



3.8.

Contributions Granted For Development Projects of Montréal Museum Of Archaeology And History, Pointe-à-Callière

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Auditor General of the Ville de Montréal

Contributions Granted For Development Projects of Montréal Museum Of Archaeology And History, Pointe-à-Callière

The Ville de Montréal (the City) provides financial support to several bodies operating on its territory. This support can take different forms, such as contributions granted for their operation or to fund different projects.

The Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière (the Société), has obtained nearly \$77 million in grants for development projects of the Montreal Museum of Archaeology and History, Pointe-à-Callière (the Museum) since 2011. This amount included more than \$53 million funded by the City, which put the Société in the position of being one of the bodies most subsidized by the City in 2018 and 2019 among the legal persons excluded from the City's reporting entity.

Background

These contributions are used to implement Museum development projects. They come from operating budgets of the Service de la culture (Service), which is responsible for managing the contribution agreements for projects covered by the Société's Three-year capital works program (TCWP), phases 1 to 3 of the Montréal Archaeology and History Complex expansion projects and other projects.

The Société also occupies buildings belonging to the City under a lease between the parties. Inextricably connected to its site, the Museum owes its development to important archaeological discoveries made in Old Montréal in the 1980s. Inaugurated in 1992 as part of the 350th Anniversary celebrations of the City of Montréal, Pointe-à-Callière is the only large archaeological Museum in Canada. It is also the largest and most visited history Museum in Montréal.

Purpose of the Audit

The purpose of this audit was to ensure that the financial contribution agreements for the Museum's development projects that were granted by the City to the Société are subjected to appropriate monitoring and that these contributions are used for the intended purposes.

Results

Our audit led us to conclude that the City did not always conduct appropriate monitoring to ensure continued compliance with contribution agreements, making it difficult for the City to confirm that the contributions granted were used for the intended purposes. Our work led us to conclude that there is a lack of compliance with some of the agreement clauses, including those that concern adequate separate accounting for the Fort Ville-Marie and William Collector projects, the quality of the information found in cost reports and compliance with the City council by-law concerning contract management. Finally, we noted that the task of approving the granting of contracts is delegated to a committee of the Société's Board of Directors (BD) without any accountability reporting being submitted to it, according to the minutes we consulted of proceedings that took place from 2017 to 2019.

In addition, we noted that some costs were claimed after the agreement expired and that unused funds were transferred to fund other projects without formal approvals being obtained beforehand. Although the Service monitored the Société regularly, the accountability reporting is not done in a timely manner, with the result that the Service is presented with a fait accompli once the amounts are spent.

Main Findings

Eligibility of Costs Charged to Projects

- Some cost parameters are not included in contribution agreements, which leads to ambiguities about eligible costs at different stages of projects.
- There is a lack of compliance with some of the clauses in the agreements, including the requirement that separate accounting be kept for each project in order to identify the actual costs of the Fort Ville-Marie and William Collector projects.
- Some project implementation deadlines set forth in grant agreements were not met; the Société claimed costs after expiry of the deadlines provided for by agreements without these being extended and without the required approvals being obtained in writing.

Accountability Reporting Produced and Filed

- Accountability reporting is not done regularly, which presents an issue for assessing, in a timely manner, the extent of the work completed.
- The City's contribution agreements do not specify that any grant received from other sources reduces the costs supported by the City.

Monitoring Mechanisms

- The Société has not complied with the *City's Contract Management Policy* even though this is a requirement of some contribution agreements. The Service does not check to make sure that the Société complies with this Policy.
- Although monitoring was carried out, the Service did not fully assume its supervisory role, which would have made it possible to detect deficiencies in the accounting of each project, transfers of funds between projects, the fact that excess funds were not returned and contract management done by the Société that was not always in keeping with the City's Contract Management Policy.

Accounting Done by the Société

- The Société does not comply with contribution agreements, because it does not maintain adequate accounting for the Fort Ville-Marie and William Collector projects, which leads to discrepancies between the Société's records and reports submitted to the City.

Approval Process Within the Société

- The members of the BD or the Executive Office delegated their power to approve contracts for some projects without their accountability reporting being submitted to the BD, which includes an observer employed by the City; as a result, this observer does not receive any information on decisions made by the Société concerning the granting of contracts.

In addition to these results, we formulated various recommendations to the business units, which are presented in the following pages. The business units concerned were given the opportunity to agree to these recommendations.

List of Acronyms

BD	Board of Directors
BIG	Bureau de l'Inspecteur général
CTA	<i>Cities and Towns Act</i>
GDD	Système de gestion des décisions des instances
MCCQ	Ministère de la Culture et des Communications
Museum	Montreal Museum of Archaeology and History, Pointe-à-Callière
NFB	National Film Board
PO	Purchase order
QIM	Quartier International de Montréal
Service	Service de la culture
Société	Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière
Société AGIL	Société AGIL OBNL
TCWP	Three-year capital works program



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1. Background

The Ville de Montréal (the City) provides financial support to several bodies operating on its territory. This support can take different forms, such as contributions granted for their operation or for the purpose of funding different projects. The Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière (the Société), is one of the bodies that benefits from these contributions.

Extent of Contributions Granted to the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière

The Société was funded by an annual operating grant of more than \$7 million for the years 2017 to 2019. It occupies buildings belonging to the City under a lease between the parties. This component is funded by the City's contribution expenditure budget.

The Société also receives contributions from the City for the implementation of projects aimed at developing Pointe-à-Callière, Montreal Museum of Archaeology and History, Pointe-à-Callière (the Museum). This component comes from the operating budgets of the Service de la culture (Service), which is responsible for managing contribution agreements for projects covered by the Société's Three-year capital works program (TCWP), phases 1 to 3 of the Archaeology and History Complex expansion projects and other projects.

As a result, the Société obtained nearly \$77 million in grants for several subsidized projects from 2011 to 2021. This amount included more than \$53 million funded by the City and more than \$21 million paid by the Québec government through the Ministère de la Culture et des Communications (MCCQ). This puts the Société in the position of being one of the bodies most subsidized by the City in 2018 and 2019 among the legal persons outside of the City's reporting entity.

The following table shows the funding sources for subsidized projects from 2011 to 2021.

TABLE 1

Funding Sources for Subsidized Projects from 2011 to 2021^[c]

Projects	City	Provincial	Federal	Other sources	Total
Mariners' House ^[d]	\$3,422,782	\$20,015,000	\$0	\$0	\$23,437,782
Fort Ville-Marie	\$18,009,470	\$0	\$1,000,000	0\$	\$19,009,470
William Collector	\$12,519,832	\$0	\$0	\$0	\$12,519,832
2014–2016 TCWP	\$2,350,000	\$0	\$0	\$0	\$2,350,000
2016–2018 TCWP	\$3,800,000 ^[b]	\$0	\$0	\$0	\$3,800,000
Multimedia	\$2,500,000 ^[b]	\$950,000 ^[a]	\$500,000	\$350,000	\$4,300,000
Archéolab	\$0	\$500,000 ^[a]	\$0	\$0	\$500,000
Place D'Youville archaeological digs	\$6,000,000	\$0	\$0	\$0	\$6,000,000
2018–2020 TCWP	\$4,160,000	\$0	\$0	\$0	\$4,160,000
Other projects	\$720,000	\$0	\$0	\$0	\$720,000
Total	\$53,482,084	\$21,465,000	\$1,500,000	\$350,000	\$76,797,084

^[a] The MCCQ delegated the management of grant agreements to the City; the funds come from cultural development agreements signed between the City and the MCCQ.

^[b] The City's total grant for the 2016–2018 TCWP was \$6,300,000.

^[c] The data was compiled from data collected by the City's Système de gestion des décisions des instances (GDD).

^[d] The City's grant includes archaeological digs for \$1,275,000, the refurbishment of the Éperon building for \$1,000,000, the purchase and installation of equipment for \$600,000 and refund of the occupancy costs for \$547,782. The total amount is \$3,422,782.

A description of the projects implemented by the Société is presented in Appendix 5.2.

Pointe-à-Callière, Montréal Museum of Archaeology and History

Inextricably connected to its site, the Museum owes its development to important archaeological discoveries made in Old Montréal in the 1980s. Inaugurated in 1992 as part of the 350th Anniversary celebrations of the City of Montréal, Pointe-à-Callière is the only large archaeological museum in Canada. It is also the largest and most visited history museum in Montréal.¹

¹ Museum Website: <https://pacmusee.qc.ca/>

In addition to the permanent exhibitions—*Where Montréal Began*, *Memory Collector*, *Building Montréal*, *Crossroads Montréal*, *Archaeo-Adventure* and *Come Aboard! Pirates or Privateers?*—the Museum also presents *Generations MTL*, an avant-garde multimedia extravaganza on the history of the City. Every year, the Museum also holds three national and international temporary exhibitions as well as a full and constantly changing program of cultural activities for young people and families. The Museum is also home to a Gift Shop and the L'Arrivage Bistro².

