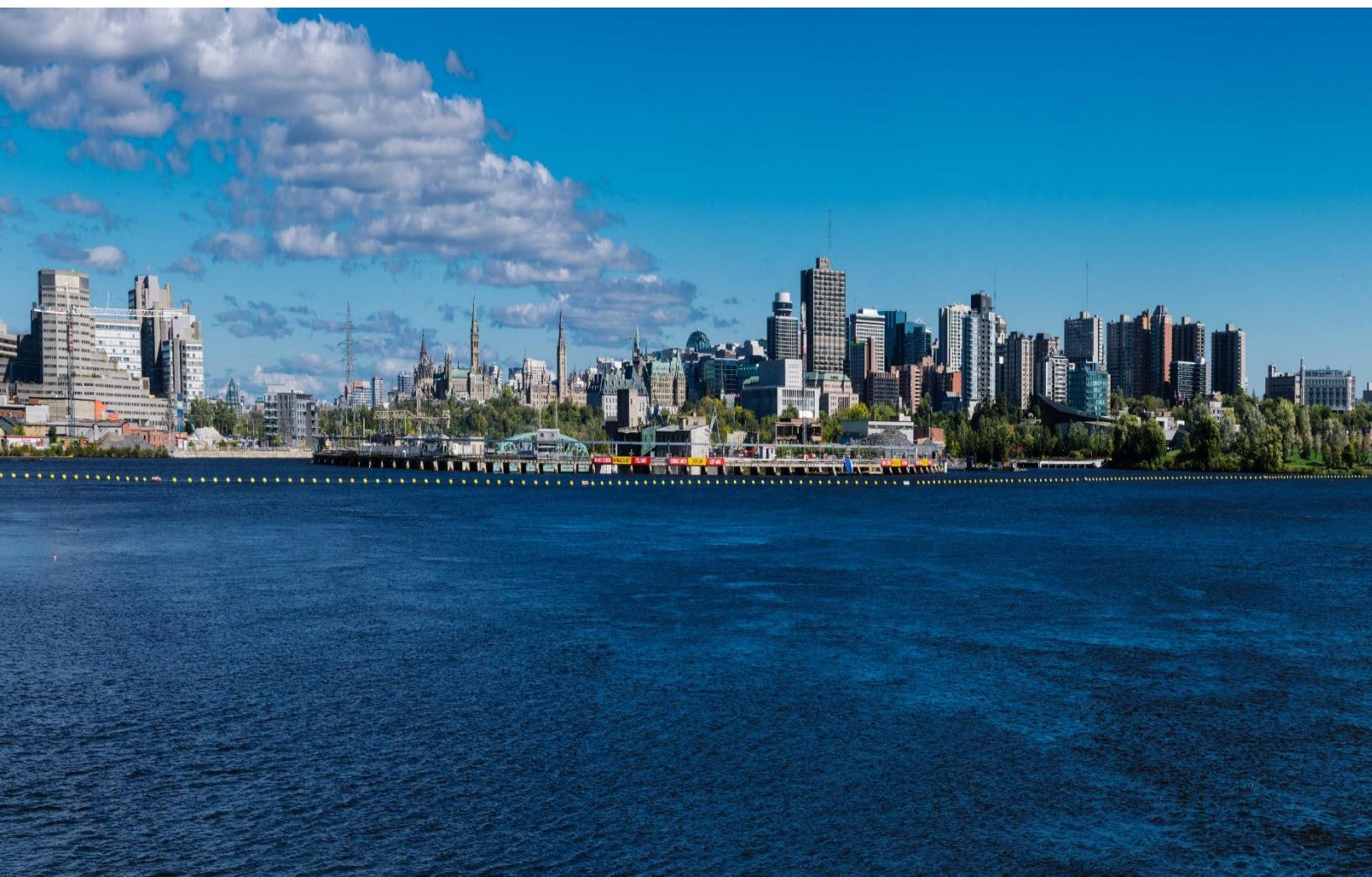




# **Office of the Auditor General**

## **Audit of Grants and Contributions**



**December 2021**

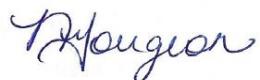
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## Acknowledgement

The team responsible for this audit was comprised of Margaret Sue, Marlon Perez and Louise Proulx from the Office of the Auditor General, under the supervision of Ed Miner, Deputy Auditor General and my direction. My colleagues and I would like to thank those individuals who contributed to this project, and particularly, those who provided insights and comments as part of this audit.

Respectfully,

A handwritten signature in blue ink that appears to read "Nathalie Gougeon".

Nathalie Gougeon, CPA, CA, CIA, CRMA, B.Comm.  
Auditor General

## Introduction

The Audit of Grants and Contributions was included in the 2020 Audit Work Plan of the Office of the Auditor General (OAG), approved by Council on December 11, 2019.

