	\$263,681,743	\$183,766,905	22	\$35,066,253
Total programs delivered					
Boroughs	54	\$188,223,845	\$108,819,482	23	\$27,826,380
Central (Direction des sports)	20	\$116,854,313	\$103,619,916	8	\$18,353,677
Total - Ville de Montréal	74	\$305,078,158	\$212,439,398	31	\$46,180,057

Source: Division des orientations, équipements, événements et pratique sportive, December 2010.

To break it down, ten grant applications were submitted to the PIL by the boroughs (eight projects) and the Direction des sports³ (two projects). Nine of these were accepted: seven from the boroughs and two from the Direction des sports. Out of the 64 applications submitted to the PSISR (46 by the boroughs and 18 by the Direction des sports), 22 were accepted (16 for the boroughs and 6 for the Direction des sports). In total, the city submitted requests for assistance for 74 projects totalling \$212,439,398 and obtained \$46,180,057 for 31 of them. As of December 2010, 43 applications were awaiting ministerial decisions.

3.3.1. COMPONENT – GRANT APPLICATION MANAGEMENT

3.3.1.A. Background and Findings

Applications to both programs are submitted by either the boroughs or the central unit represented by the Direction des sports. When a borough makes an application, it must be supported by a resolution of the borough council and documented by the borough administration. To meet ministerial requirements, all applications—by the Direction des sports or by a borough—must be backed by a resolution of support from City Council.

During our audit, we made the following observations about the way responsibilities are shared.

Applications are prepared by the organizational unit making the request (Direction des sports or the borough). The necessary checks are performed at this stage to ensure all the required documentation (resolutions, financial plan, cost schedules, required signatures, etc.) is available. The application is submitted and contact made with the ministry to respond to any subsequent requests for information. The ministry will sign any grant agreements with the applicant.

³ The projects had originally been submitted by the Service du développement culturel, de la qualité du milieu de vie et de la diversité ethnoculturelle (SDCQMVDE).

FINDING

Although it acts as the applicant for some applications, the Division des orientations, équipements, événements et pratique sportive (Direction des sports) also monitors current and upcoming assistance programs. It is therefore in a position to advise the SDO and provide overall guidance during the application process. However, this role is not supported by any formal application procedures or manual to guide the management of grant applications and resulting memoranda of understanding.

FINDING

The Division des orientations, équipements, événements et pratique sportive (Direction des sports) provides documentation for the resolution of support at the very beginning of a project. Subsequently, its role is limited to keeping track of submitted projects and compiling any information it sees fit to update its internal records. The boroughs are not required to provide any operational information to the division on a regular basis. Because of this situation, the internal report is incomplete.

If these records were regularly updated with relevant information, they could form effective performance indicators for the SDO.

When the PSISR was launched in 2006, some borough applications were also eligible for an additional program, a municipal sporting facilities support fund created by the city. The SDO produced a handbook to help boroughs present and document applications under this program. The contents of the handbook, which is updated annually, are based primarily on the governmental terms and guidelines found in the PSISR.

Between 2007 and 2009, some of the resolutions passed to support projects assigned the Service du développement culturel, de la qualité du milieu de vie et de la diversité ethnoculturelle (SDCQMVDE) to coordinate the central units, boroughs and government ministries.

3.3.1.B. Recommendations

We recommend that the Direction générale confirm the role of the Direction des sports in the management of grant programs for sports and recreational facilities to provide guidance for all grant applications submitted to funding ministries.

3.3.1.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “Corrective measures on the role of the units responsible for managing grant programs will be incorporated into the management framework specified in section 3.1 of the audit report for the Direction optimisation des ressources et conformité réglementaire dated February 25, 2011.” (Planned completion: February 2012)

3.3.1.1. APPLICATION SUBMISSION TIMEFRAMES

3.3.1.1.A. Background and Findings

During our audit, we also analyzed the amount of time that elapsed between the launch of a program and official approval by the ministry concerned. In this section, the two programs will be addressed separately.

The PIL is characterized by the short 17-month period between its launch (August 2009) and the cut-off date for the completion of authorized projects (December 31, 2010). Following are a few operational indicators that provide better understanding of the constraints inherent in the management of this program:

- Average time between launch date and application submission (10 projects): 6 months, around the month of February 2010
- Average time between receipt of application by the ministry and official approval: 4.7 months, around the month of July 2010
- Issue of calls for tenders to implement projects: between August and September 2010
- Awarding of contracts for projects: near the end of August 2010.

We concluded that the combination of the initial 6-month interval and the 4.7-month response time on the part of the ministry meant that very little time was left to issue calls for tenders and actually carry out the work in question.

It became evident in summer 2010 that, if the initial December 31, 2010 cut-off date were to be upheld, the city might not receive the grants it had been awarded, given the short amount of time left for the work.

The PSISR launched in August 2006 and will wrap up on March 31, 2012. All authorized projects must be completed by this date. Below are a few operational indicators for projects submitted by the city and authorized and pending projects.

As of December 31, 2010, as Table 8 shows, 46 of the 64 applications submitted to the two ministries were from the boroughs and 18 from the Direction des sports. To date, 22 projects have been authorized and 42 are awaiting a response.

Table 8—PSISR Projects Proposed and Accepted

Applicant	Projects submitted	Projects authorized	Projects pending
PSISR – MELS			
Boroughs	43	15	28
Central (Direction des sports)	2	2	0
Subtotal	45	17	28
PSISR – MELS and MAMROT			
Boroughs	3	1	2
Central (Direction des sports)	16	4	12
Subtotal	19	5	14
Combined results			
Boroughs	46	16	30
Central (Direction des sports)	18	6	12
Total – Ville de Montréal	64	22	42

Source: Division des orientations, équipements, événements et pratique sportive.

