

To: See attached distribution list

March 16, 2021

File No.: 20/21-13-TRANS

From: Serena DeCiantis
Audit Director
Internal Audit & Advisory Services

Re: 2020/21 Review of New Building Canada Fund-Small Communities Fund
Funding Transfers Under Agreement

We are pleased to provide you with our report on the 2020/21 review of New Building Canada Fund-Small Communities Fund (NBCF-SCF) Funding Transfer Under Agreement. The NBCF-SCF was established under Canada's 2013 Economic Action Plan and was launched on October 22, 2014. The objectives of the NBCF-SCF are to promote economic growth, a clean environment and build stronger communities. Funding is directed towards a wide range of community projects, including drinking water and wastewater systems, green energy and highways and major roads, among others. Under the NBCF-SCF Bilateral Agreement, both the Province of British Columbia (Province) and the Federal Government of Canada (Federal) have committed \$109 million each in support of local government infrastructure projects to communities with populations of less than 100,000 people.

The Major Projects, Infrastructure and Properties Department with the Ministry of Transportation and Infrastructure and the Local Government Division with the Ministry of Municipal Affairs (collectively the Ministries) requested Internal Audit & Advisory Services (IAAS) examine a sample of infrastructure projects under the NBCF-SCF program, during the 2020/21 fiscal year.

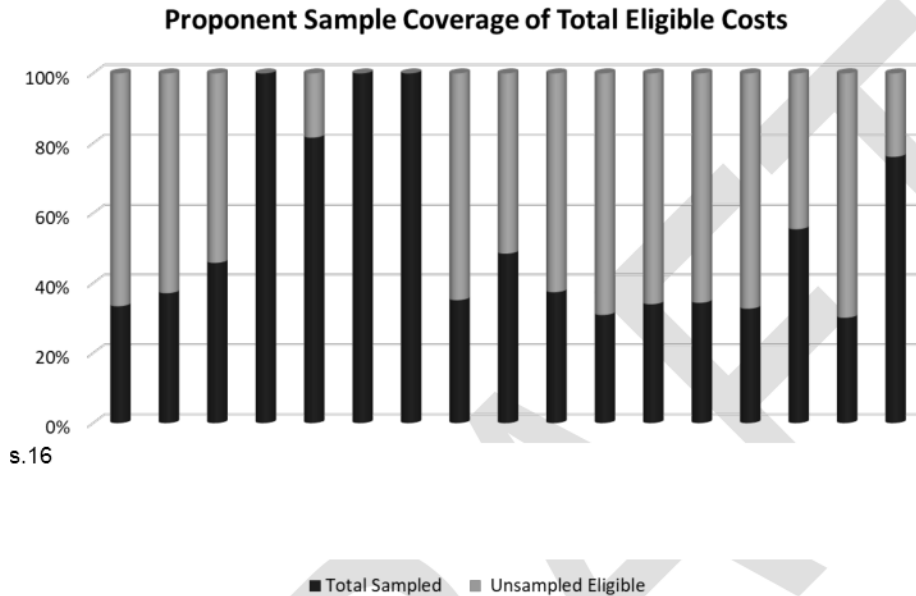
The purpose of this engagement was to provide assurance to the Ministries that examined project costs complied with the terms and conditions of the Bilateral Agreement and were supported by appropriate documentation.

The Ministries selected 17 projects to be examined, which represent approximately \$50.1 million¹ in approved eligible costs, as noted in Appendix A. Of the 17 projects, 14 were completed and 3 projects were in progress at the time of this engagement. Of those projects in progress, all were near completion and awaiting a final report or final payment. In addition, we noted that the total submitted costs by proponents exceeded the total approved eligible costs by \$3.1 million (see Appendix A) and the majority of costs claimed by proponents related to construction (86%) and design expenses (13%).

¹ As of November 9, 2020, per Local Government Information System

IAAS selected a sample of \$20.8 million of total submitted claims. As per the figure below, this amount represented approximately 42% of total eligible costs², with individual project coverage ranging from 30% to 100%. In addition, we inspected all claim details provided by proponents for the projects in the Local Government Information System for unusual cost descriptions.