Pavilions and Structures

The Éperon Building – Reception Pavilion

The Museum's main pavilion was inaugurated in 1992. The Éperon is a building with inspiring architecture. Rising on the foundations of the prestigious 19th-century Royal Insurance Company building, the Éperon repeats the triangular contours of its predecessor and features a tower overlooking the Port of Montréal. Its foundations also overlay even older vestiges of the City, including Montréal's first Catholic cemetery. The Éperon building houses reception services, the Hydro-Québec multimedia theatre, a temporary exhibition hall, a restaurant and, in the basement, the permanent exhibition *Crossroads Montréal*.³

First Collector Sewer – William Collector

A portion of the first collector sewer in Canada was restored in 2017. It became the backbone of the Montréal Archaeology and History Complex, an underground network connecting a unique series of authentic archaeological and historical sites. In the long term, the collector sewer, which made it possible to take the Little Saint-Pierre River underground in 1832, will be accessible to the public over a length of 375 metres. On the date of Montréal's 375th anniversary, May 17, 2017, the Museum made 110 metres of the collector accessible to the general public.⁴

Fort Ville-Marie – Québecor Pavilion

The site was discovered after the Museum acquired, in January 2000, a property dating from the 19th century and located in proximity to the Museum's main building. The work accomplished on the site by Pointe-à-Callière's Archaeological Field School in partnership with the Université de Montréal, from 2002 to 2014, resulted in the discovery of the ruins of Fort Ville-Marie and the Callière's residence, which have helped provide insight into the period when the City was founded. The Museum made this site accessible to the general public May 17, 2017. The Museum's documentation centre is also located in this pavilion.⁵

² Website: <https://pacmusee.qc.ca/en/plan-your-visit/museum-restaurant/>

³ Website: <https://pacmusee.qc.ca/en/press-room/press-releases/a-contemporary-project-built-on-history/>

⁴ Website: <https://pacmusee.qc.ca/en/exhibitions/detail/memory-collector/>

⁵ Website: <https://pacmusee.qc.ca/en/about/news/details/new-fort-ville-marie-quebecor-pavilion/>

The Marketplace

In the course of archaeological and historical research, fascinating artifacts were uncovered at Place Royale relating to everyday Indigenous and Montréal life beginning in the 14th century. This was also the site of the first marketplace in Montréal in 1676. The archaeological crypt, located in the Museum, beneath Place Royale, features remains of works built over the centuries by masons and tradesmen. The archaeological remains and artifacts in the crypt are part of the permanent exhibition *Building Montréal*.⁶

The Old Custom House – Fondation J. Armand Bombardier Pavilion

Designed by architect John Ostell, this building, erected in 1837, housed Montréal's custom house. It is among the first architectural elements attesting to the British presence in the City. Expanded in 1881, the Old Custom House is now home to the permanent exhibition *Come Aboard! Pirates or Privateers?* geared towards families and school groups. A lunchroom recreates the style of a New France-era inn and the Lunch Space can accommodate school groups and exhibitions.⁷

The Mariners' House – National Bank Pavilion

Built in 1953 and inaugurated on March 6, 2013, as part of the Pointe-à-Callière expansion project, the Mariners' House can accommodate large temporary exhibits and cultural events. The four-storey building at 165 Place D'Youville features large exhibition spaces and multipurpose rooms available for rent, including the spectacular *COGECO 360° Space* on the roof of the pavilion. The Mariners' House also houses the Museum Gift Shop, spaces for the Foundation—including a salon reserved for members—and the *Archaeo-Adventure* workshop, a simulated archaeological dig site for young people and families.⁸

The Youville Pumping Station

Built in 1915, the Youville Pumping Station is Montréal's first electric-powered wastewater pumping station. Located at 173 Place D'Youville, the building was opened to the public in 1998. The neo-classical style building with a Scottish brick façade is home today to an industrial heritage interpretation centre for school groups; it can also accommodate private groups and events.⁹

⁶ Website: <https://pacmusee.qc.ca/en/education/child-care-and-day-camps/the-marketplace/>

⁷ Website: <https://pacmusee.qc.ca/en/stories-of-montreal/article/old-custom-house-one-of-our-city-s-architectural-treasures/>

⁸ Website: <https://pacmusee.qc.ca/en/stories-of-montreal/article/the-mariners-house-anchored-in-history/>

⁹ Website: <https://pacmusee.qc.ca/en/space-rental/venues/youville-pumping-station/>

TABLE 2

Summary of Museum Components and Projects Implemented

Pavilions and structures	Property	Permanent exhibitions / in situ remains ^[a]	Projects
The Éperon building – Reception Pavilion	City ^[b]	Multimedia Show Generations MTL <i>Crossroads Montréal</i>	2014–2016 TCWP 2016–2018 TCWP Multimedia 2018–2020 TCWP
First collector sewer	Société	<i>Memory Collector</i> Where Montréal Began	William Collector
Fort Ville-Marie – Québecor Pavilion	Société	Fort Ville-Marie Callière's residence	Fort Ville-Marie
The Marketplace	City ^[b]	Archaeological Crypt <i>Building Montréal</i> Place Royale 1701 – The Great Peace of Montréal	2014–2016 TCWP 2016–2018 TCWP 2018–2020 TCWP
The Old Custom House	City ^[b]	Come Aboard! Pirates or Privateers?	2018–2020 TCWP
The Mariners' House	Société	<i>Archaeo-Adventure</i>	Mariners' House
The Youville Pumping Station	Société	None	N/A
N/A	N/A	N/A	Place D'Youville archaeological digs
N/A	N/A	N/A	Archéolab

^[a] In situ remains are an integral part of the Museum's archaeological collections and permanent exhibitions.

"In situ" means heritage preservation.

^[b] The Société signed a lease with the City for the use of these spaces.

2. Purpose and Scope of the Audit

Under the provisions of the *Cities and Towns Act* (CTA), we completed a performance audit mission on contributions granted to the Société by the City and the use of those contributions. We performed this mission in accordance with the *Canadian Standard on Assurance Engagement* (CSAE) 3001, described in the *CPA Canada Handbook – Certification*.

The purpose of this audit was to ensure that the agreements pertaining to financial contributions for the Museum’s development projects granted by the City to the Société are subjected to appropriate monitoring and that these contributions are used for the intended purposes.

The role of the Auditor General of the Ville de Montréal is to provide a conclusion regarding the objectives of the audit. To do so, we collected a sufficient amount of relevant evidence on which to base our conclusion and to obtain a reasonable level of assurance. Our assessment is based on criteria we have deemed valid for the purposes of this audit. They are presented in Appendix 5.1.

The Auditor General of the Ville de Montréal applies *Canadian Standard on Quality Control* (CSQC) 1 from the *CPA Canada Handbook – Certification* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. In addition, it complies with the independence and other ethical requirements of the *Code of ethics of chartered professional accountants*, which are founded on fundamental principles of integrity, professional competence and due diligence, confidentiality and professional conduct.

Our audit focused on contributions in fiscal years 2017 to 2019 and on the acquisition of tangible assets and the costs charged to projects funded by the City. However, for some aspects, financial and other data prior to or following this period was also considered. Annual operating grants were excluded from our audit. It was primarily completed from October 2020 to February 2021. We also took into account information that was sent to us up to June 2021

The work was performed with the Service and the Société.

The following table shows the projects that we selected as part of our work.

TABLE 3

Projects Examined Under the Mandate

Project description	Project name	Total contributions ^[c]	Costs incurred as of December 31, 2019 ^[a]
1) Phase 2 of the Montréal Archaeology and History Complex expansion project: Fort Ville-Marie, located at 214 Place D'Youville	Fort Ville-Marie	\$19,009,470	\$17,848,544
2) Phase 2 of the Montréal Archaeology and History Complex expansion project: the William Collector and the work beneath Place D'Youville Street	William Collector	\$12,519,832	\$13,132,733
3) 2016–2018 TCWP – Permanent exhibition renewal project	2016–2018 TCWP	\$3,800,000 ^[b]	\$3,344,742 ^[b]
4) Multimedia show renewal	Multimedia	\$4,300,000	\$4,695,252
5) Reference collection of archaeological items of Québec's history – Archéolab-Québec Phase II	Archéolab	\$500,000	\$500,484
6) Phase 3 of the Montréal Archaeology and History Complex expansion project: the archaeological digs of St. Ann's Market and the Parliament of the United Province of Canada	Place D'Youville archaeological digs	\$6,000,000	\$3,171,805
7) 2018–2020 TCWP – Permanent exhibition renewal project	2018–2020 TCWP	\$4,160,000	\$1,514,245
Total		\$50,289,302	\$44,207,805

^[a] Amounts are cumulative from the start of the project and were extracted from the Société's accounting records of December 31, 2019.