Table 9 shows the amount of time between the launch of the program and the submission of applications, as well as the amount of time before replies were received from the funding ministries. The PSISR was unveiled in August 2006, and the first applications from the city were submitted only 5 to 10 months later, in the first half of 2007. Applications were subsequently submitted every year afterward, until 2010.

Table 9—PSISR—Analysis of Processing Times

Correspondence date	Submission time ¹	Applicant	Projects submitted	Projects approved	Avg. time for approval in principle ²	Avg. time for final approval ²
PSISR						
2007/01	5 months	Boroughs	10	9	7 months	13-16 months
2007/06	10 months	Boroughs	5	2	13 months	24 months
2008/04	20 months	Boroughs	21	4	16 months	3-15 months
2010/03	42 months	Boroughs	10	1	N/A	1 month
Subtotal			46	16		
2007/01	5 months	Central (Direction des sports)	2	2	15 months	23 months
2009/04	32 months	Central (Direction des sports)	15	4	6-10 months	9-18 months
2010/03	42 months	Central (Direction des sports)	1			
Subtotal			18	6		
Total - Ville de Montréal			64	22		

Source: Division des orientations, équipements, événements et pratique sportive.

¹ From date program was launched.

² From date application was submitted.

Approvals in principle for the first applications were confirmed on average 7 months after the application was received. Final approvals were sent to the city 13 to 16 months from the date the

application was submitted. It is important to point out that an approval in principle confirms the eligibility of a project for an assistance program and indicates the amount to be awarded. Generally speaking, based on the information we obtained, an approval in principle is enough for the city or the applicant to begin planning a project in earnest (issue calls for tenders for engineering services, for example, to develop more thorough and more accurate cost estimates). Final approval confirms the compliance and scope of the work to be done and makes it possible to issue a call for tenders to carry out the project. Based on previous memoranda of understanding, confirmation of project eligibility becomes null and void if a project has not begun six months following final approval.

FINDING

For these two grant programs, we feel that the time taken to submit applications to the respective ministries was long (6 months for the PIL and 5 to 10 months for the PSISR), especially considering that this had a direct impact on official ministerial approval and subsequent project execution. Moreover, we find it difficult to understand why PIL projects were submitted a full six months after the program launch, despite having been developed well in advance by their respective business units.

Given that these grant programs are open to all Québec municipalities, community organizations and educational organizations and that the government has not announced any specific quotas for municipalities or administrative regions, the available funds may be exhausted quickly. In such a “race” scenario, it is to the city’s advantage to submit its applications as quickly as possible.

We believe that the Direction des sports and the boroughs should analyze the time it takes to submit applications and find ways of proceeding at a faster pace to speed up the grant approval process.

3.3.1.1.B. Recommendations

We recommend that the Direction des sports work with the boroughs to analyze the amount of time involved in submitting grant applications for sports and recreational facility programs to determine the underlying causes for past delays and take the action required to reduce response times and therefore receive grants to which the city is entitled as quickly as possible.

3.3.1.1.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “The Direction des sports, together with SDO’s Direction de l’administration, will develop a handbook on grant management for the Direction générale. It will include mechanisms for managing response times, accelerating the submission process and tracking projects associated with grant programs for sports and recreational facilities. This handbook will subsequently be made available city-wide to all those involved in this process.” (Planned completion: December 2011)

3.3.1.2. FOLLOW-UP ON APPLICATIONS WITH FUNDING MINISTRIES

3.3.1.2.A. Background and Findings

Although the city has no control over how long applications take to be approved by funding ministries, we wonder why such a high number of projects (42 out of a total of 64, or 65% of applications submitted) are still awaiting government response, despite having been endorsed by City Council. Table 10 shows the average amount of time between program launch and application submission, and Figure 1 indicates the average time taken by the city to submit applications.

Table 10—Analysis of Waiting Times

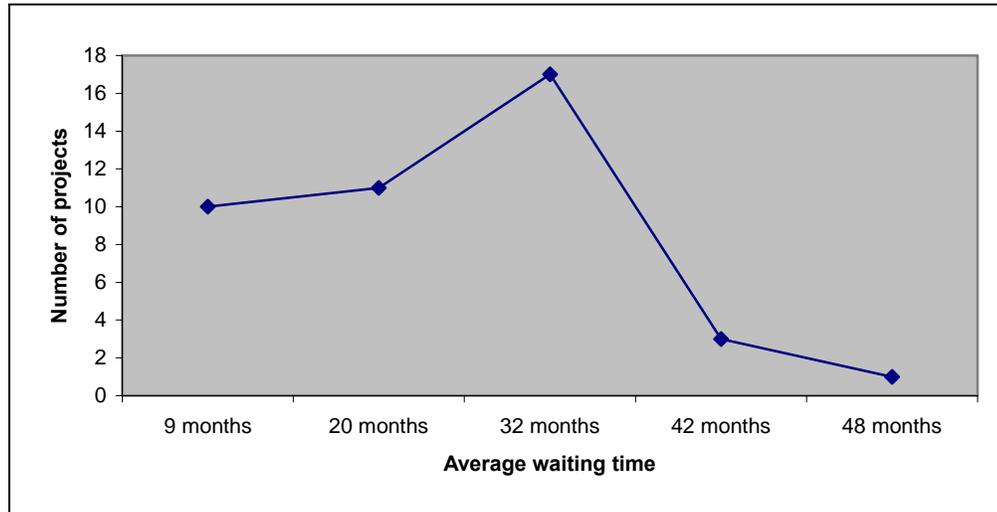
Correspondence date	Submission time ¹	Applicant	Projects submitted	Projects approved	Projects pending	Avg. waiting time ²
PSISR						
2007-01	5 months	Boroughs	10	9	1	48 months
2007-06	10 months	Boroughs	5	2	3	42 months
2008-04	20 months	Boroughs	21	4	17	32 months
2010-03	42 months	Boroughs	10	1	9	9 months
Subtotal			46	16	30	
2007-01	5 months	Central (Direction des sports)	2	2	0	0 month
2009-04	32 months	Central (Direction des sports)	15	4	11	20 months
2010-03	42 months	Central (Direction des sports)	1	1	1	9 months
Subtotal			18	6	12	
Total - Ville de Montréal			64	22	42	

Source: Division des orientations, équipements, événements et pratique sportive.

