Oversight of Time-Limited Discretionary Grants

1.0 Summary

The province provides about $3.9 billion annually in time-limited grants to third parties to pay for activities that are intended to benefit the public and help achieve public policy objectives. These grants are discretionary, meaning the province is not required to provide funding for these activities to meet statutory obligations. The ministries are responsible for determining the level of funding for their specific grant programs in their annual budgets, based on their objectives and priorities. The Treasury Board Secretariat is responsible for reviewing the final allocation of these grants for each ministry based on government priorities, political direction and the economic climate.

The government reports all grant payments together in the Public Accounts and the Estimates of the province of Ontario, without differentiating between those for time-limited activities (funded through discretionary grants) and those for the delivery of government services (for example, to hospitals for health care or to school boards for education). Without being able to identify which grant payments are for time-limited projects and which are for ongoing programs, Members of the Provincial Parliament do not have the necessary information on which to base funding allocation decisions in times of fiscal constraint or changing government priorities.

Furthermore, the Treasury Board Secretariat has not clearly defined these grants and there is no central list of time-limited discretionary grants that would facilitate their consolidated oversight.

We found that most time-limited discretionary grant programs we tested were selecting recipients based on objective evaluation criteria, except for a few grant programs under the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry), which selected some recipients based solely on the Minister's discretion. Based on our testing, we noted that over the last few years, the Ministry has allocated about 10% of grant funding to events at the discretion of the Minister. The Transfer Payment Accountability Directive provides direction on determining a recipient's eligibility and requirements for documenting funding decisions. A ministry that wants an exemption from part or all of the directive, only for exceptional circumstances, must seek Treasury Board/Management Board of Cabinet approval. In addition, the ministry must set out the rationale for the exemption in a business case. We noted the Ministry did not request an exemption from Treasury Board for any of the grant programs we tested where grants were awarded under ministerial discretion.

We also found that for a sample of grant recipients in programs we reviewed, the amounts awarded were accurate, did not exceed the amount

requested by the applicant, and did not exceed the maximum funding allowed per recipient as established by each grant program.

We also noted that monitoring efforts to ensure grant funding was being used as intended needed improvement. Ministries mostly relied on recipients reporting their own performance results to assess progress towards the grants meeting public policy objectives. Also for seven of 15 grant programs we reviewed, granting ministries did not visit any recipients to confirm that the funded activities were taking place effectively.

In March 2016, the Treasury Board made the use of the Grants Ontario system, operated by the Ministry of Government and Consumer Services, mandatory for administering all project-based/time-limited grant programs. The system was expected to create efficiencies by standardizing the granting process, and to improve oversight and evidence-based decision-making by providing a common platform for ministries to share recipient funding and performance information. As of September 2019, the expected benefits have not yet been achieved, as only 53% of the time-limited grant programs have implemented the mandatory system. The other 47% of grants were still being managed by different systems in place across the various ministries. As a result, it is still difficult to aggregate government grant information to exercise appropriate oversight and to use in decision-making, as the data exists across different systems that are not easily accessible. These other systems used to manage grant programs cost about $45 million to operate in 2017/18 (latest data available at the time of our audit).

The following are our significant findings:

- **Public disclosure of government grants is not always consistent or transparent.** For grant recipients that are paid directly by ministries, their names and amounts received are disclosed in the Province's public accounts. However, we identified eight organizations that received $402 million in grant funding from the province in 2018/19 and then disbursed those funds to other parties, which were not disclosed in the public accounts. While some of these flow-through organizations listed the grant recipients and amounts awarded to them on their own websites, disclosure of grant recipient information was inconsistent and difficult to find. In contrast, the federal government makes the amount of funding per grant recipient available on one common platform, whether funds are provided by the government directly or through a flow-through organization.

- **Some grant recipients that did not meet evaluation criteria received funding under Ministerial discretion.** The Ministry of Heritage, Sport, Tourism and Culture Industries' Celebrate Ontario grant program has supported festivals since its inception in 2007. From 2016/17 to 2018/19, all applicants that achieved the minimum required score were approved for grant funding. However, the grant program also provided almost $6 million in funding through ministerial discretion to 132 applicants that had not achieved the minimum evaluation score required for funding approval. The explanation justifying these approvals was that these applications fell under a certain priority category, but there was no other documented justification on file explaining why the Minister chose to fund a certain applicant over another in the same category that had a higher score. An additional $2.5 million in funding was provided through ministerial discretion to 73 applicants in 2019/20. In this case there was no indication what specific priority area the selected applicants were to address.

- **Most grant programs do not consider an applicant's need for funding during the selection process.** Only two of the 15 grant programs we reviewed considered the need for grant funding as part of the selection process. We noted that the Ontario Scale-Up Vouchers Program, whose objective is to accelerate the

growth of start-up technology companies, provided $7.65 million in 2018/19 to businesses that already had a significant amount of resources available to them already. Prior to receiving support from the program, 27 recipients combined had raised $491 million dollars in capital. Similarly, under the New Relationship Fund, the Ministry of Indigenous Affairs provides First Nations and Metis communities with funding for one consultation co-ordinator, without considering their workload or need for funding. Over the last five years, the number of consultation requests ranged from 14 at one First Nation to 1,177 at another. Both First Nations received the same amount of funding.

- **Ministries mostly rely on self-reported information to assess whether the recipients used grant funding as intended.** Based on our review of 15 grant programs, ministries were receiving project-specific financial information to assess the use of grant funding for 13 grants. However, only three programs required recipients to provide independent verification of the use of those funds by submitting audited financial information. We selected a sample of recipients to verify their use of funds and noted some recipients had claimed ineligible expenditures. For example, under the Ontario 150—Partnerships program, the Ministry provided $75,000 in funding to an organization to promote women's engagement in politics and to host an event at Queen's Park. However, we noted that the organization claimed the majority of the expenditures for consulting work performed by its executive director at a rate of $675 per day, even though regular staff salaries were not eligible for funding under this program.

- **Ministries do not verify the performance results reported by recipients for reasonability.** For 14 of the 15 grant programs we reviewed, ministries relied on recipient-reported performance results without verify-

ing these results. For example, the Ministry of Heritage, Sport, Tourism and Culture Industries used recipient-reported attendance and visitor expenditures information to assess the economic impact of the Celebrate Ontario grant. For 2017/18, the Ministry had to exclude 50% of performance results reported by recipients because it was deemed unreliable. For example, some recipients reported that the increase in visitors to their events exceeded the total number of visitors to their events, while some reported that new visitors spent more than all visitors combined. The Ministry did not follow up with recipients to update the information it received and did not take this into consideration in future grant-funding decisions. One recipient we spoke with informed us that they simply guessed at the number of attendees and amount spent by visitors at their event.

- **The impact of grant funding for programs and projects with long-term objectives is not being monitored after the funding period ends.** Under the Youth Skills Connections—Industry Partnerships program, the Ministry of Economic Development, Job Creation and Trade supports training and provides work placement for youth to close industry-identified skills gaps. However, the Ministry did not follow up after the completion of the funding agreement to assess whether the companies that received the grants were still employing the newly trained youth after a certain period. For the Jobs and Prosperity Fund—New Economy Stream, applicants noted that about 4,700 jobs were at risk if projects were not implemented. The Ministry of Economic Development, Job Creation and Trade invested over $270 million into these projects. However, the Ministry has no recourse if the jobs are not retained after the contract ends.

- **Most grant programs are not reporting performance results publicly.** The grant

programs we reviewed generally contained performance measures, but lacked performance targets and results were not being reported publicly. For the majority of grant programs we reviewed, the measures were primarily activity-based rather than outcome-based. Activity-based measures count actions, but not whether those actions were effective in achieving the desired outcomes. To illustrate, the Youth Skills Connection program aims to address skills gaps through industry partnerships and improve competitiveness in key sectors of Ontario's economy. The Ministry of Economic Development, Job Creation and Trade measures the number of industry partners, youth trained, work placements and jobs filled, but it does not measure and report whether the skills gap is closing in various sectors, or closing to an acceptable level.

This report contains 13 recommendations, with 24 action items, to address our audit findings.

Overall Conclusion

Discretionary, time-limited provincial grants are important for supporting activities that benefit the public and helping the government achieve its public policy objectives. However, because the Treasury Board Secretariat has not clearly defined these time-limited grants and there is no central list cataloguing all the grants available and their details, the process for managing and monitoring these funds is fragmented and ineffective. Furthermore, because time-limited grant funding is not identified or isolated in the Public Accounts and the Estimates of the Province of Ontario, it is difficult for Members of the provincial Legislature to make appropriate funding re-allocation suggestions or decisions in times of economic constraint without affecting ongoing government services.

Our audit found that ministries did establish objectives for their grant programs that aligned with their mandates. In addition, most ministries provided grants based on objective evaluations,

except for the Ministry of Heritage, Sport, Tourism and Culture Industries, which provided funding to some applicants based solely on the minister's discretion. We also noted, though, that most ministries did not consider an applicant's need for funding as part of their evaluation and selection process. This raises concerns that the government is providing funding where it might not be financially needed, at the expense of programs that need the funding.

Where the grant selection and approval processes were objective and followed ministry mandates, we found that ministries did not adequately monitor grant recipients to ensure funds were spent as intended and grant activities were taking place effectively. As well, in most cases we reviewed, the performance measures established for grant programs were not sufficient to assess whether grant programs were meeting their objectives.

Furthermore, seven years after the province developed a government-wide IT system for managing grants, and three years after the system became mandatory, ministries have only transferred a little over half of all grant programs into the system, and are still not using all its functionality to full effect. Instead, they rely on a patchwork of various processes, leading to inefficiencies and an inability to share the financial and performance information of grant recipients that would be critical for making broader evidence-based decisions regarding future funding priorities and allocations.

OVERALL RESPONSE

The Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer Services (Ministry) welcome the recommendations of the Auditor General on improving the administration and oversight of discretionary grants.

We recognize there are opportunities to enhance transparency, increase efficiencies, and help ensure that discretionary grants are meeting their desired goals and objectives. The Secretariat is leading initiatives to identify opportunities to improve implementation of and

compliance with the corporate rules (including the Transfer Payment Accountability Directive and Transfer Payment Operational Policy) and to work with ministries on implementing transfer payment programs through the centralized Transfer Payment Ontario system. This includes, enhancing the current use of key system components to ensure the adoption of best practices and reducing risk.

We welcome the insights and the recommendations in the report. Actions will be taken by the Ministry and Secretariat, in collaboration with ministries and provincial agencies, that focus on improving the efficiency, effectiveness, and value and oversight of time-limited discretionary grants. Work is already under way to address some of the recommendations, specifically those aligned with Transfer Payment Consolidation, one of the key government priorities in Smart Initiatives. This initiative is designed to strengthen accountability and oversight of transfer payments, and improve provincial services through better integrated, more effective, and efficient transfer-payment processes. As part of the work, the rules and controls for transfer payments will be reviewed and modernized, and the Secretariat will help build Ontario Public Service's transfer-payment capacity by developing a transfer-payment curriculum to promote education opportunities across government.

We are taking a sector approach to examine opportunities for transfer payment consolidation and for reducing the burden on transfer payment recipients through integrated and/or reduced agreements and reporting. Major enhancements and upgrades to the Transfer Payment Ontario system have also been completed.

Through this Smart Initiative, the Secretariat intends to reduce administrative costs and burden on the service delivery partners, improve service delivery and outcomes, and increase value for money of provincially funded programs. The observations and recommendations in this audit will be instrumental as we consider the actions required to fulfill the government commitment.

We look forward to a continued constructive relationship with the Auditor General and her staff as we move forward with implementing the recommendations in this report.

2.0 Background

2.1 Overview

The government delivers some services directly to the public, such as registering births and deaths, issuing and renewing health cards and drivers' licences, or distributing disability support payments to eligible individuals. In other cases, the government provides funding to third parties, through a transfer payment, to deliver services. Some of these third-party-provided services are non-discretionary, meaning the government is legislated to provide funding (for example, health care and education). Other services are discretionary, and while the government is not legislated to provide funding, it has chosen to do so either on an ongoing basis for years (for example, childcare and services for persons with autism), or on a time-limited basis to support new initiatives and government priorities (for example, cultural festivals and support for new businesses).

The province's public accounts and budgeting process does not distinguish between funding provided to service providers for legislated government services, ongoing government programs that are not legislated, and one-time or short-term discretionary grants. Our audit focused on one-time or short-term discretionary grants (time-limited grants).

2.2 Time-Limited Discretionary Grants Provided by the Province

As there is no central reporting of time-limited discretionary grants in the province, we worked with the Treasury Board Secretariat and all 23 ministries to assemble the list. Based on information provided by each ministry, as seen in **Figure 1**, there were 249 discretionary grant programs in 2018/19 and the province paid out $3.9 billion in grant funding.

We asked the ministries to categorize each grant program in the last five years based on its main purpose, and assembled a list of grants by category (see **Appendix 1**). Time-limited grants have increased in total by $379 million (11%) from 2014/15 to 2018/19. In the last fiscal year, approximately 50% of time-limited grants were in support of northern/rural communities, private industry and education, as shown in **Figure 2**. **Figure 3** shows the changes in grant funding by category from 2014/15 to 2018/19.

2.3 Grant Approval Process in the Province

Through the annual budgeting process, every ministry must prepare budget plans for the upcoming year, based on the ministry's objectives and priorities. These plans contain proposed changes to grant programs, including the introduction of new programs and termination of existing programs.