## Background and context

Grant and Contribution (G&C) programs are approved by City Council to provide funding to local organizations or individuals for projects or initiatives that help achieve Council priorities and City program objectives. The City does not directly receive goods or services in return for G&C payments. The beneficiaries of G&Cs are city residents or local organizations who receive the funding.

The City's Grants and Contributions Policy was developed in 2011 and last updated in 2018. The City's Grants and Contributions Procedures were developed in 2013 and also were last updated in 2018. These policy and procedures apply to all G&C programs and staff involved in the administration of these programs.

## Roles

Individual City departments are responsible for gaining Council approval on funding programs, selecting recipients, managing funding programs and monitoring recipients to ensure that they achieve the intended purpose of the grant or contribution. City departments must maintain official files in accordance with the City's Records Management Policy and Procedures.

The Finance Services Department (FSD) coordinates overall reporting of the City's G&Cs. FSD also provides guidance on compliance with the G&C Policy and Procedures, tracks new programs and the end of existing programs, as well as publishes a list of payments on Ottawa.ca on an annual basis.

## Grant and Contribution Expenditures

The City provides funding in eight areas. In 2019, the City awarded \$64.9 million (2018 - \$61.2 million) to 806 named<sup>1</sup> recipients (2018 – 809 recipients) through 49 G&C programs (2018 – 46 G&C programs). This spending is important to the viability of many organizations across the city who run programs to benefit the community.

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<sup>1</sup> Many recipients are private households or individuals that are not specifically named on Ottawa.ca. Table 1 only includes recipients that are organizations or businesses.

In 2019, the two largest dollar value programs were \$23.5 million for Renewable Community Funding and \$13.6 million for the Housing and Homelessness Investment Plan. Both programs are part of the Community and Social Support Funding Area and together they represent 57 per cent of the City's 2019 G&C spending.

**Table 1: Summary of the City's G&C Funding Areas in 2018 and 2019**

G&C Funding Areas	# Recipients 2018	# Recipients 2019	# Programs 2018	# Programs 2019	Value of G&C 2018	Value of G&C 2019
Economic Development	47	44	6	8	\$ 6,817,034	\$ 6,957,644
Development Planning & Building	5	11	1	2	\$ 88,094	\$ 264,177
Community and Social Support	419	417	14	15	\$ 42,016,597	\$ 44,753,881
Cultural	205	209	14	15	\$ 10,308,451	\$ 10,494,512
Environmental	24	3	5	2	\$ 132,072	\$ 60,723
Recreation	73	88	2	3	\$ 1,647,862	\$ 2,153,499
Rural	28	24	3	3	\$ 184,533	\$ 183,196
Other	4	5	1	1	\$ 20,000	\$ 48,892
<b>Totals</b>	<b>805</b>	<b>801</b>	<b>46</b>	<b>49</b>	<b>\$ 61,214,643</b>	<b>\$ 64,916,524</b>

## Audit objective and scope

The objective of this audit was to assess whether the City has adequate grant and contribution administration practices. We reviewed the key compliance elements within the following stages of the City's G&C administration life cycle:

- Design and planning
- Pre-award
- Evaluation and award
- Administration
- Performance monitoring
- Close
- Reporting

The scope of the audit included all G&Cs that City departments administered between 2018 - 2020.<sup>2</sup> While City practices to monitor recipients' performance were within scope, the audit did not assess the individual recipients' performance. Please see Appendix 1 for detailed audit criteria.

## Conclusion

Based on the work conducted, we found that G&C funding departments are generally in adherence with the City's G&C Policy and Procedures. All G&C programs sampled were approved by Council and have clearly defined purposes, objectives and eligibility criteria. Programs with a selection and approval stage were found to have objectively evaluated applicants and made selections based on documented criteria. Payments were accurately made in accordance with funding agreements and accurately reported on Ottawa.ca.

The audit noted opportunities to increase the efficiency and effectiveness of G&C administration processes. These include defining monitoring requirements and increasing collaboration amongst departments. This will ensure that the City is administering grants in a consistent manner. Ways to improve records management were identified, including implementing a grant management system for larger programs and standardized procedures based on the size and requirements of programs. Other improvements such as timely approval of funding agreements, documenting and performing adequate program monitoring, as well as increased reporting of program outcomes were noted. Lastly, although no conflicts of interest were observed as part of this audit, we noted that annual conflict of interest declarations should be a standard requirement for applicable staff to ensure the transparency of the programs. Additional opportunities to improve G&C administration were outlined in a letter provided directly to management.

## Audit findings and recommendations

### Overall Findings

This section of the report details the findings related to governance, oversight and overarching issues found across the G&C programs as a whole.

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<sup>2</sup> Since 2020 G&C funding expenditures were not compiled by the City until part way through the audit (June 30, 2021), the audit performed sampling on 2019 recipients.

