

## 2012/13 Review of Transfers Under Agreement

### Distribution

Assistant Deputy Minister Infrastructure Department Ministry of Transportation and Infrastructure	<b>Kevin Richter</b>
Assistant Deputy Minister Finance & Management Services Ministry of Transportation and Infrastructure	<b>Nancy Bain</b>
Chief Financial Officer Finance Ministry of Transportation and Infrastructure	<b>Dave Stewart</b>
Senior Manager Infrastructure Department Ministry of Transportation and Infrastructure	<b>Sean Nacey</b>
Assistant Deputy Minister Management Services Division Ministry of Community, Sport and Cultural Development	<b>George Farkas</b>
Assistant Deputy Minister Local Government Division Ministry of Community, Sport and Cultural Development	<b>Julian Paine</b>
Director and Chief Financial Officer Finance & Administrative Services Branch Ministry of Community, Sport and Cultural Development	<b>Jim MacAulay</b>
Executive Director Local Government Infrastructure & Finance Ministry of Community, Sport and Cultural Development	<b>Glen Brown</b>
Assistant Deputy Minister Corporate Management Services Branch Ministry of Justice	<b>Tara Faganello</b>
Executive Director Strategic Business Services Ministry of Justice	<b>David Curtis</b>
Director Flood Protection Program Emergency Management BC Ministry of Justice	<b>Carol Loski</b>



To: (see distribution list attached)

From: Chris D. Brown, CA  
Assistant Deputy Minister  
Internal Audit & Advisory Services

October 22, 2012  
File No.: 034070

Subject: 2012/13 Review of Transfers Under Agreement

---

We are pleased to provide you with our report on the 2012/13 Review of Funding Transfers Under Agreement made under the Building Canada Fund – Communities Component (BCF-CC).

The purpose of this engagement was to provide reasonable assurance to the ministries' executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The Ministry of Transportation and Infrastructure, in conjunction with the Ministry of Community, Sport and Cultural Development and the Ministry of Justice, identified ten projects from the fiscal year 2012/13. All of the projects, which are funded under the BCF-CC program, were reviewed from September 2012 to October 2012.

As part of ensuring compliance with program procedures and policies, ministry staff reviews claims to determine whether the costs submitted by proponents for reimbursement are deemed eligible or ineligible prior to payment. As part of the audit process, Internal Audit & Advisory Services (IAAS) reviews claims that have been processed and paid as well as claims that have not been reviewed, processed and paid by the ministry. Based on our reviews, some claimed expenditures were categorized as ineligible expenses under the contract criteria of the BCF-CC.

Overall, there was a high compliance of 99.2% with program eligibility requirements across the ten projects that were reviewed. However, we found holdback procedures were not consistently followed in six of the ten projects we reviewed. We also found two instances of duplicate claimed amounts and several other ineligible expenditures. In addition, two projects had under claimed amounts.

We reviewed 848 transactions with a total invoice amount of \$61,683,831. We identified \$477,931.81 as ineligible expenditures of which \$103,506.20 requires further action. The total ineligible expenditures represent 0.8% of the total invoice amount reviewed. We also found under claimed amounts equivalent to \$151,820.48, of which \$150,024.70 will be adjusted in future claims.

Please find our detailed observations and recommendations, and the list of projects selected for review in Appendix 1.

## Observations and Recommendations

### Unpaid Holdbacks Claimed in Advance

The following proponents claimed unpaid holdbacks in their claim submissions, but the subsequent holdback release payments confirmed that the proponents have paid the holdbacks to the contractors:

- Town of Lake Cowichan Flood Protection for Sewage Lift Station No.1 (Project #40988) – \$5,623.26 (2/3 Fed/Prov \$3,748.84).
- Town of Qualicum Beach Berwick Water Supply Upgrade (Project #22736) – \$189,326.20 (2/3 Fed/Prov \$126,217.47).
- Village of McBride Eco-Sensitive Solutions to Waste Water Treatment Phase 1 (Project #22192) – \$149,711.89 (2/3 Fed/Prov \$99,807.93).
- City of New Westminster Pier Park and Greenway Development (Project #25889) - \$21,433.64(2/3 Fed/Prov \$14,289.09).

The following proponents also claimed unpaid holdbacks in their claim submissions, however there is a holdback and an adjustment still pending at the end of the fieldwork:

- Village of McBride Eco-Sensitive Solutions to Waste Water Treatment Phase 2 (Project #26534) – \$54,204.78 (2/3 Fed/Prov \$36,136.52).

