

# **EMPLOYMENT SERVICE (ES)**

## **AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR APRIL 1, 2015 TO MARCH 31, 2016**

Please submit the 2015-2016:

- ES Statement of Revenue and Expenditure Report and, if applicable, Auditor's Report.

If you are funded for COJG, please submit the 2015-2016:

- COJG Statement of Revenue and Expenditure Report and, if applicable, Auditor's Report.

**If an Auditor's Report is required for both programs, please submit one that provides an opinion on both Statements.**

**EMPLOYMENT SERVICE  
AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR  
APRIL 1, 2015 TO MARCH 31, 2016**

**2015-2016**

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**DEFINITIONS**

**1. Agreement**

The Agreement means the agreement between the Ministry and the Recipient to deliver the Employment Service (ES). The Audit and Accountability Requirements form part of the Agreement.

**2. Capital Assets**

For the purpose of this program, capital assets (tangible and intangible), are identifiable assets that meet all of the following criteria:

- Are held for use in the provision of services, for administrative purposes, for production of goods or for the maintenance, repair, development or construction of other capital assets;
- Have been acquired, constructed or developed with the intention of being used on a continuing basis;
- Are not intended for sale in the ordinary course of operations; and
- Are not held as part of a collection.

**Tangible capital assets** include land, buildings and equipment.

**Intangible capital assets** are identifiable non-monetary assets without physical substance.

**3. Multi-Agreement Holder (MAH):**

A multi-agreement holder is a Recipient that has two or more agreements with the Ministry within a single region or across more than one region.

**4. Project Accounting:**

The Recipient may receive funding from multiple sources. For the purpose of this definition, each source of funding would be considered a project. Project Accounting connects Recipient funding with project activities to effectively track the financial progress of projects. Where a Recipient has multiple projects, all costs must be allocated to specific projects. These costs must then be reconciled with the sources of funding, ensuring accurate accounting.

**FUNDING CATEGORIES**

**Operating Funds** are for the direct delivery of all of the components of the ES (unassisted and assisted) to the service quality standard contracted with the Ministry. Costs related to the provision of the ES that would be considered part of a Recipient's day-to-day operations include, but are not limited to:

- staff and management salaries;
- hiring and training of staff (including professional development);
- marketing (signage, paper/web ads, outreach, etc.);
- facilities (rent);
- facilities (mortgage payments) **ONLY** the interest portion of a mortgage payment is allowed as an Operating cost;
- other direct operating expenditures related to the delivery of the Employment Service.

Recipients are able to attribute no more than 15% of their operating funds for administrative overhead. Administrative overhead recognizes costs necessary for operating an organization but not directly associated with the delivery of the Employment Service. For example, a portion of the salaries/benefits of the Executive Director, IT, and/or financial staff who work for the entire

organization but may spend a portion of their time dedicated to administrative functions that support ES.

**Operating Funds** cannot be used for termination and severance costs.

**Employment and Training Incentives for Employers** are funds for employers to provide employment and on-the-job training opportunities in ES (up to \$8,000 per person. The \$8,000 is made up of a maximum of \$6,000 for training incentives and an additional \$2,000 for the Apprenticeship Employer Signing Bonus, if applicable).

**Employment and Training Supports for Clients/Participants** are funds for all Clients/Participants in assisted components (up to \$500 per Client/Participant). These supports are determined based on family income and are intended, on a temporary basis, to help Clients/Participants address any financial barriers to participation in ES. Supports can cover costs such as:

- transportation;
- work clothing or clothing/grooming needed to achieve credibility;
- special equipment, supplies and equipment;
- certification charges (that may be applied to some short term courses);
- short term training costs such as books, materials;
- emergency or infrequent child care;
- language skills assessment/academic credential assessment;
- translation of academic documents (for internationally trained individuals);
- workplace accommodation needs for persons with disabilities.