¹ From date program was launched.

² From date application was submitted.

Graph 1—Number of Projects Pending Approval, by Waiting Time



The PSISR wraps up on March 31, 2012, and the cut-off date for new applications was March 31, 2010. On December 31, 2010, 42 applications were awaiting approval. Of these, 90% (38 applications) had been pending for anywhere from 9 to 32 months (10 applications pending for 9 months, 11 pending for 20 months, 17 pending 32 months). If the business units decide to go ahead with these projects before they are approved, they will do so at the city's expense, without any assistance from the grant program.

FINDING

During our audit, we noted that applicants were not systematically following up with funding ministries about their applications. In fact, in some cases, it took our questions to prompt the boroughs to take action in this regard.

We therefore feel that the Direction des sports and applicants should put the necessary procedures in place to systematically follow up on grant applications submitted to various ministries.

3.3.1.2.B. Recommendations

We recommend that the Direction des sports work with the boroughs to periodically enquire about the status of their pending applications with funding ministries to obtain specific explanations about each of these delays, answer any questions the ministries may have, thereby accelerating the approval process.

3.3.1.2.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “The Direction des sports, together with the SDO’s Direction de l’administration, will develop a handbook on grant management for the Direction générale. This will include a description of the responsibilities of various stakeholders for ensuring periodic follow-up with the funding ministries, focussing on the responsibilities of a borough when acting as an applicant and the role of the city when acting as an applicant or coordinator. This handbook will subsequently be made available city-wide to all those involved in this process.”
(Planned completion: December 2011)

3.3.2. COMPONENT – PLANNING AND IMPLEMENTATION OF FUNDED PROJECTS: PIL

3.3.2.A. Background and Findings

The following comments regarding the planning of PIL projects are based on our detailed examination of the two funded projects managed by the Mercier–Hochelaga-Maisonneuve borough: full restoration of the outdoor swimming pool at parc L.-O.-Taillon (eligible work costs: \$3,000,000, including \$2,000,000 in grants) and reconstruction of the sports grounds and expansion of the chalet at parc Félix-Leclerc (eligible work costs: \$1,260,000, including \$84,000 in grants), as well as our analysis of the supporting documentation (project calendar and TCWP):

- Both projects had been submitted to other assistance programs before being redirected to the PIL, which leads us to believe they were ready and documented before the PIL was implemented.
- Considering the operational indicators in Table 11, especially the operators related to calls for tenders, the awarding of contracts and the nature of the work to be performed (weather-dependent), neither project had any chance of being completed by the program cut-off date of December 31, 2010.

Table 11—Analysis of Application Submission Times

Main steps	Parc L.-O.-Taillon		Parc Félix-Leclerc	
	Likely target date	Time since application	Likely target date	Time since application
Submit application	January 29, 2010		August 31, 2009	
Official confirmation	July 23, 2010	6 months	July 23, 2010	11 months
Sign agreement	September 21, 2010	8 months	October 22, 2010	13 months
Call for tenders	November 2010	11 months	N/A	N/A
Award contracts	November 2010	11 months	February 1, 2011	13 months
Start work	Spring 2011	16 months	Spring 2011	16 months
End work				

Based on the information we obtained, without an extension of the original program cut-off date, the consequences for the city would have been:

- The project involving the swimming pool at parc L.-O.-Taillon: only about 10% of the original grant amount (\$200,000 out of \$2,000,000) would have been recoverable, provided certain equipment purchases were made by the end of December 2010.
- The project at parc Félix-Leclerc, about \$111,203 covering soil characterization study costs (\$40,000) and professional services costs (\$71,203) would have been recoverable, representing 13% of the projected grant (\$840,000).

A report issued in late August 2010 by the Division des orientations, équipements, événements et pratique sportive contended that the total projected \$10,000,000 in financial assistance for the 10 projects submitted could not have been completely recovered by the December 31, 2010 cut-off date. The division evaluated the combined financial loss at \$4,890,000, or nearly 50% of the total projected grants.

In our opinion, the main reasons behind the loss of this grant money that the city would have had to cover are:

- Time taken to submit applications, which were forwarded to funding ministries six months, on average, after the launch of the PIL.
- Wait time for issuing calls for tenders and awarding contracts for the vast majority of these projects (between September and November 2010), which were exacerbated by the fact that much of the work was weather-dependent (running track, soccer field, outdoor swimming pool, etc.).

FINDING

The government recently officially confirmed extension of the cut-off date to October 31, 2011, for PIL projects already in progress or that had started by March 31, 2011, thereby putting an end to the threat of losing the grants awarded under this program. We nevertheless feel that rigorous follow-up is necessary to ensure the city receives projected grants.

3.3.2.B. Recommendations

Given that the cut-off date for the Programme d'infrastructures de loisirs (PIL) has been extended, we recommend that the Direction des sports and the boroughs work together to ensure that rigorous follow-up measures are taken by the designated units so that the

corresponding investment projects are implemented as planned and the city can use all its grants.

