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REPORT ON THE

AUDIT OF THE ABORIGINAL & OTHER  
COMMUNITIES & ORGANIZATIONS FUNDS  
PROGRAM

Presented to:

*Canada Firearms Centre*

Prepared by:

***progestic international inc.***

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March 30, 2005

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## Executive Summary

The purpose of the audit was to review the appropriateness of the Contribution Agreements in place and the monitoring process of the Terms and Conditions of the agreements between CAFC and recipients across the country. The Contribution Agreements audited were those of the Aboriginal and Other Communities & Organizations Funds Program.

The Aboriginal and Other Communities & Organizations Funds Program initially fell under the responsibility of the Policy, Communications and Consultation Directorate reporting directly to the Commissioner of Firearms. Although the Canada Firearms Centre (CAFC) was committed to contributing assistance to Aboriginal and/or other communities, Centre management decided not to renew the Terms and Conditions for FY 2000-01.

However, Aboriginal and other organizations continued asking CAFC for support and funding to assist in delivering the message of licensing and registration within their communities, and to facilitate Aboriginal and broader compliance with the *Firearms Act* to further advance the objectives of the legislation; in April 2001, the CAFC submitted a new proposal, which resulted in the establishment of a new CAFC fund, entitled “Aboriginal and or Other Communities and Organizations (AOCO) Fund; management of the Program was split between, and independently managed by, the Policy, Communications and Consultation Services Directorate and the Licensing Directorate, Operations Sector. The purpose of the contribution fund is to provide information and education on the legal requirements of the firearms legislation to Aboriginal and/or Other Communities and Organizations and to facilitate Aboriginal compliance with the *Firearms Act*.

## Delivery Approach

The delivery approach for the AOCO Funds Program includes the following eligible recipients:

- First Nations (FN) Bands, Tribal Councils, and other Aboriginal organizations that have organized to represent their membership such as Hunters and Trappers Associations or Wildlife Boards;
- National Aboriginal organizations such as Assembly of First Nations;
- Community non-profit organizations and voluntary groups whose mandate is to represent their membership or community; and,

- Non-profit professional, provincial and national organizations, societies, and associations.<sup>1</sup>

### **Agreements managed by the Policy, Communications and Consultation Directorate**

As at September 2004, three Contribution Agreements totaling \$174,000 were being managed by the Policy, Communications and Consultation Directorate. These agreements are/were with the Assembly of First Nations, Tribal Chiefs Association (Alberta) and the Red Sky Métis (Ontario).

A formal Request for Proposal (RFP) or intake process is not conducted. In most instances, the need and/or opportunity to enter into a funding arrangement is identified by the Manager, Research and Aboriginal Issues or a Chief Firearms Officer (CFO) or CAFC personnel within Policy, Communications and Consultation. Such opportunities are identified as the result of discussions and interactions between CAFC and a community or organization (FN or non-FN) in the course of conducting Firearms-related research, policy discussions or outreach. In other instances, a community or organization may approach CAFC with a particular need and proposal.

The extent of involvement of the relevant CFO with proposals varies depending upon CFO priorities and the nature of the proposed project. The CFO's involvement may range from awareness to being actively involved in developing the project and/or monitoring and managing progress once an agreement is in place.

The proposal submitted by the potential recipient is assessed based on a review of the following criteria:

- Consistency of the proposal with the identified need;
- Consistency of the proposal with the department's mandate, aims and objectives;
- Level and extent of community support and involvement in the proposed activities;
- The proposal's feasibility and achievability;
- The range of expected benefits and their long range significance or comparative value for the applicant group/organization, other aboriginal groups/organizations, the CAFC and regional CFOs;
- The appropriateness and usefulness of the proposed deliverables;
- The availability of funds;

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<sup>1</sup> Provincial and territorial governments are excluded.

- The range, relevance and importance of the proposed activities for aboriginal involvement in administrative procedures/processes and compliance with the firearms legislation;
- The practicality/reasonability of the proposed work plan and budget;
- The availability of other possible sources of funding; and
- The results of previously funded activities related to the current proposal.

Proposals are assessed and reviewed by the Director General, Policy, Communications and Consultation and the Manager, Research and Aboriginal Issues, other officers within the Policy, Communications and Consultation Directorate, and, as required, other interested stakeholders such as the relevant CFO and other officers within the Operations Sector. Funding recommendations are forwarded to the Director General, Policy, Communications and Consultation for approval. If approved, the Manager, Research and Aboriginal Issues works with the recipient to develop and negotiate an agreement. The agreement includes a detailed workplan and budget so that progress and expenditures can be monitored and measured. Agreements are approved by the Director General, Policy, Communications and Consultation or the Commissioner of Firearms, depending upon the dollar amount.

During the course of the agreement, the Manager, Research and Aboriginal Issues monitors the progress of services being delivered by the funded recipient.

### **Agreements managed by the Licensing, Operations Sector**

As at September 2004, three Contribution Agreements totaling \$94,000 were being managed by the Licensing Directorate. These agreements are/were with the Firearms and Outdoor Recreation Education Society (FORES), the Alberta Hunter Education Instructor's Association (AHEIA), and the Inland Fish and Wildlife Division (IFWD) of the Province of Newfoundland and Labrador.

A formal Request for Proposal (RFP) or intake process is not conducted. The need to establish a funding agreement is usually identified by the respective Chief Firearms Officer (CFO) and then discussed with the Director of Licensing. For example, the agreement may be related to development and delivery of firearms safety training. Based on the identified need, the CFO enters into discussions with potential service provider(s) based in the relevant jurisdiction and requests that an application/proposal be prepared and submitted.