Figure 1: Time-Limited Grants by Ministry, 2018/19

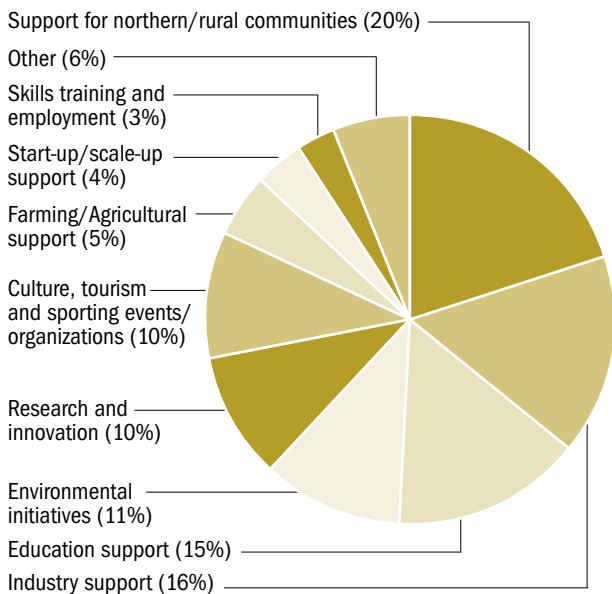Source of data: Ontario Ministries

Ministry	# of Grant Programs	Total Funding Provided ($)
Economic Development, Job Creation and Trade	54	686,913,199
Finance	8	656,864,532
Education	3	426,411,096
Tourism, Culture and Sport	16	360,672,112
Agriculture, Food and Rural Affairs	22	324,389,673
Training, Colleges and Universities	15	270,795,176
Environment, Conservation and Parks	14	268,672,675
Energy, Northern Development and Mines	21	264,686,953
Municipal Affairs and Housing	3	201,512,623
Transportation	5	151,671,297
Children, Community and Social Services	2	80,997,475
Health and Long-Term Care	11	56,153,221
Attorney General	10	50,284,301
Indigenous Affairs	9	40,646,274
Seniors and Accessibility	3	19,927,186
Natural Resources and Forestry	12	14,075,057
Government and Consumer Services	25	6,637,970
Solicitor General	6	4,212,430
Labour	3	3,206,438
Francophone Affairs	2	1,041,119
Infrastructure	2	865,050
Cabinet Office	2	432,021
Treasury Board Secretariat	1	162,077
Total	**249**	**3,891,229,954**

Ministries determine the level of funding for specific grant programs based on, for example, the level of funding in the prior year, anticipated program demand, and/or performance results.

Ministry budgets require Treasury Board approval, but first these plans are reviewed by Treasury Board Secretariat analysts, who make recommendations to the board. Treasury Board approval is based on government priorities, political direction and the economic climate, and determines the final allocation for each ministry.

Government Imposes Freeze on Discretionary Spending

In June 2018, the provincial government imposed expenditure restrictions, which included a freeze on discretionary spending that was in place at the time of our audit. The memo from the Secretary of Cabinet announcing the expenditure restrictions described discretionary spending as follows: "Discretionary spending includes, but is not limited to, time-limited payments and programs funded through transfer payments (for example, annual call for proposals), time-limited service contracts (for example, consulting services and temporary help services), non-essential travel, events, and communications (for example, advertising, media monitoring and publications), and any expense that can be placed on hold without putting government service delivery or the public at risk (for example, matters of health, safety and security)."

2.4 Grants Ontario System

2.4.1 Creation of Grants Ontario System

In 2008/09, multiple ministries worked collaboratively to identify common business processes related to project-based or time-limited grants in order to develop a government-wide IT system for managing such grants. This project was led by the

Figure 2: Time-Limited Grants by Category, 2018/19

Source of data: Ontario ministries

- Support for northern/rural communities (20%)
- Other (6%)
- Skills training and employment (3%)
- Start-up/scale-up support (4%)
- Farming/Agricultural support (5%)
- Culture, tourism and sporting events/organizations (10%)
- Research and innovation (10%)
- Environmental initiatives (11%)
- Education support (15%)
- Industry support (16%)

Figure 3: Changes in Grant Funding by Category, 2014/15–2018/19

Source of data: Ontario ministries
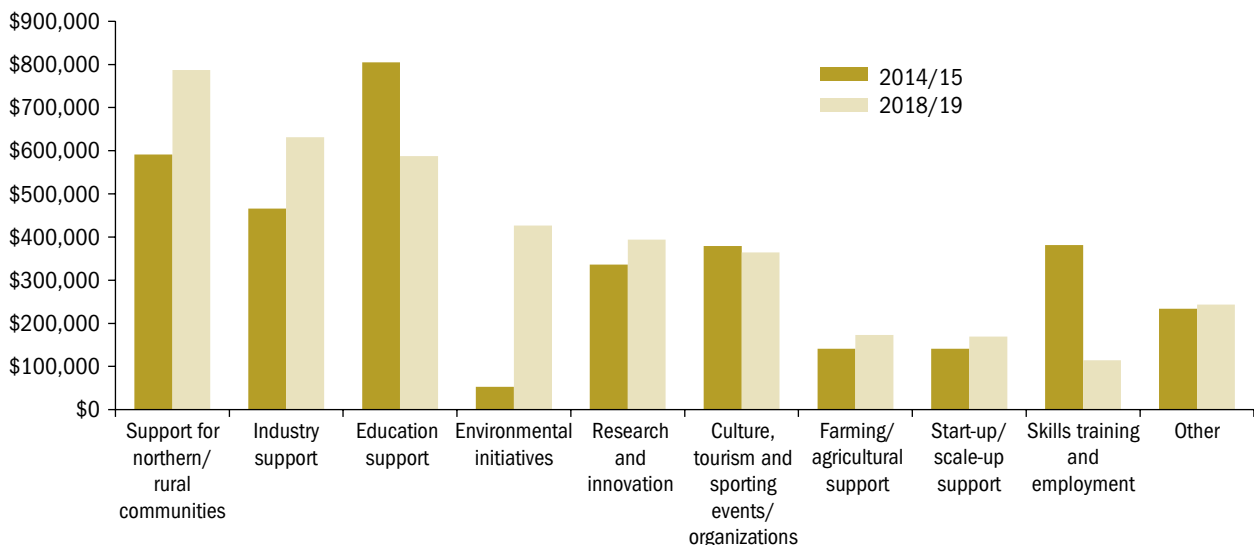
business teams in the Ministry of Citizenship and Immigration (now part of the Ministry of Children, Community and Social Services) and the Ministry of Tourism and Culture (now part of the Ministry of Heritage, Sport, Tourism and Culture Industries).

The project leaders looked at existing grant systems across the Ontario public sector and in other jurisdictions. However, none of the existing systems were deemed a fit for the requirements and functionalities identified for a government-wide system. The Grants Ontario system was built in 2012 at a cost of $8.3 million, with the assistance of an outside consultant. The system gives users the ability to screen grant applicants, evaluate applications, process grant payments, monitor recipient progress, and track approved funding commitments and actual payments.

2.4.2 Support to Expand the Grants Ontario System to Other Ministries

In February 2012, around the time the system was being developed, the report of the Commission on the Reform of Ontario's Public Services, commonly known as the Drummond Report, was released. The Commission, whose task was to advise the Government of Ontario on how to reduce the Province's debt levels, recommended that the Ontario Public Service should develop an integrated transfer payment operation centre and an enterprise grant management system. The report noted that the expansion of the newly developed enterprise grants management system (now known as Grants Ontario) across the Ontario Public Service would create further efficiencies in program administration and value-for-money gains.

2.4.3 Grants Ontario System Becomes Mandatory

In 2013/14, the Transfer Payment Administrative Modernization project was initiated to identify and implement efficiencies across the government by streamlining and automating administrative

practices relating to transfer payments, including grants. In March 2016, Treasury Board made the use of the Grants Ontario system mandatory for administering project-based/time-limited grant programs, and all ministries were expected to be using the system by March 2019. The Information Technology Executive Leadership Council (Council) also endorsed the Grants Ontario system for all grant programs. The Council is composed of Chief Information Officers across the government and certain individuals at the Director and Assistant Deputy Minister level. Its role is to ensure that the value of the Ontario government's investment in information and information technology, both in terms of staff and money, is maximized.

2.5 Applicable Government Directives and Policies

2.5.1 Transfer Payment Accountability Directive

The Transfer Payment Accountability Directive sets out an administrative accountability framework for, among other things, discretionary grants. The directive establishes the principles, requirements and responsibilities for ministries and provincial agencies when overseeing grant activities. See **Appendix 2** for the guiding principles of the directive.

The directive lays out requirements in three areas as follows: recipient assessments, agreements and oversight.

- **Recipient Assessments:** Used to determine the level of oversight required for the recipient. The minimum risk factors that must be considered are: the recipient's capacity (that is, governance structure and controls), recipient history (including funding received and performance), and public perception (that is, how the public and media view the recipient). A higher level of monitoring and reporting is required for activities and recipients deemed to be higher risk.

- **Agreements:** Ministries should have a signed agreement in place with a recipient before a grant payment is provided. Agreements should identify the rights, responsibilities, and obligations for both the recipient and the accountable ministry. Agreements should also clearly outline the related outputs and outcomes of the grant payment and the reporting requirements for the grant recipient. Ministries must engage legal counsel when drafting or amending agreements, and follow a consistent, documented approvals process for finalizing, executing and amending agreements. The directive recommends that ministries use an agreement template, where appropriate, in order to promote consistency and reduce administrative burden for ministries and recipients.
- **Oversight:** Ministries should monitor recipients throughout the term of the agreement to ensure they are meeting the terms outlined in the agreement. Ministries are required to review all reports submitted by recipients, as required by their agreement, and document receipt and review of those reports as evidence that they have assessed a recipient's progress toward achieving the intended outputs/outcomes of the activity for which they are being funded. Also, the steps taken by the Ministry to remedy any non-compliance by the recipient should be proportionate to the non-compliance in question and documented. Any severe corrective action, such as termination of the contract, must be done by the Ministry after consulting their legal counsel.

Ministries are also required to clearly define how success is evaluated and how the outcomes/outputs of each grant program support the achievement of the associated public policy objectives. In addition, the directive states that approval from Treasury Board/Management Board of Cabinet is required for exemption from all or part of the directive.

2.5.2 Transfer Payment Operational Policy

The purpose of this policy is to set out operational requirements and best practices that support effective and proportional oversight of transfer payments, which includes time-limited grants, and support productive relationships with funding recipients. Below is a summary of some of the key requirements and best practices in selected areas outlined in the policy.

Use of government-wide systems

The government has two mandatory systems that ministries must use to manage transfer payment activities:

- **Transfer Payment Common Registration (TPCR)—**This is a central repository of grant-recipient information. It includes profile information of a grant applicant and/or recipient such as their legal name and address, as well as a unique business number issued by the Canada Revenue Agency. All recipients of time-limited and/or ongoing funds must be registered in the system. Ministries must use data from the TPCR as the authoritative source for recipients' profile information. Ministries must ensure recipient registration is completed prior to entering, renewing or amending existing agreements.
- **Grants Ontario System—**This is a case management system for managing all time-limited grant programs. In August 2019, the system was expanded to ongoing transfer payment programs, both legislated and discretionary. (The Grants Ontario system is described more fully in **Section 2.4**.)

Both systems are integrated and are administered by the Ministry of Government and Consumer Services' Transfer Payment Ontario Branch (formally, the Grants Ontario Business Office). In turn, the Grants Ontario system is integrated with the government's accounting system (the Integrated Financial Information System). This means that the payments approved in Grants Ontario generate a payment in the Integrated Financial Information System.

Agreements

The policy also sets out circumstances when an agreement must be updated or amended. As a best practice, ministries should notify grant recipients in advance of any amendments or updates to grant payment agreements. A minimum of 30 days advance notification is recommended.

Oversight

As a general rule, grant programs are required to identify opportunities to streamline and consolidate reporting for recipients. Instances where this is appropriate are as follows:

- Where a grant recipient is assessed with low risk of not meeting their obligations under the terms of the funding agreement. In this case, ministries have the option to streamline reporting requirements; streamline the agreement renewal process (that is, no need to renegotiate); and/or allow the grant recipient to re-allocate certain funds between designated expenditure categories without the Ministry's prior approval (referred to as budget flexibility). Ministries must ensure that grant recipients and their related risk assessment ratings are current.

- Where a grant recipient is funded by more than one grant program within the same Ministry. In this case, the program areas could use a standard multi-project agreement or perform a consolidated year-end reconciliation process. Where opportunities are identified, ministries must consolidate and streamline reporting.

- Where a grant recipient is funded by more than one grant program in different ministries for a similar activity. In this case, the program areas could implement common reporting requirements, set out such requirements in a common agreement, perform a consolidated year-end reconciliation process, or align the timing for recipient reporting.

3.0 Audit Objective and Scope

The objective of our audit was to assess whether ministries that provide time-limited discretionary provincial grants have effective policies and procedures in place to ensure that:

- grants are provided and used efficiently and effectively towards achieving public policy objectives and desired program goals, in accordance with government directives and respective program policies and guidelines; and

- the impact and effectiveness of grant programs is measured, evaluated and publicly reported on.

In planning our work, we identified the audit criteria (**Appendix 3**) we would use to address our audit objective. These criteria were established based on a review of applicable policies, procedures and directives, internal and external studies, and best practices. Senior management at the Treasury Board Secretariat and the Ministry of Government and Consumer Services reviewed and agreed with the suitability of our audit objective and associated criteria.

We also shared our audit objective and criteria with the following ministries from which we selected a sample of discretionary grant programs for review:

- Ministry of Economic Development, Job Creation and Trade;

- Ministry of Heritage, Sport, Tourism and Culture Industries;

- Ministry of Finance;

- Ministry of Indigenous Affairs;

- Ministry of the Environment, Conservation and Parks; and

- Ministry for Seniors and Accessibility.

We conducted our audit work mainly at the Transfer Payment Ontario Branch and the six granting ministries selected as part of our review. We focused on key areas of the grant lifecycle: selection

of grant recipient, funding, monitoring, and performance measures.

Our work included interviewing senior management at the Transfer Payment Ontario Branch and the ministries selected; reviewing applicable policies, directives and procedures; sampling and reviewing relevant grant applicants' documentation; and reviewing other relevant documents to assess the impact of grant programs, including program reviews.

We also worked closely with the Treasury Board Secretariat and all 23 ministries to create a list of all provincial discretionary grant programs and to gather five years of financial information on these grants. We also surveyed ministries that were using the Grants Ontario system to obtain their feedback on the system.

We selected 15 grant programs for detailed testing across various ministries for different purposes and to different types of recipients. The purposes we focused on were culture, tourism or sporting events/organizations, start-up/scale-up, skills training employment, support for northern/rural communities, industry support, environmental initiatives, research and innovation, Aboriginal support, social services and international disaster-relief support. The types of recipients we selected included businesses, not-for-profit organizations, post-secondary institutions, municipalities, and First Nations.

A brief description of each grant we selected for review is included in **Appendix 4**, and the results of our testing are summarized in **Appendix 5**. Based on our review of grant information available at the ministry level, we also visited five and contacted an additional 10 grant recipients to review selected source documents.

For three of the six discretionary grant programs that were funded by the Ministry of Economic Development, Job Creation and Trade but administered by the Ontario Centres of Excellence or the MaRS Discovery District, we visited the grant program administrators to complete our testing.