## Monitoring and Collaboration Needed

The City's G&C management processes are decentralized. In 2019, 49 G&C programs, spanning five City departments, managed by 19 different program owners were tracked in various systems. We observed that there is no central location, person, or system monitoring G&Cs to ensure they are in compliance with the City's Policy and Procedures and administered in a consistent manner.

The audit noted that the G&C Policy requires individual Program Owners to maintain compliance with the G&C Policy and Procedures. However, it does not define expectations regarding monitoring requirements that would provide insights on the following:

- all G&C programs are in compliance with the Policy and Procedures;
- objectives of the programs are being met; and
- accountability, transparency and impartiality are achieved.

The G&C Policy indicates that the Grants and Contributions Compliance Coordinator (GCCC) is responsible to "monitor compliance with the Policy through the annual reporting process". However, staff indicated that the monitoring referred to here only includes monitoring to ensure there is appropriate financial reporting of funding, rather than monitoring compliance with the Policy. We believe the roles and responsibilities surrounding monitoring compliance with the G&C Policy are not clearly defined which may explain a lack of overall monitoring of compliance with the G&C Policy and Procedures.

Furthermore, we noted very little collaboration among departments. Management indicated that departments are engaged by FSD every three years when the G&C Policy and Procedures are reviewed. With the goal of improving collaboration, FSD launched an annual information sharing session with G&C program managers in March 2020. Program managers told us that the session was of value; however, as result of the City's response to the COVID-19 pandemic, no further collaboration among departments has occurred. Management indicated their commitment to continuing the annual information sharing sessions. We believe that increased collaboration amongst departments would allow FSD to play a greater role in creating processes and templates that could be leveraged across all programs.

## Conclusion

There is a lack of overall centralized monitoring of the City's G&C funding departments. Expectations and responsibility for monitoring compliance are not defined in the Policy and Procedures. Centralized coordination to facilitate collaboration amongst departments is needed. Better collaboration would enable the sharing of best practices, including ways to manage common challenges faced by funding groups.

### RECOMMENDATION 1 –DEFINED MONITORING AND INCREASED COLLABORATION

The FSD should define the expectations of how compliance with the G&C Policy and Procedures should be monitored and work with departments to establish roles and responsibilities.

The FSD should foster regular collaboration across all departments to share best practices and discuss ways to manage common challenges. Based on these discussions, the FSD should help establish more prescriptive processes and templates that could be leveraged and tailored to the size of each program. This additional guidance could save staff time that could be redirected to other priorities.

### MANAGEMENT RESPONSE 1

Management agrees with this recommendation.

The G&C Policy states that departments are responsible for compliance with the Policy. Through the regular policy review process, and in consultation with stakeholders, FSD will work and consult with G&C departments to provide greater clarity for compliance and will establish clear roles and responsibilities by the end of Q4 2022.

FSD is committed to continuing the annual collaboration meetings with program owners to share best practices and discuss ways to manage common challenges.

### Improvements Required to Records Management

Effective records management is an important aspect of G&C administration as the lack or loss of documentation supporting the authorization of funding would negatively impact the City's accountability for use of public funds. Currently, funding programs are using several different repositories to store G&C information including, BIMS (Business Information Management System) to capture electronic records, RMS (Records Management System) to store physical records, GIFTS (online grant management

system/database used by Community Funding), and SharePoint. Storing information in different places does not facilitate efficient information retention, retrieval and disposal.

The process in many departments also requires significant manual administrative work. This includes maintaining corporate physical files, printing and filing of hard-copy emails, scanning of key documents and storing them electronically, and in some instances transcribing information into a department's database.

The audit noted that there is a wide variety of G&Cs administered by the City, ranging from small \$1,000 annual grants to contributions that are over \$1 million per year. The need for a grant management system has been recognized in several programs managing larger funding dollars and/or numerous applications. In these programs, a grant management system may be able to help departments administer G&Cs throughout the entire life cycle - providing a standard process and consistent way to store files, track and manage funding activities, collect documents and perform reporting.

G&C programs managing smaller funding dollars may also benefit from a "lighter" version of the standard grant management system to reflect the less complex nature of their application and monitoring activities. However, each department should weigh the costs and benefits of implementing a system and explore whether a simplified system customized to their needs is possible. Where a system is not feasible, departments managing smaller funding programs can still collaborate to identify common processes and create standardized procedures to help streamline records management.

## **Conclusion**

In larger funding programs, effective records management may be achieved by utilizing a grant management system. Creating a standardized system that is shared amongst programs could result in decreased system development, maintenance, and enhancement costs. In smaller funding programs, more effective records management can be achieved by adopting standardized procedures and processes. These considerations could save the City money by leveraging existing software and common processes could potentially save time in the management of G&C files.