3.3.2.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “The Direction des sports, together with the SDO’s Direction de l’administration, will develop a handbook on grant management for the Direction générale. This will include a description of the responsibilities of stakeholders for monitoring and implementing projects covered by agreements on government contributions, so that the city receives the grants to which it is entitled. This handbook will subsequently be made available city-wide to all those involved in this process.” (Planned completion: December 2011)

3.3.3. COMPONENT – PLANNING AND IMPLEMENTING RECIPIENT PROJECTS—PSISR

3.3.3.A. Background and Conclusion

Based on our detailed examination of the planning and follow-up of the three projects approved for PSISR grants (aréna Jacques-Lemaire, Benny sports and community complex and parc Riverside) and the supporting documentation (project calendar, TCWP and progress estimates), we were able to make the following observations, applicable to each project:

- Applicants are responsible for administering memoranda of understanding, even when central departments are involved in the funding.
- Project management, work supervision, work progress and operating cost control (budgeted vs. actual) are done by the borough or administrative unit assigned by the Direction des sports to carry out the project.
- Generally speaking, plans and specifications submitted before final ministry approval is obtained are an accurate projection of the scope of the work to be done and the costs that will be incurred.
- Work monitoring is based on deliverables identified in the technical specifications (quantities, costs, etc.) that accompany the selected contractor’s bid in response to a call for tenders. These specifications provide a detailed description of the work indicated in the grant application.
- Borough project managers ensure projects stay on budget through progress estimates, which are generally established according to allowable costs authorized in the agreement.

Our analysis of PSISR projects led us to conclude that they were planned within the specified program timeframe and that the progress of funded projects was monitored on the basis of work performed, approved costs and required timeframes.

However, beyond the progress estimates, the designated project managers do not produce compulsory reports that periodically report on the status of the work, its compliance and its degree of completion. This does not provide a comprehensive view of the scheduling and budget progress of funded projects. We will address this topic in the next section on accountability.

3.3.4. COMPONENT – ACCOUNTABILITY

3.3.4.A. Background and Findings

In this section, we examine accountability as it relates to PIL and PSISR programs. Table 12 provides a summary of all grants awarded through both programs. Since these grant programs were introduced, the city has planned 74 projects with a combined cost of \$305,078,158. The SDO and the boroughs submitted a total of \$212,439,398 in grant applications to government ministries and were awarded \$46,180,057 for 31 projects, 42% of the amount requested.

Table 12—Projects Proposed and Accepted (PIL and PSISR)

Applicant	Projects proposed	Estimated cost	Amount requested	Projects accepted	Amount awarded
			MELS/MAMROT		MELS/MAMROT
PIL					
Boroughs	8	\$37,175,710	\$25,858,689	7	\$8,300,000
Central (Direction des sports)	2	\$4,220,705	\$2,813,804	2	\$2,813,804
Subtotal	10	\$41,396,415	\$28,672,493	9	\$11,113,804
PSISR					
Boroughs	46	\$151,048,135	\$82,960,793	16	\$19,526,380
Central (Direction des sports)	18	\$112,633,608	\$100,806,112	6	\$15,539,873
Subtotal	64	\$263,681,743	\$183,766,905	22	\$35,066,253
All administered programs					
Boroughs	54	\$188,223,845	\$108,819,482	23	\$27,826,380
Central (Direction des sports)	20	\$116,854,313	\$103,619,916	8	\$18,353,677
Total - Ville de Montréal	74	\$305,078,158	\$212,439,398	31	\$46,180,057

Source: Division des orientations, équipements, événements et pratique sportive, December 2010.

During our audit, we observed that an informal file is the only tool used to track these grants. It is produced by the Division des orientations, équipements, événements et pratique sportive for internal use. This file records information the division collects on projects for which a grant application has been submitted by the Direction des sports, the boroughs or a community organization.

The following comments are based on our examination of this file.

The project information it contains is rather static and includes:

- Number of the decision summary and resolution supporting the project
- Ministries approached
- Applicant organization (central department, borough or outside organization)
- Project name
- Contact for the application (generally the applicant)
- Estimated project cost
- Amount of assistance requested
- Amount of assistance awarded
- Notes indicating dates of approval in principle, final approval and signed agreement

This file would need to incorporate more financial and operational information that is updated as projects progress to be more complete and useful in the decision-making process, including:

- Degree of project completion
- Comparison of actual and budgeted costs
- Degree of grant use
- Project status compared to delivery date (ability to adhere to cut-off date)
- Other: cost overruns, potential loss of grants and explanations

FINDING

This file is not updated systematically. Boroughs are not formally required to provide regular project status reports. The Division des orientations, équipements, événements et pratique sportive obtains information on an informal, ad hoc basis to update an internal file for its own use. This file has no official value and is designed to be an informal list of funded projects. The manner in which information is shared by stakeholders (boroughs, the Direction des sports and project managers) is not optimal.

Although we noted that resolutions had been passed in 2007 for the SDCQMVDE to coordinate the involvement of corporate departments, boroughs and the ministry, this directive is no longer explicitly stated in resolutions in support of projects passed in 2010. A more formal approach is recommended.

FINDING

In conclusion, we have observed that there is no process in place to monitor the status of grant applications and projects associated with a specific program (PSISR, PIL, etc.) from either a scheduling or a budgeting standpoint, other than a single informal mechanism.

We feel that a monitoring process of this nature would give the Direction des sports a more comprehensive view of applications submitted and funded projects. The Direction des sports would therefore be made aware, in a timely fashion, of any delay in project implementation that might lead to the loss of grant money or require the city to incur unexpected cost overruns.