Our audit excluded any time-limited discretionary grants programs audited by our Office in the last five years.

4.0 Audit Observations

4.1 Discretionary Grant Information and Disclosures

4.1.1 Discretionary Grants Are Not Separately Disclosed to Allow Legislators to Make Informed Decisions

The Estimates of the Province of Ontario outlines the spending plans for each ministry, while the Public Accounts of Ontario outlines the actual revenues and expenditures for each ministry. However, both group all transfer payments to third parties together, without differentiating between those for time-limited activities and those for the delivery of government services, whether legislated or not.

For example, in the 2018/19 Public Accounts of Ontario, time-limited discretionary grants are included under the classification of "transfer payments." This classification also includes refundable income tax credits, subsidies, assistance, and other legislated grants paid to individuals, businesses, institutions and other government bodies. Therefore, it is difficult to confirm how much of the transfer payments provided in the year were for ongoing programs, such as education grants to school boards, versus time-limited discretionary grants. In 2018/19, transfer payments before consolidation with the broader public sector (including, hospitals and school boards) accounted for 80% of the Province's total expenditures or $130 billion.

Members of the legislative assembly approve the spending plans of each ministry outlined in the Estimates of the Province. Once approved by the legislature, the Estimates become the legal spending authority for each ministry. Without being able to identify which transfer payments are discretionary and which are for ongoing programs versus

time-limited programs, Members of the Legislature or the Standing Committee on Estimates, which considers Estimates of selected ministries, do not have access to the necessary information on which to base discussions, questions and later funding allocation decisions in times of fiscal constraint or changing government priorities.

There Is No Central Listing of All Time-Limited Grant Programs in Ontario

Internally, the government does not have a centralized list of time-limited discretionary grants and there is no clear or consistent understanding and reporting of discretionary grants across the ministries.

As of June 2019, only 25% of time-limited discretionary grants in the Grants Ontario system (discussed in **Section 4.2**) were listed on Grants Ontario's public website, describing the purpose of grant funding and eligibility requirements. The Transfer Payment Ontario Branch (formerly Grants Ontario Business Office) told us that the decision of whether or not to list the grants publicly was made based on input from the granting ministry. For the grants not listed on the Grants Ontario website or not yet transferred to the Grants Ontario system, it was difficult to find a description of the grants and their eligibility requirements on the respective ministries' websites. In contrast, Australia's government-wide information system (GrantConnect) provides transparency through the granting process. The system provides notification of future grant opportunities, and details on current grant opportunities as well as every grant awarded by the Australian government regardless of value.

As part of the government's annual budgeting process, all ministries are required to complete a Transfer Payment Analysis Form for each of their transfer payment programs that provide funding of more than $25 million annually. The form identifies, among other things, whether the grant program was created through legislation or whether it is at the Ministry's discretion. However, this information is not verified, accumulated or tracked centrally to allow for year over year comparative analysis of discretionary grant funding.

For the purpose of this audit, we had to contact each ministry to provide us with a list of all their time-limited discretionary grant programs and associated funding for each of the last five years. It took over two months and multiple discussions with staff at various ministries and Treasury Board Secretariat to obtain the information. As noted in **Section 2.2**, for 2018/19, the Ministries identified 249 discretionary grant programs totalling $3.9 billion.

RECOMMENDATION 1

To improve transparency in government reporting and allow the members of the legislative assembly to have better information with which to make informed funding allocation decisions, we recommended that the Treasury Board Secretariat:

- show time-limited discretionary grants separately from government funding for ongoing programs in the Estimates of the Province and the Public Accounts of Ontario; and
- compile and maintain a central list of all time-limited discretionary grant programs.

SECRETARIAT RESPONSE

The Treasury Board Secretariat (Secretariat) will endeavour to strengthen transparency through public reporting, and assess highlighting discretionary grants as part of the Estimates and the Public Accounts.

The Secretariat will examine the feasibility of enhancing key sections of the Public Accounts to facilitate the identification of discretionary and ongoing grants.

Through the Transfer Payment Consolidation initiative, we will continue to ensure there is a central list of all transfer payment programs, including specific references to time-limited discretionary grant programs. We will make this

list available to all ministries and relevant provincial agencies through the enterprise intranet to help inform funding allocation decisions.

RECOMMENDATION 2

To inform the public about all grant programs available, we recommend that the Ministry of Government and Consumer Services disclose on the Grants Ontario System details on current and upcoming grant opportunities.

MINISTRY RESPONSE

The Ministry of Government and Consumer Services (Ministry) will engage with ministry program areas beginning in the fourth quarter of 2019/20 to disclose all current and forthcoming grant programs with approved launch dates on Transfer Payment Ontario.

4.1.2 Time-Limited Discretionary Grant Recipients Not Always Publicly Disclosed or Linked to the Grant Program

Grant recipients receiving more than $120,000 are annually disclosed in Volume 3 of the Public Accounts, but they are not identified with the respective grant program.

Of the 15 grant programs we reviewed, only five publicly disclosed all grant recipients and their related funding. For two grant programs (Celebrate Ontario and the Ontario Municipal Partnership Fund) recipients were disclosed on the Transfer Payment Ontario (formerly Grants Ontario) website. Recipients of the other three programs (the Jobs and Prosperity Fund, the Age-Friendly Community Planning Grant, and the Great Lakes Guardian Community Fund) were disclosed in the Ontario Data Catalogue portal, which is a government database that permits searches of various types of government data. However, the data was not always up to date. For example, for the Job Prosperity Fund the public information on the Ontario Data Catalogue was for July 1, 2009,

to March 31, 2017. In this case, 19 recipients that had received in total $79 million in funding over the last two years had not been added to the portal. Another limitation of this database is that it does not allow the user to conduct searches by grant recipient to identify all funding a single recipient receives from any provincial grant program.

4.1.3 Recipients of Time-Limited Discretionary Grants Funded Indirectly by the Government Are Not Disclosed in Public Accounts

Based on our review of 2018/19 Public Accounts, we identified at least eight organizations that acted as flow-through entities because they received approximately $402 million in funding that was further disbursed to other recipients. Some of this funding was for the cost of administering the grants. For grants provided by flow-through organizations, only the name of the flow-through organization is listed in Volume 3 of the Public Accounts, not the final recipients of the funds. See **Figure 4** for a list of these organizations and related ministries.

We found that most of these flow-through organizations disclosed the names of grant recipients and amounts awarded, by grant program, on their individual websites. However, in most cases, the total funding disclosed was less than the amount of grant expenditures recorded in their audited financial statements, even after we took into consideration funding used by the organization for operating expenditures. In many cases, the latest available list of grant recipients was for 2017/18. Some specific observations we made were as follows:

- The Ontario Arts Council had not disclosed on its website the names of organizations that were awarded grants totalling $9.9 million in 2018/19. The Council disclosed an additional $7.5 million in grants following our inquiry about the discrepancy between the information on the website and the

Figure 4: List of Flow-Through Organizations and Amount of Funding Provided, 2018/19

Source of data: 2018/19 Public Accounts, Agencies'/Funds' Financial Statements and Websites

Organizations	Amount of Funding Provided to Flow-Through Agencies/ Funds ($ million)
Ministry of Tourism, Culture and Sport	
1 Ontario Trillium Foundation	131.3
2 Ontario Arts Council	64.9
3 Ontario Media Development Corporation	45.3
4 Ontario Cultural Attractions Fund	2.0
Ministry of Energy, Northern Development and Mines	
5 Northern Ontario Heritage Fund Corporation	100.0
Ministry of Economic Development, Job Creation and Trade	
6 Ontario Centres of Excellence	37.4
7 MaRS Discovery District	19.3
Ministry of Agriculture, Food and Rural Affairs	
8 Greenbelt Fund	2.2
Total	**402.4**

amount of grants expensed on their financial statements for the year. Recipients of an additional $2.4 million in grants were still undisclosed on their website.

- The Ontario Media Development Corporation provided grants totalling $37 million in 2018/19; however, on its website it disclosed the names of about 400 organizations that were awarded grants totalling only $11.1 million.

- The Ontario Trillium Foundation received $131 million in funding in 2018/19 from two ministries for three grant programs and awarded $121 million to grant recipients; the remaining funding went toward operating costs. For the grants it awarded in 2018/19, the Foundation disclosed on its website only $94.1 million to grant recipients for one of the three grant programs it administered. For the other two grant programs, the latest list of grant recipients disclosed was for 2017/18.

- The Northern Ontario Heritage Fund Corporation does not disclose the recipients to which it provides financial assistance. In its latest financial statements, it reported grants totalling $105.9 million in 2018/19 and 94 million in 2017/18.

- The Ontario Centres of Excellence and the MaRS Discovery District do not disclose the recipients to which they provide grants. In 2018/19 they were provided with $37.4 million and $19.3 million respectively to allocate to recipients.

In contrast, we found that the then Ministry of Health and Long-Term Care did list all of the recipients in Volume 3 of the Public Accounts paid through its four flow-through agencies. In 2017/18, the then Ministry of Health and Long-Term Care provided funding to 127 recipients for a total amount of $245.7 million through four flow-through agencies. The Ministry publicly disclosed each of the 127 recipients and their corresponding amount of funding.

The federal government also makes flow-through grant information available on one common platform (Open Canada). The details include the recipient, the granting ministry or agency, the funding amount and in some cases additional detail such as the purpose of the grant and expected timelines for the use of the funds or the project start/end date.

RECOMMENDATION 3

To increase transparency and greater accountability for government funding, we recommend that the Treasury Board Secretariat, in conjunction with granting ministries, publicly disclose on one platform all recipients of government funding received directly through a ministry or indirectly through a flow-through organization, by granting program.

SECRETARIAT RESPONSE

The Treasury Board Secretariat (Secretariat) will support granting ministries to publicly

report in the Public Accounts of Ontario the recipients of government funding received directly through a ministry or indirectly through a flow-through organization, by granting program. To achieve this, the Secretariat will revise instructions provided to ministries to expand reporting requirements.

4.2 Grants Ontario System

4.2.1 Some Ministries Are Still Not Using the Grants Ontario System and Most Ministries Are Not Using All Key System Components

As of September 2019, more than three years after the government-wide Grants Ontario system was made mandatory, not all ministries were using the system for all of their time-limited/project-based discretionary grants. According to the information provided by the Transfer Payment Ontario Branch, only 53% of all time-limited discretionary grants were recorded on the Grants Ontario system.

For example, as of September 2019, the Cabinet Office and the Ministry of Long-Term Care were not using the Grants Ontario system for their time-limited discretionary grants. The Cabinet Office stated that the volume of grants and the limited number of recipients does not justify the costs associated with using the Grants Ontario System. In 2018/19, Cabinet Office provided $432,000 in grant funding under two grant programs. The Ministry of Health and the Ministry of Long-Term Care stated that the Grants Ontario system was designed to receive applications from many different potential applicants that are relatively small. In contrast, the grant activity of both the Ministry of Health and the Ministry of Long-Term Care is to provide ongoing funding to a relatively stable and unchanging number of recipients (that is, hospitals and long-term care homes) for which time-limited discretionary funding is generally provided in conjunction with ongoing funding.

Other ministries, like the Ministry of Natural Resources and Forestry, are using the system for some but not all their time-limited discretionary grant programs. The Ministry of Natural Resources and Forestry stated that it does not have the funding required to transition its remaining programs onto the system. While the other remaining ministries told us that they were in the process of transitioning all of their time-limited grants on to the system.

The Grants Ontario system includes six life cycle stages with 23 modules in total. As shown in **Figure 5**, not all grant programs on the system use all of the modules. A very high number of grant programs do not use the risk assessment module (97%), the performance measures module (72%), or the standardized contracts (100%) contained in the system. All these modules were designed to help capture relevant data and meet the requirements of the Transfer Payment Accountability Directive discussed in **Section 2.5.1**.

Most ministries we contacted were not using all modules to manage their time-limited grants within the system. The reasons they provided for not using the modules included:

- the system modules were too complicated and staff did not receive sufficient training on these modules;
- the budget module does not allow recipients of multi-component grants to input multiple budgets within one application, but instead forces recipients to create new applications for each budget component (an example of a multi-component grant is the Agricultural Drainage Infrastructure Program that includes grants for supervision, maintenance and construction);
- they were still in the process of implementing the system and have not yet started to use certain modules; and
- one ministry stated that it believed its internal risk assessment process is better than the risk assessment module in the system, which cannot accommodate all phases of the ministry's process.

Figure 5: Percentage of Grant Programs Using Grants Ontario Modules for Managing Grants, 2017/18[1]

Source of data: Transfer Payment Ontario Branch, Ministry of Government and Consumer Services

Life Cycle	Module Components	Yes[2] (%)	No (%)
Set-up and Design	Process Mapping	38	62
	Form Setup	68	32
	Web Portal	33	67
Intake	Electronic Submission	75	25
	Offline Applications and Reports	95	5
	Multi-tier Customer Support	100	0
Screening	Completeness Verification	91	9
	Eligibility Assessment	91	9
	Evaluation Scoring	77	23
	Risk Management	3	97
Approval	Funding Recommendation	100	0
	Approval Workflow	100	0
	Contract Generation	0	100
	Correspondence	99	1
Payments	Scheduling	100	0
	Authorization	100	0
	Credit Memos	69	31
	Recoveries/Repayments	72	28
	Payment integration with IFIS	100	0
Monitoring	Performance Measures	28	72
	Reporting (Report Backs)	50	50
	Corrective Action	38	62
	Notifications	100	0

1. Based on grant programs approved for funding in the Grants Ontario system in 2017/18. According to the information provided by the Transfer Payment Ontario Branch (formerly Grants Ontario Business Office), only 53% of total time-limited grants had been transferred to the Grants Ontario system.

2. Module components used by less than 50% of programs in the Grants Ontario system are noted in grey.

Incomplete Data in the Grants Ontario System Does Not Facilitate Province-Wide Analysis of Time-Limited Discretionary Grants

Since most ministries are not using all components of the system (especially the performance measures module), the province is missing out on one of the intended benefits of the centralized system—that is, sharing information to support better decision-making across government. Instead, the information coming from the centralized system is incomplete or unreliable for provincial-level or government-wide analysis.