^[b] Amounts exclude the multimedia show renewal project.

^[c] Amounts include contributions from other sources.

Upon completing our work, we submitted a draft audit report to the managers concerned within the Service for discussion purposes. The final report was then forwarded to the management of the Service and the director general to obtain action plans and timelines for implementing the recommendations concerning them as well as to the deputy director general, Qualité de vie.

3. Audit Results

3.1. Eligibility of Costs Charged to Projects

As part of our audit, we obtained all the financial contribution agreements for the projects selected in order to identify all the relevant conditions and guidelines to ensure that the costs recorded for these projects are eligible according to the terms of the agreements.

3.1.1. Description of Eligible Costs and the Parameters Established for them in Grant Agreements

During our analysis of the contribution agreements, we noted that Appendix 1 of the grant agreements includes the grant application document prepared by the Société, which contains brief descriptions of projects, summary budgets, objectives, impacts and other information. We did not find any document prepared by the Service that specified any requirement for compliance with cost parameters. The lack of parameters can lead to ambiguities when the time comes to determine whether costs are eligible for the project.

In our opinion, the Service, as a funding body, should impose guidelines on types of eligible costs, with limits for each eligible cost and for each project implementation stage, including monetary ceilings. In this way, the Service could limit its financial participation in a type of expenditure or a project implementation stage. Also, the Service could limit the extent of projects subsidized by the City.

According to the analysis of agreements, the project descriptions presented in grant agreements, which city council uses as the basis for authorizing funding for them, cannot be used to properly identify the costs that will need to be incurred to implement them. They leave room for interpretation and personal judgment. The parameters should be clear, accurate and approved so that the Service can determine whether costs incurred at different stages of projects are eligible or not.

In light of these findings, we conclude that the City allows the Société a great deal of latitude and flexibility in the implementation of its projects and therefore leaves room for a great deal of interpretation, thereby allowing the Société to use practically all the budget envelopes. This occasionally leads the Société to negotiate eligible costs on a piecemeal basis.

We compared agreements of the same type issued by the MCCQ, and we noted that it imposes a limit on eligible costs at each stage of project implementation. The MCCQ is stricter in its guidelines and parameters and imposes a specific period during which costs must be incurred. This appears to us to be a good practice to put in place.

Upgrade to Projects Involving Higher Costs Than Those Set Out in the Initial Contracts at the Initiative of the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière

As part of our audit, we asked for explanations concerning significant cost increases, as shown by the differences between the initial amounts and the last revised amounts in supply contracts, which are not cost overruns due to contingencies or specific situations. We identified two contracts for which upgrades were subsequently made to initial projects.

The following table shows the initial amount and the revised amount for two mandates granted for projects funded by the City.

TABLE 4
Upgrades to Projects

Project	Contract	Mandate	Initial amount	Revised amount	% Increase
Fort Ville-Marie	FVM-042	Museum collection services	\$850,000	\$1,406,229	65%
2016–2018 TCWP Multimedia	REP-MULTI-001 and 002	Multimedia show renewal	\$3,000,000	\$3,299,000	10%

The Service did not give its approval, in any form whatsoever, for project upgrades. These amounts were charged to the overall subsidized amount. The Service informed us that it was not aware of adjustments to projects, even though it met with the Société numerous times. Furthermore, no documentation is available at the Service.

3.1.2. Eligibility of Costs Incurred by the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, According to the Terms of Grant Agreements

Use of Grant Agreement Funds for Fort Ville-Marie and the William Collector

In the documents we obtained during our audit (contracts concluded with general contractors, architects and engineers), it is not possible to distinguish the actual costs of the Fort Ville-Marie project from those of the William Collector project. The Société allocated the costs on a pro rata basis, according to the costs budgeted for each one. In fact, the invoices were charged entirely to the Fort Ville-Marie project and allocated to the William Collector project at year-end prorated to the budget.

Indeed, we noted that the Société did not keep separate accounting records for these two projects and, as a result, did not comply with the clauses of the two grant agreements, which are precise in this respect. The project manager did not take into consideration this clause, which is provided for in the respective grant agreements for each project. These projects were to be treated separately for accounting purposes in the Société's records. The Société should therefore have required separate invoicing from general contractors (progressive billing) for the construction work carried out for each project. This way, the Société could have distributed the common costs to the two projects based on the weighting of the direct construction costs of each. For the other contracts, the record of the actual costs could be identified easily for each project; however, these were also distributed based on the budget.

The following table shows the financial data of these two projects from the Société's accounting records and cost reports submitted to the Service.

TABLE 5
Financial Data of Projects

Project	Source	Grant agreement	Grant from another source	Costs incurred	Surplus (Deficit)
Fort Ville-Marie	Accounting records of December 31, 2019 ^[a]	\$18,009,470	\$1,000,000	\$17,848,544	\$1,160,926
William Collector		\$12,519,832	\$0	\$13,132,733	(\$612,901)
Fort Ville-Marie	Cost report of June 3, 2020 ^[b]	\$18,009,470	\$1,000,000	\$18,476,892	\$532,578
William Collector		\$12,519,832	\$0	\$12,995,782	(\$475,950)
Fort Ville-Marie	Cost report of February 3, 2021 ^[b]	\$18,009,470	\$1,000,000	\$17,980,506	\$1,028,964
William Collector		\$12,519,832	\$0	\$12,998,294	(\$478,462)
Fort Ville-Marie	Cost report of February 19, 2021 ^[b]	\$18,009,470	\$0	\$17,693,858	\$315,612
William Collector		\$12,519,832	\$0	\$12,300,814	\$219,018

^[a] Amounts are cumulative from the start of the project and were extracted from the Société's accounting records of December 31, 2019.

^[b] Balances according to a version of the final cost report filed by the Société to the Service

As specified in section 5.3.3 of the grant agreement for the William Collector, the Société must assume full financial responsibility for the Project, including any related cost overrun, since the City does not assume any responsibility for it and cannot under any circumstances be required to pay an amount greater than the total amount of the financial contribution.

The version of the cost report dated June 3, 2020, shows a cost transfer of \$136,951 made from the William Collector project to the Fort Ville-Marie project, as well as \$500,000 budgeted for the new ticket counter project. At the time of writing this report, no approval had been provided by any authority for this new project.

The Société later amended the initial report, removing the sum of \$500,000 in its amended version of the cost report dated February 3, 2021, so that it presented only the costs of the two projects.

The Société submitted a second amended cost report to the City on February 19, 2021. In this second amended report, the Société presented all costs associated with the grant from another source separately. According to this new amended report, the grant was used to fund costs for both projects, whereas it was awarded solely for the Fort Ville-Marie project, according to the information obtained.

These operating methods make it impossible for the City to know the actual surplus or deficit of each subsidized project and obtain refunds of unspent amounts, as provided for in the grant agreements.

Use of Grant Agreement Funds for the 2016–2018 TCWP

The following table shows the 2016–2018 TCWP projects. Its purpose is to highlight the surpluses or deficits for each of the projects analyzed. In light of the information presented below, we note that the Société used the surpluses of two TCWP projects, the replacement of technological and museum equipment and the replacement of reception facilities and utility systems, to fund other projects that are part of the TCWP. While the agreement does not specify this, the Service informed us that it is strictly forbidden to use the funds of one project for the purpose of funding another one under a TCWP without written approval from the City's Direction générale or the City's deputy director, Qualité de vie.

TABLE 6

Distribution of Amounts Among Projects for the 2016–2018 TCWP

Project	Grant agreement	Grants from other sources	Financial data	Costs incurred	Surplus (Deficit)
Renewal of the multimedia show	\$2,500,000	\$1,800,000	Accounting records of December 31, 2019 ^[a]	\$4,695,251	(\$395,251)
			Cost report of August 6, 2020 ^[b]	\$4,734,656	(\$434,656)
Replacement of part of the permanent exhibitions	\$2,500,000	\$0	Accounting records of December 31, 2019 ^[a]	\$2,665,879	(\$165,879)
			Cost report of August 6, 2020 ^[b]	\$2,686,799	(\$186,799)
Public security and public announcement system	\$100,000	0\$	Accounting records of December 31, 2019 ^[a]	\$108,576	(\$8,576)
			Cost report of August 6, 2020 ^[b]	\$108,576	(\$8,576)
Replacement of technological and museum equipment (\$300,000)	\$1,200,000	\$0	Accounting records of December 31, 2019 ^[a]	\$570,287	\$629,713
Replacement of reception facilities and utility systems (\$900,000)			Cost report of August 6, 2020 ^[b]	\$571,414	\$628,586
Total – Accounting records	\$6,300,000	\$1,800,000		\$8,039,993	\$60,007
Total – Cost report				\$8,101,445	(\$1,445)

^[a] Amounts are cumulative from the start of the project and were extracted from the Société’s accounting records of December 31, 2019.