In most instances, funding need(s) are identified by the CFO prior to the CAFC budget planning process. Therefore, approval and allocation (or denial) of the funding is considered within the context of total CAFC needs and priorities. Should the CFO subsequently identify a need during the fiscal period, the Director of Licensing is

responsible for determining whether funds can be made available.

The Director of Licensing, officers within the directorate and, as required, other officers within Operations discuss the need to establish a funding arrangement. If approved by the Director of Licensing, then an officer is assigned to work with the CFO and the recipient to develop and negotiate an agreement. The Director of Licensing or the Chief Operating Officer, depending upon the dollar amount, approves agreements.

### **Audit Coverage**

The audit reviewed the management practices and controls as they relate to the Aboriginal & Other Communities & Organizations Funds Program to ensure compliance with the terms and conditions of the Program; ensure that the contribution recipient(s) provided all the deliverables specified in the contribution agreement, funds expended were eligible expenditures and were supported by proper documentation; and assess the quality of financial control measures and mechanisms in place to manage risks effectively. It covered the fiscal period April 01, 2003 to September 30, 2004.

This report covers:

- Three contribution agreements managed by the Policy, Communications and Consultation Directorate totaling \$174,000 with Assembly of First Nations, Tribal Chiefs Association (Alberta) and the Red Sky Métis (Ontario); and
- Three contribution agreements managed by the Licensing Directorate totaling approximately \$94,000 with the Firearms and Outdoor Recreation Education Society (FORES), Alberta Hunter Education Instructor's Association (AHEIA) and the Inland Fish and Wildlife Division of the Province of Newfoundland (IFWD).

Findings expressed in this audit report are based on the auditor's review of all six contribution agreements and are based on the approved Treasury Board (TB) Submission, TB Policy on Transfer Payments and the TB Guide to Grants and Contributions and Other Transfer Payments.

Except where noted in this audit report we found that the terms and conditions of the six contribution agreements did adhere to TB guidelines and for the most part did adhere to the approved TB Submission.

Key findings include:

- Terms and Conditions of the contribution agreements did adhere to TB Guidelines;
- Payments were made for eligible expenditures;
- All agreements appeared to be appropriate for the funding program; and
- Recipients adhered to the reporting requirements of the terms and conditions.



As well, we were able to determine:

- Roles and Responsibilities of staff in the Policy, Communications and Consultation Directorate were documented and fully understood;
- Roles and Responsibilities of staff in the Licensing Directorate were not documented or clearly understood;
- The Licensing Directorate did not completely adhere to the Treasury Board Cash Management Policy regarding advance payments; and
- The Licensing Directorate has not established documented criteria for accepting funding requests from potential recipients.

To ensure better compliance with TB Policies and Guidelines we recommend:

- The Licensing Directorate document in the Terms and Conditions how payments to recipients will be made.

In addition, we recommend:

- The Licensing Directorate adapts the Policy, Communications and Consultation documented criteria for accepting funding requests from potential recipients; and other Policy, Communications and Consultation procedures for the management of its Contributions Agreements.

## **Statement of Assurance**

We have completed the internal audit for the Aboriginal and Other Communities and Organizations Funds Program. The objective(s) of this engagement was (were) to review the appropriateness of the Contribution Agreements in place between the Canada Firearms Centre and Aboriginal Organizations, Other Communities and Organizations and the monitoring process of the Terms and Conditions of the agreements between CAFC with recipients across the country.

The internal audit was conducted in accordance with the TB Policy on Internal Audit and the IIA Standards for the Professional Practice of Internal Auditing. The audit examined selected processes and contribution agreements from April 1, 2003 to September 30, 2004.

The examination was conducted during the period of September 2004 and covered activities that occurred from April 1, 2003 to September 30, 2004.

The criteria used to assess the management control framework were Treasury Board Policy on Transfer Payments, Treasury Board Guide to Grants and Contributions and Other Transfer Payments and the Auditor General's Framework for Identifying Risk in Grant and Contribution Programs.

In our professional judgment, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations, as they existed at the time against the audit criteria. The conclusions are only applicable for the entities examined. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal audit.

## 1. Introduction

On December 11, 1997, Treasury Board approved the terms and conditions related to a firearms communications and consultations fund. The approval spanned three years ending on March 31, 2000. Although the Canada Firearms Centre (CAFC) was committed to contributing assistance to Aboriginal and/or other communities, CAFC management decided not to renew the Terms and Conditions for FY 2000-2001.

Since Aboriginal and other organizations continued asking CAFC for support and funding to assist in delivering the message of licensing and registration within their communities, and to facilitate Aboriginal and broader compliance with the *Firearms Act* to further advance the objectives of the legislation, in May 2001, the CAFC submitted a new proposal, which was approved, to Treasury Board seeking approval for Terms and Conditions of contributions to Aboriginal and other communities and organizations. The Terms and Conditions expire on March 31, 2005. The maximum amount of a contribution to a recipient is \$200,000.

The purpose of the contribution fund is to provide information and education on the legal requirements of the firearms legislation to Aboriginal and/or Other Communities and Organizations to facilitate compliance with the *Firearms Act*.

There were six contribution agreements issued as part of the Aboriginal and Other Communities and Organizations Funds program for a total of \$268,000<sup>2</sup>.

The CAFC has requested this audit of the Aboriginal & Other Communities & Organizations Funds Program.