\$45,874.16 remains unpaid at the time of the fieldwork.

- City of Dawson Creek Calvin Kruk Centre for the Arts (Project #26113) - \$306.82 (2/3 Fed/Prov \$204.55).

The city staff advised us that they will adjust this error in their next claim.

### **Recommendation:**

- 1. The Ministry should review the future claims of proponents to ensure unpaid holdbacks are not claimed in advance.**
- 2. The Ministry should review the future claims of the following proponents to ensure the necessary adjustments have been made to:**
  - **Village of McBride (Project #26534) – (\$45,874.16, Payments 1 to 4 for 3<sup>rd</sup> Lagoon and Wetland progress, Robson Valley Construction Ltd.); and**
  - **City of Dawson Creek (Project #26113) – (\$306.82, Invoice #5312, Napp Enterprises).**

### **Duplicate Claims**

- Village of McBride Eco-Sensitive Solutions to Waste Water Treatment Phase 1 (Project #22192) – \$32,283.24 (2/3 Fed/Prov \$21,522.16).

This transaction was claimed in both Phase 1 and 2 of the project. We were advised that this transaction should have been claimed in Phase 2. The ministry should discuss with the proponent as to how the transaction is adjusted between Phase 1 and Phase 2.

- City of New Westminster Pier Park and Greenway Development (Project #25889) - \$22,935 (2/3 Fed/Prov \$15,290).

During the fieldwork, proponent made a credit of \$22,935 in the final claim submitted to the Ministry.

### **Recommendation:**

- 3. The Ministry should review the future claims of the following proponents to ensure that the necessary adjustments have been made to:**
  - **Village of McBride (Project #22192) – (\$32,283.24, Payment #3, Demidoff Equipment Ltd.); and**
  - **City of New Westminster (Project #25889) – (\$22,935, Invoice #491, M2K Construction Ltd.).**

### **Other Ineligible Expenditures**

- Village of McBride Eco-Sensitive Solutions to Waste Water Treatment Phase 2 (Project #26534) – \$1,967.01.

Cost incurred for Eco-Sensitive Solutions to Waste Water Treatment Phase 1 project was inadvertently claimed in Phase 2.

### **Recommendation:**

- 4. The Ministry should discuss with the proponent as to how the ineligible expenditure should be adjusted between Phase 1 and Phase 2 projects.**
  - **Village of McBride Eco-Sensitive Solutions to Waste Water Treatment Phase 2 (Project #26534) – (\$1,967.01, Invoice #11-623, R. Radloff & Associates Inc.).**
- City of Dawson Creek Calvin Kruk Centre for the Arts (Project #26113) - \$139.97. Claim was based on a tax rate of 12% instead of 5% GST charged by the vendor.

**Recommendation:**

5. **The Ministry should review the proponent's future claim and ensure the necessary adjustment have been made:**
  - **City of Dawson Creek Calvin Kruk Centre for the Arts (Project #26113) (\$139.97, Invoice #10-282, Geo North Engineering Ltd.).**

**Under Claimed Amounts**

- Village of Pouce Coupe Lagoon Berm Stabilization (Project #22613) – (\$1,795.78).

Proponent calculated the HST rebate using the after-tax invoice amount which resulted in an under claim. No adjustment is required as the maximum grant level has already been reached.

- City of Prince George Boundary Road Connector (Project #22441) – (\$150,024.70).

Proponent tried to reverse holdbacks claimed in advance but made an error by applying the 10% holdback on the gross invoice amount resulting in an under claim.

**Recommendation:**

6. **The Ministry should review the future claims of the City of Prince George to ensure they include the under claimed amount of \$150,024.70.**

We would like to thank the management and staff of the Ministry of Transportation and Infrastructure, the Ministry of Community, Sport and Cultural Development and the Ministry of Justice, as well as the representatives of the projects we reviewed, for their assistance and cooperation throughout this review.