Ministries not using the system are also at risk of making payments to recipients that may be in default for misuse of funds with another ministry, since the system allows ministries to flag any recipient for violating the terms of the agreement and this flag is accessible to all ministries using the system. If ministries are performing their own risk assessments and tracking performance measures outside of the system, this leads to inefficiencies and an inability to share critical information with other ministries that are considering providing grants to the same recipients.

While the Transfer Payment Ontario Branch has implemented a business intelligence tool to help ministries generate grant-level or ministry-level reports, it noted that most provincial-level reporting is not useful because the ministries are not using all available modules and data is not being collected in a consistent manner. For example, instead of storing information in a manner that is easily transferable to the Grants Ontario System, some ministries simply attach a scanned file or email attachment that the system cannot read or use to generate reports.

Based on our discussion with the Transfer Payment Ontario Branch, its goal is to get all ministries to use all applicable modules of the system. However, the Branch can only encourage ministries to use the modules because its role is to support the ministries and not to enforce use.

4.2.2 Expected Benefits of Implementing Grants Ontario System Not Achieved

In 2016, when the Treasury Board approved the Grants Ontario System as the mandatory government-wide system for grants, the system implementation was expected to lead to efficiencies and other benefits for the ministries using the system.

As noted in **Figure 6**, a few key benefits of implementing the system were to create efficiencies and reduce workload for ministries through standardization of the granting process, and by providing a common platform for ministries to share recipient funding and performance information for improved oversight and evidence-based decision-making across provincial grant programs. However, most of these benefits have not been achieved because not all ministries are using the system and those that are using the system are not using its full capability.

The Ministry of Government and Consumer Services has not developed performance measures for the Grants Ontario system. Appropriate performance measures, such as the percentage of grant programs on the system and using all available modules in the system, and the decrease in ministries' administrative costs, would help the Ministry and the Transfer Payment Ontario Branch assess whether the implementation of the system has achieved the expected benefits contained in the 2016 business case.

4.2.3 User Satisfaction with the Grants Ontario System Not High for Ministries That Are Using the System

At the time of our audit, the Transfer Payment Ontario Branch was collecting performance-related information through voluntary surveys of both external and internal users of the system (that is, registered grant recipients and ministry staff, respectively). Areas assessed by the survey included the following:

- frequency of use of the Grants Ontario system;
- ease of use when navigating the system;
- reasons for difficulties experienced while using the system;
- client satisfaction with customer service;
- overall effectiveness of the onboarding and program setup process;
- overall effectiveness of the training to prepare users; and
- suggestions for improvements.

The latest survey of ministry users was conducted in November 2018, and for external users it was conducted in August 2018. The response rate was low—only 16% for ministry users, and only 30 to 59 external users, depending on the survey question. According to the surveys, 41% of ministry users and 51% of external users found the Grants Ontario system difficult to navigate.

Most difficulties encountered by external users related to finding their way around the system (70%); downloading or uploading an application (57%); downloading or uploading a report (50%); attaching documents (50%); and uploading organization profile information (37%).

Most difficulties encountered by ministry staff involved querying the system (28%); case views

Figure 6: Status of Key Expected Benefits of Implementing the Grants Ontario System

Prepared by the Office of the Auditor General of Ontario

Expected Benefit	Status	Explanation
Establishment of common business processes for program administration.	Complete	Standardized grant modules, as identified in **Figure 5**.
Increase customer satisfaction.	Incomplete	Administrative burden for potential applicants has been reduced according to a government study called the *2018 Burden Reduction Report*. But user surveys indicate users still find it difficult to use the system.
Improved stewardship of public funds, allowing government to assess ministry and program performance.	Incomplete	Most ministries are not entering all grant information into the system. As of March 2019, there were 26 other transfer payment systems in use by Ontario ministries. These systems cost $45 million in total to operate.
Improved evidence-based decision-making by linking financial and grant program information through unique identifiers.	Incomplete	Each applicant must use their business number as a unique identifier. Lack of recipient risk analysis and performance results make evidence-based decisions difficult.
Improved accessibility to information through a single, consistent record system across the government.	Incomplete	Not all programs are using the system.
Improved risk management and transparency of funding relationship between province and recipient.	Incomplete	Funding relationship is transparent for programs that use the system. 97% of grant programs using the Grants Ontario System do not input risk management information in the system.
Consistent and on-demand reporting across programs and ministries.	Incomplete	Ministries do not input all relevant grant information into the system, therefore they are unable to generate useful monitoring reports.
Improved resource management by automating common grant management functions to reduce administrative costs.	Incomplete	To date, no analysis has been conducted on whether cost savings have been realized or workloads reduced.
Incorporation of best practices from existing policies and directives for transfer payment administration.	Incomplete	System provides the tools for implementing best practices, but they are not being used by all ministries.

(22%); payments (22%); and reports (22%). The exact nature of ministries' concerns was not known because users were not asked to provide details when checking off specific categories in which they were encountering problems.

In late August 2019, the Transfer Payment Ontario Branch implemented a system update that is expected to make the system more user-friendly. The update includes an interactive funding dashboard, task-based navigation and a simplified design.

We also surveyed several ministries that were using the Grants Ontario system to obtain their feedback on the system. They raised several issues, mainly to do with intake of applications, payment processing, training, technical support, and general usability of the system. Some of the issues are summarized in **Figure 7**.

One issue raised by ministries was external users having trouble uploading information. In particular, the most common complaint was that applicants had trouble saving an application in progress because the system would indicate an error in the application without identifying the source of the error. When the applicant tried to save the application, the system would appear to the user to delete partially completed applications rather than saving them, but in fact the incomplete applications remained in the system. This led to many applicants partially filling out grant applications multiple times before they successfully submitted an application.

Figure 7: Issues with the Grants Ontario System Noted by Ministries[1]
Prepared by the Office of the Auditor General of Ontario

System Issues Noted	# of Ministries Impacted
Recipients have trouble getting assistance from the system helpline with long wait times during peak periods. (From April 2018 to September 2019, over 1,900 user-reported system disruptions.)	8
Recipients that receive cheques without description.[2]	8
System implementation training is not sufficient.	7
Budget template in system is not practical and cannot be customized.	7
Downloading files from the system is difficult.	6
Recipients have trouble uploading/submitting reports prior to the deadline or Grants Ontario staff fail to input application received offline prior to the deadline.	3
Payments have to be approved individually instead of allowing batch approval for large number of recipients. (In 2017/18, 13 grant programs paid over 100 recipients.)	2
The system feature that flags recipients who perform poorly or don't comply with contract requirements, does not provide enough information and is not used effectively by ministries.	2

1. Based on survey results from 13 ministries that use the system.
2. Staff at Transfer Payment Ontario Branch informed us that grant recipients can access payment information details on their account with the Grants Ontario System.

The system does not differentiate between complete and partially complete applications, and therefore the ministries had to review all of the draft applications to ensure no applications were missed. The ministries also noted that some grant recipients had difficulty submitting final reports.

One of the key features of the Grants Ontario system is to allow ministries to share concerns about problematic recipients. The system allows the granting ministry to flag grant recipients who perform poorly or do not comply with contract requirements, and to inform other ministries who might have granted, or are considering granting funding to the same recipient. However, the flagging feature only identifies the ministry that flagged the recipient without providing any additional details or contact information for the individual or organization within the ministry that first issued the flag. The Ministry of Indigenous Affairs told us that it was difficult to find the cause for each flag because it must contact the other ministry to try to track down details on the flag. In some cases, the Ministry eventually found out that the cause for the flag was no longer relevant. At the time of the audit, there was no requirement to remove the flag once the flagged condition had been resolved.

RECOMMENDATION 4

To encourage more ministries to use the government-wide Grants Ontario system and all relevant and applicable modules available in the system for the administration of their grants, we recommend that the Transfer Payment Ontario Branch within the Ministry of Government and Consumer Services:

- develop a plan with specific timelines to address concerns with the system raised by ministry staff and external users in its user satisfaction surveys; and
- implement practical solutions that will make the Grants Ontario system user-friendly, effective and efficient.

MINISTRY RESPONSE

The Ministry of Government and Consumer Services will work to respond to user needs identified through satisfaction surveys and other sources, by updating the system on a regular basis for ongoing improvements.

RECOMMENDATION 5

To maximize the benefits of a complete government-wide grants database that produces comparable, consistent and reliable reporting, we recommend that the Treasury Board Secretariat, in conjunction with the Transfer Payment Ontario Branch:

- reinforce the communication that all ministries are to use the government-wide Grants Ontario system and all relevant and applicable modules available in the system for the administration of their grants once the concerns raised by ministry staff and external users with respect to the system have been addressed;
- clearly define all key inputs to be entered into the Grants Ontario system and ensure all ministries are entering information consistently; and
- monitor utilization of the system.

RESPONSE FROM SECRETARIAT AND MINISTRY

The Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer Services (Ministry) agree with the Auditor General's recommendation, and will use the observations to help inform the transformational initiatives that are underway.

Towards that end, the Ministry will continue to engage ministries on transitioning all transfer-payment programs onto the Transfer Payment Ontario system, including the development of work plans and associated timelines. The Ministry will work directly with ministries to expand usage of modules that support program delivery, and to adopt best practices for transfer payment contract management and administration.

The Ministry will continue to work with ministries to build knowledge and capacity using the Transfer Payment Ontario modules to provide data driven insights to better support evidence-based decision-making.

The Secretariat will also support ministries on plans outlining how they and their provincial agencies who have a mandate to provide discretionary grants, will move to the Transfer Payment Ontario system.

The Ministry and the Secretariat will work with ministries on education and awareness of good data practices to improve data integrity, including clear understanding of data elements and consistency with data reporting and collection.

4.2.4 Grants Ontario System Costs

The Grants Ontario system was built in 2012 at a cost of $8.3 million to manage time-limited grants across all provincial ministries.

We reviewed the annual cost of operating the system over the last four years (2015/16–2018/19) in relation to the number of grant programs using the system at each year-end, as shown in **Figure 8**. We noted that the operating costs of the system have increased by over 120%, from $4.0 million to $8.9 million, and the number of staff has grown 228%, from 17.5 to 57 full-time-equivalent positions. At the same time, the number of grant programs on the system has increased by 268%, from 88 to 324 programs. These grant programs include time-limited and ongoing grants. Often, these grants may be recorded in the system multiple times by their individual components or various rounds of funding.

In 2018/19, the Transfer Payment Ontario Branch spent around $8.9 million in operating costs and to provide technical support for the Grants Ontario system. The initial cost of developing the system is less than its ongoing costs because of the high number of full-time-equivalent staff in the Transfer Payment Ontario Branch.

The staff are divided into two major groups. The Business Support Team provides support to ministries through the implementation process, onsite training, and ongoing data requests and operation of the system. The Digital Solution Team consists

Figure 8: Grants Ontario System—Operating Costs, Staffing and Number of Programs, 2015/16 to 2018/19

Source of data: Ministry of Government and Consumer Services

Operating Expenses	2015/16	2016/17	2017/18	2018/19
Salaries and Wages	2,0152,63	2,911,255	4,290,951	5,066,241
Employee Benefits	–	352,568	586,749	626,624
Services	625,000	3,040,170	4,130,690	3,198,875
Supplies and Equipment	1,379,829	48,200	232,946	7,885
Transportation/Communications	–	80,300	51,985	43,325
Total	4,020,092	6,432,493	9,293,321	8,942,950
Grants Ontario Staffing (Full-Time Equivalents)*				
Digital Solution Delivery	11	32	32	32
Business Support	6.5	19	25	25
Total FTEs	17.5	51	57	57
Grant Programs Managed by Grant Ontario*				
Grant Programs (time-limited and ongoing)	88	226	313	324

* As of March 31 of each fiscal year end.

of IT programmers that focus on integration and innovations within the system based on ministry feedback, run queries for ministry data requests, and provide tech support for system issues. The Branch does not have workload statistics on the two groups. Based on the number of programs managed by the Business Support Team, over the last three fiscal years, the average number of grant programs managed per staff ranged from 17.2 to 19.3 per full-time equivalent.

At the time of our audit, there were no plans to deploy implementation staff elsewhere once all ministries have transferred onto the Grants Ontario system. The Ministry told us that implementation staff also support ongoing program changes that occur annually, and the level of support needed by ministries throughout program changes is similar to first-time implementation. In addition, the changes in government priorities are leading to major program changes across the government. The Ministry also told us that level of staffing required depends on the complexity of the grant program, length of grant application, number of applicants per program, and its expended mandate to implement recurring programs. However, we could not confirm the need for the staffing complement because

the Transfer Payment Ontario Branch does not have workload and efficiency measures needed to assess if its staffing levels are appropriate.

Costs of maintaining the system are recovered from the participating ministries. For 2018/19, the cost per ministry user of the Grant Ontario system was $2,900 per year.

RECOMMENDATION 6

To manage the Grants Ontario system cost-efficiently, we recommend that the Transfer Payment Ontario Branch within the Ministry of Government and Consumer Services develop workload and efficiency measures and review its staffing model on an ongoing basis.

MINISTRY RESPONSE

The Ministry of Government and Consumer Services (Ministry) will continue to review the staffing model on an annual basis to ensure it supports the extensive business requirements and the complexity of the large number of programs that will be managed on the Transfer Payment Ontario System. As part of this analysis, the Ministry will develop metrics to ensure

efficient and cost-effective services are delivered to clients in early 2020/21.

The Ministry's Transfer Payment Ontario Branch has expanded its mandate significantly over the last 3 years, and now provides support and services to 20 ministries and more than 300 programs. Over the next 2 years this will increase by an additional 500 new programs, including those that are recurring.

4.2.5 Most Ministries Do Not Check if Grant Applicants and Recipients Have Outstanding Environment or Labour Violations That Have Not Been Resolved

Prior to awarding grants, most granting ministries do not check whether grant applicants (that is, businesses) are in violation of any provincial legislation (such as those relating to environmental protection or occupational health and safety) or whether applicants are under investigation for such. Granting ministries also do not ensure whether the applicant has provincial taxes owing.

We noted two exceptions. The Jobs and Prosperity Fund under the Ministry of Economic Development, Job Creation and Trade, completes a compliance check with the relevant ministries to ensure that the applicants do not have any tax liabilities, environmental violations, or labour law violations, before awarding a grant to an applicant. However, the funding agreements under this program are for terms of between five and nine years, and ministry staff do not perform subsequent compliance checks or monitor compliance with provincial laws throughout the term of the agreement. The Ministry of the Environment, Conservation and Parks also performs compliance checks to confirm that grant applicants are in good standing with environmental requirements.