## 2. Objectives and Scope

The purpose of the audit was to review the appropriateness of the Contribution Agreements in place between the Canada Firearms Centre and Aboriginal and Other Communities and Organizations and the monitoring process of the Terms and Conditions of the agreements between CAFC with recipients across the country

The audit scope covered a review of the management practices and controls as they relate to the Aboriginal & Other Communities & Organizations Funds Program to ensure compliance with the Terms and Conditions of the program; ensure that the contribution recipient(s) provided all the deliverables specified in the contribution agreement, funds expended were eligible expenditures and were supported by proper documentation; and

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<sup>2</sup> \$35,000 to FORES, \$20,000 to AHEIA, \$39,000 to Nfld, \$110,000 to AFN, \$30,000 to TCA and \$34,000 to Red Sky Métis

assess the quality of financial control measures and mechanisms in place to manage risks effectively. It covered the fiscal period April 01, 2003 to September 30, 2004.

### **3. Audit Findings**

#### ***Audit Objective: To review the monitoring process of the Terms and Conditions***

In our opinion, the monitoring of the Terms and Conditions is adequate. Recipients have received payments only for items that were considered eligible expenditures. However, the monitoring process for contribution agreements managed by the Licensing Directorate does not completely adhere to the Treasury Board Cash Management Policy and therefore the working files of the contribution agreements need to be more comprehensive.

#### **3.1 Roles and Responsibilities**

The Aboriginal and Other Communities & Organizations Funds Program initially fell under the responsibility of the Policy, Communications and Consultation Directorate reporting directly to the Commissioner of Firearms. However, in April 2001, when CAFC's on-going commitment (i.e., not for profit) resulted in the established of a new CAFC fund, entitled "Aboriginal and/or Other Communities and Organizations (AOCO) Fund," management of the program was split between, and independently managed by, the Policy, Communications and Consultation Directorate and the Licensing Directorate, Operations Sector.

#### **Agreements managed by the Policy, Communications and Consultation Directorate**

As at September 2004, three Contribution Agreements totaling \$174,000 were being managed by the Policy, Communications and Consultation Directorate. These agreements are/were with the Assembly of First Nations, Tribal Chiefs Association (Alberta) and the Red Sky Métis (Ontario).

A formal Request for Proposal (RFP) or intake process is not conducted. In most instances, the need and/or opportunity to enter into a funding arrangement is identified by the Manager, Research and Aboriginal Issues or a Chief Firearms Officer (CFO) or CAFC personnel within Policy, Communications and Consultation. Such opportunities are identified as the result of discussions and interactions between CAFC and a community or organization (FN or non-FN) in the course of conducting Firearms-related research, policy discussions or outreach. In other instances, a community or organization may approach CAFC with a particular need and proposal.

The extent of involvement of the relevant CFO with proposals varies depending upon CFO priorities and the nature of the proposed project. The CFO's involvement may range from awareness to being actively involved in developing the project and/or monitoring and managing progress once an agreement is in place.

The proposal submitted by the potential recipient is assessed based on a review of the following criteria:

- Consistency of the proposal with the identified need;
- Consistency of the proposal with the department's mandate, aims and objectives;
- Level and extent of community support and involvement in the proposed activities;
- The proposal's feasibility and achievability;
- The range of expected benefits and their long range significance or comparative value for the applicant group/organization, other aboriginal groups/organizations, the CAFC and regional CFOs;
- The appropriateness and usefulness of the proposed deliverables;
- The availability of funds;
- The range, relevance and importance of the proposed activities for aboriginal involvement in administrative procedures/processes and compliance with the firearms legislation;
- The practicality/reasonability of the proposed work plan and budget;
- The availability of other possible sources of funding; and
- The results of previously funded activities related to the current proposal.

Proposals are assessed and reviewed by the Director General, Policy, Communications and Consultation and the Manager, Research and Aboriginal Issues, other officers within the Policy, Communications and Consultation Directorate, and, as required, other interested stakeholders such as the relevant CFO and other officers within the Operations Sector. Funding recommendations are forwarded to the Director General, Policy, Communications and Consultation for approval. If approved, the Manager, Research and Aboriginal Issues works with the recipient to develop and negotiate an agreement. The agreement includes a detailed workplan and budget so that progress and expenditures can be monitored and measured. Agreements are approved by the Director General, Policy, Communications and Consultation or the Commissioner of Firearms, depending upon the dollar amount.

During the course of the agreement, the Manager, Research and Aboriginal Issues monitors the progress of services being delivered by the funded recipient.

### **Agreements managed by the Licensing Directorate, Operations Sector**

As at September 2004, three Contribution Agreements totaling \$94,000 were being managed by the Licensing Directorate. These agreements are/were with the Firearms and Outdoor Recreation Education Society (FORES), the Alberta Hunter Education Instructor's Association (AHEIA), and the Inland Fish and Wildlife Division (IFWD) of the Province of Newfoundland and Labrador.

A formal Request for Proposal (RFP) or intake process is not conducted. The need to establish a funding agreement is usually identified by the respective CFO and then discussed with the Director of Licensing. For example, the agreement may be related to development and delivery of firearms safety training. Based on the identified need, the CFO enters into discussions with potential service provider(s) based in the relevant jurisdiction and requests that an application/proposal be prepared and submitted.

In most instances, funding need(s) are identified by the CFO prior to the CAFC budget planning process. Therefore, approval and allocation (or denial) of the funding is considered within the context of total CAFC needs and priorities. Should the CFO subsequently identify a need during the fiscal period, the Director of Licensing is responsible for determining whether funds can be made available.