^[b] Balances according to the final cost report filed by the Société to the Service.

We in fact found that the Société offset the deficits of three projects by using the surpluses of two projects, which enabled it to keep the entire budget intended for the permanent exhibitions. However, the Service did not previously note this situation and did not advise the Société that this practice is not acceptable to the City. Such a prohibition should be integrated into any grant agreement of this type.

The Société mentioned in its 2016–2018 TCWP document that the multimedia show renewal required a budget of \$3,500,000. The Service should validate the needs and the other funding sources available to the Société in order to conclude whether it is necessary for the City to subsidize all projects.

We also noted that the costs entered in the Société’s accounting records differ from those submitted to the City, as shown in the previous table.

Use of Grant Agreement Funds for the Place D’Youville Archaeological Digs Project

The following table shows the financial data of this project from the Société’s accounting records and the cost reports sent to the Service.

TABLE 7

Financial Data of the Project – Place D’Youville Archaeological Digs

Financial data	Grant agreement	Grant paid	Costs incurred	Surplus (Deficit)
Accounting records of December 31, 2019 ^[a]	\$6,000,000	\$5,450,000	\$3,171,805	\$2,278,195
Report of December 16, 2020, filed with the City ^[b]	\$6,000,000	\$5,450,000	\$3,601,258	\$1,848,742

^[a] Amounts are cumulative from the start of the project and were extracted from the Société’s accounting records of December 31, 2019.

^[b] Balances according to the last cost report filed by the Société with the Service.

The Société informed the City that the last two payments of \$500,000 and \$50,000, which were to be made no later than August 1, 2018, and March 1, 2019, according to the agreement, were no longer necessary. To date, the City has not made the two payments, but has not yet recovered the surplus amounts paid for this project.

The archaeologists' final report was dated December 2018. According to the agreement, the project had to be completed no later than March 1, 2019. However, as the following table shows, the Société subsequently charged costs to this project and no refund was made or required by the City for the unused portion.

We noted that these costs were incurred for the Place D'Youville archaeological digs project subsequent to the schedule provided in Appendix 2 of the approved grant agreement:

- costs incurred in 2020 and estimated costs for 2021 (according to the cost report dated December 16, 2020) for professional services for the development or enhancement of Place d'Youville (2020: \$110,860; and 2021: \$301,884 (estimate));
- costs for art exhibitions and museology incurred after the archaeological digs were completed (2018: \$191,451; 2019: \$156,878; 2020: \$44,282; and 2021: \$125,000 (estimate));
- estimated costs for 2021 of \$282,000 under the heading publication, \$590,000 for an exhibition called Montréal Capital and \$20,000 for restoration of the site.

Eligibility of the Costs for In-House Staff at the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, in Projects

The Société has no documented, approved procedure for recording the costs of the Société's staff in projects. These costs, such as positions and hourly rates, and documentation required for the hours charged to projects, should be specified in grant agreements. Such a procedure should be applied systematically to better reflect the actual cost of projects in terms of their management by the Société.

Without adequate documentation on these costs, we find that the Service cannot determine, or can only determine with difficulty, whether they are incurred under grant agreements.

We also tracked down a sum of \$272,854 in salary expenses charged to the Fort Ville-Marie and William Collector projects for the years 2015 to 2017, even though an independent body was fully responsible for managing them. We did not track down any supporting documents or policies.

The various factual findings show the importance of revising contribution agreements so that they specify the eligible costs and limit the City's financial participation, particularly when other funding sources contribute to project implementation.

3.1.3. Deadline for Project Implementation According to the Agreements and Payment Methods

When a business unit implements the guidelines approved by the municipal administration, it must monitor their progress, evaluate them periodically and report on them. Accountability reporting mechanisms must be established so that informed decisions are made in a timely manner and the business unit is not presented with a *fait accompli*.

In the following table, we compiled the project implementation deadlines for grant agreements and the method of paying funds for the projects we selected in our audit. We compiled the costs incurred throughout the duration of agreements and the costs incurred after they expired. We noted that the Société incurred costs after the expiry of grant agreements for projects that were tested for a total amount of more than \$2.8 million out of \$44.2 million.

We contacted the Service to determine whether the City's decision-making authorities approved extensions to all grant agreements. The Service informed us that it gave verbal approval to extend them at follow-up meetings with the Société. Therefore, no agreement amendment was drafted and approved and there is no documentation of written approval by the Service.

In our opinion, requests to extend agreements should have been approved by city council, because it alone has the authority to amend the clauses of grant agreements in order to extend them or to increase the financial commitment.

Furthermore, we noted that grant agreements specify a deadline for the implementation of projects and that costs incurred after this deadline are not eligible and must be refunded to the City according to the terms of the grant agreements. The situation requires that agreement amendments be approved in order to prevent the Société from being under the obligation to refund unspent amounts to the City. In following up on our analysis, we found a lack of compliance with these clauses, which are not subject to appropriate monitoring.

TABLE 8

**Costs Incurred During and After the Agreements,
as of December 31, 2019**

Project	Deadline	Payment method	Total grant ^[a]	Costs incurred			Surplus (Deficit)
				During	After	Total ^[b]	
Fort Ville-Marie	December 30, 2018	Progressive	\$19,009,470	\$16,727,876	\$1,120,668	\$17,848,544	\$1,160,926
William Collector	December 30, 2018	Progressive	\$12,519,832	\$13,138,590	(\$5,857)	\$13,132,733	(\$612,901)
2016–2018 TCWP	January 31, 2019	Schedule	\$3,800,000	\$2,857,064	\$487,678	\$3,344,742	\$455,258
Multimedia	March 31, 2019	Schedule	\$4,300,000	\$4,050,290	\$644,962	\$4,695,252	(\$395,252)
Archéolab	June 1, 2018	Schedule	\$500,000	\$355,470	\$145,014	\$500,484	(\$484)
Place D'Youville archaeological digs	March 1, 2019	Schedule	\$6,000,000	\$2,742,963	\$428,842	\$3,171,805	\$2,828,195
2018–2020 TCWP	January 31, 2021	Schedule	\$4,160,000	\$1,514,245	\$0	\$1,514,245	\$2,645,755
Total			\$50,289,302	\$41,386,498	\$2,821,307	\$44,207,805	

[a] Amounts include funding from other sources.

[b] Amounts are cumulative from the start of the project and were extracted from the Société's accounting records of December 31, 2019.

We noted that a payment schedule is used to make disbursements for some projects, which entails the Société receiving the amounts from the City systematically without having to regularly submit supporting documents for the costs incurred. The accountability reporting is done subsequently, when the cost reports issued by the Société are received, with the result that the City is presented with a fait accompli, since the amounts have already been spent.

3.1.3.A. Recommendation

We recommend that the Service de la culture revise the contribution agreements to specify its requirements concerning the eligible costs used for funding different activities and the limits of eligible costs for each stage of the project.

3.1.3.B. Recommendation

We recommend that the Direction générale, in collaboration with the Service des affaires juridiques, revise the templates of grant agreements for major projects to introduce clauses for:

- restricting the transferability of funds from one project to another;
- specifying that any grant received from other sources reduces the costs assumed by the Ville de Montréal;
- obtaining final cost reports audited by an independent auditor for major projects funded by the Ville de Montréal.

3.1.3.C. Recommendation

We recommend that the Direction générale review the method of paying grants for major projects in order to facilitate the analysis of eligible costs on a regular basis and carry out monitoring in a timely manner.

3.1.3.D. Recommendation

We recommend that the Service de la culture confirm that the costs charged correspond to eligible costs according to the contribution agreements for projects and that the supporting documents substantiating the cost reports are detailed.

3.1.3.E. Recommendation

We recommend that the Service de la culture that any change considered necessary in one or more clauses of grant agreements be covered by an appendix and documented in a decision-making summary and approved by the appropriate authorities.

3.2. Accountability Reporting Produced and Filed According to the Terms of the Grant Agreements

We made sure that there was compliance with the financial accountability reporting requirement provided for in grant agreements for all the projects tested. In the following table, we present an overview of the financial accountability reporting filed for the projects tested.