Figure 1 – NBCF-SCF Sample Coverage

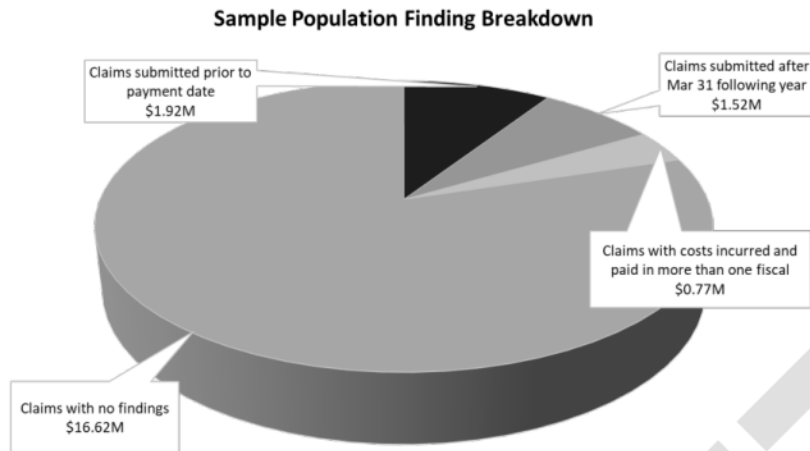


Fieldwork was conducted in January-February 2021.

We found no instances of ineligible expenses in costs reviewed and found that cost types submitted matched underlying documentation provided by proponents. In addition, we noted no unusual cost descriptions for the projects examined. However, we found some instances of timing issues for submission of expenses.

² For the scope of this engagement, total eligible costs for the 17 projects are determined as the sum of: the lesser of the approved eligible costs per the project agreement and the costs incurred by the project proponent.

Figure 2 – NBCF-SCF Review Findings



We have shared our findings with ministry staff, to follow up with proponents where necessary. Please find detailed observations and recommended actions, along with the list of projects selected for review, in **Appendix A**.

* * *

We would like to thank the management and staff of the Ministry of Transportation and Infrastructure and the Ministry of Municipal Affairs as well as the representatives of the projects we reviewed, for their assistance and cooperation throughout this engagement.

Serena DeCiantis, CPA, CA
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Appendix A – List of Projects Selected for Review and Findings¹

Project Number	Proponent	Total Approved Eligible Costs	Total Submitted Costs	Funding (Federal +Provincial)	Ineligible Costs	Other Findings (Type, Amount)
N20039	s.16	\$4,381,953	\$4,382,001	\$2,921,302	--	Finding 1: \$35,825
N20101		\$2,851,000	\$2,940,466	\$1,900,666	--	--
N20048		\$2,767,564	\$3,101,136	\$1,845,042	--	--
N20066		\$189,750	\$217,417	\$126,500	--	Finding 2: \$191,319-
N20219		\$2,302,000	\$2,373,729	\$1,534,666	--	Finding 1: \$1,375,010
N20057		\$200,000	\$298,599	\$133,332	--	--
N20088		\$675,000	\$675,400	\$450,000	--	--
N20143		\$1,558,000	\$1,595,260	\$1,038,666	--	--
N20002		\$9,000,000	\$9,390,806	\$6,000,000	--	Finding 3: \$599,706
N20155		\$2,589,919	\$2,362,301	\$1,726,612	--	--
N20224		\$116,400	\$131,670	\$77,600	--	--
N20259		\$762,350	\$867,698	\$508,232	--	Finding 1: \$285,360 Finding 3: \$166,524
N20292		\$7,462,469	\$8,572,817	\$4,974,978	--	Finding 1: \$225,602
N20139		\$2,525,050	\$2,530,045	\$1,683,366	--	Finding 2: \$155,704
N20214		\$6,975,000	\$6,548,937	\$4,650,000	--	
N20058		\$2,116,500	\$2,272,080	\$1,411,000	--	Finding 2: \$1,173,461
N20191		\$3,622,000	\$4,939,792	\$2,414,666	--	--
Total	-	\$50,094,955	\$53,200,154	\$33,396,628	--	\$4,208,511

¹ All amounts rounded to the nearest dollar. Costs as of November 9, 2020.

Finding 1: Claim submitted prior to payment date

Under the Shared Cost Agreements (Schedule B, B.3.1): Proponents will deliver to the Province, claims setting out the amount of eligible expenditures actually incurred and paid by the proponent to the date of such claims. Four proponents submitted claims prior to the date of payment. There was no impact on expense eligibility.

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Finding 2: Claim submitted after March 31 of the following year

Under the Shared Cost Agreements (Schedule B, B.3.6): No claims may be paid unless received by the Province on or before March 31 of the year following the year in which eligible expenditures were incurred. Three proponents submitted claims after March 31 of the following year. There was no impact on expense eligibility.