The Director of Licensing, officers within the directorate and, as required, other officers within Operations discuss the need to establish a funding arrangement. If approved by the Director of Licensing, then an officer is assigned to work with the CFO and the recipient to develop and negotiate an agreement. The Agreement includes a detailed workplan and budget so that progress and expenditures can be monitored and measured. Agreements are approved by the Director of Licensing or the Chief Operating Officer, depending upon the dollar amount.

Since AOCO falls under the responsibility of the Policy, Communications and Consultation Directorate for Aboriginal Contribution Agreements and the Licensing Directorate for Other Communities and Organizations Contribution Agreements, this has resulted in no single point of contact for Funding Program accountability and no one individual accountable for the Program. In other words, there is no one individual who is financially accountable and there is no one individual who is accountable for the performance of the Program. Having multiple accountabilities has the potential to create conflicting expectations regarding AOCO performance levels.

The roles and responsibilities (related to managing the contribution agreements), of staff in the Licensing Directorate were not documented nor were they clearly understood. For example, the Director of Licensing suggested that auditors interview the Manager, Operations and Public Agency Support to review recipient files. However, that person

was responsible for the agreements between the Firearms Centre and the Provinces for the Administration of the *Firearms Act* and had no information on the Other Communities & Organizations Funds Program.

Auditors were then told to interview the Program Manager, Safety Education. During this interview, auditors asked to review the application for funding of one contribution recipient. Auditors were told that the application was kept in the Northwest Regional Office of the Firearms Centre. Auditors contacted the Northwest Regional Office and were told that the development and monitoring of the agreement was through the office of the Director of Licensing in Ottawa. The regional office only coordinated the gathering and forwarding of firearms to a gunsmith so that they could be disabled.

The Program Manager, Safety Education, continued searching for and found the application for funding that we requested.

Auditors found that the Results Based Management and Accountability Framework (RMAF) and the Risk Based Audit Framework (RBAF) of the Funds Program both contained a very high level description of the roles and responsibilities of CAFC. These documents indicated that CAFC is accountable for three main functions:

- 1) The review of proposals and selection of recipients for financial contribution;
- 2) Co-development of Contribution Agreements with successful applicants; and
- 3) Overseeing (at a high-level) the general status of funded projects.

However, auditors found no evidence of any detailed documented roles and responsibilities for the Licensing Directorate. This exposes CAFC to the risk of missing information and improperly monitoring contribution agreements.

### **3.2 Communications Strategy**

A communication strategy outlines the best strategies and communications vehicles that will help target potential recipients in the most timely and cost-effective manner. The communication strategy should generate a high level of interest and awareness among potential participants in the Aboriginal and Other Communities & Organizations (AOCO) Funding Program. In other words, a proactive communications strategy would enable CAFC to reach as many potential, eligible participants as possible.

The current approach to communicating availability of the Program may not ensure greater take-up of the Program.

### 3.3 TBS Transfer Payment Policy

Treasury Board's Transfer Payment Policy stipulates that departments should have effective financial and program controls designed and implemented within departmental transfer payment programs. This includes exercising due diligence in the selection and approval of recipients of transfer payments and in the management and administration of the programs.

Due diligence in managing and administering a transfer program is supported by having the proper systems, procedures, resources and controls in place. This means that predetermined assessment criteria for applications for contributions is made public and applied in a consistent manner<sup>3</sup>.

For example, during the assessment of applications, program officers could be checking:

- To see if the applicant is eligible for the program;
- To determine if the application meets the program's basic terms and conditions; and
- To ensure there are no outstanding issues with the applicant such as unpaid debt, poor delivery record, etc.

The Auditor General's Framework for Identifying Risk in Grant and Contribution Programs explains that Program managers facilitate due diligence by ensuring that the eligibility criteria, conditions of support, and scale of assistance are documented in the program literature, and are well understood and applied consistently and fairly by program staff, including staff in regional offices. Clearly documented eligibility criteria help ensure that payments are made only to eligible recipients for eligible expenses. With clear evaluation criteria linked to program objectives, staff will be able to eventually assess whether funding has been effective in meeting those Program objectives. Staff should be able to ensure that the expected results are documented in the agreement and are in line with the program's objectives<sup>4</sup>.

Auditors were able to locate only one application for funding out of the three OCO contribution agreements we reviewed. We were told that a second contribution agreement did not require an application since CAFC had been doing business with the recipient for several years.

We also found that the only OCO documented criterion for accepting funding requests from potential recipients was in the RMAF and RBAF. The acceptance criteria in the RMAF and RBAF included:

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<sup>3</sup> TBS Transfer Payment Policy para 7.5.1, page 6

<sup>4</sup> Auditor General's Framework for Identifying Risks in Grant and Contribution Programs, November 2000, page 8, para 3.3



- Availability of funding allocated to AOCO;
- That the proposal concurs with CAFC's mandate, aims, and objectives; importance of the proposed activities pertaining to administrative procedures/processes and compliance with the firearms legislation; indication of the level and extent of community support and involvement in the proposed activities;
- A work plan (including the rationale, scope, desired outcomes/deliverables, activities to be undertaken, project personnel, management methods, monitoring and time frames);
- An itemized budget, including the amount requested and a detailed list of planned expenditures;
- The proposal's feasibility, achievability;
- Identification of other possible sources of funding (including cash and in-kind contributions, other levels of government, private sector, and, community based organizations, etc.);
- If applicable, the results of previously funded activities relating to the current proposal; and
- Public recognition by the recipient of the CAFC's contribution.