3.3.4.B. Recommendations

In order to ensure the Direction des sports has access to complete, up-to-date information on the status of projects funded by grant programs for sports and recreational facilities, we recommend that the Direction des sports:

- **clarify the responsibilities of each of the parties in managing funded projects, updating databases and tracking financial information**
- **introduce a process to monitor activities that generates regular reports and provides information on the status of funded projects over time.**

3.3.4.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “The Direction des sports, together with la SDO’s Direction de l’administration, will develop a handbook on grant management for the Direction générale. This will include a description of the various responsibilities with a special focus on the role of the city—as coordinator and applicant—in following up on projects covered by agreements on government subsidies. The handbook will feature follow-up tools and procedures that will allow managers to know the status of their funded projects at all times. This handbook will subsequently be made available city-wide to all those involved in this process.” (Planned completion: December 2011)

3.4. PROGRAMME DE RENOUVELLEMENT DES CONDUITES (PRECO)

3.4.A. Background and Findings

The PRECO is another program open to all municipalities throughout Québec. It was launched in April 2009 and originally set to end on December 31, 2010. This short duration caught many municipalities off guard. As a result, several of them were in danger of not meeting the program deadline. The cut-off date was therefore extended to October 31, 2011, although this applies

only to projects that were accepted under the initial program and for which work had started before March 31, 2011. The new cut-off date does not allow for new projects to be added to the program. Certain other conditions also apply:

- Projects must have incurred eligible expenses (professional fees, materials purchase or physical work) before March 31, 2011.
- Municipalities must submit projected allowable expenditures that will be incurred before March 31, 2011 and total projected allowable expenses that will be incurred between April 1 and October 31, 2011.
- A project calendar signed by an engineer or an architect must be produced for each project.
- A City Council resolution must confirm the administration's intent to complete the projects and accept the responsibility for all costs incurred after October 31, 2011.

This program is administered by the Service de l'eau. Projects are included in an general program submitted by the city to the ministry. This program is accepted once project eligibility has been checked. As Table 13 shows, the city submitted applications for \$43,100,800 to fund 58.11 kilometres of water mains and sewer line rehabilitation. As of December 31, 2010, \$39,780,700 in assistance had been confirmed under this program.

Table 13—Summary of PRECO Grant Applications

Application No.	Amount requested	Length (m)	Amount awarded	Length (m)
231327	\$7,317,100	8,817	\$6,238,000	7,628
231416	\$2,416,700	2,206	\$2,416,700	2,206
231618	\$4,313,750	11,528	\$4,313,750	11,528
231631	\$11,170,580	7,372	\$11,170,580	7,372
231645	\$15,641,670	25,603	\$15,641,670	25,603
231649	\$2,241,000	2,582	Pending	
TOTAL	\$43,100,800	58,108	\$39,780,700	54,337

Source: Service de l'eau.

In the decision summary submitted to City Council on April 19, 2010, when the preliminary program for work on secondary mains was approved, the Service de l'eau indicated that the city was eligible for a grant of \$100,000,000. To receive this amount, the city needed to set up a \$270,000,000 works program, which the Service de l'eau deemed unrealistic, given the extremely tight timeframe and budgetary limitations.

FINDING

The information we obtained indicates that several scenarios were put forward by the Service de l'eau and examined together with the Service des finances and the Direction générale to make full use of this \$100,000,000. However, we were unable to obtain any documentation to support these scenarios.

The Service de l'eau ultimately recommended City Council adopt a preliminary program of \$125,200,200 that would generate \$48,100,000 in grants. As of December 31, 2010 (Table 13), \$39,780,700 in grants had been received, with a request for \$2,241,00 still pending.

3.4.B. Recommendations

In order to make the most of external sources of funding for its investment projects when potential grant programs are announced, we recommend that the Service de l'eau:

- Take advantage of all grant opportunities available through the MAMROT
- Document the various scenarios it contemplates in conjunction with the Service des finances and city administration, as well as the reasons for the choices made

3.4.C. Action Plan of the Relevant Business Unit

[TRANSLATION] "Approach MAMROT to attempt to obtain additional grants. **(Completed)**

Analyze MAMROT's proposals and scrutinize the consequences for the city. **(Planned completion: in progress)**

Develop scenarios for various grant programs, including corresponding budget and financial criteria. **(Planned completion: December 2011)**

Meet with the Service des finances and the Direction générale to analyze the scenarios. **(Planned completion: December 2011)**

Document the measures necessary to make full use of grant programs, whatever the criteria and circumstances of the program initiation. **(Planned completion: December 2011)**

Take minutes of meetings and keep them on file." **(Planned completion: December 2011)**

Component – Grant Application Management

The PRECO came into effect on April 1, 2009. Table 14 provides a summary of the time that elapsed between program outset, application submission and receipt of official responses.

Table 14—Analysis of Processing Times

Application No.	Application date	Processing time ¹	Confirmation date	Processing time ²
231327	2009-10-23	7 months	2010-02-09	4 months
231416	2009-12-14	9 months	2010-10-30	10 months
231618	2010-10-06	19 months	2010-10-20	2 weeks
231631	2010-10-06	19 months	2010-10-20	2 weeks
231645	2010-10-16	19 months	2010-10-25	2 weeks
231649	2010-10-19	19 months	Pending	

Source: Service de l'eau.

¹ From date program was initiated.

² From date application was submitted.

FINDING

It took 7 months for the Service de l'eau to submit its first set of projects, 9 months for the second and 19 months for the remainder of the program. We find the pace of submission slow, considering that the projects had already been planned and submitted under another program (TECQ) and given how tight the original deadline was (December 31, 2010).

