

**ONTARIO SELF EMPLOYMENT BENEFIT PROGRAM (OSEB)  
AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR  
April 1, 2015 to March 31, 2016**

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**DEFINITIONS**

**1. Agreement**

The Agreement means the agreement between the Ministry and the Recipient to carry out the Project under the Ontario Self Employment Benefit Program (OSEB). The Ontario Self Employment Benefit Program (OSEB) Audit and Accountability Requirements for Recipients form part of the Agreement.

**2. Capital Assets**

For the purpose of this program, capital assets (tangible and intangible), are identifiable assets that meet all of the following criteria:

- are held for use in the provision of services, for administrative purposes, for production of goods or for the maintenance, repair, development or construction of other capital assets;
- have been acquired, constructed or developed with the intention of being used on a continuing basis;
- are not intended for sale in the ordinary course of operations; and
- are not held as part of a collection.

**Tangible capital assets** include land, buildings and equipment.

**Intangible capital assets** are identifiable non-monetary assets without physical substance.

**3. Multi-Agreement Holder (MAH):**

A multi-agreement holder is a Recipient that has two or more agreements with the Ministry within a single region or across more than one region.

**4. Project Accounting**

The Recipient may receive funding from multiple sources. For the purpose of this definition, each source of funding would be considered a Project. Project Accounting connects Recipient funding with Project activities to effectively track the financial progress of projects. Where a Recipient has multiple projects, all costs must be allocated to specific projects. These costs must then be reconciled with the sources of funding, ensuring accurate accounting.

**FUNDING CATEGORIES**

**Operating Funds**

Operating Funds are for the direct delivery of all of the components of the Project to the service quality standard contracted with the Ministry. Costs related to the provision of the Project that would be considered part of a Recipient's day-to-day operations include, but are not limited to:

- staff and management salaries;
- hiring and training of staff (including professional development);
- marketing (signage, paper/web ads, outreach, etc.);
- facilities (rent);
- facilities (mortgage payments) **ONLY** the interest portion of a mortgage payment is allowed as an operating cost; and
- other direct operating expenditures related to the delivery of the Project.

Recipients are able to attribute no more than 15% of their Operating Funds for administrative overhead. Administrative overhead recognizes costs necessary for operating an organization but not directly associated with the delivery of the Project. For example, a portion of the salaries/benefits of the Executive Director, IT, and/or financial staff who work for the entire organization but may spend a portion of their time dedicated to administrative functions that support the Project.

Operating Funds cannot be used for termination and severance costs.

**Supports for Individuals and Participants** are costs required to provide supports that will be used by a group of participants or to serve participants on an ongoing basis (as opposed to individual costs). Examples may include costs for a group of participants for a specific event or activity or a disability-related cost for a large print screen to be used on an ongoing basis by persons with a disability for workshop purposes. The Ministry may provide funds directly to individuals for basic living allowance, dependent care, travel and disability-related costs through the OSEB participant agreement.

### **Field Support**

Field Support is funding that may be provided through a formal in-year request to support OSEB Recipients with one-time exceptional expenditures not normally included as part of ongoing operations. Requests will be reviewed on a case by case basis and approved at the sole discretion of the Ministry. Purchases related to Field Support cannot be made without prior written approval from the Ministry.

## **FINANCIAL CONSIDERATIONS**

### **a) Funds (to be paid as per Schedule “B” of the Agreement)**

Recipients have discretion over the use of their funds within the following parameters:

- operating funds are allocated against an identified level of service;
- in situations of co-location of the Project with other programs and services, Project funds must only be used to cover costs directly related to the delivery of the Project; this must be managed by applying Project Accounting principles;
- operating funds cannot be used for major capital expenditures, such as the purchase or construction of facilities. Purchase of equipment and furniture directly related to the effective delivery of the contracted program is allowable;
- the Recipient must obtain prior written approval from the Ministry to shift funds between funded sites or communities;
- the Recipient must not transfer funds between budget lines (Schedule B) unless it obtains the prior written consent of the Ministry; and
- the Recipient **should not anticipate** additional funds, although the Recipient should discuss any issues with the Ministry.

### **b) Interest Earned**

The Recipient must place the Funds in an interest bearing account which earns interest on the entire balance of Funds in the account. Interest earned on the Funds must be identified in the Estimate of Expenditure Reports and the Statement of Revenue and Expenditure Report. Interest earned, including deemed interest, and any unspent Funds will be recovered pursuant to section 4.7 and Article 15 of the Agreement, respectively.

If the Recipient fails to identify interest earned in the Estimate of Expenditure Report(s) and the Statement of Revenue and Expenditure Report, then the following applies:

- i) the Ministry must deem an amount of interest earned based on the average of unspent Funds reported on the Estimate of Expenditure Report(s) and the Statement of Revenue and Expenditure Report using the current interest rate charged by the Province of Ontario on

accounts receivable. This deemed amount for interest must be considered revenue of the Recipient for the purposes of the Estimate of Expenditure Report(s) and the Statement of Revenue and Expenditure Report; and

ii) such failure will be considered an Event of Default in accordance with section 14.1 of the Agreement.