The criteria did not include an assessment whether the OCO applicant is eligible for the Program, meets the Program's basic terms and conditions or has any outstanding issues such as unpaid debt or poor delivery record.

The Licensing Directorate has no documented instructions as to what should be included in an application for funding.

This exposes CAFC to the risk of funding recipient projects that are not in line with CAFC objectives. It also exposes CAFC to the risk of recipients using inconsistent criteria.

### **3.4 Cash Management Policy**

The Treasury Board Policy on Transfer Payments states that transfer payments should not be paid in advance of need. Payments should correspond to recipients' cash flow requirements and are normally in the form of a reimbursement of eligible expenditures. However CAFC can seek Treasury Board approval for exceptions to this policy.

The Terms and Conditions we reviewed did not mention anything about restrictions on advance payments. However, the payments for one Licensing Directorate agreement included an initial payment of \$10,000 and further payments based on receiving required deliverables.

A second Licensing Directorate agreement included an initial payment of \$10,000 with a final payment due upon receipt of all requirements stipulated in the terms and conditions. The third Licensing Directorate agreement we reviewed included an initial payment of

\$20,000 to cover salary expenditures. The remaining payments were based on the receipt of invoices.

In our opinion, the three Licensing Directorate initial payments were made in advance of the need of the recipients. We found no approval from Treasury Board for approving these advance payments. Allowing for advance payments increases the risk that recipients may not use the money for the purpose contributed.

In addition, in our review of contribution agreements managed by the Policy, Communications and Consultation Directorate we noted contribution agreements clearly identified the recipient, the recipient's objectives, the recipient's eligible expenditures, the length of the agreement, the maximum amount payable to the recipient and the reporting requirements of the recipient. In addition, amendments made to the agreements were properly authorized and supported by the appropriate documentation. It was also noted during the course of the audit that in some instances information required from the recipient was incomplete or was missing from the contribution agreement file; however, appropriate follow-up action had been taken or was currently being taken to follow-up and to obtain the required information. As well, it was also determined that the Policy, Communications and Consultation Directorate Terms and Conditions stated that payments were to be made for up to 90% of the planned expenditures incurred and that final payment or recovery of surplus, if necessary, was to be made when the recipient had satisfied all the requirements of the contribution agreement. Finally, we note that final payments made by the Policy, Communications and Consultation Directorate to recipients were not made until the Policy, Communications and Consultant Directorate program staff were satisfied that all requirements of the agreement were met.

### **3.5 Basis and Method of Payment**

The Treasury Board Submission for the Aboriginal and Other Communities & Organizations Funds Program was approved in May 2001. Paragraph 14 in the approved Terms and Conditions states that payments to recipients are to be made for up to 90% of the planned expenditures. Final payment is made only when the recipient satisfies all the requirements of the contribution agreement and upon receipt and acceptance by CAFC of financial statements.

We did not find any clauses in the three Licensing Directorate contribution agreements we reviewed indicating that there would be a 10% holdback of funds. Our review of financial information indicates that the agreements were paid in full.

### **3.6 Results-Based Management and Accountability Framework (RMAF)**

The Policy on Transfer Payments requires that each Treasury Board Submission for programs or initiatives with transfer payments include a Results-based Management and

Accountability Framework (RMAF) dealing with accountability, evaluation and reporting requirements. The framework should help achieve a number of goals related to the results-based management agenda:

- To set clear roles and responsibilities for the main partners involved in delivering the program or initiative (a sound governance structure);
- To ensure clear and logical design that ties resources to expected results (a results based logic model that shows a logical sequence of resources, activities, outputs and key results for the program or initiative);
- To have a sound performance measurement strategy that allows managers to track progress, measure results, support subsequent evaluation work, learn and make ongoing adjustments for improvement;
- To set out any evaluation work that is expected to be done over the life cycle of the program; and
- To ensure adequate reporting on results.

Treasury Board (TB) Policy states that a Results-based Management Accountability Framework (RMAF) should be prepared which provides for appropriate measuring and reporting of results, as related to the purpose of providing resources through transfers.

The TB Submission of May 2001 states<sup>5</sup> that CAFC's requirement for an RMAF will provide appropriate measuring and reporting of results. These frameworks include: key results to be achieved; the performance strategy; and reporting provisions for both fund recipients and the department, including parliamentary reporting.

An RMAF for the Fund was developed in August 2002 describing:

- The roles and responsibilities of the Main Partners;
- A logic model tying activities to outcomes;
- A performance measurement strategy;
- An evaluation framework; and,
- Reporting on results.

Our review of these items found that the Licensing Directorate Contribution Agreements were not adhering to the RMAF. For example, we found no evidence of an ongoing performance measurement strategy. We did not see evidence that Program Managers were collecting information on the performance indicators described in the RMAF including:

- Number of agents assisting applicants;
- Number of licence and/or firearm registration application forms completed that required the assistance of local agents;

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<sup>5</sup> para 17 on page 7 of Appendix B of the TB Submission

- Number of aboriginal language interpreters used during the application process;
- Feedback from community leaders and/or community members; and
- Feedback from safety course instructors, local policing organizations, and/or project managers.

The March 2005 RMAF denotes that a formative evaluation is to be conducted in FY 2006/07; this should provide CAFC Senior Management with an indication of Program success and its impact on the ACOC Program on targeted clients.

In addition, the reporting strategy requires an annual performance report reflecting the types of information collected via the ongoing performance measurement strategy and is supposed to indicate how well the Fund's projects are progressing towards the desired outcomes. We have seen no evidence that the annual performance report for the Fund has been produced.