## RECOMMENDATION 2 – ENHANCE RECORDS MANAGEMENT BY UTILIZING A SHARED GRANT MANAGEMENT SYSTEM OR STANDARDIZED PROCEDURES

That each G&C department perform a cost benefit analysis to determine whether implementing a grant management system is appropriate for their funding programs.

G&C programs that identify the need for a system should collaborate on identifying common funding processes that can be supported by shared systems and technical support services. This will help determine whether a shared grant management system is possible.

ITS should leverage the lessons learned from developing the grant management system for Community Funding, and work with other funding programs to assess whether the same system could be leveraged to streamline other areas' G&C funding processes. This will allow other departments to take advantage of best practices from a system that has already been developed.

G&C programs for which a grant management system is not beneficial, should collaborate and work with FSD on developing standardized procedures for common processes. The development of a corporate standard would ensure a consistent approach.

## MANAGEMENT RESPONSE 2

Management agrees with this recommendation.

G&C departments will conduct a cost benefit analysis to determine whether it is appropriate for their funding programs to implement a grant management system. If deemed beneficial, management will ensure that the implementation of the system considers the lessons learned from the Community Funding system being implemented in Q3 2022. The City anticipates that all cost benefit analyses will be completed by the end of Q4 2023. Where a G&C system is deemed not beneficial, departments will develop their own standardized procedures and processes that leverage best practices by end of Q2 2024.

## Minimal capacity to fund new initiatives and new recipients

Providing the public with an equal opportunity to compete for G&C funding helps ensure that the City is using public funds in an equitable manner. The audit noted that out of the \$64.9 million of G&C funding in 2019, only \$4.7 million or 7 per cent was to new recipients. Similarly, in 2018, only 4 per cent was provided to new recipients. Of the

recipients sampled as part of this audit, 81 per cent were long-standing recipients that have been receiving funding since before amalgamation and have come to rely on this continual funding. Since funding has not increased significantly and most funding agreements with existing recipients are continually renewed, there are few opportunities for new organizations to access City funding. We noted that there were some good reasons for extending funding to the same recipients year after year.

In the last decade, community needs and priorities have evolved. However, many of the City's funding program priorities, goals and processes have remained the same. Without making funding available to new eligible applicants, the City could be excluding organizations that may be better positioned to address the existing and emerging needs of the community.

We noted some changes to address this are currently underway in at least one area. On September 25, 2019, Council approved the new Community Funding Framework (CFF) which will take effect in 2022.<sup>3</sup> The CFF will be updated so that it enables the City to meet existing needs where they are most pronounced. All agreements under the old Renewable Funding Program will end on December 31, 2021 and funding will be open to new applicants. This new framework was not examined as part of this audit as it was outside of our scope period.

## Conclusion

The lack of accessibility to G&C funding programs could cause the City to exclude qualified organizations and reduce the equitability of the process.

### RECOMMENDATION 3 – UPDATE FUNDING FRAMEWORKS TO OPEN FUNDING TO NEW APPLICANTS

G&C departments should review their funding frameworks to ensure that program priorities, goals and processes are updated and reflect the City's current priorities.

Each department should also consider whether and how funding can be made accessible to new organizations that may be able to better address current priorities.

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<sup>3</sup> The OAG did not review the Community Funding Framework as it was outside the scope period of our audit.

## MANAGEMENT RESPONSE 3

Management agrees with this recommendation.

FSD will lead the policy review process and will consult with all relevant stakeholders. Through this process, G&C departments will be required to review their individual funding frameworks to ensure, where possible, that funding can be made accessible to new organizations and reflect the City's current priorities, recognizing that some G&C departments have funding frameworks in place. The review of the various funding frameworks will begin in early 2022 and is expected to be complete by the end of Q1 2024.

### Lack of Conflict of Interest Declaration

All staff involved with G&C programs have the responsibility of administering the funding process honestly and prudently, while exercising their best judgment. The interests of the City must be the priority in all decisions and actions. Decision-makers must not use their positions or knowledge gained for personal benefit.

Out of the seven G&C funding programs the audit reviewed, five programs did not require staff to document their assessment or acknowledgment that they did not have any conflicts of interest (COI) within the operational context of G&C funding. The remaining two programs required COI declarations from decision-makers and jurors that were not City employees. Our sampling did not observe any instances where a COI was identified or suspected.

The audit noted that the G&C Procedures indicates that allocation decisions must include and document “conflict of interest appropriate to the nature of the program to ensure accountability, transparency and impartiality”. The five programs noted above does not require employees to make COI declarations specific to the programs in which they are decision-makers. Instead, reliance is placed on employees to adhere to the City’s overall Employee Code of Conduct. It is expected that all COI matters will be avoided and/or disclosed in alignment with the Employee Code of Conduct.