TABLE 9
Overview of Financial Accountability Reporting

Project	Accountability reporting required by the agreement	Accountability reporting obtained ^[b]	Compliant with agreement
Fort Ville-Marie	All documents related to construction work, agreements, reports, plans, specifications, progressive billing, supporting documents, invoices, certificates from the engineer or architect attesting to performance of the work	A letter requesting payment accompanied by financial reports (budget and tracking of invoices and payments to suppliers)	Yes
William Collector		Yes	
2016–2018 TCWP	Accountability reporting must be submitted no later than December 1 of each year (November 1 to October 31)	Report not found as of October 31, 2017	No
Multimedia		Detailed report ^[a] on October 31, 2018 Detailed report ^[a] on December 31, 2019	No
Archéolab	Accountability reporting must be submitted no later than December 1 of each year (November 1 to October 31)	Detailed report ^[a] in June 2019	Yes
Place D'Youville archaeological digs	Accountability reporting must be submitted no later than December 1 of each year (November 1 to October 31)	Detailed report ^[a] on October 31, 2017 Report not found – October 31, 2018 Report not found – October 31, 2019 Detailed report ^[a] on December 16, 2020	No

Project	Accountability reporting required by the agreement	Accountability reporting obtained ^[b]	Compliant with agreement
2018–2020 TCWP	Accountability reporting must be submitted no later than January 31 of each year (fiscal year)	Detailed report ^[a] on December 31, 2018 Summary report on December 31, 2019	Yes

^[a] The costs are shown for each project account and each project stage determined by the Société (e.g., planning and organizing, professional services, miscellaneous). The report presents the following information associated with the invoices paid: the number, date, name of the supplier, amount, cheque number and purchase order (PO) number.

^[b] We obtained from the Service the cost reports produced and filed by the Société.

Following the analysis of the documents obtained, we found that the accountability reporting required for three projects had still not been produced according to the contribution agreements.

Yet the Société has free rein over the content of cost reports, since the Service does not impose specific guidelines about their content.

3.2.1. Accountability Reporting for the Fort Ville–Marie and William Collector Projects

As shown in Table 5, we obtained from the Service three different versions of the final summary cost report for the Fort Ville–Marie and William Collector projects. Clearly, the Société changed its mind more than once about how to present the costs incurred and the contributions obtained in its final summary cost report. These projects were finalized on December 31, 2019.

As shown in section 3.1.2., the Société reallocated the figures in its report to specify their use, thereby enabling it to maintain its entire budget for the two projects. We question the reliability of the financial data in this report, since several amended versions were submitted by the Société and the financial data does not match the Société's books.

During the period covered by our audit, the Service was in the process of drafting an agreement amendment and a decision-making summary that would allow the net surplus to be divided between the two projects. The amendment to the grant agreement was drafted for the William Collector project; however, we had found that this project was at the origin of the deficit, as shown in Table 5. The Société subsequently filed an amended summary cost report on February 19, 2021.

The Service informed us that it was not made aware that the Société had obtained additional funding. There were no documents in the Service's files about the \$1,000,000 grant for the Fort Ville-Marie project obtained from another source, and it was not aware of this grant until it obtained the first summary cost report of these two projects.

Each grant should be covered in a separate audited cost report in order to have an accurate financial picture.

The analysis and interpretation of cost reports require financial or accounting expertise. Consulting professionals in these fields would help raise relevant issues and carry out better monitoring of the cost reports submitted. We made the same observations in previous audit reports.

3.2.1.A. Recommendation

We recommend that the Service de la culture review the accountability reporting requirements, so that it can regularly obtain information it can use to assess the implementation of each project, including the costs assumed by the Ville de Montréal.

3.2.1.B. Recommendation

We recommend that the Service de la culture require that it be informed of any other funding sources obtained for projects subsidized by the Ville de Montréal.

3.2.1.C. Recommendation

We recommend that the Service de la culture ensure that the people involved in monitoring the financial aspects of agreements for major projects either have the necessary expertise or obtain external expertise for this purpose.

3.3. Compliance with the City's Contract Management Policy

In January 1, 2018, Bill 122 (*Act mainly to recognize that municipalities are local governments and to increase their autonomy and powers*) changed the scope of some sections of the CTA. The legislation was intended to broaden the definition of a municipal body for the purposes of enforcing the contract rules of section 75 of this bill, which was to become effective on January 1, 2018.

From that point on, any municipal body with any of the following characteristics was subject to municipal contract rules:

- the majority of administrators must be appointed by one or more municipalities;
- the body is a mandatory or agent of the municipality under the Act;
- its budget is adopted or approved by the municipality;
- more than half of the body's funding is secured by funds from one or more municipalities and its annual revenues are equal to or greater than \$1 million.

Any other body determined by the Minister of Municipal Affairs and Land Occupancy can also be subjected to municipal contract rules.

As a consequence of these new provisions, since more than half of the Société's funding is provided by the City and its annual revenues are greater than \$1 million, it is required to comply with this provision.

Furthermore, although this provision has been in force since January 1, 2018, the Société was already required to comply with the City's *Contract Management Policy* through grant agreements that it signed for the Fort Ville-Marie and William Collector projects. For other projects, the *Contract Management Policy* is entered in "Whereas" clauses of the agreements and it is forwarded by email after the agreements are signed or is attached as an appendix to them.

The Service did not carry out any validation to ensure that the Société had complied with the City's *Contract Management Policy*. The Service, then, did not examine any contract to assess compliance of the tender process for major contracts. The Service does not ensure through its accountability reporting that the Société complies with all the grant agreements signed. Consequently, no notice of default was served on the Société.

3.3.1. Fixing Prices or a Minimum Price in Calls for Tenders

In order to ensure that the Société was complying with the *Contract Management Policy*, as required by the contribution agreements signed with the Service, we conducted a series of tests and reviewed the tender process.

We noted that the Société fixed the price in the bid information sheet covering nine public calls for tenders for professional creation, artistic design and museum exhibition services for a total of \$8,055,000 in contracts. This situation represents an unprecedented requirement for municipal contracts.

The fact that prices are fixed in calls for tenders does not guarantee better quality or more work from the supplier at the best price. It is difficult to determine whether the Société obtained the best value for money in this particular requirement. For these contracts, the taxpayer could not benefit from free competition in those markets.

The following table shows public calls for tenders that were examined for professional artistic design and museum exhibition services for which the prices were fixed.

TABLE 10

Public Calls for Tenders for Which the Société Fixed the Price for Bidders

Project	Description of mandate	Number in the SÉAO	Price fixed
2016–2018 TCWP Multimedia	Multimedia show renewal	MULTIO1 / 1047039	\$3,000,000
2018–2020 TCWP	Creation, artistic design and museology production services	2018–MUSEO DESIGN-EXPOEP / 1215995	\$1,700,000
2016–2018 TCWP Multimedia	Professional museology services	EXPOPERMPACO2 / 1074935	\$1,200,000
Fort Ville–Marie	Museology services	PAC–QIM–FVM–MUSEOLOGY / 870008	\$850,000
William Collector	Artistic design services in museology	PAC–QIM–FVM–MUSEO–CW / 892653	\$450,000
2018–2020 TCWP	Artistic design and production services in museology	2019–MUSEO DESIGN-EXPOPC / 1279624	\$280,000
2016–2018 TCWP Multimedia	Artistic design and museology production services	2018–DESIGN–MAQUETTES / 1165366	\$250,000
Place D’Youville archaeological digs	Artistic and museographic design for an outdoor exhibition	2018–MUSEO EXT-PCU/MSA / 1149580	\$170,000
Place D’Youville archaeological digs	Artistic and museographic design for an outdoor exhibition	2019–MUSEO EXT-PCU/MSA / 1242138	\$155,000
Total			\$8,055,000

As part of our audit, we obtained the supplier contract for the renewal of the multimedia show for \$3,000,000. We obtained the detailed table of project stages. One of the stages, called “List of equipment,” shows that the supplier was to produce a final list of equipment and technology for all multimedia for \$622,500 to buy equipment at a total purchase cost of approximately \$1,000,000.

The deliverables required for this stage are as follows:

- A detailed list of all the audio, technical and technological features required and their application. This list must include detailed information on the equipment and technology selected (e.g., longevity, guarantee);
- The prices of two equipment suppliers;
- If equipment involves special work, it must be identified.

The Société obtained the list in question, a two-page document that did not specify the following items in the deliverables:

- detailed information on the equipment and technology selected (e.g., longevity, guarantee);
- prices of two equipment suppliers and a description of the special work on equipment where this was required.

We also obtained the supplier contract for the renewal of part of the permanent exhibitions for \$1,200,000. We obtained the detailed table of project stages. One of the stages, called “Preliminary list of equipment,” shows that the supplier was to produce a preliminary list of the equipment that had to be provided to the Museum for \$240,000.