### **3.7 Agreement Files**

A transfer agreement file serves many purposes. It is:

- A working and reference tool for the project officer(s) handling the case;
- A supervision and control tool;
- A central location where all documents and information related to an agreement are grouped; and
- An important element of the audit trail.

For this reason, the transfer agreement file must be well documented and kept current.

The Terms and Conditions of the funding program as approved by Treasury Board identify specific items that should be found in the working files associated with the Contribution Agreements.

Our review of the Contribution Agreements showed that the agreements were for small funding requirements. We also noted that there was no formal agreement working files for the Licensing Directorate Contribution Agreements. We were able to obtain copies of the Terms and Conditions. But there were no files for the agreements. As a result, we were not able to locate:

- Application for funding in 2 of the 3 agreements;
- Applicant work plans;
- Evidence of review to ensure there were no other sources of funding;
- Evidence of approval of the project's application;
- Notes on discussions with recipients

This exposes CAFC to the risk that agreements are approved without formal review of funding applications.

***Audit Objective: Review the appropriateness of the Contribution Agreements in place between the Canada Firearms Centre and Aboriginal and Other Communities and Organizations.***

In our opinion the Contribution Agreements in place are appropriate for the Program.

To satisfy this audit objective we read the six Contribution Agreements Terms and Conditions. All Agreements appeared to be appropriate for this funding Program.

The Agreement with FORES<sup>6</sup> – Was to cover the costs of professional services and administration associated with revising and updating the Canadian Firearms Safety Course Student Handbook and tests and the Canadian Restricted Firearms Safety course student Handbook. This project was intended to support the CAFC's continuous improvement plan in the area of firearms safety. It helped facilitate the licence application process and ensured that individuals applying for a firearms licence met national training criteria including knowledge and awareness of the legal requirements.

The Agreement with AHEIA<sup>7</sup> - Covered the costs of developing 12 non-restricted and 12 restricted firearms kits for Instructor/Examiners responsible for teaching and testing the Canadian Firearms Safety Course and the Canadian Restricted Firearms Safety Course. Therefore this agreement also supported the CAFC's continuous improvement plan in the area of firearms safety and also helped facilitate awareness of the legal requirements.

The Agreement with IFWD<sup>8</sup> - Provided funding to one province to coordinate the delivery and maintenance of the Canadian Firearms Safety Course in conjunction with the objectives and provisions of the integrated Firearm Safety/Hunter Education Program in the province.

The Agreement with Red Sky Métis<sup>9</sup> - Provided funds to deliver safety training, firearms verification and licence and registration assistance to both Aboriginal and non-Aboriginal peoples in Northwestern Ontario.

The Agreement with TCA<sup>10</sup> - Provided funds to develop a safe-hunting curriculum for on-reserve schools; as well, the project was not only a safety initiative but was also to help coordinate firearm safety partnerships among the Tribal Chiefs Association, the Alberta Treaty six First Nations, the Government of Alberta and CAFC.

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<sup>6</sup> Firearms and Outdoor Recreation Education Society

<sup>7</sup> Alberta Hunter Education Instructor's Association

<sup>8</sup> Inland Fish and Wildlife Division

<sup>9</sup> Red Sky Métis in Ontario

<sup>10</sup> Tribal Chiefs Association in Alberta

The Agreement with AFN<sup>11</sup> - Provided funds for a national forum on approaches to communications, outreach and related services in First Nations communities throughout the western provinces, the Yukon and the Northwest Territories. In addition, the project also focused on strategies for community participation in firearms administration and service delivery.

## **4. Recommendations:**

The recommendations discussed in this section of the audit report adhere to the same sequence found in the Audit Findings section of the report.

### **4.1 Recommendation**

#### *Roles and Responsibilities*

Prior to April 2001, the current Aboriginal and Other Communities and Organizations Funds Program were managed exclusively by the Policy, Communications and Consultation Directorate. However, in April 2001, when CAFC re-established the fund, management of the Program was split between the Policy, Communications and Consultation Services and the Licensing Directorates. Specifically the Policy, Communications and Consultation Directorate assumed responsibility for the management of funds related to Aboriginal requests/proposals/submissions and the Licensing in the Operations Directorate assumed responsibility for the management of funding requests/proposals/submissions related to Other Communities and Organizations. This split was initiated to ensure both flexibility and latitude and to also enable CAFC to distinguish between policy and operation funding. The challenge inherent with this arrangement; however is that no one individual is financially accountable and there is no one individual accountable for the performance of the Program. Having multiple accountabilities has the potential to create conflicting expectations regarding AOCO performance levels.

For the reasons noted above, CAFC Senior Management should undertake an analysis of the appropriateness of the co-management approach for the AOCO Fund Program to confirm that the existing approach enables CAFC to fulfill its accountability and performance reporting requirements.

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<sup>11</sup> Assembly of First Nations in Ottawa

## **4.2 Recommendation**

### *Communications Strategy*

The Licensing Directorate in consultation with the Policy, Communications and Consultation Directorate co-develop and document a Communications Strategy, which includes:

- A discussion of the major issues related to the Program that have received a high media and public profile;
- Those people or groups to be targeted when developing and delivering the communications messages and activities;
- Three or four succinct speaking points that will be used by designated spokespeople when publicly discussing the initiative. The speaking points should capture the Program's overall goals and highlights; and
- The products and tools to be used to deliver communications messages to target audiences.

## **4.3 Recommendation**

### *Transfer Payment Policy*

The Licensing Directorate should:

(a) Ensure that applications for funding include:

- Objectives, accomplishments and financial statements of the applicant;
- Description of the project, including goals and objectives linked to CAFC mandates;
- Work plans;
- Itemized budget;
- Expected benefits; and
- Deliverables.