It is important that all employees involved with G&C funding continuously evaluate and disclose any real, potential, or apparent conflicts of interests within the operational context of G&C funding. Moreover, the risk of COIs pertains to the entire life cycle of a G&C funding program, which includes the assessment and recommendation of

applications as well as other stages, such as monitoring, renewal, payment, and program evaluation.

### Conclusion

Without requiring COI declarations specific to funding programs, the City may fail to detect actual or perceived COI, which could result in decreased transparency and fairness within funding programs.

### RECOMMENDATION 4 – ANNUAL CONFLICT-OF-INTEREST ATTESTATIONS

FSD should add guidelines on reporting conflicts of interest to the G&C Policy and Procedures.

A standard conflict of interest declaration form should be developed, and all staff involved with G&C program funding should be required to self-assess and sign-off annually.

### MANAGEMENT RESPONSE 4

Management agrees with this recommendation.

This form will be developed as part of the 2022 policy review process, which will begin in Q2 2022. Related guidelines will also be developed as part of this process. This recommendation will be completed by Q4 2022.

### Funding Agreement not signed on time

Requiring the funding agreement to be signed by all appropriate parties before the grant or contribution period begins and before funding payments are made is important. It substantiates the release of funds to the recipient and requires the recipient to commit to the terms and conditions of the agreement, both of which are needed to support accountability for funds used.

Two of the contributions we sampled as part of the Arts Funding Program provided funding advances to recipients prior to the terms and conditions of the agreement being signed by the General Manager. Management indicated that they had already identified this issue in 2020 and they were no longer issuing payments before complete sign-off on agreements. The OAG did not validate this change as it was out of the scope period for the audit.

Additionally, for one of the Renewable Community Funding Programs sampled, we found that signatures from authorized City staff were obtained one week after the start of the contribution agreement.

## Conclusion

The audit found instances where the funding agreements were not appropriately signed before the funding term began or before payments were issued. This creates the risk that funds are being given to recipients without requiring their written commitment to the terms and conditions of the agreement. Further, obtaining approval from senior management is necessary to ensure that they are in agreement with staff on the selection of the recipient based on the funding program guidelines and criteria.

### RECOMMENDATION 5 – SIGN AGREEMENTS BEFORE FUNDING TERM BEGINS AND BEFORE PAYMENTS ISSUED

All departments should remind staff managing G&C funding programs to ensure that funding agreements are signed by both the recipient and the appropriate City staff prior to the start of the term of the agreement and prior to issuing any payments, to comply with the G&C Policy.

### MANAGEMENT RESPONSE 5

Management agrees with this recommendation.

A reminder will be sent in November 2021 to all G&C departments to ensure that all funding agreements are signed by both the recipient and appropriate City staff prior to the start of the term of the agreement. As well, through the policy review process in 2022, and in consultation with stakeholders, management will include a requirement that funding agreements are signed by both the recipient and the appropriate City staff prior to the start of the term of the agreement and prior to issuing any payments, to comply with the G&C Policy.

This recommendation will be completed by Q4 2022.

### Insufficient information to perform program evaluation

Monitoring the recipient's compliance with the terms and conditions of the agreement is critical to ensure funding is being used as intended and to help identify any challenges the recipient may be having.

In Renewable Community Funding and Renewable Recreation Funding programs, recipients are required to submit documents to help staff assess the recipient's performance over the last year and determine whether funding should continue to be renewed. We noted that the required documents provided by the recipients do not provide sufficient information to enable the City to perform program evaluation. Details that are missing include program goals and objectives, program details like activities, schedules or events and specific program achievements.

Overall, documents required from the recipient for the purposes of City monitoring only provide evidence that the recipient is a viable organization. They do not provide sufficient information on the day-to-day activities of the organization to demonstrate that funding dollars were used as intended. In our opinion, the City would need to obtain more program-specific information and outcomes to perform adequate program evaluation.

Management has indicated that the program evaluation process will be updated with the new Community Funding Framework starting in 2022.

The audit also noted that in 56 per cent of the recipients sampled, no site visits were conducted in 2019, a period before the pandemic. Management indicated that unless there was a significant problem identified with the recipient, site visits were rarely performed. We believe site visits can be a useful monitoring tool as they can help identify current or potential problems and assist in resolving issues, identify whether funded programs are operating as intended, and provide a chance to learn about the organization and see firsthand how they operate.

## **Conclusion**

The City's ability to monitor and evaluate program performance is limited with the current information provided by recipients. Without program specific information and details on program results, the City is unable to perform an appropriate evaluation.

## RECOMMENDATION 6 – REQUIRE BETTER INFORMATION FOR PERFORMANCE MONITORING

G&C departments that are required to perform continuous monitoring of recipients should request sufficient information to perform adequate program evaluation (e.g., program outcomes, activities, etc.)

Using a risk-based approach, G&C departments should perform site visits on selected recipients to enable departments to validate funding dollars are being appropriately utilized.