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Finding 3: Costs were incurred and paid in more than one fiscal year

Under the Shared Costs Agreements (Schedule B, B.3.5): Eligible expenditures must be incurred and paid in one fiscal year. Claims submitted that include Eligible Expenditures incurred and paid in more than one fiscal year will not be accepted by the Province. Two proponents submitted claims with costs incurred and paid in more than one fiscal year. There was no impact on expense eligibility.

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To: See attached distribution list

From: Serena DeCiantis
Audit Director
Internal Audit & Advisory Services

March 16, 2021
File No.: 20/21-14-MUNI

Re: 2020/21 Review of Clean Water and Wastewater Program Funding Recipients

We are pleased to provide you with our report on the 2020/21 review of Clean Water and Wastewater Fund (CWWF) made under the Bilateral Agreement that was signed in September 2016 and amended in October 2018 and March 2020. The CWWF aims to accelerate short term local government investments, while supporting the water, wastewater and stormwater infrastructure. Under the Bilateral Agreement, both the Province of British Columbia (Province) and the Federal Government of Canada (Federal) have committed \$148.5 million and \$219.3 million, respectively, in support of approved CWWF projects to communities across B.C.

The Ministry of Municipal Affairs (Ministry) requested Internal Audit & Advisory Services (IAAS) examine a sample of infrastructure projects under the CWWF program, during the 2020/21 fiscal year.

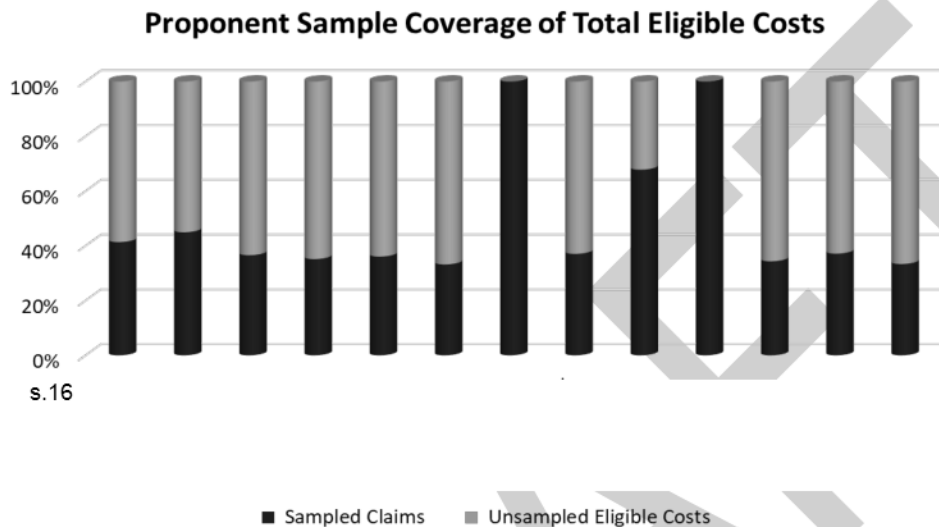
The purpose of this engagement was to provide assurance to the Ministry that examined project costs complied with the terms and conditions of the Bilateral Agreement and were supported by appropriate documentation.

The Ministry selected 13 projects to be examined, which represents approximately \$57.7 million¹ in approved eligible costs, as noted in Appendix A. Of the 13 projects, 9 were completed and 4 were in progress at the time of this engagement. Of those projects in progress, all were near completion and awaiting a final report or final payment. In addition, we noted that the total submitted costs by proponents exceeded the total approved eligible costs by \$2.5 million (see Appendix A) and the majority of costs claimed by proponents related to construction (85%) and design expenses (14%).

¹ As of November 9, 2020, per Local Government Information System

IAAS selected a sample of \$22.5 million of total submitted claims. As per the figure below, this amount represented approximately 40% of total eligible costs², with individual project coverage ranging from 30% to 100%. In addition, we inspected all claim details provided by proponents for projects in the Local Government Information System for unusual cost descriptions.