**Field Support** are funds that may be provided through a formal in-year request to support ES Recipients with one-time exceptional expenditures not normally included as part of ongoing operations. Requests will be reviewed on a case by case basis and approved at the sole discretion of the Ministry. Purchases related to Field Support cannot be made without prior written approval from the Ministry.

**Other Funding 1 and 2** are placeholders for possible future ES initiatives.

## **FINANCIAL CONSIDERATIONS**

### **a) Funds (to be paid as per Schedule “B” of the Agreement)**

Recipients have discretion over the use of their funds within the following parameters:

- Operating funds are allocated against an identified level of service;
- In situations of co-location of ES with other programs and services, ES funds must only be used to cover costs directly related to the delivery of ES; this must be managed by applying Project Accounting principles;
- Operating funds cannot be used for major capital expenditures, such as the purchase or construction of facilities. Purchase of equipment and furniture directly related to the effective delivery of the contracted program is allowable;
- The Recipient must obtain prior written approval from the Ministry to shift funds between funded sites or communities;
- The Recipient must not transfer funds between budget lines (Schedule B) unless it obtains the prior written consent of the Ministry; and
- The Recipient **should not anticipate** additional funds, although the Recipient should discuss any issues with the Ministry.

**b) Interest Earned**

The Recipient must place the Funds in an interest bearing account which earns interest on the entire balance of Funds in the account. Interest earned on the Funds must be identified in the Estimate of Expenditure Reports and the Statement of Revenue and Expenditure Report. Interest earned, including deemed interest, and any unspent Funds will be recovered pursuant to section 4.7 and Article 15 of the Agreement, respectively.

If the Recipient fails to identify interest earned in the Estimate of Expenditure Report(s) and the Statement of Revenue and Expenditure Report, then the following applies:

i) the Ministry must deem an amount of interest earned based on the average of unspent Funds reported on the Estimate of Expenditure Report(s) and the Statement of Revenue and Expenditure Report using the current interest rate charged by the Province of Ontario on accounts receivable. This deemed amount for interest must be considered revenue of the Recipient for the purposes of the Estimate of Expenditure Report(s) and the Statement of Revenue and Expenditure Report; and

ii) such failure will be considered an Event of Default in accordance with section 14.1 of the Agreement.

**c) Bank Account**

Although maintaining a separate bank account for Ministry funding is not a requirement under the Agreement, it is a strongly recommended practice.

**d) Capital Assets**

Recipients are not required to report capital asset expenditures to the Ministry. However, the Recipient must maintain a separate record of capital asset expenditures for audit purposes in accordance with Article 7.2 of the Agreement.

**e) Disposition of Assets**

The Recipient **must** obtain the Ministry's prior written approval to sell, lease or otherwise dispose of an asset purchased with the Funds, if the cost exceeded **\$1,000** (not including tax) at time of purchase, in accordance with section 5.2 of the ES agreement.

Any Funds earned on the disposition of assets must be reported on the Statement of Revenue and Expenditure Report.

**f) Deficits**

Recipients are accountable for managing their funding and required to remain within their approved funded site allocations (per Schedule 'B') of the Agreement. Recipients must request prior written approval from the Ministry for an anticipated over-expenditure. Each request will be individually evaluated. Recipients must enclose copies of overspending approval documents from the Ministry with their financial reports. This will help reduce any delays in finalizing the Ministry's annual Reconciliation Report.

**g) Reporting Ministry program expenditures net of Tax rebates:**

**SAMPLE**

|                                                              |                 |                 |
|--------------------------------------------------------------|-----------------|-----------------|
| Amount Recipient spent on goods/services:                    |                 | \$100.00        |
| Amount of tax paid (example 13%):                            | \$13.00         |                 |
| Less amount of tax rebate claimed (where rebate equals 80%): | <u>-\$10.40</u> |                 |
| Amount of tax expenditure:                                   |                 | <u>\$ 2.60</u>  |
| Amount reported as Ministry program expenditure:             |                 | <u>\$102.60</u> |

## **Monitoring**

Monitoring, under the Agreement, will be a collaborative effort between Ministry staff and Recipients. Its aim is to support the Employment Service Performance Management System (ESPMS) and the practice of continuous improvement. Some of the activities that can be expected during the life cycle of an Agreement include:

- Activity and financial reporting;
- On-site compliance and evaluation visits;
- Discussions via telephone; and
- Correspondence by mail or e-mail.