The Société obtained the list in question with no other document justifying the work carried out to produce this list. The list is a two-page document, and the items appearing on it are very brief.

These last two findings illustrate that the Société likely did not get the best price for the services obtained or that the breakdown of the stages of the project do not reflect the cost of the services indicated. This is a direct consequence of the Société fixing the contract pricing.

The Société also fixed the minimum price in the bid information sheet covering four public calls for tenders for professional architectural and engineering (electrical, mechanical, civil, structural) services. These calls for tenders are shown in the following table. This situation also represents an unprecedented requirement for municipal contracts.

TABLE 11

Public Calls for Tenders for Which the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière Fixed the Price for Bidders

Project	Description of mandate	Number in the SÉAO	Price fixed
Fort Ville-Marie William Collector	Professional architectural services	PAC-QIM-FVM-ARCHI / 814498	100% ^{[a][b]}
Fort Ville-Marie William Collector	Professional mechanical and electrical engineering services	PAC-QIM-FVM-MEC-ELE / 821765	100% ^{[a][c]}
Fort Ville-Marie William Collector	Professional civil and structural engineering services	PAC-QIM-FVM-CIV-STR / 817586	100% ^{[a][c]}
Fort Ville-Marie William Collector	Professional architectural services	N/A – Contract by mutual agreement	100% ^[a]

^[a] According to the [TRANSLATION] "Fee rate for professional services provided to the government by architects or engineers."

^[b] Clause 6.3 of the tender document: [TRANSLATION] "In order to obtain the best expertise possible and provide adequate fees for high-quality services, the rate offered by the bidder cannot be lower than 100% of the "Fee rate for professional services provided to the government by architects," thereby ensuring minimum fees. Any bid lower than 100% will automatically be rejected."

^[c] Clause 6.4 of the tender document: [TRANSLATION] "In order to obtain the best expertise possible and provide adequate fees for high-quality services, the rate offered by the bidder cannot be lower than 100% of the "Fee rate for professional services provided to the government by engineers," thereby ensuring minimum fees. Any bid lower than 100% will automatically be rejected."

In our opinion, this practice does not necessarily guarantee the best expertise, higher-quality service and the avoidance of extras from the supplier.

We noted that in a 2015 report, the Bureau de l'Inspecteur général (BIG) also raised major reservations about the use of a minimum price. In its report, it pointed out especially:

[TRANSLATION] "[...] imposed requirements unprecedented in the municipal sector, which has the effect of impeding free competition, equal opportunity and the chance to obtain the best product at the best price."

"Some will argue that the rules established by legislation had an impact on the quality of the professional services provided. This viewpoint cannot under any circumstances justify the imposition of criteria that support this view and thereby circumvent the intended objectives of the legislation, one of which is to obtain the best value for money for taxpayers."

Like the BIG, we are surprised that the search for the best expertise, the highest-quality service and the avoidance of extras from the supplier would be guaranteed by this requirement.

Furthermore, neither the City's *Contract Management Policy*¹⁰ nor the administrative frameworks allow price fixing in contracts. And the Société was required to comply with the requirements of this policy.

3.3.2. Project Management: Fort Ville-Marie and William Collector

A delegated work provider agreement¹¹ was concluded between the Société and the Quartier international de Montréal¹² (Société AGIL OBNL)¹³ on November 18, 2014, to produce the Fort Ville-Marie and William Collector projects. This agreement included fees of \$1,207,281 and covered the period from October 2014 to September 2017. This period was extended until December 2017 at a cost of \$61,099 under an amendment to the agreement signed for this purpose on October 1, 2017.

¹⁰ The *Contract Management Policy* became the *Urban agglomeration By-law concerning contract management*.

¹¹ The delegated work provider awards contracts and pays all the invoices for the project (suppliers, professionals and contractors) and reinvoices these costs to the Société.

¹² The QIM is a private non-profit body. Its mission is to design, promote and implement urban development projects and public architecture projects. The Board of Directors (BD) is made up of members who are mainly from the private sector.

¹³ According to the letters patent issued by the Registraire des entreprises du Québec, the name QIM was changed to Société AGIL OBNL (Société AGIL) on October 8, 2015, at the request of its administrators.

As part of our testing for fiscal 2017, we selected an invoice from the supplier "Société AGIL OBNL." We also consulted a report published by the BIG that concerned similar contracts granted to this body by a paramunicipal corporation.

Delegated Work Provider Mandate Awarded by the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière

Here are extracts from the contract-awarding recommendation prepared and approved by the director general:

[TRANSLATION] "[...] It is recommended that a delegated work provider mandate be granted to the QIM to manage the project for restoring the remains of Fort Ville-Marie/William Collector, whose estimated construction budget is \$28,581,460, for fees equivalent to 4.224% of the construction budget, or a flat rate of \$1,207,281, which is in line with the budget;"

"The Museum negotiated fees in the amount of 4.224% of the construction budget, which is evaluated at \$28,581,460, which represents a rate in line with the market price and includes management of the work, management of budgets and timelines, quality control, the awarding of mandates and financial and administrative management, including monthly accountability reporting submitted to the City and the Museum, for the project as a whole;"

"To implement this project, on September 30, 2014, the Société's Board of Directors approved, in accordance with the Cities and Towns Act (section 573.2.1) and the City's Contract Management Policy, the granting of a management mandate by mutual agreement to the QIM, a non-profit organization specializing in urban construction accredited by the City."

We noted that the QIM launched calls for tenders in order to mandate commercial firms to implement these two projects in their entirety. These enterprises in turn billed the Société on the basis of the degree of completion of their work or according to the terms of payment.

The Société should have proceeded by launching a public call for tenders based on the general principle set forth in section 573 of the CTA. The Société could not avail itself of the exception provided in subsection 2.1 of section 573.3 to conclude such a contract by mutual agreement with the QIM, even if it has the status of a non-profit body.

Similarly, the QIM's fees were established on a monthly basis, not on the basis of the degree of completion of the project. The QIM's monthly invoices were not itemized and were issued according to an automatic schedule.

The Service was aware of issues with this supplier's operating methods, since it had itself terminated a similar agreement on October 8, 2015, that it had with the supplier as part of the "Quartier des spectacles" project. The BIG issued a report in March 2015 with similar observations.

We also noted that, in 2015, at the Service's request, the role of the QIM was changed to the project manager¹⁴; however, no amendment was made to the contract, and no contract appendix was signed.

The project was wrapped up in terms of costs in December 2019, after a release was signed following a dispute with the general contractor. The last invoice sent by the QIM to the Société dates from December 2017. However, the work on this project was not completed. In January 2018, the Société hired an employee of the Société AGIL to continue managing the project.

Based on the findings presented above, we question the fact that the Service considered the fees eligible, since:

- the invoices issued by the QIM and the Société AGIL included very few details and were not accompanied by supporting documents;
- the invoicing was not based on the progress of work for these two projects.

3.3.3. Other Findings in the Process of Awarding Contracts to the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière

Contracts of \$25,000 and Over Granted by Mutual Agreement

Visual content for the William Collector – Contract by Mutual Agreement

The National Film Board (NFB) presented a short film project on the Franchère Bridge that will be presented as part of the William Collector exhibition. Since this project was not planned at the outset, the Société agreed to make an exception. In general, the Société awards several contracts in the artistic and cultural field on museum exhibition design and visual content protected by copyright, such as the multimedia show and other videos presented at exhibitions.

The Société requested legal advice after signing the contract. Although this advice should have been requested before the contract was granted, the contract states that the exception provided for in subsection 4 of section 573.3 in Appendix 5.4. of the CTA applies in this case.

Deadline for Receipt of Bids

We reviewed the deadlines for the receipt of bids for calls for tenders, both public and by invitation, except for contracts granted to self-employed workers for the Archéolab project. We found that the submission deadlines for three calls for tenders were non-compliant, as the following table shows.

¹⁴ The project manager manages the project and the Société awards contracts to businesses and pays all the invoices for the project (suppliers, professionals and contractors).

TABLE 12

Calls for Tenders for Which the Submission Deadline is Considered Non-Compliant

Contract Thresholds of the Ministère des Affaires municipales et de l'habitation ^[a]	Number in the SÉAO	SÉAO publication	SÉAO closing	Number of days
Provision of audiovisual and technological equipment Value: + \$365,700 Minimum period: 30 days	2019-REP-EQUIPEMENTS / 1305685	September 23, 2019	October 15, 2019	22
Provision of audiovisual and technological equipment Value: + \$365,700 Minimum period: 30 days	2018-MULTIMEDIA II-ÉQUIPEMENT	May 7, 2018	May 28, 2018	21
Provision and installation of movable shelving system Minimum period: 8 days ^[b]	N/A – Call for tenders by invitation	N/A	N/A	4

^[a] Publications of the Ministère des Affaires municipales et de l'habitation, muni express number 5 of April 27, 2018. Establishment, by Minister's Regulation, of the public tender threshold, of expenditure ceilings allowing the territory from which the tenders originate to be limited and minimum time for the receipt of tenders.