According to the Service de l'eau, these long lead times were caused by several factors:

- Decision to transfer certain projects already included in the TECQ program to PRECO.
- Decision to look for projects involving rehabilitation rather than reconstruction. Rehabilitation projects were eligible for grants of 80% to 100% of the cost of the work. Reconstruction projects, on the other hand, require plans and specifications and a more intense level of effort for only a 10% “profit” over the PRECO rate.
- Need to consider certain constraints, including:
 - Projects able to fit into to the cut-off date of December 31, 2010.
 - The city’s financial capacity compared with the cost-effectiveness of the project.
 - Plans for borough participation not finalized.
 - Time required for the tendering and contract-awarding process.
 - Ineligibility of some projects requiring professional services.

The ministry's response times were 4 months for the first request, 10 months for the second and then almost immediately (2 weeks) for the others. This was, however, a mere 2 months from the initial cut-off date and posed the problem of planning work to fit the December 31 deadline, which could have meant a loss of grant funds.

Component – Planning and Implementing Funded Projects

Based on our detailed examination of the activities for two types of projects (water supply and sewers) and the supporting project planning documentation (project calendar and progress estimates), we were able to make the following observations:

- In total, there were 207 projects put forward by the Service de l'eau and approved by the ministry for which the cost will be supported by grants. For operational reasons, each project covers one or more sections of the sewer or water supply system:
 - Sewer lines:
 - 2009: 49 sections to be rehabilitated
 - 2010: 93 sections to be rehabilitated
 - Water mains:
 - 2009: 36 sections to be rehabilitated
 - 2010: 29 sections to be rehabilitated
- Table 15 shows the degree of completion or progress made for work done in 2009 and 2010 under PRECO, according to the files submitted by the Divisions de la gestion stratégique des réseaux d'eau (Unité Est/Unité Sud) and updated on November 30, 2010, for the water mains rehabilitation project and December 2, 2010, for the sewer line rehabilitation project.

**Table 15—Progress of Water and Sewer System Rehabilitation Projects:
2009-2010 Program**

Year and contract	Total sections	Degree of completion (%)				Sections cancelled
		Quantity	100%	Quantity	≤ 50%	
Sewer line rehabilitation						
2009:						
- Sewer – UX-09-001/9886	30	27		1		2
- Sewer – UX-09-001/9910	19	16			1	2
2010:						
- Sewer – UX-10-001/9956	93	76		4	8	5
Total	142	119	84%	5	4%	9
Water main rehabilitation						
2009:						
- Water supply – UX-09-002/9887	21	19				2
- Water supply – UX-09-003/9888	15	15				
2010:						
- Water supply – UX-09-002 /9955	28	26				2
- Water supply – 9970	1	1				
Total	65	61	94%			4
Grand total	207	180	87%	5	2%	9

Source: Divisions de la gestion stratégique des réseaux d'eau (Unité Est/Unité Sud).

Overall, as of December 31, 2010, the degree of completion for the rehabilitation work⁴ on water and sewer pipes in 2009 and 2010 as part of PRECO can be broken down as follows:

- Work was 100% completed in 84% of sewer line sections.
- Work was 100% completed in 94% of water main sections.
- Overall, work was 100% completed for 87% of sewer and water lines targeted for rehabilitation.
- Work was 50% completed or less in 4% of sewer line sections.
- Work had yet to be started in 6% of sewer line sections in the 2009-2010 program.
- Work was cancelled in 13 sewer/water main sections (totalling 3.14 km).

FINDING

As mentioned previously, the government has officially confirmed that the cut-off date for this program will be extended to October 31, 2011 for projects already underway and projects that began before March 31, 2011.

⁴ "100% completed" means that the work on water/sewer mains, service pipes and manholes (in the case of sewers) has been finalized in every respect.

FINDING

The Service de l'eau has submitted documentation to the ministry indicating which projects would be completed after December 31, 2010. Given the degree of completion of each of the ongoing projects and the costs committed for 2011 to finalize the projects listed in Table 16, our analysis of this documentation leads us to conclude that:

- The total cost of the work completed as of December 31, 2010, is \$70,758,400, or 97% of the projected total cost.
- The total amount of the grants received before December 31, 2010, is \$39,447,540, or nearly 99% of the grants awarded to date.
- The total cost of the work to be completed in 2011 is \$2,142,600, and the corresponding grant amounts to \$1,194,491.

If the cut-off date had remained December 31, 2010, the city would have had to cover the \$2,142,600 itself, which would have represented a loss of \$1,194,491 in PRECO grants.

Table 16—Grants Received as of December 31, 2010 by Degree of Project Completion: 2009–2010 Program