None of the other ministries from which we selected grants for review (Ministry of Heritage, Sport, Tourism and Culture Industries, Ministry for Seniors and Accessibility, and Ministry of Indigenous Affairs) or other grant programs at the

Ministry of Economic Development, Job Creation and Trade perform a similar compliance check for environmental or labour violations or outstanding provincial taxes.

RECOMMENDATION 7

In order that government funding is provided only to grant applicants in good standing with provincial statutes when the grant constitutes a significant monetary amount, we recommend that the Treasury Board Secretariat require ministries to verify an applicant's status with respect to outstanding environmental and labour violations and any outstanding taxes before making a grant payment.

SECRETARIAT RESPONSE

The Treasury Board Secretariat (Secretariat), with support from the Ministry of Government and Consumer Services (Ministry) and the Ministry of Finance, will determine ways to leverage existing tax compliance tools and processes currently used for the purpose of government procurement, and identify how the tax-compliance verification processes could be applied in the context of discretionary grants. Alternative mechanisms will be developed where existing tools and processes are not sufficient to address the recommendation.

In addition, the Secretariat and the Ministry will determine the best means to access information on a potential recipient's status with respect to environmental and labour violations.

4.3 Grant Programs Tested— Selection and Funding of Grant Recipients

4.3.1 Some Grants Awarded to Recipients by the Ministry of Heritage, Sport, Tourism and Culture Industries Not Based on Evaluation Criteria

We noted that for three programs we selected for review, administered by the Ministry of Tourism, Culture and Sport, some grant recipients were selected at the discretion of the Minister, even though they did not meet minimum evaluation criteria established for the particular grant programs. We noted that the Ministry of Tourism, Culture and Sport has allocated about 10% of grant funding to events at the discretion of the Minister over the last few years.

The Transfer Payment Accountability Directive provides direction on determining a recipient's eligibility and requirements for documenting funding decisions. A ministry that wants an exemption from part or all of the directive, only for exceptional circumstances, must seek Treasury Board/Management Board of Cabinet approval. In addition, the ministry must set out the rationale for the exemption in a business case. We noted the Ministry did not request an exemption from Treasury Board for any of the grant programs we tested where grants were awarded under ministerial discretion.

Celebrate Ontario Grants

Since its inception in 2007, the Celebrate Ontario grant program of the Ministry of Heritage, Sport, Tourism and Culture Industries has provided financial support to festivals across the province.

All applications for funding are evaluated by the Ministry. Most small- and medium-sized events, for applicants with an operating budget less than $1 million, are evaluated by regional staff. Large events with operating budgets of at least $1 million are evaluated by the Ministry's corporate office. Senior ministry staff present to the Minister a listing of all assessed events sorted by their evaluation scores and multiple funding options. These options identify different combinations of small, medium and large events for funding. Under all funding options, an amount ($2.3 to $3.8 million in 2017/18) is set aside to fund other priority events identified by the Minister.

Funding to festivals over the last three years ending March 31, 2019, has totalled $55.2 million, of which $5.9 million (or 10% of funding) to 132 recipients was awarded under ministerial discretion to applicants that did not achieve the minimum evaluation score required for funding approval, as seen in **Figure 9**. For 2018/19, the minimum score required for funding was 56/100 for small- or medium-sized organizations and 65/100 for large organizations. Another $15.2 million was awarded in 2019/20, of which $2.5 million (or 16%) was

Figure 9: Celebrate Ontario Grant Approvals for Festivals, 2016/17 to 2018/19

Source of data: Ministry of Tourism, Culture and Sport

	2016/17	2017/18	2018/19	Total	2019/20[1]
# of grant applications	465	427	441	**1,333**	412
# of applications approved	200	304	328	**832**	275
# of applications approved via Minister's discretion[2]	35	56	41	**132**	73
Overall grant funding approved ($ million)	15.3	19.6	20.2	**55.2**	15.2
Funding awarded to recipients approved via Minister's discretion ($ million)	1.6	2.4	1.9	**5.9**	2.5
% of grant funding awarded through Minister's discretion	10	12	9	**10**	16

1. For grants awarded as of August 2, 2019, in the 2019/20 fiscal year.

2. The total number of unique events funded via Minister's discretion was 159.

in grants made under ministerial discretion to 73 recipients. In fact, 30% of funding awarded through ministerial discretion over the last four years was for applicants that scored at least 15 points below the minimum evaluation score. When we asked Ministry staff if they agreed with the events approved through the Minister's discretion, they told us that they put forward their best advice based on their evaluations of each applicant.

For funding under this grant program, Ministry staff review each applicant and score the event out of 100. For 2018/19, the evaluation criteria were as follows:

- Performance measurement, impact and marketing—25 points.
- Financial position and organizational capacity—20 points.
- Project information and sustainability—15 points.
- Tourism packages offered and event partnerships—15 points.
- Tourism analysis and support for tourist demand—10 points.
- Event budget analysis (forecast surplus/breakeven)—10 points.
- Accessibility for Ontarians with disabilities—5 points.

For the period 2016/17 to 2018/19, funding for recipients who scored below the minimum required score but were approved for funding under ministerial discretion was justified based on the fact that they fell under a certain priority category, such as supporting regional, multicultural, francophone or Indigenous/northern events. Aside from noting the priority category for each approved applicant, there was no other documented justification on file explaining why the Minister chose to fund a certain applicant over another applicant in the same category that had scored higher. For 2018/19, we identified 24 unsuccessful applicants that scored below the minimum required, but had a higher score than at least one recipient in the same region and for a similar-sized event who was awarded funding through ministerial discretion.

In 2019/20, 36 applicants that achieved the minimum score were not approved for funding, while 73 other recipients that scored below the threshold were approved for funding under ministerial discretion. In contrast, from 2016/17 to 2018/19, all applicants that achieved the minimum required score were approved for funding. When we asked the Ministry why applicants who met the minimum required score were not approved for funding in 2019/20, we did not receive a satisfactory answer. For applicants that did not achieve the minimum score but were approved for funding by the Minister in 2019/20, no justification was provided for their selection. In this case, there was no indication of what priority area the applicants were selected to address.

Over the last four years, this Ministry has had five different Ministers. Of the 159 unique projects approved through ministerial discretion over the last four years, we noted that 36 were approved through ministerial discretion at least twice and by different ministers. Twelve of these events were funded by ministers representing two different political parties.

Ontario 150 Grants

Similarly, two other grant programs of the Ministry of Heritage, Sport, Tourism and Culture Industries provided funding to low-scoring applicants based solely on ministerial discretion. These programs were short-term in nature as they were intended to celebrate Canada's 150th anniversary.

The Ontario 150 Partnerships grant program provided 13 grant recipients (15%) about $700,000 in total under ministerial discretion, including seven recipients that scored at least 15 points below the minimum required score. As well, the Ontario 150 Community Celebration grant program provided another 15 grant recipients (4%) about $520,000 in total funding under ministerial discretion even though their evaluation score was also below the minimum required. There was no rationale documented for any of these funding decisions.

RECOMMENDATION 8

To provide funding to grant recipients in an objective and transparent manner based on their applications submitted, we recommend that:

- the Ministry of Heritage, Sport, Tourism and Culture Industries follow the Transfer Payment Accountability Directive in selecting grant recipients and seek Treasury Board/Management Board of Cabinet approval prior to awarding grant funding to recipients that did not meet eligibility criteria and were selected under the Minister's discretion; and

- Treasury Board Secretariat reinforce the requirements of the Transfer Payment Accountability Directive with ministries, with respect to the use of exemptions and the need to document the rationale for funding decisions.

RESPONSE FROM THE MINISTRY OF HERITAGE, SPORT, TOURISM AND CULTURE INDUSTRIES

The Ministry of Heritage, Sport, Tourism and Culture Industries supports the recommendation for greater transparency in decision-making and will seek Treasury Board/Management Board of Cabinet approval prior to awarding grant funding to recipients under the Minister's discretion in the future.

SECRETARIAT RESPONSE

The Treasury Board Secretariat accepts the recommendation and will work with ministries to support awareness and reinforce the requirements of the rules in the Transfer Payment Accountability Directive, including the requirements related to selection and eligibility criteria, documentation and any exemptions to the rules.

4.3.2 Grant Criteria Not Consistently Applied to All Applicants

Under the Ministry of Economic Development, Job Creation and Trade's Jobs and Prosperity Fund—New Economy Stream, three organizations did not receive funding despite having a higher overall assessment score than 17 projects that did receive funding, as shown in **Figure 10**. The three recipients collectively were eligible for $18 million in funding, if approved. For this grant program, applicants did not have to achieve a minimum score.

According to the Ministry, these three organization were not funded because the organizations had significant resources to complete the projects without government funding. However, the same criteria were not consistently applied to other applicants. For example, we noted that only two of the 36 successful applicants had stated that their projects would not go ahead without government funding. The other 34 organizations stated that the lack of government funding would not deter the projects from being completed.

4.3.3 Correct Amount Awarded to Approved Applicants, but Need for Funding Is Not Always Considered

Overall, grant programs that we reviewed had set clear criteria for determining the amount of funding per recipient, as seen in **Figure 11**. Of the 15 grant programs we reviewed, the funding for

Figure 10: Evaluation Scores for the Jobs and Prosperity Fund—New Economy Stream, January 2015–March 2019

Source of data: Ministry of Economic Development, Job Creation and Trade

Applicant Score Range (Phase 1)	# of Applicants	# of Applicants Approved	# of Applicants Not Approved
85–90	7	7	0
80–84	15	12	3
70–79	17	17	0
Total	**39**	**36**	**3**

Figure 11: Grant Funding Details and Whether Need for Funding is Considered by Grant Program

Source of data: Ministry of Economic Development, Job Creation and Trade

Name of Grant	What is Being Funded?	How is Funding Amount Determined?*	Maximum Funding per Recipient*	% of Points Awarded Based on Applicant's Need for Funding
Jobs and Prosperity Fund—New Economy Stream	Project-related costs including research, labour, facility modification, materials, equipment and machinery	Up to 20% in grants or up to 40% in loans or combination of grants and loans	No maximum	5
Campus linked accelerator/ Ontario Campus Entrepreneurship Activities	Operating costs for post-secondary entrepreneurship programs	33% of eligible operating costs	No maximum	0
Campus linked accelerator/ Ontario Campus Entrepreneurship Activities—GlobalStart Voucher program	Travel costs, networking events, conferences, etc.	50% of eligible costs	$15,000	0
Youth Skills Connections—Industry Partnerships	Training staff, equipment, facilities, and advertising	50% of program cost	$1.5 million	0
College Applied Research and Development Fund	Research and development project costs (e.g., experimental design, lab testing)	50% of eligible costs	$20,000–$1 million	0
Ontario Scale-Up Vouchers Program	Executive leadership and training and other growth activities	Up to 50% of eligible costs depending on applicant's revenues and private investments	$150,000–$1 million, depending on applicant revenues and private investments	0
Celebrate Ontario	New additions or enhancements to events	Lesser of: 25% of regular event expenses or 50% of any new additions or enhancements	$50,000–$300,000, depending on operating costs of event	0
Ontario 150—Community Celebrations	Costs for additions or enhancements to events focused on 150th anniversary	75% of eligible costs	$10,000–$70,000, depending on applicant's operating budget	0
Ontario 150—Partnerships	Eligible project costs for youth-focused programs	75% of eligible cost	$100,000	0
Ontario Games	Cost to host sporting events (venues, equipment, accommodations)	$110,000–$1 million, depending on the type of games (Parasport, 55+ games, youth games)	$110,000–$1 million, depending on the type of games	n/a
Ontario Municipal Partnership Fund	Municipal operating costs	Based on five grant component calculations	No maximum	n/a (Funding formula accounts for need)

Name of Grant	What is Being Funded?	How is Funding Amount Determined?*	Maximum Funding per Recipient*	% of Points Awarded Based on Applicant's Need for Funding
New Relationship Fund	Consultation coordinator related costs	100% of eligible costs	$90,000	0
Great Lakes Guardian Community Fund	Eligible environmental project costs	100% of eligible costs not covered by other sources	$25,000	0
Age-Friendly Community Planning Grant	Costs of community planning work to make it more age-friendly and accessible (capital projects are not eligible)	100% of eligible costs	$25,000–$50,000, based on population of municipality	0
Response to violence in the Rakhine State of Myanmar	International disaster relief efforts	Cabinet Office decision	No maximum	n/a

Note: n/a = not applicable

* Based on the last funding year for the grant.

12 of them was based on a percentage of eligible costs. For the other three, one program (Ontario Municipal Partnership Fund) provided funding to municipalities using a pre-determined funding formula, another program (Ontario Games) provided a fixed amount of funds to municipalities based on the type of games being hosted, and in the third case (funding for international disaster-relief efforts) did not document how the level of funding was determined.

We calculated the funding amounts awarded to a sample of grant recipients in these programs to determine if the amount of funding awarded was accurate according to funding criteria. Our testing showed that the amounts awarded were accurate, did not exceed the amount requested by the applicant, and did not exceed the maximum funding allowed per recipient as established by each grant program, except for instances identified in **Sections 4.4.2** and **4.4.3**.

Most Grant Programs Do Not Consider an Applicant's Need for Government Funding during Selection

Recipients' need for funding was considered in the selection criteria for only two of the 15 grant programs we reviewed. The percentage of points

awarded to applicants based on their need for funding under the Jobs and Prosperity Fund—New Economy Stream was 5%. For the Ontario Municipal Partnership Fund, the need for funding was built into the funding formula. Based on our review, we noted that the Ontario Scale-Up Vouchers Program, whose objective is to accelerate the growth of start-up technology companies, provided funding to businesses that had a significant amount of resources available to them already. Prior to receiving support from the program, 27 recipients combined had raised $491 million in capital ranging from $700,000 to $70 million each.

Under the New Relationship Fund (Ministry of Indigenous Affairs), the Ministry provides First Nation and Metis communities with funding for one consultation co-ordinator, without considering their workload (based on the number of requests received for consultation) or need for funding. For 2018/19, the funding per community was $90,000 (to cover the costs of one consultation co-ordinator and related expenses for training, travel and administration) regardless of the amount of consultation activity undertaken by each First Nation. According to expense reports submitted by First Nations to the Ministry over the last five years, the number of consultation requests ranged from 14 for one First

Nation to 1,177 for another. Both First Nations were eligible for the same amount of funding.