^[b] According to section 573.1 of the CTA.

Approval of Selection Committees and Analysis Grids

Under section 573.1.O.1.1 of the CTA, the Board of Directors (BD) must approve the evaluation and weighting criteria before calls for tenders are launched. Also under section 573.1.O.1.1 of the CTA, the BD must approve the appointment of selection committee members. The CTA allows the BD to delegate the tasks of approving evaluation criteria and appointing selection committee members to the director general.

We noted that the Société's BD did not delegate to the director general the task of approving the evaluation and weighting criteria before calls for tenders were launched for all projects. Furthermore, the Société's BD did not delegate to the director general the task of appointing selection committee members for all projects, except for the Fort Ville-Marie and the William Collector projects.

However, as the following table shows, these approvals were not made by the BD and are therefore not compliant with the CTA, since the BD did not either delegate this task to the director general.

TABLE 13

Summary of Approvals by the Société's BD for Selection Committees and Analysis Grids

Project	Approval of selection committees and analysis grids by the Board of Directors	Board of Directors' delegation of the task of approving selection committees to the director general	Board of Directors' delegation of the task of approving analysis grids to the director general
Fort Ville-Marie	No approval	Delegation approved by BD on March 25, 2015	No delegation approved by BD
William Collector			
2016–2018 TCWP	No approval	No delegation approved by BD	No delegation approved by BD
Multimedia			
Archéolab	No approval	No delegation approved by BD	No delegation approved by BD
Place D'Youville archaeological digs	No approval	No delegation approved by BD	No delegation approved by BD
2018–2020 TCWP	No approval	No delegation approved by BD	No delegation approved by BD

3.3.3.A. Recommendation

We recommend that the Service de la culture ensure that the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, complies with both the Ville de Montréal's *Contract Management Policy* and the *Cities and Towns Act*, particularly with regard to the granting of contracts by mutual agreement, the minimum public tender thresholds, deadlines for the receipt of bids and the approval of evaluation criteria, pricing practices and the appointment of selection committee members.

3.4. Accounting Done by the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, to Record the Actual Costs of Each Project and Produce Financial Statements

Grant agreements require that the Société maintain appropriate accounts and records of amounts paid by the City. It also requires that the Société maintain accurate, adequate accounting which is separate from its operating activities and which reports the purposes for which these amounts were used. The Service uses the Société's audited annual financial statements for reporting purposes, as required by the grant agreement concluded with the City. However, the financial statements are not intended for project-level reporting and are consequently not sufficient.

3.4.1. Project Cost Accounting

As part of our audit, we tested several transactions recorded in the project accounts funded by the City. They include invoices from external suppliers paid by the Société, the Société's staff salaries and manual entries.

We noted that no supporting documents had been prepared on the date on which the manual entries were recorded in the project accounts. The Société had to do additional work to show the type and relevance of these entries as well as the reasons for recording them. We noted that there was poor management of the costs incurred and contract holdbacks recorded for projects, so there is a risk of duplicate entries for costs.

3.4.2. Accounting for Tangible Capital Assets in the Financial Statements of the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière

The Société has no *Capitalization Policy*; it capitalizes all costs for projects subsidized by the City, not just costs of tangible capital assets. The Société therefore did not define tangible capital asset, which is an asset that has an estimated service life based on its type and its usefulness as part of the Museum's activities.

According to the accounting standards applicable to the Société, in terms of presentation in the financial statements, the main categories of tangible capital assets are identifiable assets that have a tangible, physical existence.¹⁵

In terms of presentation in the financial statements:

[TRANSLATION] “The main categories of tangible capital assets are established based on the type of capital assets in question (for example: land, buildings, equipment, leasehold improvements), the operating sector and/or the type of activities (such as: manufacturing, processing, distribution, building rental).”¹⁶

The capital assets accounted for in the financial statements and financial reports produced by the Société do not make it possible to ascertain the costs of each asset funded by the City. The grant applications concern solely the rehabilitation of the Société’s assets and other projects.

Furthermore, we noted that the Société capitalizes costs that are not capitalizable, such as feasibility studies, equipment lists as part of Museum projects, restoration of archaeological objects (all artifacts found in archaeological digs belong to the City), temporary exhibits and archaeological digs that are not associated with a specific capitalizable project. The City’s *Capitalization Policy* addresses archaeological dig costs. Assets must always be associated with their estimated service life.

Appendix 5.3. presents the table of all assets we observed during our audit and how the Société presents them in its financial statements.

3.4.2.A. Recommendation

We recommend that the Service de la culture ensure that the financial statements it uses for accountability reporting in the context of grants present its tangible capital assets in a manner consistent with the accounting policies.

¹⁵ Canadian Accounting Standards for non-profit organizations – Tangible capital assets held by not-for-profit organizations 4433.

¹⁶ Canadian Accounting Standards for non-profit organizations – Tangible capital assets held by not-for-profit organizations 4433.

3.5. Approval Process Within the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière

Contract Approval

All the contracts in our selection were approved by the Société's Executive Office and the director general. The general bylaws specify the powers conferred on the members of the BD and the Executive Office.

According to the general bylaws, the Executive Office consists of five members, including the chair and the vice-chair(s) of the BD. Further, the person occupying the position of director general is required to sit on this committee. According to the general bylaws, this committee has the authority and exercises all the powers of the BD except for those that must be exercised by the BD under the *Canada Not-for-Profit Corporations Act*.

Members of the BD or the Executive Office delegated their power to approve contracts to the director general for some projects. These umbrella resolutions are listed below:

1. BD resolution of August 28, 2014 – Phase 2 of the Museum's expansion project (Fort Ville-Marie/William Collector) – \$100,000 and under: *[TRANSLATION] "That as part of Phase 2 of the Museum's expansion project, i.e., the planning and coordination of the project startup (demolition of the Fort Ville-Marie warehouse, execution of the Place D'Youville archaeological digs and calls for tenders for professional services), the Société authorize a financial delegation of up to \$100,000 to the director general for approval of contracts and invoices."*
2. BD resolution of March 25, 2015 – Phase 2 of the Museum's expansion project (Fort Ville-Marie/William Collector) – \$100,000 and over: *[TRANSLATION] "That the director general be authorized to sign any document necessary to give full effect hereto."*
3. Resolution of the Executive Office of May 2, 2017 – Phase 3 of the Museum's expansion project (Place D'Youville archaeological digs) – \$100,000 and under: *[TRANSLATION] "That as part of Phase 3 of the Museum's expansion project, the Société authorize a financial delegation of up to \$100,000 to the director general for approval of contracts and invoices."*

According to the minutes of proceedings from 2017 to 2019, which we consulted, no accountability reporting is described for contracts granted by the Executive Office to the BD. The observer member representing the City only sits on the BD and therefore does not receive any information on decisions made by the Executive Office of the BD on this subject.

Issue and Monitoring of Purchase Orders

After the Executive Office or the director general approves a contract, the officers in charge of accounting at the Société produce a PO showing all the relevant information of the contract, including the authorized amount. The amount on invoices sent by the supplier must not exceed the amount of the PO; to achieve this, tracking must be done by the accounting department.

The tracking of costs incurred versus the amount authorized on the PO is done manually, through a handwritten entry of the amounts paid on the invoices attached to a PO on a sheet. There is a risk that the accounting department will pay additional invoices exceeding the total amount approved by the director general on the PO.

We also noted that a revised PO had still not been issued to adjust the new total amount approved by the Executive Office.

4. Conclusion

The Ville de Montréal (the City) contributes a substantial amount in grants to bodies every year. Since 2011, the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière (the Société), has benefited from public grants of more than \$77 million to develop projects. This amount included more than \$53 million funded by the City, and more than \$21 million paid by the Québec government through the Ministère de la Culture et des Communications (MCCQ). From this standpoint, it is crucially important that the Service responsible for monitoring contribution agreements be equipped to ensure compliance with the contribution agreements.

Our audit led us to conclude that there is not always complete compliance with contribution agreements, which makes it impossible for the City to ensure that the contributions paid were used for the intended purposes. Our audit enabled us to conclude that the Société does not comply with all the clauses of agreements, including those that concern separate, adequate accounting for each project, the quality of the information contained in cost reports, and compliance with the City's *Contract Management Policy* (now the *City Council By-law concerning contract management*) and the *Cities and Towns Act*. Finally, we noted that the task of approving the granting of contracts is delegated to a committee of the Société's Board of Directors (BD) without any accountability reporting being submitted according to the minutes of meetings from 2017 to 2019 that we consulted.