## MANAGEMENT RESPONSE 6

Management agrees with this recommendation.

As part of the review process of the G&C Policy and Procedures, the FSD will work and consult with all departments to develop evaluation guidelines that G&C programs can use for performance evaluation purposes, including a risk-based approach for performing site visits on selected recipients with the aim of validating the proper utilization of funding dollars. FSD anticipates the review of the policy and procedures, including the development of the evaluation guidelines, to be complete by the end of Q4 2022.

### Lack of documented performance monitoring

In six of our Renewable Community Funding samples, staff were unable to provide documentation to show that monitoring activities had occurred. We were informed that due to COVID and the difficulties working remotely in GIFTS, reviews of documents required from recipients as part of performance monitoring were conducted during virtual meetings between staff and the section manager, but were not documented.

Documenting these activities is important as it demonstrates the analysis behind staff decisions and allows the City to assess the effectiveness of its programs in the future.

In our one Non-Renewable Project Funding sample, there was no evidence that the 2019 Outcomes report (i.e., report completed by the recipient detailing the populations served, specific activities undertaken, and outcomes achieved in the last year) and other supporting documents submitted by the recipient were reviewed by the funding officer and approved by the Manager. There was also no documented assessment of

whether the funds were used in accordance with the terms of the agreement and whether program objectives were met. Management has indicated that the documentation and review process will be updated with the new Community Funding Framework starting in 2022 and tracked electronically.

## Conclusion

For 2019 Renewable Community Funding and Non-Renewable Project Funding, evidence of staff monitoring and manager approval were not documented.

### RECOMMENDATION 7 –DOCUMENTED REVIEW AND APPROVAL

The Community and Social Support Unit should implement a process requiring staff to document their review and analysis of information submitted by recipients. Managers should clearly evidence their review and approval of their team's assessment to demonstrate adequate review is occurring.

### MANAGEMENT RESPONSE 7

Management agrees with this recommendation.

Documentation and review process of the Annual Funding Submission and non-renewable funding reporting will be updated with the new Community Funding Framework, starting in January 2023, following the first year of implementation for the new community funding framework. The new process will ensure clear documentation of the review and analysis of information, and Manager review and approval.

The updated process will be entirely online, with clear directions and processes for submissions, review, and approval. The process will leverage the new Grants Management application, currently being developed for the new Community Funding Framework. This recommendation will be completed by the end of Q1 2023.

## Reporting of program outcomes

Reporting the outcomes of G&C programs serves to inform stakeholders, such as interested/impacted members of the public, recipients, potential future applicants and City Council, of how funds were used and what improvements, if any, should be made to respective programs. For the seven G&C funding programs the audit reviewed, the reporting of outcomes to Council ranged from only budgetary information to brief

program summaries. Formal reports were not provided detailing the achievement of specific outcomes in relation to the goals of the programs.

### **Conclusion**

In the absence of outcome reports, stakeholders will not know if the G&C programs are achieving their objectives.

### **RECOMMENDATION 8 –REPORTING OF PROGRAM FUNDING OUTCOMES IS NEEDED**

Each G&C program should re-assess their reporting and ensure they are providing stakeholders sufficient information to inform how funds were used, whether programs achieved key priorities, and whether any improvements should be made.

### **MANAGEMENT RESPONSE 8**

Management agrees with this recommendation.

G&C departments will be required to provide stakeholders sufficient information and reports on how funds were used, whether they achieved priorities and whether any improvements should be made. Management recognizes that some departments already have this reporting in place. This recommendation will be completed by the end of Q4 2022.

## **Findings related to Specific Programs**

We reviewed a sample of seven G&C programs and sixteen individual recipients that received funding. Findings related to specific programs are detailed below. A complete list of G&C funding programs reviewed as part of this audit can be found in Appendix 2.

### **Cultural Funding: Arts Funding Program**

The audit reviewed two samples from the Arts Funding Program and noted that both recipients have been receiving funding for more than 23 years (i.e., pre-amalgamation) and are required to go through the application and reporting process annually.

Furthermore, all applicants to the Arts Funding Program, regardless of dollar value of their funding request (Arts Funding awarded ranged from \$1,500 to \$147,175 in 2019) are subject to the same application and reporting requirements according to their funding stream (i.e., three-year, annual or project). This process can be very onerous on

small organizations applying for a small amount of funding. In addition, the lengthy submissions create a lot of work for City staff and juries to read, evaluate and assess.

### Conclusion

The application and reporting process may be unnecessarily lengthy and onerous for applicants applying for a small amount of funding and some long-standing recipients. The City's resources could be better directed towards higher risk applicants.