### Reports Required and Due Dates

Without the signature of a Recipient's legal signing authority, reports will be considered incomplete. Payments will be delayed if complete reports are not received by identified due dates.

| ESTIMATE OF EXPENDITURE REPORT (EER) | DUE DATE(S)                                                                                                       |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| 2015-2016                            | July 17, 2015<br>September 11, 2015<br>October 16, 2015<br>December 11, 2015<br>January 15, 2016<br>April 7, 2016 |

The Ministry requires a separate Estimate of Expenditure Report **for each funded site set out in Schedule 'B' of the Agreement**. This Report must identify the approximate total expenditure for the defined period for each site using the best information available at the time, as well as the forecast of expenditures at March 31 of each year of the Agreement.

The Estimate of Expenditure Report will be supplied to the Recipient by the Ministry.

Payments may be adjusted based on each Estimate of Expenditure Report.

| STATEMENT OF REVENUE AND EXPENDITURE REPORT (SRER) | DUE DATE(S)   |
|----------------------------------------------------|---------------|
| 2015-2016                                          | June 10, 2016 |

The Ministry requires a separate Statement of Revenue and Expenditure Report **for each funded site set out in Schedule 'B' of the Agreement**. Recipients are not required to submit their organizational audited financial statements to the Ministry. The Statement of Revenue and Expenditure Report is used as the basis for the Ministry's annual Reconciliation Report.

The Statement of Revenue and Expenditure Report will be supplied to the Recipient by the Ministry.

The Ministry requires Recipient sign-off on the Statement of Revenue and Expenditure Report to verify that:

- ES funding has been solely applied to costs directly related to ES;
- Funding and or expenditures from other sources have not been included in the Report;
- ES reported expenditure is net of tax rebates, credits and refunds referred to in section 4.9 of the Agreement;

- Shared costs have been properly apportioned to ES using Project Accounting principles;
- Interest earned on ES funding has been credited to ES;
- Funds earned on the disposition of assets have been credited to ES and maintained in and interest-bearing bank account;
- ES funds that were provided prior to the immediate need for them were maintained in an interest-bearing bank account.

| AUDITOR'S REPORT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | DUE DATE(S)                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| <p><b>2015-2016</b><br/>Please submit the 2015-2016:</p> <ul style="list-style-type: none"> <li>• ES Statement of Revenue and Expenditure Report and, if applicable, Auditor's Report.</li> </ul> <p>If you are funded for COJG, please submit the 2015-2016:</p> <ul style="list-style-type: none"> <li>• COJG Statement of Revenue and Expenditure Report and, if applicable, Auditor's Report.</li> </ul> <p>If an Auditor's Report is required for both programs, please submit one that provides an opinion on both Statements.</p> | <p><b>June 10, 2016</b></p> |

An Auditor's Report is required when the Recipient's Funds (set out in section 1.2 of the Agreement) total \$100,000 or more. The Statement of Revenue and Expenditure Report must be audited by an external auditor in accordance with Canadian generally accepted auditing standards. The auditor should verify, at a minimum, that proper and distinct accounts and records are maintained for program funds/expenditures by each budget line. The Auditor's Report must include an opinion on the Statement of Revenue and Expenditure Report.

**IMPORTANT NOTE:** If additional details or corrections are necessary on a Recipient's Statement of Revenue and Expenditure Report, the Recipient's external auditor must verify any revisions in writing. The Ministry cannot accept unaudited information provided by a Recipient in support of their Statement of Revenue and Expenditure Report.