(b) Ensure that recipient applications are kept in working files; and,

(c) Document all the criteria to be used for evaluating applications.

## **4.4 Recommendation**

### *Cash Management Policy*

The Licensing Directorate should ensure payment provisions in Contribution Agreements are consistent with Treasury Board Policy and Program Terms and Conditions.

#### **4.5 Recommendation**

##### *Results-based Management and Accountability Framework*

The Directors of the Licensing Directorate and Policy, Communications and Consultation Directorate should ensure that ongoing performance measurement occurs throughout the Funding Program as per the Results-based Management and Accountability Framework (RMAF).

#### **4.6 Recommendation**

##### *Agreement Files*

The Licensing Directorate should develop procedures to ensure appropriate working files that include the following elements:

- A copy of the recipient's application for funding which contains the applicant's information and the project information;
- Evidence that the application was reviewed to ensure it met the Program's basic Terms and Conditions;
- The applicant's work plan or list of activities;
- An approved authorization to enter into the Contribution Agreement;
- Signed Contribution Agreement;
- Evidence of a program officer's review of the statement(s) of expense claims and approval of payment;
- Evidence of project monitoring; and
- Final project report



## 5. ANNEX

### Terms of Reference

Canada Firearms Centre (CAFC)

Audit of the Aboriginal & Other Communities & Organizations Funds Program

#### **Purpose:**

The purpose of the audit is to review appropriateness of the Contribution Agreements in place between the Canada Firearms Centre and First Nations Organizations, Other Communities and Organizations and the monitoring process of the Terms and Conditions of the agreements between CAFC with recipients across the country.

#### **Background:**

The management of the Canadian Firearms Program (CFP), including the responsibility for its implementation, rests with the Canada Firearms Centre (CAFC), which was established in 1996. Due to its mandate, the CAFC is involved in a variety of activities related to the CFP, including, but not limited to:

- Development and maintenance of the Canadian Firearms Information System (CFIS);
- Stakeholder and partner consultations;
- Legal support; regulatory development processes; public affairs;
- Communications; managing the Central Processing Site (CPS);
- Developing and providing outreach and legislative training programs; and
- Developing Canadian Firearm Safety Courses.

In December 1997, the CAFC established a communications and consultations fund to help support part of the CFP implementation efforts. This fund was entitled “Contributions to Communities and Organizations for Communications and Consultations on the *Firearms Act*.” The period of funding spanned three years and ended on March 31, 2000.

Throughout the following fiscal year (April 01, 2000 to March 31, 2001), Aboriginal communities sought CAFC support and funding to assist them in communicating licensing and registration requirements. These requests for assistance were being made for the purposes of facilitating Aboriginal compliance with the *Firearms Act*. During this same period Not-for-Profit Organizations also offered to assist the CAFC in communicating the safety requirements and benefits of the Firearms Program to Canadians.

On April 01, 2001, the CAFC decided to continue to contribute assistance toward Aboriginal and/or other communities (i.e. not-for-profit) in order to assist CAFC in implementation of the firearms legislation. This decision resulted in the establishment of a new CAFC Fund entitled "Aboriginal and/or Other Communities and Organizations Fund which was approved by Treasury Board (TB) for a five year period starting April 01, 2001 and ending March 31, 2005. CAFC will be seeking renewal for the Program.

There are five proposal assessment criteria which must be met in order to be eligible for funding:

1. Consistency with CAFC objectives and mandate;
2. Feasibility and achievability of the project;
3. Cost of proposal and consistency with Treasury Board-approved funding levels;
4. Nature and extent of community participation; and
5. Nature and extent of potential benefits.

#### **Audit Objectives:**

In order to ensure Treasury Board Terms and Conditions for the Program have been met, CAFC Audit and Evaluation must undertake a compliance audit to:

- Assure compliance with the Terms and Conditions of the Program;
- Ensure that the contribution recipient(s) provided all the deliverables specified in the Contribution Agreement, funds expended were eligible expenditures and were supported by proper documentation; and
- Assess the quality of financial control measures and mechanisms in place to manage risks effectively.

#### **Program Budget:**

The current budget for the delivery of the Program is approximately \$0.5 million.

**Audit Scope:**

The scope of the audit will cover the fiscal period April 01, 2003 – present; and may include:

- An examination of the recipient's accounting records and other supporting documents to determine if the total expenditures reported were eligible and in accordance with the Terms and Conditions of the Contribution Agreements;
- An assessment of the adequacy of the monitoring mechanisms in place to ensure that Contribution Agreement recipients are meeting Agreement Terms and Conditions;
- An assessment of the adequacy of accountability mechanisms of recipients to CAFC;
- An assessment of CAFC's management control frameworks; and
- Whether the department's investment achieved the desired results.

**Suggested Regions:**

The regions to be covered will be determined at the planning stage.