### RECOMMENDATION 9 – USE A RISK-BASED AND TIERED APPROACH TO SIMPLIFY THE APPLICATION AND REPORTING PROCESS

The Cultural Funding Support Unit should consider a risk-based approach to reduce the application and reporting requirements for long-standing recipients, along with a tiered approach based on the amounts requested by applicants. This would simplify the process for low-risk applicants and redirect City resources to higher dollar value and higher risk applicants.

### MANAGEMENT RESPONSE 9

Management agrees with this recommendation.

The Cultural Funding Unit currently uses a risk-based approach which considers requirements for each funding stream (project, annual operating, or three-year operating); however, staff will review and refine the existing approach and risk considerations with the aim of simplifying the application and reporting process as part of the Cultural Funding Framework Review to be completed by the end of Q1 2024.

### Community and social support funding: Housing and Homelessness Investment Plan - Rent Supplements

The Rent Supplement Program sources rental units from private landlords to provide accommodation to eligible low- and moderate-income households. The rent is agreed upon by the City's Rent Supplement Office and the landlord at the beginning of the agreement. The tenant pays a portion of the rent based on their income and the City pays the remainder.

Currently, there are approximately 3,500 rent supplement units provided by over 120 private and non-profit landlords across Ottawa. The City has indicated that there is a

significant need for more rent supplement units. To increase the attractiveness of the program, numerous elements of the program favour landlords. Incentives offered by the City include offering higher than market rent as determined by the CMHC (Canadian Mortgage and Housing Corporation), paying reasonable costs for damages, and paying the full rent for up to two months during periods of vacancy.

### No Funding for New Landlords

Rent Supplement Office staff indicated that there are challenges with maintaining and/or creating new agreements with landlords that required these incentives. However, we noted that all available funding for this program is currently being used in full. As long as existing landlords continue participating, their funding agreements automatically renew year after year. In addition, offers from landlords to provide new units into the program are being turned down and placed on a waitlist due to all funding under the program being fully expended. We noted that the City's website does not contain any information for landlords on the program.

### Lack of Monitoring of Rented Units

While the rent supplement agreement stipulates that the landlord shall keep units in a good state of repair and fit for habitation and in compliance with health, safety and maintenance standards in accordance with the *Residential Tenancies Act* (RTA), the City has no means of monitoring and enforcing this during the term of a lease. Further, the rent supplement agreement indicates that the landlord shall permit the City to inspect the rent supplement units at any time. We found that the Rent Supplement Office only inspects a property when the landlord is making a claim for damages. When a complaint is received from the tenant, no inspections are performed, and tenants are told to contact the landlord or directed to another local resource, such as City By-law Services and Property Standards, both of which have the authority to direct repairs and maintenance. Other than updating the list of participating units and their respective monthly rental rates, the landlord is not required to provide any other information prior to having their agreement renewed, including whether they meet property standards.

Inadequate maintenance of units could contribute to prolonged vacancies as prospective tenants could refuse these units upon referral. Under the rent supplement agreement, landlords are entitled to receive the full rent from the City for two months while units are vacant. Therefore, poor maintenance could lead to increased vacancies and the City having to pay the full rent while no tenants are residing in the unit.

Management has indicated that a new City by-law (Rental Housing Property Management By-law – By-law No. 2020-255) has come into effect on August 31, 2021. Going forward, this by-law requires all landlords to maintain their rental units, or penalties will be applied. Included in the by-law are requirements for landlords to have a capital maintenance plan, a pest management plan, and to respond to urgent tenant service requests within 24 hours.

### **Conclusion**

The City could be missing out on landlords with quality housing units that would like to participate in the program due to a lack of available funding and a lack of information posted on Ottawa.ca. The City is unable to accept any new units that are on the waitlist because funding is only made available if an existing landlord chooses to withdraw their unit(s) and the household vacates the unit. As a result, there is very little unit turnover with households in receipt of a rent supplement.

The City does not perform monitoring of existing landlords that would enable them to enforce maintenance standards. As a result, the City could be paying higher rent for units that are poorly maintained. The requirements mandated in the new by-law will help the City to ensure tenants have housing that is in a good state of repair and fit for habitation, as required by the rent supplement agreement.

### **RECOMMENDATION 10 – PROGRAM DETAILS MADE AVAILABLE ON OTTAWA.CA**

The Rent Supplement Office should post details about the rent supplement program for landlords on Ottawa.ca and conduct other outreach activities. This would ensure that landlords are provided with an equal opportunity to apply for any funding that comes available.

### **MANAGEMENT RESPONSE 10**

Management agrees with this recommendation.

Although there is currently some information for landlords on Ottawa.ca, City staff will increase the amount of information on Ottawa.ca to better explain the program, rents and how to apply to be on the landlord rent supplement wait list. This recommendation will be complete by the end of Q1 2022.