In our 2015 audit report of Economic Development and Employment Programs, based on a review of other grant programs, we recommended that the Ministry establish evaluation criteria that better assesses whether funding for projects is needed in order for the project to proceed. According to the Ministry's response in 2015, the new Jobs and Prosperity Fund (which was not audited in 2015) was to address this recommendation. However, in our review of the Jobs and Prosperity Fund, we noted that the need for government support only accounts for 5% of the evaluation criteria. Since this program started in 2015, only two of 31 grant recipients indicated that their projects would not go ahead without provincial funding.

RECOMMENDATION 9

In order to provide funding where most needed, we recommended that the granting ministries provide grant funding to recipients based on need and establish evaluation criteria that better assess whether funding for projects is needed in order for the project to proceed.

RESPONSE FROM GRANTING MINISTRIES

The granting ministries generally agreed that the design of grant programs should include elements and criteria to direct funds where financial support or incentives are needed for projects to proceed.

The Ministry of Economic Development, Job Creation and Trade noted in their response that in a number of their programs, a recipient's need for funding is one of several key criteria that are used to assess if funding is warranted.

The Ministry of the Environment, Conservation and Parks noted that it does not specifically award grants based on need; rather, it is focused on the likelihood for environmental benefits, community engagement and collaboration, and sound project design.

Ministries committed to assess developing and implementing appropriate criteria in future program design to better assess funding needs in conjunction with recipients' capacity to successfully deliver on the objectives of the program.

4.4. Monitoring of Grant Recipients

4.4.1 Ministries Rely Primarily on Self-Reported Information to Assess Use of Grant Funding

According to the Transfer Payment Accountability Directive, ministries must monitor recipients throughout the term of the grant agreement to ensure they are spending the funds as intended and progressing toward achieving the intended goal. As seen in **Figure 12**, based on our review of 15 grant programs, ministries were receiving segregated, project-specific financial information to assess the use of funding for 13 grants (the two exceptions were grants for international disaster-relief efforts and under the Ontario Municipal Partnership Fund). However, only three programs required recipients to provide independent verification by submitting audited financial information. The other 10 grant programs only required unverified spending information; of these, the ministries verified spending through invoice testing for only five grant programs.

4.4.2 Some Grant Recipients We Visited Were Reimbursed for Ineligible Expenses and Projects

The Ministry of Heritage, Sport, Tourism and Culture Industries did not request invoices from grant recipients funded under the Celebrate Ontario, Ontario 150—Community Celebrations, and Ontario 150—Partnerships grant programs. Although the Ministry provides recipients with a list

Figure 12: Monitoring of Grant Programs by Ministries

Prepared by the Office of the Auditor General of Ontario

Name of Grant	Segregated, Project-Specific Financial Information Provided?		Ministry Verification		
	Audited[1]	Unaudited	Invoice Testing of Expenses?[2]	Performance Data Reported is Verified?[3]	Site Visit Conducted?[4]
Jobs and Prosperity Fund—New Economy Stream	✓		✓	✗	✓
Campus linked accelerator/ Ontario Campus Entrepreneurship Activities		✓	✓	✗	✓
Campus linked accelerator/ Ontario Campus Entrepreneurship Activities—Global Start Voucher Program		✓	✓	✗	✗
Youth Skills Connections—Industry Partnerships		✓	✓	✗	✓
College Applied Research and Development Fund		✓	✓	✗	✓
Ontario Scale-Up Vouchers Program		✓	✓	✗	✗
Celebrate Ontario	✓		✗	✗	✓
Ontario 150—Community Celebration		✓	✗	✗	✓
Ontario 150—Partnerships	✓		✗	✗	✗
Ontario Games		✓	✗	✗	✓
Ontario Municipal Partnership Fund[5]	n/a	n/a	n/a	n/a	n/a
New Relationship Fund		✓	✗	✗	✗
Great Lakes Guardian Community Fund		✓	✗	✗	✗
Age-Friendly Community Planning Grant		✓	✗	✗	✗
Response to violence in the Rakhine State of Myanmar		✗	✗	✗	✗

Note: n/a = not applicable

1. The Jobs and Prosperity Fund—New Economy Stream's segmented financial information was audited at project end. For Celebrate Ontario and Ontario 150—Partnerships, grantees receiving over $75,000 provided an audit opinion on their event expenses.

2. Most of the invoice testing was done on a sample basis, except for the Ontario Scale-Up Vouchers Program, where all invoices were reviewed.

3. Performance data reported to ministries is not typically verified, except in certain instances (e.g., the number of jobs retained and created at project-end is verified for the Jobs and Prosperity Fund—New Economy Stream, and the economic impact of Ontario Games is measured for that event).

4. In the cases of Celebrate Ontario and Ontario 150—Community Celebration, we noted that only a small percentage of recipients were visited, most of which had been assessed as low-risk (as detailed in **Section 4.4.4**).

5. The Ontario Municipal Partnership Fund is an unconditional grant to 389 of more than 400 municipalities with no monitoring.

of eligible expenses in the application guide, it said this list is not exhaustive, and staff use their best judgment to determine eligible expenses related to its grant programs. We contacted a sample of recipients from these three grant programs to assess if the expenses they claimed were eligible for funding. Based on our limited sample, we found the following instances associated with 45% of grant

recipients where the recipients had been reimbursed for ineligible expenses:

- For Celebrate Ontario, we selected for testing a sample of recipients that received about $345,000 in funding combined over the last two years. Based on our testing, we found that all the recipients we sampled had claimed ineligible expenses totalling almost

$87,000, and had been overpaid by about $42,000. For example, one street festival in Toronto claimed $67,600 in ineligible expenditures such as $19,000 for hanging flower baskets that remained in place for the whole season, $17,400 for HST, $11,500 for the payroll from April to August 2018, and $4,800 for office expenses (including, for example, rent and utilities). Ministry funding was intended to cover only enhancements to the event; therefore, regular costs, such as payroll for permanent staff, were not eligible. In addition, three other events we tested had reported ineligible expenses, such as $6,000 for an event in the previous year.

- Under the Ontario 150—Partnerships program, the Ministry provides support of up to 75% of eligible project costs up to a maximum of $100,000. For example, the Ministry provided $75,000 in funding to an organization to promote women's engagement in politics and to host an event at Queen's Park. The recipient claimed $115,000 in expenses. When we asked for supporting documentation for the amount claimed, the recipient submitted to us $135,000 in expenses. However, based on our review, we noted that only $17,200 were eligible or directly related to the project. The majority of the other expenditures claimed (about $85,000) were related to consulting work performed by the organization's executive director at a rate of $675 per day. Furthermore, the consulting invoices did not always outline the nature of the work performed. In some cases, the consulting charges were for other projects not related to the funded project. When we asked for more details on consulting expenses, the recipient was not able to provide any further information to substantiate the expenditures. In addition, the recipient claimed more than $16,000 in hotel expenses in Ottawa even though the event occurred in Toronto. When we inquired as to why this expense

was incorrectly claimed, we were told that the members of staff that were involved with the expense claims no longer worked at the organization; hence, explanations for these expenses could not be provided.

- Under the Ontario 150—Community Celebrations program, we found two recipients that were funded for ineligible projects. One organization received $7,500 for its annual scholarship gala. However, events that occur annually were not eligible for funding unless the event added an Ontario 150–specific enhancement. Based on the recipient's application, this was a regular, annual event and there was no description of any enhancement. Similarly, another organization received funding for its annual religious meals. The Ministry was unable to substantiate that an event held at a religious location after nightly religious services was cultural rather than religious. Events that were primarily religious were not eligible for funding.

Based on our review of the New Relationship Fund, we noted that a First Nation's chief was receiving a salary as a consulting co-ordinator under the program (in the amount of about $60,000 in 2018/19), while also receiving a salary as the chief from the federal government (in the amount of about $126,000 in 2018/19). The program guidelines indicated that the consulting co-ordinator could not be drawing a salary from other sources. Although the chief had told the Ministry that they would not be drawing a salary from two sources, the Ministry had not followed up to confirm this.

4.4.3 Instances Where Grant Recipients Were Overpaid

Under the Celebrate Ontario grant program, funding for each event/recipient is based initially on the budget submitted by the applicant, but is to be adjusted once the actual expenditures are known. The final payment is to follow. Staff at the Ministry

of Heritage, Sport, Tourism and Culture Industries are expected to review each applicant's final report, which outlines use of funds (including summary of invoices) and performance results, before releasing the final payment.

For a sample of events funded from 2016/17 to 2018/19, we noted that the Ministry was not reviewing reports of the actual expenditures submitted by recipients and making adjustments to the grant amount based on the review. Based on our review and recalculation of the grant amount using actual expenditures submitted, we noted that 42% of events sampled were overpaid by $63,700 in total. This is in addition to overpayments we identified in **Section 4.4.2** by testing actual invoices.

We also found that 30% of events we sampled from the same three-year period received their final payment without ever submitting a final report of actual expenditures and performance results. One of these recipients, who also happened to be awarded funding under ministerial discretion, told us that they had not heard of the final reporting requirement for performance results and therefore had not submitted one for each of the past three years. The recipient had received their payment in full.

This issue had also been noted by an internal audit in May 2013. At that time, the Ministry responded that it was committed to holding back funds until a satisfactorily completed final report was received and approved.

4.4.4 Ministry Staff Not Visiting Recipients to Monitor Compliance with Agreement Terms

As mentioned in **Section 4.4.1**, ministries generally rely on self-reported information from funding recipients to ensure compliance with funding agreements. For seven of 15 grant programs we tested, granting ministries did not visit any recipients to confirm that the funded activities were taking place effectively. For example, the Great Lakes Guardian Fund under the Ministry of

Environment, Conservation and Parks has provided over $7.6 million over the last four years to over 350 organizations to complete various environmental projects, such as tree planting, clean-up and others. Although the Ministry visited a few sites for promotional purposes and relationship-building, it was not to verify whether the approved grant activities were completed according to the terms of the funding agreement. Similarly, over the last five years, the Ministry of Indigenous Affairs, which has provided about $67 million in grants to First Nations from the New Relationship Fund, has not visited any First Nations to ensure funded activities were taking place, such as developing consultation protocols or processes, consulting with private sector, or municipal or provincial government staff, and training to improve consultation capacity.

According to the Transfer Payment Accountability Directive, ministries must exercise greater oversight for activities and recipients deemed to be higher risk. In our audit, we noted some cases where only a small percentage of grant program recipients/events were visited by ministry staff, and that those that were visited were not selected based on risk. For example:

- For the Celebrate Ontario grant, ministry staff (regional tourism advisors) visited 35 of 832 events (or 4%) over the last three years. However, 21 (60%) of the events visited had been rated as low-risk in terms of the recipient's ability to hold successful events. The risk rating was based on the application score given to the organization's financial position or organizational capacity. Ministry staff confirmed that the risk level of the recipient is not taken into consideration when selecting which events should be visited. Instead, ministry staff attended events based on their availability and their proximity to the event. In this regard, we noted a staff member who had visited the same event for five consecutive years (a theatre that hosts Canadian plays and music concerts).

- For the Ontario 150—Community Celebration grant, ministry staff visited 20 of 359 (or 6%) grant recipients over the period 2016/17 and 2017/18. Again, most grant recipients who were visited had been assessed as low risk. We noted that site visit decisions were made by ministry staff without direction from their managers.

4.4.5 Ministry Staff Not Reviewing or Verifying Performance Results Reported by Recipients

The ministries rely on performance results reported by grant recipients to assess progress toward meeting public policy objectives. Without reliable performance results, the ministries are not able to assess whether the grant program has met its objectives. As seen in **Figure 12**, 14 of the 15 grant programs we reviewed relied on recipient-reported performance results without verifying these performance results.

The Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) uses attendance and visitor expenditures to assess the economic impact of Celebrate Ontario grants. Attendance numbers are also considered when determining whether to fund recipients in future years. In our review of 33 events, every event projected a year-over-year increase in attendance in their application for funding. However, for 2017/18, the Ministry had to exclude 50% of recipients' actual performance results because the information was deemed unreliable. For example, some recipients were reporting an increase in visitors to their events that exceeded the total attendance reported for the event, while some reported that new visitors spent more than all visitors combined. The Ministry did not follow up with recipients to update the performance results and did not exclude recipients/events from future grant funding.

For Celebrate Ontario, we contacted five recipients to find out how the recipients obtained their attendance and visitor expenditure informa-

tion. Two recipients told us they used tickets sales to obtain their attendance numbers, two others used their own best estimates, while one recipient informed us that they consulted with police officers at the event to estimate attendance. One recipient we spoke with informed us that they simply guessed at the number of attendees and amount spent by visitors at their event. All five agreed that it is difficult to measure attendance at free events, such as street festivals, compared to events that sell tickets.

For the Campus Linked Accelerators and On-Campus Entrepreneurship Activities, a program that provided about $40 million in funding over five years, the performance results were based on surveys conducted by the Ontario Centres of Excellent of start-ups that took advantage of the services offered by the program. Over the same period, the companies reported generating over $475 million in investments and creating 9,000 jobs, but neither of these results were verified by the Ministry.

RECOMMENDATION 10

To help ensure grant recipients spend funds for the purposes intended, we recommend that the granting ministries improve the effectiveness of their monitoring processes by:

- recalculating funding based on final reported costs, where applicable;
- requiring recipients to submit audited segmented financial information, where appropriate given the amount of funding awarded;
- using a risk-based approach to select which grant recipients to visit and verify that funded activities are taking place as intended;
- selecting recipients for invoice testing using a risk-based approach;
- verifying performance results reported for reasonableness; and
- taking timely corrective action, including recovery of funds, with those recipients that do not meet their obligations according to grant requirements.

RESPONSE FROM GRANTING MINISTRIES

The granting ministries, as part of their monitoring processes of grant recipients, generally agreed, where applicable, to further verify reported expenses as recommended.

The Ministry of Economic Development, Job Creation and Trade noted in its response that as part of the Open for Jobs Blueprint, announced in the 2019 Budget, it has created the Business Success Framework (BSF) and Business Success Metric (BSM) to assess and transform government business supports, which includes grant recipients. The BSF and BSM will require the Ministry to create a plan to improve the defensibility of self-reported data from grant recipients, especially in areas of higher-risk, including data verification and due diligence (e.g., site visits, physical counts etc.).