**Cost:** It is estimated that contracted resources will cost \$15,000

**Comments:** The audit is targeted to be completed by September 2004

**Approved by:**

Original Signed by:  
Jamie Deacon  
Director, Policy,  
Communications  
and Consultation

Original Signed by:  
Al Goodall  
Director, Licensing

Date: 21-07-04

Date: 21-07-04

Audit of the Aboriginal & Other Communities & Organizations Funds Program Report  
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**Action Plan**

**Aboriginal & Other Communities and Organizations Audit – March 30, 2005**

Recommendation	Report Page Number	Action Plan	Responsible Manager	Planned / Implementation Date	Status 2005
1. CAFC Senior Management should undertake a strategic analysis on the appropriateness of the co-management regime for the AOCO Fund Program to confirm that the existing approach enables CFAC to fulfill its accountability and performance reporting requirements.	18	Planning and coordination for all AOCO contributions to be managed by the Policy, Communications and Consultation Directorate.  Directorate(s) with program responsibility would remain point of contact with AOCO applicants/contributions.	James Deacon	Summer/Fall 2005	
2. The Licensing Directorate in consultation with the Policy, Communications and Consultation Directorate, co-develop and document a Communications Strategy which includes: <ul style="list-style-type: none"> <li>• A discussion of the major issues related to the Program that have received a high media and public profile;</li> <li>• Those people or groups to be targeted when developing and delivering the communications messages and activities;</li> <li>• Three or four succinct speaking points that will be used by designated spokespersons when publicly discussing the initiative. The speaking points should capture the Program's overall goals and highlights; and,</li> <li>• The products and tools to be used to deliver communications messages to target audiences.</li> </ul>	19	Policy, Communications and Consultation, as part of the planning for contributions funding, to lead the development a communications strategy focused on two tracks: <ul style="list-style-type: none"> <li>a) ensuring awareness of AOCO fund among stakeholders, on a targeted basis; and</li> <li>b) ensuring consistent messaging to AOCO applicants/recipients on program approach and mandate</li> </ul>	James Deacon	Summer/Fall 2005	

Audit of the Aboriginal & Other Communities & Organizations Funds Program Report  
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**Action Plan**

**Aboriginal & Other Communities and Organizations Audit – March 30, 2005**

Recommendation	Report Page Number	Action Plan	Responsible Manager	Planned / Implementation Date	Status 2005
<p><b>3.</b> The Licensing Directorate should:</p> <p>a) Ensure that applications for funding include:</p> <ul style="list-style-type: none"> <li>• Objectives, accomplishments and financial statements of the applicant;</li> <li>• Description of the project including goals and objectives linked to CAFC mandates;</li> <li>• Work plans;</li> <li>• Itemized budget;</li> <li>• Expected benefits; and</li> <li>• Deliverables.</li> </ul> <p>b) Ensure that recipient applications are kept in working files; and</p> <p>c) Document all the criteria to be used for evaluating applications.</p>	19	<p>Establish CAFC Contributions Committee.</p> <ul style="list-style-type: none"> <li>- Chaired by Policy, Communications and Consultation</li> <li>- Including reps from Finance, Operations</li> </ul> <p>Adapt standards and objectives used already by Policy, Communications and Consultation for contributions to Aboriginal groups to all categories of recipient organizations.</p> <p>Apply this standard methodology to all AOCO applicants/recipients.</p>	<b>James Deacon</b>	<b>Summer/Fall 2005</b>	
<p><b>4.</b> The Licensing Directorate should ensure payment provisions in Contribution Agreements are consistent with Treasury Board policy and Program Terms and Conditions.</p>	19	<p>All AOCO contributions will be managed by Policy, Communications and Consultation.</p> <p>Directorate(s) with program responsibility would remain point of contact with recipients/applicants and ensuring that funding recipients meet obligations under funding arrangements consistent with TB authorities.</p> <p>Adopting a standard CAFC approach for all AOCO applicants/recipients will ensure consistency with TB policy, etc</p>	<b>James Deacon/ John Brunet</b>	<b>Summer/Fall 2005</b>	

Audit of the Aboriginal & Other Communities & Organizations Funds Program Report  
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**Action Plan**

**Aboriginal & Other Communities and Organizations Audit – March 30, 2005**

Recommendation	Report Page Number	Action Plan	Responsible Manager	Planned / Implementation Date	Status 2005
<p>5. The Licensing Directorate and Policy, Communications and Consultation Directorate should ensure that ongoing performance measurement occurs throughout the Funding Program as per the RMAF.</p>	20	<p>Planning and coordination for performance measurement indicators for all AOCO Contributions Agreements will be developed in conjunction with the Performance Measurement Working Group initiative on Performance Measurement through liaison with the Policy, Communications and Consultation Directorate.</p> <p>Directorate(s) with program responsibility would remain point of contact with recipients/applicants and ensure that funding recipients meet obligations under funding arrangements consistent with TB authorities.</p>	<b>James Deacon</b>	<b>Summer/Fall 2005</b>	
<p>6. The Licensing Directorate should develop procedures to ensure appropriate working files that include the following elements:</p> <ul style="list-style-type: none"> <li>• A copy of the recipient's application for funding which contains the applicant's information and the project information;</li> <li>• Evidence that the application was reviewed to ensure it met the Program's basic Terms and Conditions;</li> <li>• The applicant's work plan or list of activities;</li> <li>• An approved authorization to enter into the Contribution Agreement;</li> <li>• Signed Contribution Agreement;</li> <li>• Evidence of a program officer's review of the statement(s) of expense claims and approval of payment;</li> <li>• Evidence of project monitoring; and</li> <li>• Final project reports.</li> </ul>	20	<p>Planning and coordination for performance measurement indicators for all AOCO Contributions Agreements will be developed in conjunction with the Performance Measurement Working Group initiative on Performance Measurement through liaison with the Policy, Communications and Consultation Directorate.</p> <p>Directorate(s) with program responsibility would remain point of contact with recipients/applicants and ensure that funding recipients meet obligations under funding arrangements consistent with TB authorities.</p>	<b>James Deacon</b>	<b>Summer/Fall 2005</b>	