Figure 1 – CWWF Sample Coverage

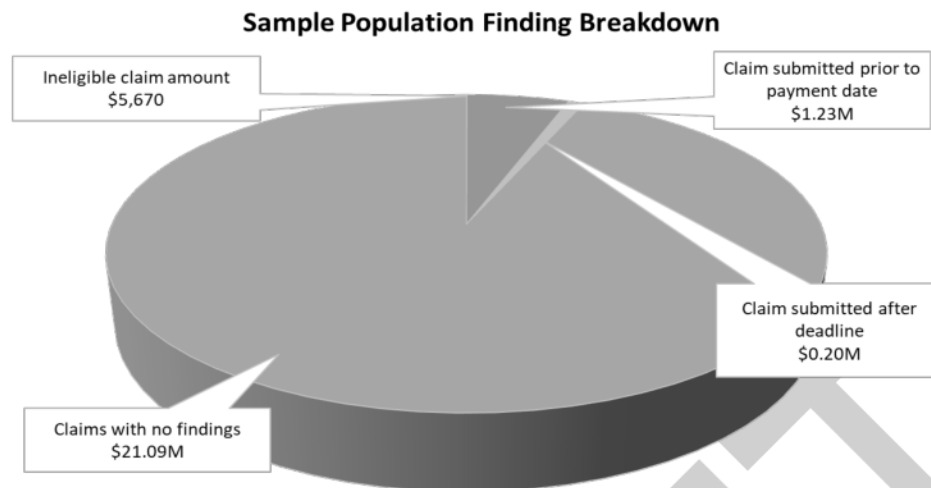


Fieldwork was conducted in January-February 2021.

We found one occurrence of an ineligible expense of \$5,670, representing approximately 0.03% of total costs tested. We found that costs types submitted matched underlying documentation provided by proponents and noted no unusual cost descriptions for the projects examined. However, we found some instances of timing issues for submission of expenses.

² For the scope of this engagement, total eligible costs for the 13 projects are determined as the sum of: the lesser of the approved eligible costs per the project agreement and the costs incurred by the project proponent.

Figure 2 – CWWF Review Findings



We have shared our findings with Ministry staff, to follow up with proponents where necessary. Please find detailed observations and recommended actions, along with the list of projects selected for review in **Appendix A**.

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We would like to thank the management and staff of the Ministry of Municipal Affairs as well as the representatives of the projects we reviewed, for their assistance and cooperation throughout this engagement.

Serena DeCiantis, CPA, CA
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Internal Audit & Advisory Services
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Appendix A – List of Projects Selected for Review and Findings³

Project Number	Proponent	Total Approved Eligible Costs	Total Submitted Costs	Funding (Federal + Provincial)	Ineligible Costs	Other Findings (Type, Amount)
C40084	s.16	\$1,171,125	\$1,641,338	\$972,033	--	--
C40021		\$4,498,000	\$4,459,523	\$3,733,340	--	--
C40025		\$3,515,580	\$3,517,415	\$2,917,931	--	--
C40174		\$14,205,000	\$13,597,934	\$11,790,150	--	Finding 1: \$1,232,802
C40259		\$ 8,307,482	\$8,993,945	\$6,895,210	--	--
C40014		\$10,613,528	\$12,908,784	\$8,809,228	--	--
C40046		\$2,092,500	\$2,033,341	\$1,736,775	--	--
C40249		\$1,990,000	\$1,779,953	\$1,651,700	--	--
C40120		\$2,711,000	\$2,336,430	\$2,250,130	--	--
C40027		\$1,865,000	\$2,086,893	\$1,547,950	\$5,670	--
C40140		\$3,736,609	\$3,712,860	\$3,101,384	--	--
C40261		\$1,725,000	\$1,864,588	\$1,431,750	--	--
C40009		\$1,309,000	\$1,313,000	\$1,086,470	--	Finding 2: \$195,879
Total	--	\$57,739,824	\$60,246,004	\$47,924,051	\$5,670	\$1,428,681

³ All amounts rounded to the nearest dollar. Costs as of November 9, 2020.

Ineligible Cost: Unpaid amount claimed

A proponent claimed an ineligible cost by claiming an invoiced amount larger than the actual payment. As the proponent had incurred eligible costs in excess of the total approved eligible costs, the ineligible cost noted had no impact on the proponents funding.

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Finding 1: Claim submitted prior to payment date.

Under the Shared Costs Agreements (Schedule B, B.3.1): Proponents will deliver to the Province, claims setting out the amount of eligible expenditures actually incurred and paid by the proponent to the date of such claims. A proponent submitted claims prior to the holdback for the project being released. There was no impact on expense eligibility.

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Finding 2: Claim submitted after deadline

An amendment of the Shared Cost Agreement stated that no reimbursements will be made if a claim is received after June 30, 2020. A proponent submitted a claim after this date.

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