

EMPLOYMENT SERVICE

AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR SERVICE PROVIDERS

2010/2011

2011/2012

Revised on December 6, 2011

(Revisions are shown in red text)

**EMPLOYMENT SERVICE
AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR SERVICE PROVIDERS**

2010/2011
2011/2012

Table of Contents

	<u>Page</u>
Definitions	3
Funding Categories	3
Financial Considerations	
a) Funds	5
b) Interest Earned	6
c) Bank Account	6
d) Capital Assets	6
e) Disposition of Assets	6
f) Deficits	6
g) Reporting Ministry program expenditures net of tax rebates	7
Monitoring	7
Reports Required and Due Dates	8
Appendix I – Estimate of Expenditure Report - (Posted on www.eopg.ca as Estimate of Expenditure Appendix I)	
Appendix II – Transition Funding Estimate of Expenditure Report - (Posted on www.eopg.ca as Transition Estimate of Expenditure Appendix II)	
Appendix III – Statement of Revenue and Expenditure Report (Posted on www.eopg.ca as Statement of Revenue and Expenditure Report Appendix III)	
Appendix IV – Sample Auditor’s Report	10

**EMPLOYMENT SERVICE
AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR SERVICE PROVIDERS**

**2010/2011
2011/2012**

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

Capital Assets 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.

3. Project Accounting:

The Service Provider may receive funding from multiple sources. For the purpose of this definition, each source of funding would be considered a project. Project Accounting connects Service Provider funding with project activities to effectively track the financial progress of projects. Where a Service Provider 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 Service Provider'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.

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).

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.

Transition Funding:

The Ministry is providing one-time funding for transition costs related to full ES delivery. These funds will be over and above regular operational and placement incentives and support funding provided through the ES funding model. Transition funds must be used for transitional purposes only and cannot be used to cover costs related to the provision of ES that are a part of an organization’s regular (day-to-day) operations.

- **One-Time Transition Funding** are transition funds requested by the Service Provider, and approved by the Ministry, to limit the impact of funding changes on organizations (see chart below); these funds are only available for fiscal year 2010/2011.
- **One-Time Pre-Determined Transition Funding** are Ministry pre-determined funds allocated as part of the Ministry’s goal to limit the impact of funding changes on organizations (see chart below); these funds are available for fiscal years 2010/2011 and 2011/2012.

<u>Transition Funding</u>	
The following four categories of costs will be considered eligible for the use of One-Time Transition Funding and One-Time Pre-Determined Transition Funding.	
Leasehold Improvements	Leasehold improvements related to alterations or renovations of new or existing ES funded site locations would be considered eligible for funding support, only if such alterations or renovations support full ES delivery.
Moving Costs	ES transition may require a realignment of Service Provider’s existing organizational infrastructure in the community. Moving costs related to this realignment would be considered eligible for funding support.
Purchase of Infrastructure Equipment for <u>Direct Client Services</u>	<p>One-time costs associated with the purchase of equipment used directly by clients accessing ES would be considered eligible for funding support. Examples include:</p> <ul style="list-style-type: none"> • Computers • Printers • Photocopiers <p>Infrastructure equipment to be used by staff must be funded out of the regular operating funds.</p>

<p>Other ES Transformation Support</p>	<p>Other ES transformational support includes:</p> <p>Continuation of Job Development Placement Service (JDPS) Financial Commitments to Employers (Job Connect Providers) – Funding can be used to support financial commitments beyond the end-state of the Job Connect Agreement (July 31, 2010) that are attached to JDPS Agreements with clients and employers.</p> <p>Short-Term Additional Operational Funding Support – Can be used if a Service Provider was unable to wind-down its OEAS and/or JC services prior to the end-date of the legal Agreement and now requires assistance related to wind-down costs. OEAS/JC wind-down that has been “deferred” to the ES Agreement <i>must</i> be connected to the need for ongoing service delivery to a community up to the end-date of the legal Agreement and <i>must</i> have prior approval of the Ministry from OEAS/JC agreement wind-down discussions.</p> <p>Examples of short-term operational costs include, but are not limited to:</p> <ul style="list-style-type: none"> • Severance and termination pay • Penalties for breaking site leases and equipment rental agreements • Moving costs related to site closures • Temporary staffing support • Administrative costs related to client notifications and transfers (<i>for example: postage, courier, etc.</i>)
---	---

Other Funding 3 (2011-2012): The Ministry is providing one-time funding to service delivery sites to strategically address urgent and incomplete transition objectives which may have arisen due to unforeseen circumstances, as well as to support demonstrable and sustainable improvements in service delivery. Funding must only be used for the following:

- Purchase of Infrastructure for Direct Client Service, as defined above;
- Moving Costs: In those exceptional circumstances where ES sites have not yet have been able to finalize their moves, as directed by the Ministry, additional moving costs related to this realignment may be considered eligible;
- Leasehold Improvements: In those exceptional circumstances where ES sites have not yet been able to finalize their leasehold improvements, additional costs related to this work may be considered eligible.

