

**Ontario Employment Assistance Services (OEAS)
AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR RECIPIENTS
2015-2016**

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Ontario Employment Assistance Services

AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR RECIPIENTS 2015-2016

DEFINITIONS

1. Agreement

The Agreement means the agreement between the Ministry and the Recipient to deliver the OEAS Project. The OEAS Audit and Accountability Requirements for Recipients 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 cannot be used for termination and severance costs.

Operating Funds are administrative overhead costs required for the delivery of the project. These funds are used to provide direct or indirect services to clients and are for day-to-day project operations. Some examples of these costs include wages for project staff, materials and supplies, rent, utilities, staff travel, insurance and fees for professional services. **ONLY** the interest portion of a mortgage payment is allowed as a cost.

Supports for Individuals are costs for clients to support their participation in the project. Examples include disability related costs (e.g. attendant care, sign language interpretation, and adaptive technology set-up), dependent care and transportation.

Other Funding 1 means a placeholder for possible future OEAS initiatives. Service Providers should be aware that this is only a placeholder and does not guarantee that any additional funding will be available in 2015-2016.

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 the Project with other programs and services, Project funds must only be used to cover costs directly related to the delivery of the Project; 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, Operating Funds and Support for Individuals (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 (even if items are purchased as a group).

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** (excluding taxes) at time of purchase, in accordance with section 5.2 of the Agreement.

Any Funds earned on the disposition of assets must be reported on the Statement of Revenue and Expenditure Report and any other reports specified by the Ministry.

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. 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 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 Fiscal Year	July 17, 2015 September 11, 2015 October 16, 2015 December 11, 2015 January 15, 2016 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 Fiscal Year	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:

- project funding has been solely applied to costs directly related to the Project;

- funding and or expenditures from other sources have not been included in the Report;
- project reported expenditures are net of tax rebates, credits and refunds referred to in section 4.9 of the Agreement;
- shared costs have been properly apportioned to the Project using Project Accounting principles;
- interest earned on Project funding has been credited to the Project;
- funds earned on the disposition of assets have been credited to the Project and maintained in an interest-bearing bank account;
- project 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)
2015-2016 Fiscal Year	June 10, 2016

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.

A sample Auditor's Report that meets the Ministry's requirements is available on the EOPG. Recipients 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 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.