Chris D. Brown, CA  
Assistant Deputy Minister  
Internal Audit & Advisory Services  
Ministry of Finance

## Appendix 1 – List of Projects Selected for Review

Ministry	Project #	Applicant Name	Project Title	Total Eligible Costs	Fed + Prov Share
MOJ	40988	Lake Cowichan, Town of	Flood Protection for Sewage Lift Station No.1	\$230,200	\$153,466
MCSCD	22736	Qualicum Beach, Town of	Qualicum Beach – Berwick Water Supply Upgrade	\$3,380,000	\$2,253,332
MCSCD	22192	McBride, Village of	McBride – Eco-Sensitive Solution to Waste Water Treatment – Phase 1	\$1,552,794	\$1,035,196
MCSCD	26534	McBride, Village of	McBride – Eco-Sensitive Solution to Waste Water Treatment – Phase 2	\$2,075,000	\$1,383,332
MCSCD	22613	Pouce Coupe, Village of	Pouce Coupe – Lagoon Berm Stabilization	\$261,250	\$174,166
MOTI	22671	Langley, City of	Langley – Fraser Highway/Nicomekl Bridge Replacement	\$9,065,000	\$5,279,356
MOTI	25980	Capital Regional District	Salt Spring Island Public Library	\$6,826,477	\$4,550,984
MOTI	25889	New Westminster, City of	New Westminster – Pier Park and Greenway Development	\$24,902,743	\$16,601,828
MOTI	26113	Dawson Creek, City of	Dawson Creek – Calvin Kruk Centre for the Arts	\$13,542,409	\$6,399,442
MOTI	22441	Prince George, City of	Prince George – Boundary Road Connector	\$27,993,120	\$15,000,000

## Detailed Action Plan – 2012/13 Review of Transfers Under Agreement

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
<b>Unpaid Holdbacks Claimed in Advance</b>				
1.	The Ministry should review the future claims of proponents to ensure unpaid holdbacks are not claimed in advance.	The Ministry will confirm with proponents that unpaid holdbacks are not included on future claim submissions.	MOTI MCSCD MOJ	Immediately
2.	The Ministry should review the future claims of the following proponents to ensure the necessary adjustments have been made to: <ul style="list-style-type: none"> <li>- Village of McBride (Project #26534) – (\$45,874.16, Payments 1 to 4 for 3<sup>rd</sup> Lagoon and Wetland progress, Robson Valley Construction Ltd.); and</li> <li>- City of Dawson Creek (Project #26113) – (\$306.82, Invoice #5312, Napp Enterprises).</li> </ul>	<p>The Ministry will review future claims to ensure that the \$45,874.16 holdbacks have been paid.</p> <p>The Ministry has adjusted the City of Dawson Creek's 5<sup>th</sup> claim by removing the unpaid holdback amount of \$306.82.</p>	<p>MCSCD</p> <p>MOTI</p>	<p>March 31, 2013</p> <p>Completed</p>
<b>Duplicate Claims</b>				
3.	The Ministry should review the future claims of the following proponents to ensure that the necessary adjustments have been made to: <ul style="list-style-type: none"> <li>- Village of McBride (Project #22192) – (\$32,283.24, Payment #3, Demidoff Equipment Ltd.); and</li> <li>- City of New Westminster (Project #25889) – (\$22,935, Invoice #491, M2K Construction Ltd.).</li> </ul>	<p>The Ministry will adjust the Village of McBride's next claim by \$32,283.24.</p> <p>The City of New Westminster has adjusted their final claim by \$22,935.</p>	<p>MCSCD</p> <p>MOTI</p>	<p>March 31, 2013</p> <p>Completed</p>



Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
<b>Other Ineligible Expenditures</b>				
4.	<p>The Ministry should discuss with the proponent as to how the ineligible expenditure should be adjusted between Phase 1 and Phase 2 projects.</p> <ul style="list-style-type: none"> <li>- Village of McBride Eco-Sensitive Solutions to Waste Water Treatment Phase 2 (Project #26534) – (\$1,967.01, Invoice #11-623, R. Radloff &amp; Associates Inc.).</li> </ul>	The Ministry will adjust the claims between Phase 1 and Phase 2 of the project by \$1,967.01.	MCSCD	March 31, 2013
5.	<p>The Ministry should review the proponent's future claim and ensure the necessary adjustment has been made:</p> <ul style="list-style-type: none"> <li>- City of Dawson Creek Calvin Kruk Centre for the Arts (Project #26113) (\$139.97, Invoice #10-282, Geo North Engineering Ltd.).</li> </ul>	The Ministry has adjusted the City of Dawson Creek's 5 <sup>th</sup> claim by \$139.97.	MOTI	Completed
<b>Under Claimed Amounts</b>				
6.	The Ministry should review the future claims of the City of Prince George to ensure they include the under claimed amount of \$150,024.70.	The City of Prince George has claimed the \$150,024.70 on claim 7.	MOTI	Completed