FINANCIAL CONSIDERATIONS

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

Service Providers 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 Service Provider must obtain prior written approval from the Ministry to shift funds between funded sites or communities;

- The Service Provider shall not transfer funds between budget lines (Schedule B) and or cost categories (Schedule E) unless it obtains the prior written consent of the Ministry;
- One-Time Transition Funding and One-Time Pre-Determined Transition Funding can only be used for what was negotiated during the 2010/2012 ES Business Planning process; and
- The Service Provider **should not anticipate** additional funds, although the Service Provider should discuss any issues with the Ministry.

b) Interest Earned

The Service Provider shall 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 or 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 Service Provider fails to identify interest earned in the Estimate of Expenditure Report(s) and or the Statement of Revenue and Expenditure Report, then the following applies:

i) the Ministry shall deem an amount of interest earned based on the average of unspent Funds reported on the Estimate of Expenditure Report(s) and or 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 shall be considered revenue of the Service Provider 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

Service Providers are not required to report capital asset expenditures to the Ministry. However, the Service Provider 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 Service Provider **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** at time of purchase, in accordance with section 5.4 of the ES agreement. Any Funds earned on the disposition of assets must be reported on the Statement of Revenue and Expenditure Report (Appendix III).

f) Deficits

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

g) Reporting Ministry program expenditures net of Tax rebates:

Amount service provider 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 Service Providers. 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:

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

Reports Required and Due Dates

Without the signature of a Service Provider’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	DUE DATE(S)
A. 2010/2011 – use Appendix I	November 26, 2010 February 11, 2011
B. 2011/2012 – use Appendix I	October 14, 2011 January 13, 2012

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.

Please use **Appendix I** to prepare the Report.

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

TRANSITION FUNDING ESTIMATE OF EXPENDITURE REPORT	DUE DATE(S)
C. 2010/2011 – use Appendix II	November 26, 2010 February 11, 2011
D. 2011/2012 – use Appendix II (Note: Only required for Service Providers receiving Transition Funding in 2011/2012)	October 14, 2011 January 13, 2012

The Ministry requires a separate Transition Funding Estimate of Expenditure Report **for each funded site set out in Schedule ‘B’ of the Agreement**. This Report should 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.

Please use **Appendix II** to prepare the Report.

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

STATEMENT OF REVENUE AND EXPENDITURE REPORT	DUE DATE(S)
E. 2010/2011 – use Appendix III	June 30, 2011
F. 2011/2012 – use Appendix III	June 29, 2012

The Ministry requires a separate Statement of Revenue and Expenditure Report **for each funded site set out in Schedule ‘B’ of the Agreement**. Please use **Appendix III** to prepare the Report. Service Providers 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 **annual Audited Reconciliation Report**.

The Ministry requires Service Provider 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)
G. 2010/2011 – use Appendix IV	June 30, 2011
H. 2011/2012 – use Appendix IV	June 29, 2012

An Auditor’s Report is required when the Service Provider’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 – section 5805. 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 (**Appendix IV** provides a Sample Auditor’s Report that meets the Ministry’s requirements). Service Providers should instruct their auditor to prepare the Auditor’s Report according to Ministry requirements.

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

APPENDIX IV

Sample Auditor's Report (includes all sites)

AUDITOR'S REPORT TO THE GOVERNMENT OF ONTARIO MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

At the request of the (**Name of Service Provider**), we have audited the Employment Service (ES) Statement of Revenue and Expenditure Report of the (**Name of Service Provider**) for the year ended March 31, _____ prepared in accordance with the Ministry of Training, Colleges and Universities' Employment Service Audit and Accountability Requirements for Service Providers for 2010/2011 and 2011/2012. This financial information is the responsibility of the (**Name of Service Provider**) management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial information.

In our opinion, this report presents fairly, in all material respects, the revenue and expenditure of the ES Program for the year ended March 31, _____ in accordance with the Ministry of Training, Colleges and Universities' Employment Service Audit and Accountability Requirements for Service Providers for 2010/2011 and 2011/2012.

Chartered Accountant

(Date)