Applic. No.	Amount requested	Length (m)	Amount awarded	Length (m)	Cost of work, based on % of project completion at the close of 2010			Total cost of projects
					Completed	Incurred before March 31, 2011	For completion between April 1 and Oct. 31, 2011	
231327	\$7,317,100	8,817	\$6,238,000	7,628	\$530,000	\$5,536,000	\$947,000	\$7,013,000
	Grant received at the end of 2010		\$5,310,261		\$530,000	\$4,888,000	\$552,000	\$5,970,000
	Grants to come in 2011		\$927,739			\$648,000	\$395,000	\$1,043,000
231416	\$2,416,700	2,206	\$2,416,700	2,206	\$761,000	\$1,959,000	\$102,000	\$2,822,000
	Grant received at the end of 2010		\$2,340,482		\$761,000	\$1,874,000	\$98,000	\$2,733,000
	Grants to come in 2011		\$76,218			\$85,000	\$4,000	\$89,000
231618	\$4,313,750	11,528	\$4,313,750	11,528	\$12,023,000	\$84,000	\$4,000	\$12,111,000
	Grant received at the end of 2010		\$4,312,325		\$12,023,000	\$80,000	\$4,000	\$12,107,000
	Grants to come in 2011		\$1,425			\$4,000	\$0	\$4,000
231631	\$11,170,580	7,372	\$11,170,580	7,372	\$28,162,000	\$1,151,000	\$59,000	\$29,372,000
	Grant received at the end of 2010		\$11,165,788		\$28,162,000	\$1,142,400	\$55,000	\$29,359,400
	Grants to come in 2011		\$4,792			\$8,600	\$4,000	\$12,600
231645	\$15,641,670	25,603	\$15,641,670	25,603	\$13,747,000	\$4,898,000	\$1,393,000	\$20,038,000
	Grant received at the end of 2010		\$14,904,783		\$13,747,000	\$4,553,000	\$794,000	\$19,094,000
	Grants to come in 2011		\$736,887			\$345,000	\$599,000	\$944,000
231649	\$2,241,000	2,582	\$0		\$548,000	\$946,000	\$51,000	\$1,545,000
	Grant received at the end of 2010				\$548,000	\$899,000	\$48,000	\$1,495,000
	Grants to come in 2011					\$47,000	\$3,000	\$50,000
Total	\$43,100,800.00	58,108	\$39,780,700	54,337	\$55,771,000	\$14,574,000	\$2,556,000	\$72,901,000
	Grant received at the end of 2010		\$39,447,540			\$13,436,400	\$1,551,000	\$70,758,400
	Grants to come in 2011		\$1,194,491			\$1,137,600	\$1,005,000	\$2,142,600

Source: Service de l'eau.

3.5. CANADIAN STRATEGIC INFRASTRUCTURE FUND (CSIF)

3.5.A. Background and Findings

This is a \$117,000,000 memorandum of understanding covering 2006 through 2012. It is specifically earmarked for use by the city to upgrade its Atwater and Des Bailleurs water treatment plants. This memorandum of understanding is administered by the Service de l'eau.

The terms and conditions for administering this program are strict and explicit:

- The agreement includes a list of eligible work in both plants.
- Annual claims are documented in semi-annual activity reports.
- The cut-off date for all work is December 31, 2012.
- The cut-off date for all submissions is March 31, 2013.
- Expenditures on professional and consulting services are limited to 15% of allowable costs.
- Annual claims are reviewed by an external auditor, as required by the MAMROT.

Expenditures are reviewed twice a year, June 30 and December 31, in compliance with reporting requirements of both levels of government. Expenditures and work completion are reviewed internally four times a year.

Our audit for this program was limited to examining the amounts of claims made to date and checking whether all the projected grants are recovered within the specified timeframe.

Table 17 below presents the actual and budgeted costs for projects eligible for the CSIF program and the actual and budgeted claims for these projects.

Table 17—Overview of Claims

	Investments breakdown							Total
	Actual			Projected				
	2007	2008	2009	2010	2011	2012	2013	
Des Bailleurs plant		\$4,394,504	\$16,050,982	\$6,666,950	\$19,715,110	\$21,461,378	\$11,490,680	\$79,779,604
Atwater plant	\$1,441,422	\$2,290,700	\$19,551,128	\$33,742,590	\$56,189,120	\$44,236,003	\$15,216,328	\$172,667,291
Professional fees				\$989,021	\$1,085,679	\$2,042,494	\$162,470	\$4,279,664
Total	\$1,441,422	\$6,685,204	\$35,602,110	\$41,398,561	\$76,989,909	\$67,739,875	\$26,869,478	\$252,446,895

Eligible	\$234,000,000
Difference	-\$18,446,895

Contribution	Monitoring claims							Total
	Claim 1		Claims 2, 3 & 4	Projected				
	2007	2008	2009	2010	2011	2012	2013	
Federal	\$360,356	\$1,635,149	\$8,535,872	\$10,750,447	\$19,247,477	\$16,934,968	\$1,035,730	\$58,500,000
Provincial	\$360,356	\$1,635,149	\$8,535,872	\$10,750,447	\$19,247,477	\$16,934,968	\$1,035,730	\$58,500,000
Subtotal (fed. + prov.)	\$720,711	\$3,270,298	\$17,071,744	\$21,500,895	\$38,494,955	\$33,869,937	\$2,071,461	\$117,000,000
Ville de Montréal	\$720,711	\$3,270,298	\$17,071,744	\$21,500,895	\$38,494,955	\$33,869,937	\$2,071,461	\$117,000,000
Grand total	\$1,441,422	\$6,540,596	\$34,143,488	\$43,001,790	\$76,989,910	\$67,739,874	\$4,142,922	\$234,000,000

Claims requested	\$7,982,020	\$34,143,488					
% projected recovery	3%	14.6%	18.4%	32.9%	28.9%	1.8%	
Project to date		18.0%	36.4%	69.3%	98.2%	100.0%	

Actual cost vs. claim	-\$144,606	-\$1,458,622					
% actual recovery	98%	95.9%	0.0%	0.0%	0.0%	0.0%	
Project to date		96.3%					
Projected vs. actual		-3.7%					

Source: Rapport mensuel des coûts de projets admissibles au FCIS, September 30, 2010.

Based on the monthly summary of eligible project costs dated September 30, 2010, claims filed in 2008 totalled \$7,982,020 (Claim 1) and \$34,143,488 in 2009 (Claims 2, 3 and 4), for a combined total (2008 and 2009) of \$42,125,508. When this is compared with the total actual costs of \$43,728,736, it yields a recovery rate of 96.3%. The difference between the projected and actual amounts is \$1,603,228, or -3.7%. This should be recovered in 2010.