The Ministry of Heritage, Sport, Tourism, and Culture Industries noted in its response that it will build in additional controls to monitor the effective and efficient use of grant funding. Total Ministry funding will be recalculated based on final reported costs. Going forward, the Ministry will require recipients to provide third-party validated financial information or audited financial statements (depending on the value of funding), unless doing so would cause undue financial hardship to the recipient. Going forward, the Ministry will take a risk-based approach to site visits, where verification cannot be obtained through alternative means. The Ministry has already revised the site-visit template to be more prescriptive in the requirements for site visits, and it will develop parameters to support invoice testing a percentage of recipients identified as high-risk. The Ministry will also strive to enhance existing processes to verify and validate reported performance results. The standardized Ministry Transfer Payment Agreement template includes provisions for corrective actions. The Ministry has existing processes to recover funds from recipients in default in a timely manner. The Ministry will continue to improve on this process and the timeliness for recovery of funds.

The Ministry of the Environment, Conservation and Parks noted that, where feasible, it will work to implement the effectiveness of monitoring processes as recommended for the Great Lakes Guardian Community Fund as well as other grants it awards.

The Ministry of Indigenous Affairs noted in its response that, as recommended, it plans to select recipients for invoice-testing using a risk-based approach, and to verify reported performance results for reasonability. The Ministry will continue to implement its corrective-action strategies where there is non-compliance with the Transfer Payment Accountability Directive, depending on the circumstances of each situation and the risk level. The strategies range from regular follow ups by phone or emails at staff and senior management levels for low risk recipients, to withholding instalment payments, demanding repayment of partial or all funds, to termination of TPA upon notice for extreme cases. Before any of these actions are taken, the recipient may be given opportunity to remedy the default.

The Ministry for Seniors and Accessibility accepted the recommendation and agreed with the importance of ensuring that grant recipients spend funds for the purposes intended. In its response, the Ministry noted that it will develop risk-based business processes to support accountability and integrity in grant programs as recommended.

4.4.6 Long-Term Impact of Grant Funding Not Monitored After Contract Ends

For the Jobs and Prosperity Fund—New Economy Stream (Ministry of Economic Development, Job Creation and Trade), applicants to the program from January 2015 to March 2019 noted that

about 4,700 jobs in total were at risk if the projects for which they were requesting funding were not implemented. While these jobs would likely be retained for the duration of the funding agreement, it is unknown whether these jobs would be retained after the term of the agreement ends. The Ministry does not confirm that the jobs will be retained after the projects are completed. The Ministry funds these companies with the long-term expectation of increasing production, sales, and exports to benefit Ontario's economy. However, the Ministry does not have any contractual agreement to be able to monitor the long-term progress of recipients beyond the term of the funding agreement.

Under the Youth Skills Connections—Industry Partnerships (Ministry of Economic Development, Job Creation and Trade), the Ministry supports training and provides work experience for youth based on industry-identified skills gaps. However, the Ministry does not follow up beyond the term of the funding agreement to assess whether the grant recipients are still employing the individuals they trained.

RECOMMENDATION 11

To confirm that the province is receiving the expected long-term benefits from grant funding, we recommend that the Ministry of Economic Development, Job Creation and Trade implement a process to continue monitoring the progress of recipients after the completion of funding arrangements when providing funds with goals of long-term benefits.

RESPONSE FROM MINISTRY OF ECONOMIC DEVELOPMENT, JOB CREATION AND TRADE

In order to assess the expected long-term benefits from grant funding, the Ministry of Economic Development, Job Creation and Trade (Ministry) will collect common data on business supports (including grant recipients) and continuously review and transform business supports to ensure they are meeting long-term objectives of the government.

Performance evaluations of business-support initiatives will include metrics and analysis that are quantitative (for example, return on investment, value-for-money, target achievement and other measures that can be calculated using data such as company revenues, tax dollars received by the government, jobs created, etc.); qualitative (for example, success stories, innovative processes and ecosystem impacts that are best captured through means such as news items, anecdotal commentary and surveys); self-assessed by the business supports directly in a consistent manner to enable comparability; and independently assessed by the business supports and the Ministry to ensure consistency and comparability between business supports.

The Ministry has begun to implement requirements in new transfer-payment agreements (both with direct-funding arrangements and flow-through funding agreements) for some programs that require recipients to report economic impact indicators for at least 12 months after the completion of the project. The Ministry will determine which new transfer payment agreements should require this type of reporting. Specific reporting requirements will be determined based on program design and need.

The Ministry's Business Success Framework and Business Success Metric state that the Ministry should collect and provide data on core metrics for three years after the term of the business support.

4.5 Performance Results Not Measured or Reported Publicly

The grant programs we reviewed generally contained performance measures but lacked performance targets and results were not being reported publicly, as summarized in **Figure 13**.

For most of the grant programs we reviewed, we found that ministries had established performance measures that were aligned with the objectives of the program. One exception we noted was for the

Figure 13: Performance Measures and Results for Grant Programs Reviewed, 2018/19

Prepared by the Office of the Auditor General of Ontario

Grant	Performance Measures				Results	
	Established?	Align with Program Objectives?	Outcome-Based?	Have Program Targets?	Reported Publicly?	Examples
Economic Development, Job Creation and Trade						
Jobs and Prosperity—New Economy Stream	✓	✓	Partially	✗	✗	• 13% increase in sales • 12% increase in export sales • 3,337 jobs created
Campus Linked Accelerator and On-Campus Entrepreneurship Activities[1]	✓	✓	Partially	✗	✗	• 3,035 students involved in start-ups • $17 million in incremental sales • 2,409 jobs created
Global Start Voucher Program[1]	✓	✓	Partially	✗	✗	• $840,000 in incremental sales • $3.3 million in private investment • 38 jobs created
Youth Skills Connections—Industry Partnerships[1]	✓	✓	Partially	✗	✗	• 2,370 youth completed training • 2,067 work placements • 1,222 industry jobs filled
College Applied Research and Development Fund	✓	✓	✓	✗	✗	• $3 million in Canadian incremental sales • $4.3 million in international incremental sales • 568 trained undergraduate students (or equivalent) • 94 jobs created
Ontario Scale-Up Vouchers	✓	✓	Partially	✗	✗	• $15 raised by private equity for every $1 awarded • 527 jobs created • 430 Ontario jobs created
Tourism, Culture and Sport						
Celebrate Ontario	✓	✓	One only	✗	✗	• $1.5 million total enhancement tourists • $227 million in enhancement visitor expenditures
Ontario 150 Community Celebration[1]	✓	✓	✗	✗	✗	• 26,428 diverse communities engaged
Ontario 150 Partnership[1]	✓	✗	✗	✗	✗	• 87 events hosted • 37,771 youth participants

| Grant | Performance Measures | | | | Results | |
	Established?	Align with Program Objectives?	Outcome-Based?	Have Program Targets?	Reported Publicly?	Examples
Ontario Games[1]	✓	Partially	Partially	Partially	✗	• $2 million in revenue from 55+ summer games • $6 million in revenue from summer games • $4.2 million in revenue from winter games • survey respondents rating satisfaction as excellent or good: 72% for 55+ summer games; 95% for summer games; 91% for winter games
Other (indicated in parentheses)						
Ontario Municipal Partnership Fund (Finance)[2]	✓	✓	✗	✓	✗	• 40% increase in fund from 2012 to the top 100 municipalities with the most challenging fiscal circumstances
New Relationship Fund (Indigenous Affairs)	✓	✓	✗	✗	✗	• 6,044 consultations completed
Great Lakes Guardian Community Fund (Environment, Conservation and Parks)[1]	✗	n/a	n/a	n/a	n/a	• 2,800 bags of garbage collected • 760 km of trail created or enhanced • $15 million in additional funding generated
Age Friendly Community Planning Grant (Seniors and Accessibility	✗	n/a	n/a	n/a	n/a	None
Response to violence in the Rakhine State of Myanmar (Cabinet Office)	✗	n/a	n/a	n/a	n/a	None

1. Information is for the latest year available prior to 2018/19.
2. No performance measures for the unconditional municipal grant.

Ontario Games program. One of the objectives of this program is to provide athletes with a developmental and competitive opportunity to prepare for national and international competitions. However, the Ministry of Heritage, Sport, Tourism and Culture Industries does not track the number of young athletes that go on to national or international competitions. Instead, the performance measures look at the economic impact the games have on the hosting municipality and whether athletes view the experience as positive.

For the majority of grant programs tested, the measures were primarily activity-based rather than outcome-based. Activity-based measures count actions, but not whether those actions were effective in achieving the desired outcomes. To illustrate, the Youth Skills Connection Program is meant to address skills gaps through industry partnerships and improve competitiveness in key sectors of Ontario's economy. The Ministry of Economic Development, Job Creation and Trade measures

the number of industry partners, youths trained, and work placements and jobs filled, but it does not measure and report whether the skills gap is closing in various sectors, or closing to an acceptable level.

In some cases, it is difficult to determine outcome-based measures because program goals may be too broad. For example, the Community Celebration Program aims to support communities with impactful initiatives; and the Global Start Voucher Program aims to develop strong business relations.

As noted in **Section 4.4.5**, the data used to assess program performance was frequently based on a summation reported by individual grant recipients, with little verification by the ministries.

RECOMMENDATION 12

To monitor the impact of grant funding and provide transparency, we recommend that the Treasury Board Secretariat, in conjunction with granting ministries, develop outcome-based performance measures for all discretionary grant programs as applicable, set reasonable targets to measure progress and report this information publicly.

SECRETARIAT RESPONSE

As part of the ongoing Transfer Payment Consolidation initiative, the Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer Services (Ministry) will support granting ministries to develop stronger outcome-based performance measures for discretionary grant programs. The Ministry will also determine how these measures could be incorporated into the Transfer Payment Ontario system (formerly, the Grants Ontario system).

The Secretariat and the Ministry will also determine ways for granting ministries to publicly report on the performance measures.

4.6 Overlap between Ministries

4.6.1 Overlap in Grant Funding between Ministries with Little Co-ordination

The objective of the New Relationship Fund ($13.7 million in 2018/19) provided by the Ministry of Indigenous Affairs is to contribute to improved consultation and engagement with government and the private sector and support long-term planning related to lands and resources for indigenous communities.

There is potential overlap between this program and others offered by the same ministry and another ministry. Similar grant programs offered by the Ministry of Indigenous Affairs to support negotiations and consultations are as follows:

- The Support for Community Negotiations Fund ($5.2 million in 2018/19) provides annual financial support for Indigenous communities participating in land claim and land-related negotiations with Ontario.
- The Participation Fund ($2.7 million in 2018/19) provides financial support for Indigenous communities to build relationships and partnerships with the province in order to improve economic and social outcomes and respond to social emergencies.

The Ministry of Energy, Northern Development and Mines also has a grant with the same name (Participation Fund). This fund was developed to help support Indigenous communities and organizations participating in regulatory processes under the Mining Act and in economic development activities associated with mineral exploration and development.

The Ministry of Indigenous Affairs told us that the funding through the Ministry of Energy, Northern Development and Mines is to build capacity beyond what is supported by the New Relationship Fund. However, the Ministry of Energy, Northern Development and Mines acknowledged that there is overlap with other programs and has directed its staff to be mindful of this when reviewing applications for funding.

4.6.2 Reporting Process Not Streamlined for Recipients Receiving Funding from Multiple Programs

According to the Transfer Payment Operational Policy, effective May 1, 2018, if program areas within one ministry are funding the same recipient, the ministry must investigate opportunities to streamline and consolidate reporting, and do so where opportunities exist.

We analyzed recipient data within the Grants Ontario system and identified about 1,500 recipients that received funding from more than one grant program in 2018/19. 66% received funding from different programs administered by the same ministry and the remaining 34% received funding from grants administered by different ministries.

Based on the programs we selected for review, we noted two ministries (Ministry of Indigenous Affairs and Ministry of Heritage, Sport, Tourism and Culture Industries) that are funding the same recipient through multiple grant programs within their own ministry, but that have not yet streamlined the reporting for these recipients. Similarly, for recipients receiving grants from multiple ministries for a similar activity—as in the case of First Nations receiving grants from both the Ministry of Indigenous Affairs and the Ministry of Energy, Northern Development and Mines (see **Section 4.6.1**)—reporting requirements have also not been streamlined.

RECOMMENDATION 13

To minimize the risk of multiple ministries funding the same entity for the same or similar activities and to streamline reporting where justified, we recommend that:
- the Treasury Board Secretariat, along with granting ministries, consolidate grant programs that support similar initiatives for a particular sector into one grant program under one ministry; and
- where consolidation of funding into one program is not possible, that granting

ministries streamline reporting activities, in accordance with the Transfer Payment Operational Policy.

SECRETARIAT RESPONSE

The government's Transfer Payment Consolidation initiative is focused on streamlining how the government funds programs and services. As part of this initiative, the Treasury Board Secretariat (Secretariat) and the Ministry of Government and Consumer Services (Ministry) will work with ministries on plans outlining how they and their provincial agencies who have a mandate to provide discretionary grants, will move to the Transfer Payment Ontario system (formerly the Grants Ontario system).

The Ministry and Secretariat are collaborating on a new training curriculum that will help ensure awareness of the rules in the Transfer Payment Operational Policy, which will increase compliance. In addition, the information available to ministries from existing tools such as the Transfer Payment Inventory, as well as increased usage of Transfer Payment Ontario, will support knowledge of transfer payment programs across ministries.

As part of the Transfer Payment Consolidation initiative, the Secretariat and the Ministry will monitor ministries' efforts to consolidate grant programs and streamline reporting.

Appendix 1: Discretionary Grants by Category, 2014/15–2018/19 ($ million)

Source of data: Ontario Ministries

Purpose of Support	2014/15	2015/16	2016/17	2017/18	2018/19	% 4-Year Change
Support for northern/rural communities	591.2	554.2	536.3	539.5	787.2	33
Industry support	465.8	604.4	593.0	575.5	631.7	36
Education support[1]	790.5	501.2	500.7	564.1	587.8	-26
Environmental initiatives[2]	52.7	50.2	185.0	320.8	426.6	710
Research and Innovation	336.0	354.4	408.5	429.8	394.1	17
Culture, tourism and sporting events/Organizations	379.5	393.9	372.8	396.1	364.3	-4
Farming/Agricultural support	140.9	139.9	171.3	143.5	172.6	23
Start-up/scale-up support	141.0	179.1	401.9	258.0	169.2	20
Skills training and employment	381.4	322.2	226.1	299.3	114.6	-70
Other (<$100 million)	233.7	202.3	298.6	304.6	243.2	4
Aboriginal support	52.5	59.4	79.0	148.8	88.1	68
Social Services	113.6	83.0	151.4	69.4	70.8	-38
Newcomer support	11.3	14.1	18.1	27.2	30.2	166
Health and wellness	28.0	24.3	30.2	26.6	28.4	1
Community Safety	25.3	18.5	18.6	28.6	25.7	2
International disaster relief support	3.0	3.0	1.3	4.0	—	
Total	**3,512.7**	**3,301.8**	**3,694.2**	**3,831.2**	**3,891.3**	**11**

1. The decrease is due to certain time-limited grants becoming permanent and provided through the Grant For Student Needs, a legislated funding program.