## RECOMMENDATION 11 – CONSIDER NEW UNITS ON THE WAITLIST WHEN POSSIBLE

The Rent Supplement Office should review the housing units on the landlord waitlist and compare them against existing housing units that become vacant. Consideration should be given to accepting new housing units in place of existing vacant units if the new units are determined to be more suitable (i.e., quality, price, size, etc.), where possible and permissible under the active Landlord Rent Supplement Agreement. This will help ensure that the City has the best possible portfolio of rent supplement units.

## MANAGEMENT RESPONSE 11

Management agrees with this recommendation.

When there are available units on the landlord waitlist, and where permissible by the Landlord Rent Supplement Agreement, a comparison of new units against the vacant units will be completed to determine if new units are more suitable to current need and demand by households on the centralized waitlist for rent supplement / RGI units. This recommendation will be completed by the end of Q4 2022.

## RECOMMENDATION 12 – ENFORCE LANDLORD MAINTENANCE REQUIREMENTS

To better ensure that landlords comply with the building maintenance requirements of rent supplement agreements and the new rental housing property management by-law, the Rent Supplement Office should use a risk-based approach to inspect units when a tenant is replaced or more frequently if deemed necessary (e.g., numerous / significant complaints).

## MANAGEMENT RESPONSE 12

Management agrees with this recommendation.

Where there are numerous complaints, the Rent Supplement Office will work with both the landlord and the tenant, and will make referrals to City By-law and Property Standards, where deemed necessary. As the RTA requires written consent of both the landlord and the tenant to enter an occupied unit, an inspection would be subject to written consent by all parties. This recommendation will be completed by the end of Q2 2022.

## Appendix 1 – About the audit

### Audit objectives and criteria

The objective of this audit was to assess whether the City has adequate grant and contribution administration practices. We reviewed key compliance elements within the stages of the City's G&C administration life cycle.

Criteria listed below have been developed from the City's grant and contribution policies, procedures and compliance checklist in combination with our research of best practices in grant and contribution administration. Audit criteria are organized based on the City's grant and contribution administration life cycle.

Design and Planning	
1.1	The purpose and objectives of the program are consistent with the City's priorities.
1.2	Council has approved all grant and contribution programs.
Pre-award	
2.1	Program guidelines clearly define its objectives, funding priorities, eligibility requirements, application process and assessment criteria.
2.2	Assessment criteria and application forms are designed to evaluate applicants in an objective manner.
Evaluation and Award	
3.1	Applicants are evaluated in accordance with the documented assessment criteria.
3.2	An appropriate decision-making body is convened with clear conflict of interest guidelines to assist with effective and impartial decision-making.
3.3	Risk assessment is performed to assess potential recipients.
3.4	Documents are reviewed and agreements are signed by the appropriate parties before the grant or contribution period begins.

	Administration
4.1	All documentation related to grant and contribution administration are maintained in accordance with the City's Records Management Policy.
	Performance Monitoring
5.1	Recipients are regularly monitored for compliance with the funding agreements, established performance measures and program objectives.
5.2	Applicable activity reports, insurance documentation, financial statements and audit reports are received from recipients and reviewed by City staff to ensure compliance.
5.3	Annual payments to the recipient are paid in accordance with the funding agreement.
5.4	Multi-year funding programs are regularly evaluated for relevance and effectiveness.
5.5	Decisions for renewals are documented and approved in accordance with policies.
	Close
6.1	After the funding term is complete or the agreement is terminated, there is appropriate close-out to ensure that funding payments cease, and any required repayments are collected in a timely manner.
	Reporting
7.1	There is regular reporting on the outcomes of the grant and contribution programs and their alignment with City priorities.

## Audit approach and methodology

The audit work in this report was conducted in accordance with the standards and practices of the Institute of Internal Auditors.

As part of our regular audit process, we obtained management's agreement with the findings in this report.

The audit methodology included the following activities:

- Interviews with staff members responsible for G&C programs;
- Review of relevant documentation, e.g. G&C policies and procedures, publicly posted listing of G&C, recipient files, funding frameworks, SAP reports, etc.; and
- A variety of audit testing techniques including the testing of a sample of recipient files and reviewing supporting documentation for each area of examination.

## Appendix 2 – G&C funding programs reviewed

Category	Program	# of recipients sampled	Total dollar value sampled
Cultural Funding	Arts Funding Program	2	\$ 172,000
Community and social support funding	Housing and Homelessness Investment Plan - Rent Supplements	2	\$ 479,613
Community and social support funding	Renewable Community Funding	7	\$ 2,397,207
Community and social support funding	Non Renewable Project Funding 2019- Safer Communities	1	\$ 17,070
Economic Development	Community Economic Development Funding Program	1	\$ 65,000
Economic Development	Economic Development Projects	1	\$ 135,000
Recreation Funding	Renewable Recreation Funding	2	\$ 447,634
	<b>TOTAL</b>	<b>16</b>	<b>\$ 3,713,524</b>

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