FINDING

As of September 30, 2010, the program projects work beyond the authorized cut-off date in 2013, to the tune of some \$26,869,478. This would result in a claim of \$4,142,922, including \$2,071,461 in grants. The representatives of the Service de l'eau could not provide us with proof that the agreement would be extended for another year. It is therefore important to obtain official confirmation of whether the CSIF program will run until 2013. If there is no extension, the Service de l'eau stands to lose the grant when the agreement expires.

3.5.B. Recommendations

We recommend that the Service de l'eau obtain official confirmation of the agreement extension to 2013 for the two water treatment plants so that it can profit from the anticipated grants. If this confirmation cannot be obtained, the Service de l'eau will need to review its plans to ensure that all work is completed before the end of 2012 so it can use the full amount of the grant.

3.5.C. Action Plan of the Relevant Business Unit

[TRANSLATION] "Letter asking for a one-year extension sent to the MAMROT. (Completed)

Follow up with the MAMROT about confirming the extension. (Completed)

The MAMROT must follow up with the federal government representative. (Planned completion: December 2011)

Letter of confirmation received." (Planned completion: December 2011)

4. APPENDICES

4.1. GRANT PROGRAMS AT A GLANCE

<p>Grant program or agreement</p> <p>Goal of program or agreement</p> <p>Business unit in charge</p>	<ul style="list-style-type: none"> • Expected amount of grant • Funding ministry • Cost of work covered by the grant (%) 	<ul style="list-style-type: none"> • Length • Cut-off date
<p>1. Imagining—Building Montréal 2025</p> <p>Support the development and implementation of Imagining—Building Montréal 2025 strategy based on five strategic directions.</p> <p>Direction générale</p>	<ul style="list-style-type: none"> • Total amount: \$140 M • MAMROT¹ • 100% of eligible costs (provincial) 	<ul style="list-style-type: none"> • Length: 2008-2012 • Cut-off date: December 31, 2012
<p>2. Programme d'infrastructures de loisirs (PIL)</p> <p>Modernize and renovate recreational facilities to provide communities with service infrastructure that will promote community, cultural, economic, sports and tourism development.</p> <p>SDO (Direction des sports) et arrondissements.</p>	<ul style="list-style-type: none"> • Amt. requested: \$28.7 M • Amt. received: \$11.1 M • MAMROT • Federal: 33.33% of eligible costs • Provincial: 33.33% of eligible costs 	<ul style="list-style-type: none"> • Length: August 11, 2009 to December 31, 2010 • Initial cut-off date: December 31, 2010 • Extended cut-off date: October 31, 2011
<p>3. Programme de soutien aux installations sportives et récréatives (PSISR)</p> <p>Construction, renovation, development and standardization of sports and recreational facilities.</p> <p>SDO (Direction des sports) and boroughs</p>	<ul style="list-style-type: none"> • Amt. requested: \$183.7 M • Amt. received: \$35,1 M • MELS² • Provincial: 50% of eligible costs 	<ul style="list-style-type: none"> • Length: August 1, 2006 to March 31, 2012 • Cut-off date: March 31, 2012

¹ MAMROT: Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

² MELS: Ministère de l'Éducation, du Loisir et du Sport.

Grant program or agreement Goal of program or agreement Business unit in charge	<ul style="list-style-type: none"> • Expected amount of grant • Funding ministry • Cost of work covered by the grant (%) 	<ul style="list-style-type: none"> • Length • Cut-off date
<p>4. Programme de renouvellement des conduites (PRECO)</p> <p>Rehabilitation of secondary water mains and sewer lines.</p> <p>Service de l'eau</p>	<ul style="list-style-type: none"> • Amt. requested: \$43.1 M • Amt. received: \$39.8 M • MAMROT • Rates vary based on pipe length and diameter 	<ul style="list-style-type: none"> • Length: April 6, 2009 to December 31, 2010 • Initial cut-off date: December 31, 2010 • Extended cut-off date: October 31, 2011
<p>5. Canada Strategic Infrastructure Fund (CSIF)</p> <p>Upgrades to meet new water regulation standards at the Atwater and Des Bailleurs water plants.</p> <p>Service de l'eau</p>	<ul style="list-style-type: none"> • Total amt: \$117 M • MAMROT • Federal: 25% of eligible costs • Provincial: 25% of eligible costs 	<ul style="list-style-type: none"> • Length: 2006-2012 • Cut-off date: December 31, 2012

4.2. GRANT APPLICATION AND APPROVAL PROCESS

1. Program announced by the government and related published
2. Project documentation prepared:
 - Familiarization with contents of grant program
 - Technical documentation
 - Administrative documentation
 - Application form
3. Application submitted to the funding ministry
4. Ministry sends notification confirming receipt of the application
5. Requests for additional information made by the ministry addressed
6. Ministry analyzes applications
7. Ministry issues approval in principle
8. Ministry issues final approval (letter to applicant and letter to mayor)
9. Ministry issues agreement for signatures
10. City signs agreement (central departments/boroughs)

4.3. PROCESS FOR MANAGING GRANT AID PROJECTS

1. Call for tenders for professional services
2. Tenders analyzed, winning bids selected, contracts awarded
3. Execution of professional services contracts
4. Call for tenders for construction and other work (construction supervision)
5. Tenders analyzed, winning bids selected, contracts awarded
6. Work starts:
 - Monitoring of work by project manager
 - Progress estimate: validation and approval
7. Work completed
8. Final estimate: validation and approval