**c) Bank Account**

Although maintaining a separate bank account for Ministry funding is not a requirement under the Agreement, it is a strongly recommended practice.

**d) Capital Assets**

Recipients are not required to report capital asset expenditures to the Ministry. However, the Recipient must maintain a separate record of capital asset expenditures for audit purposes in accordance with Article 7.2 of the Agreement.

**e) Disposition of Assets**

The Recipient **must** obtain the Ministry's prior written approval to sell, lease or otherwise dispose of an asset purchased with the Funds, if the cost exceeded **\$1,000** at time of purchase, in accordance with section 5.2 of the Agreement.

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

**f) Deficits**

Recipients are accountable for managing their funding and required to remain within their approved funded site allocations (per Schedule 'B') of the Agreement. Recipients must request prior written approval from the Ministry for an anticipated over-expenditure. Each request will be individually evaluated. Recipients must enclose copies of overspending approval documents from the Ministry with their financial reports. This will help reduce any delays in finalizing the Ministry's annual Reconciliation Report.

**g) Reporting Ministry program expenditures net of Tax rebates:**

**SAMPLE**

Amount Recipient spent on goods/services:	\$100.00
Amount of tax paid (example 13%):	\$13.00
Less amount of tax rebate claimed (where rebate equals 80%):	<u>-\$10.40</u>
Amount of tax expenditure:	
	<u>\$ 2.60</u>
Amount reported as Ministry program expenditure:	\$102.60

**Monitoring**

Monitoring, under the Agreement, will be a collaborative effort between Ministry staff and Recipients. Its aim is to support the Ontario Self Employment Benefit Program and the practice of continuous improvement. Some of the activities that can be expected during the life cycle of an Agreement include:

- activity and financial reporting;
- on-site compliance and evaluation visits;
- discussions via telephone; and
- correspondence by mail or e-mail.

### Reports Required and Due Dates

Without the signature of a Recipient's legal signing authority, reports will be considered incomplete. Payments will be delayed if complete reports are not received by identified due dates.

<b>ESTIMATE OF EXPENDITURE REPORT (EER)</b>	<b>DUE DATES</b>
<b>2015–2016 Fiscal Year</b>	<b>July 17, 2015</b> <b>September 11, 2015</b> <b>October 16, 2015</b> <b>December 11, 2015</b> <b>January 15, 2016</b> <b>April 7, 2016</b>

The Ministry requires a separate Estimate of Expenditure Report **for each funded site set out in Schedule 'B' of the Agreement**. This Report must identify the approximate total expenditure for the defined period for each site using the best information available at the time, as well as the forecast of expenditures at March 31 of each year of the Agreement.

The Estimate of Expenditure Report will be supplied to the Recipient by the Ministry.

Payments may be adjusted based on each Estimate of Expenditure Report.

<b>STATEMENT OF REVENUE AND EXPENDITURE REPORT (SRER)</b>	<b>DUE DATE</b>
<b>2015–2016 Fiscal Year</b>	<b>June 10, 2016</b>

The Ministry requires a separate Statement of Revenue and Expenditure Report **for each funded site set out in Schedule 'B' of the Agreement**. Recipients are not required to submit their organizational audited financial statements to the Ministry. The Statement of Revenue and Expenditure Report is used as the basis for the Ministry's annual Reconciliation Report.

The Statement of Revenue and Expenditure Report will be supplied to the Recipient by the Ministry.

The Ministry requires Recipient sign-off on the Statement of Revenue and Expenditure Report to verify that:

- project funding has been solely applied to costs directly related to the Project;
- project funding received in prior years for the same project has not been included;
- funding and or expenditures from other sources have not been included in the Report;
- project reported expenditures are net of tax rebates, credits and refunds referred to in section 4.9 of the Agreement;
- shared costs have been properly apportioned to the Project using Project Accounting principles;
- interest earned on Project funding has been credited to the Project;

- funds earned on the disposition of assets have been credited to the Project and maintained in an interest-bearing bank account; and
- project funds that were provided prior to the immediate need for them were maintained in an interest-bearing bank account.

AUDITOR'S REPORT	DUE DATE
2015–2016 Fiscal Year	June 10, 2016

An Auditor's Report is required when the Recipient's Funds (set out in section 1.2 of the Agreement) total \$100,000 or more. The Statement of Revenue and Expenditure Report must be audited by an external auditor in accordance with Canadian generally accepted auditing standards. The auditor should verify, at a minimum, that proper and distinct accounts and records are maintained for program funds/expenditures by each budget line. The Auditor's Report must include an opinion on the Statement of Revenue and Expenditure Report.

A sample Auditor's Report that meets the Ministry's requirements is available from the Ministry. Recipients should instruct their auditor to prepare the Auditor's Report according to Ministry requirements.

**IMPORTANT NOTE:** If additional details or corrections are necessary on a Recipient's Statement of Revenue and Expenditure Report, the Recipient's external auditor must verify any revisions in writing. The Ministry cannot accept unaudited information provided by a Recipient in support of their Statement of Revenue and Expenditure Report.