2. The increase is due to the introduction of the Green Investment Fund to provide financial support for projects that will fight climate change, grow the economy and create jobs; the increased demand for the Electrical and Hydrogen Vehicle Program; and the government's decision to cover the cost of Drive Clean test fee starting April 1, 2017, until the program ended in March 31, 2019.

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Appendix 2: Guiding Principles of the Transfer Payment Accountability Directive

Source: Transfer Payment Accountability Directive

Principle	Description
Accountability	Ministries are accountable for protecting the public interest. Ministries hold recipients responsible for delivering the activities for which the funds were received.
Value for money	Ministries are efficient and effective in using public resources when providing grants.
Risk-based approach	Grant oversight is in proportion to any risks associated with the activity and the recipient.
Fairness, integrity and transparency	The decision to provide grant payments and their oversight is fair, impartial and transparent and conforms to applicable legislation and corporate policy direction.
Focus on outcomes	Grant activities are clearly defined and contribute to the achievement of public policy objectives.
Common Processes	Ministries use common processes, tools and templates as appropriate to create administrative efficiencies and support consistency in the oversight of grants.
Information sharing	Relevant and appropriate information and data are collected, managed and shared across the Ontario government.
Communication	There is respectful, open and ongoing communication between ministries and grant recipients.

Appendix 3: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1.	Ministries should establish clearly defined goals and objectives for their discretionary grant programs that are aligned with the ministries' mandates and the government's overall strategic direction.
2.	Discretionary grant programs have eligibility criteria that are clearly communicated to stakeholders. The criteria are consistently and objectively assessed by qualified staff in a timely manner and funding amounts approved are based on the needs demonstrated by the applicant, the grant criteria and available funding.
3.	Discretionary grant agreements have clear accountability provisions to ensure that grant recipients are using funds as intended. Ministries are monitoring and holding grant recipients accountable for the funds they receive and are taking corrective actions against and/or recovering funds from those who fail to use grants as intended.
4.	Ministries are formally evaluating each discretionary grant program regularly to ensure that the grant continues to align with ministry objectives and, where necessary, corrective action is taken.
5.	The government-wide system (Grants Ontario), developed to act as a central repository to track all discretionary grant programs, is being used by all ministries and provides a secure and reliable platform for ministries to receive and assess grant applications, track payments and recoveries, and monitor recipients' use of funds and performance.
6.	Performance measures and targets are established for discretionary grant programs and the Grants Ontario system. Results are publicly reported against stated goals.

Appendix 4: Description of Grant Programs Selected for Detailed Testing

Prepared by the Office of the Auditor General of Ontario

Grant Program	Description
Ministry of Economic Development, Job Creation and Trade	
1. Jobs and Prosperity Fund—New Economy Stream	Introduced in July 2014, the program funds private sector projects that cost at least $10 million and focus on advanced manufacturing, financial services, information technologies and communications technologies, and life sciences. The goal of the program is to increase productivity leading to job creation/retention, support innovation through research and development, and increase exports. The program reimburses eligible project expenditures (e.g. equipment, materials, and labour). From January 2015 to June 2019, the program has funded 31 grant recipients (33 projects) for a total of $272 million.
2. Campus-Linked Accelerator and On-Campus Entrepreneurship Activities	Introduced in April 2013, the program aims to facilitate the development of entrepreneurial activity in Ontario's universities and colleges. Between 2014/15 and 2018/19, the program provided $39 million in funding to 44 universities and colleges. The Ontario Centres for Excellence, a not-for-profit organization, manages the program on behalf of the Ministry. The universities and colleges provide innovation hubs and start-up incubators to youth entrepreneurs. Youth entrepreneurs receive the services offered, but do not receive direct funding, except for covering costs to transport entrepreneurs to other international innovation hubs for three to six months to increase their global reach.
3. Global Start Voucher Program	Introduced in 2015/16, the program was a subset of the Campus-Linked Accelerator and On-Campus Entrepreneurship Activities (CLA/OCEA) program. The program aimed to support youth-led start-ups in accessing international markets that are too difficult to break into without significant connections and/or knowledge of the market, or due to language and cultural barriers. Start-ups received funding to support them for up to four months, as they were hosted in a foreign jurisdiction incubator. Between 2015/16 and 2017/18, the program provided $800,000 in funding to 59 grant recipients that were hosted by incubators in 19 different countries. The program ended in 2017/18.
4. Youth Skills Connection—Industry Partnerships	Announced in August 2013, the grant funds educational institutions to run training programs aimed at solving the skills gap identified by Ontario companies by developing Ontario's youth to meet industry needs through experiential learning and work placements. For the three-year period (2015/2016 to 2017/2018) the program operated, it funded 32 recipients for a total of $18 million. The educational institutions developed training through consultation with businesses who identified the skills gap.
5. College Applied Research and Development Fund	Introduced in January 2017, the program funds colleges with a goal of increasing industry/post-secondary collaboration, while providing industry access to research resources at colleges. The program provides learning opportunities for college students as they work on industry-led research projects to facilitate productivity improvements. Over the last 3 years (2016/17 to 2018/19) the program has funded 127 recipients and committed around $16.6 million.
6. Ontario Scale-Up Vouchers Program	Introduced in November 2016, the program's objective was to accelerate the growth rate of high-potential, Ontario-based technology and innovation-based companies into global leaders. Recipient companies were eligible to receive a financial voucher of up to $1 million to offset costs for various direct and indirect scale-up expenses. In addition, the program provided companies with access to mentors with expertise in growth planning. The Ministry contracted with MaRS Discovery District to run the grant program. From November 2016 to April 2019, the program costs were about $24 million (including $2.2 million for administration costs totalling $11.3 million) and supported 95 companies (35 companies received financial vouchers). In April 2019, the Ministry terminated the program.

Grant Program	Description
Ministry of Tourism, Culture and Sport	
7. Celebrate Ontario	Introduced in 2007, the program offers funding to festivals, events, and cultural organizations that will host tourism-focused events in the province. The program supports the operating expenses and/or promotional costs of new and existing events with the expectation that the funding will lead to long-term improvements and sustainability of the event and attract additional tourists. Over the last three years (2016/17 to 2018/19), the program has funded 832 event organizers for a total of $55.2 million.
8. Ontario 150—Community Celebration	Introduced in July 2016, the program funded not-for-profits, municipalities, and indigenous organizations to celebrate and commemorate the 150th anniversary of Ontario and Canada in 2017. The goal of the program was to support communities in the creation and delivery of impactful, participatory and inclusive initiatives. All projects had to be aligned with one of four themes: supporting celebration; commemorating success and highlighting talent; supporting equal opportunity; and empowering people and communities. The two-year program ran in 2016/2017 and 2017/2018 and funded 359 recipients for a total of $7 million.
9. Ontario 150—Partnership	Introduced in July 2016, the program funded not-for-profits, municipalities, Indigenous communities and organizations, and businesses. The goal of the program was to engage and empower Ontario's youth. All projects were to align with one of six priorities: supporting young artists; promoting diversity and inclusion; environmental stewardship; supporting youth entrepreneurship; promoting active and healthy living; and youth civic engagement. The two-year program ran in 2016/2017 and 2017/2018 and funded 87 recipients for a total of $5 million.
10. Ontario Games	Introduced in 1970, the program funds municipalities to host five multi-sport games (Summer and Winter Games for youth, Summer and Winter Games for 55+, Parasport Games) every two years around the province. The aim of youth games is to prepare athletes for national and international competitions as well as future multi-sport games. The Ministry spends $2.6 million every two years to support municipalities in hosting the five games.
Ministry of Finance	
11. Ontario Municipal Partnership Fund	Introduced in March 2005, the program is the province's main general unconditional assistance to municipalities. The program primarily supports northern and rural municipalities with limited property assessment and those with more challenging financial circumstances, while assisting municipalities that are adjusting to year-over-year funding changes. Over the past five years, from 2015/2016 to 2019/2020, the program has allocated around $2.5 billion to Ontario municipalities.
Ministry of Indigenous Affairs	
12. New Relationship Fund	Introduced in 2008, the program funds First Nations, Métis communities, and Indigenous organizations to support them in their efforts to build consultation and engagement capacity, create jobs, develop business partnerships, and improve economic opportunities. Over the last five years (2014/15 to 2018/19), the program has funded 113 recipients for a total of about $67 million.
Ministry of the Environment, Conservation and Parks	
13. Great Lakes Guardian Community Fund	Introduced in 2012, the program funds not-for-profit, Indigenous organizations, Conservation Authorities and municipalities (with a community-based partner). The goal of the program is to protect water quality for human and ecological health; and protect and restore watersheds, wetlands, beaches, shorelines, coastal areas, natural habitats, and biodiversity of the Great Lakes-St. Lawrence River Basin. Over the last five years (2013/14 to 2017/18), the program has funded 354 recipients for a total of $7.6 million.

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Grant Program	Description
Ministry of Seniors and Accessibility	
14. Age-Friendly Community Planning Grant	Introduced in November 2014, the program funds municipalities and community organizations with the goal of undertaking strategic planning to help communities become age-friendly and ensuring that the needs of seniors are considered at every stage of community planning and development. During the life of the program (June 15, 2015 to March 31, 2017), it funded 56 recipients for a total of $1.9 million.
Cabinet Office	
15. Response to violence in the Rakhine State of Myanmar	Cabinet Office, with approval of Treasury Board, donates funding towards disaster relief efforts in other countries. In 2017/18, the Cabinet Office provided $4 million to agencies providing disaster relief to international communities, including $1 million in response to violence in the Rakhine State of Myanmar.

Appendix 5: Summary of Grant Testing Results

Prepared by the Office of the Auditor General of Ontario

Grant Name (Active Period Over Last 5 Years)	Application Type	# of Applicants	# of Recipients	Total Funds Disbursed[1] ($)	Results of Audit Testing				
					Selection Process Appropriate?	Funding Reasonable?	Effective Monitoring?[2]	Spending Appropriate?	Performance Reporting Appropriate?
Section Reference					4.3.1 and 4.3.2	4.3.3	4.4.3 to 4.4.6	4.4.1 and 4.4.2	4.5
Ministry of Economic Development, Job Creation, and Trade									
Jobs Prosperity Fund[3]–New Economy Stream (Jan 2015–Mar 2019)	Businesses	46	31	271,570,558	✗	✗	✗	✓	✗ (not specific to Ontario)
Campus-Linked Accelerators and On-Campus Entrepreneurship Activities (Apr 2014–Mar 2019)	Post-Secondary Institutions	44	44	39,132,222	✓	✓	✗	✓	✗
Campus-Linked Accelerators and On-Campus Entrepreneurship Activities–Global Start Voucher Program (Apr 2015–Mar 2018)	Businesses	64	59	799,961	✓	✓	✗	✓	✗
Youth Skills Connection–Industry Partnerships[4] (Sep 2015–Mar 2018)	Post-Secondary Institutions	45	32	17,856,579	✓	✓	✗	✓	✓
College Applied Research and Development Fund (Jan 2017–Mar 2019)	Post-Secondary Institutions	152	127	16,595,653	✓	✓	✗	✓	✓
Ontario Scale-Up Vouchers Program (Apr 2015–Mar 2019)	Businesses	173	35	11,325,000	✓	✓	✗	✓	✓
Ministry of Tourism, Culture and Sport									
Celebrate Ontario (Apr 2016–Mar 2019)	Not for Profit, Municipalities, Businesses, First Nations	1,333	832	55,155,742	✗	✓	✗	✗	✓

Grant Name (Active Period Over Last 5 Years)	Application Type	# of Applicants	# of Recipients	Total Funds Disbursed[1] ($)	Results of Audit Testing				
					Selection Process Appropriate?	Funding Reasonable?	Effective Monitoring?[2]	Spending Appropriate?	Performance Reporting Appropriate?
Ontario150—Community Celebrations (Jul 2016–Mar 2018)	Not for Profit, Municipalities, Businesses, First Nations	922	359	7,000,000	✗	✓	✗	✓	✓
Ontario150 Partnership (Jul 2016–Mar 2018)	Not for Profit, Municipalities, Businesses, First Nations	445	87	4,899,805	✗	✓	✗	✗	✓
Ontario Games (2018/19)	Municipalities	7	5	2,580,000	✓	✓	✗	✓	✓
Other (indicated in square brackets)									
Ontario Municipal Partnership Fund (Apr 2014–Mar 2019) [Finance]	Municipalities	Based on pre-set eligibility criteria	389	2,525,000,000	✓	✓	n/a	n/a	n/a
New Relationship Fund (Apr 2014–Mar 2019) [Indigenous Affairs]	First Nations	115	113	67,325,642	✓	✗	✗	✗	✗
Great Lakes Communities Fund (Apr 2014–Mar 2018) [Environment, Conservation and Parks]	Not for Profit, Municipalities, First Nations	562	354	7,571,635	✓	✓	✗	✓	✗
Age Friendly Community Grant (Apr 2015–Mar 2017) [Seniors and Accessibility]	Municipalities	139	56	1,904,953	✓	✓	✗	✓	✗
Response to violence in the Rakhine State of Myanmar (Oct 2017–Jun 2018) [Cabinet Office]	Not for Profit	2	2	1,000,000	n/a[5]	n/a	n/a	✓	✓

Note: n/a = not applicable

1. During active period.
2. For most grants, we note that monitoring was not risk-based (for example, sites visits were not selected based on a recipient's risk score). Monitoring was not applicable for the Ontario Municipal Partnership Fund because this was an unconditional grant.
3. In total 36 grant applicants were approved for funding. By March 31, 2019 only 31 recipients had received funding.
4. The Youth Skills Connection—Industry Partnerships grant is by invitation only. Other grants are open to all to apply.
5. Funding approved by a Treasury Board order.