Furthermore, we also noted that some costs were claimed after the agreement expired and that unused funds were transferred to fund other projects that were part of the 2016–2018 TCWP—without the necessary approvals being obtained beforehand.

While the Service de la culture (Service) regularly monitors the Société, the financial accountability reporting is not carried out in a timely manner, thereby presenting the Service with a *fait accompli* once the amounts are spent.

We reiterate that amounts paid to bodies are public funds and that we therefore consider it important to recommend that the City:

- revise contribution agreements so that they specify requirements concerning eligible costs at different stages of projects;
- ensure that the people involved in reviewing and interpreting cost reports have the necessary expertise or obtain external expertise for this purpose;
- incorporate into grant agreements the requirement of obtaining the final cost reports audited by an independent auditor for major projects funded by the City;
- ensure that the City's contributions are coordinated with any other funding source;
- validate that charged costs correspond to eligible costs according to the project contribution agreements and that the supporting documents substantiating cost reports are adequate;

- ensure that it has any amendments to agreements approved by the appropriate authorities;
- review the accountability reporting requirements so that it regularly obtains information it can use to assess project implementation;
- take the appropriate steps to ensure that the Société complies with the main requirements of its Contract Management Policy and the regulations in force.

We also issued recommendations to the MPAC. They can be found in Appendix 5.5.

5. Appendices

5.1. Objective and Evaluation Criteria

Objective

Ensure that agreements concerning financial contributions for development projects of Montreal Museum of Archaeology and History, Pointe-à-Callière (the Museum) granted by the Ville de Montréal to the Société are appropriately monitored and that these contributions are used for the intended purposes.

Evaluation Criteria

- The roles and responsibilities of the stakeholders involved are clearly defined, properly communicated and properly applied.
- The costs charged to funded projects are eligible and are supported by relevant documents.
- Monitoring mechanisms are established to ensure compliance with the provisions of agreements, laws and regulations in the granting of contracts.
- Monitoring and periodic accountability reporting mechanisms are established to report on the progress status of projects, their execution, the achievement of objectives and monitoring of the costs incurred.

5.2. Description of Projects

Project	Description	GDD number ¹⁷	City resolutions
Mariners' House	Transformation of the Mariners' House into multipurpose spaces, construction of a tunnel to connect the Mariners' House to the Éperon building and archaeological excavation in the Mariners' House basement. Archaeological excavations in the eastern and western areas of Place D'Youville.	1100387001 1123501001 1110387001 1132701124	CG11 0122 CG12 0200 CM11 0739 CA13 240696
Fort Ville-Marie	Development and construction work on the Fort Ville-Marie pavilion at 214 Place D'Youville South.	1140387002	CM14 1010
William Collector	Implementation of development and infrastructure work on public domain assets, particularly a portion of the old William Collector, in order to make it accessible.	1151146001	CM15 0666
2014–2016 TCWP	Production of overall signage, renewal of permanent exhibitions and renewal of technological, Museum and preservation equipment.	1140387003	CM15 0311
2016–2018 TCWP Multimedia	Renewal of the multimedia show, replacement of part of the permanent exhibitions, renewal of public safety and the public announcement system, replacement of technological and Museum equipment, and installation of reception facilities and utility systems.	1167486001 1177233008	CM17 0727 CM17 1371
Archéolab	Archaeology reference collection.	1177233003	CM17 0446
Place D'Youville archaeological digs	Place D'Youville archaeological digs project of St. Ann's Market and the Parliament of the United Province of Canada at Place D'Youville West.	1177233004	CM17 0456

¹⁷ GDD: Système de gestion des décisions des instances.

Project	Description	GDD number ¹⁷	City resolutions
2018–2020 TCWP	<p>At the Éperon building, renewal of all Museum remains installations, restoration of the first Catholic cemetery, rotation of artifacts and reorganization of access to the Éperon building after the first collector sewer was unveiled and access to the collector. Replacement of technological and Museum equipment. Operations on the ground floor, upstairs and in the permanent exhibition spaces of the Old Custom House. Preservation and stabilization of remains, and masonry work in the archaeological crypt.</p>	1181654003	CM18 0816

5.3. Category of Asset Identified According to the Audit Conducted by the Bureau du vérificateur général

Project	Assets identified according to the audit conducted by the Bureau du vérificateur général	Category of asset presented in financial statements
Fort Ville-Marie	Land Building In situ remains Permanent exhibition ^[a] Technical and technological equipment ^[b] Computer equipment ^[c] Furniture for public spaces Storage and warehousing system Office furniture and equipment ^[c]	Buildings
William Collector	In situ remains Permanent exhibition ^[a] Technical and technological equipment ^[b]	
2016–2018 TCWP (excluding the multimedia show renewal)	Improvements to buildings Permanent exhibition ^[a] Technical and technological equipment ^[b] In situ remains Furniture for public spaces Office furniture and equipment ^[c]	Permanent exhibitions
Multimedia (multimedia show)	Improvements to buildings Permanent exhibition ^[a] Technical and technological equipment ^[b]	Multimedia
Archéolab	Not identified ^[d]	Multimedia
Place D'Youville archaeological digs	Not identified	Permanent exhibition

Project	Assets identified according to the audit conducted by the Bureau du vérificateur général	Category of asset presented in financial statements
2018–2020 TCWP	Improvements to buildings Permanent exhibition ^[a] Technical and technological equipment ^[b] In situ remains Furniture for public spaces	Permanent exhibitions

^[a] Museology, multimedia or interactive content protected by copyright (videos, short films and other) and other content (text, photos and other).

^[b] Installation of technical and technological equipment that is an integral part of the museology of the Museum’s permanent exhibitions.

^[c] For the Société’s general administrative purposes.

^[d] The updating or addition of content (text, images and other multimedia documents) for the Archéolab Québec platform does not constitute assets. The updating and maintenance of the technological platform are under the responsibility of the Ministère de la Culture.

5.4. Extracts from Section 573.3 of the Cities and Towns Act

Sections 573 and 573.1 and any regulation made under section 573.3.0.1 or 573.3.0.2 do not apply to a contract:

...

2.1 that is entered into with a non-profit body and that is an insurance contract or a contract for the supply of services other than services listed in subsubsection 2.3 and other than services involving the collection, transport, transfer, recycling or recovery of residual materials;

...

2.3 that is a contract entered into with a non-profit body and involving an expenditure below the expenditure ceiling allowing the territory from which the tenders originate to be limited in the case of contracts for the supply of services under subsection 2.1 of section 573, and whose object is any of the following: [...] [sub-items not presented in order to simplify the appendix; refer to the legislative text for more details]; 2.4 that is a supply contract entered into with a non-profit body and involving an expenditure below the expenditure ceiling allowing the territory from which the tenders originate to be limited in the case of supply contracts under subsection 2.1 of section 573;

...

4 whose object is the supply of movable property or services related to cultural or artistic fields or the supply of subscriptions;

5 whose object is the supply of media space for the purposes of a publicity campaign or for promotional purposes;

6 whose object, which stems from the use of a software package or software product, is to:

- a) ensure compatibility with existing systems, software packages or software products;
- b) ensure the protection of exclusive rights such as copyrights, patents or exclusive licences;
- c) carry out research or development;
- d) produce a prototype or original concept.

...

If a professional services contract for the drawing up of plans and specifications was the subject of a call for tenders, section 573.1 and any regulation made under section 573.3.0.1 do not apply to a contract entered into with the designer of those plans and specifications for:

1 their adaptation or modification for the carrying out of the work for the purposes for which they were prepared; or

2 the supervision of the work related to such modification or adaptation or, within the scope of a fixed-price contract, related to an extension of the duration of the work.

Section 573.1 does not apply to a contract:

1 covered by the regulation in force made under section 573.3.0.1 or 573.3.0.2;

...

5.5. Recommendations for the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière

5.5.A. Recommendation

We recommend that the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, review its contract management practices to ensure that they comply with both the *Cities and Towns Act* and the Ville de Montréal's *By-law concerning contract management*.

5.5.B. Recommendation

We recommend that the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, obtain written approval from the Ville de Montréal concerning changes in the extent of projects, the use of surplus project funds to offset deficits in projects covered by the Three-year capital works program and the extension of project implementation deadlines set forth in agreements.

5.5.C. Recommendation

We recommend that the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, ensure that all suppliers issue itemized invoices for each project funded by the Ville de Montréal to properly identify the people involved, the hours they worked and the description of services they provided, in order to comply with the agreements signed with the Ville de Montréal.

5.5.D. Recommendation

We recommend that the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, maintain adequate separate accounting for each project funded by the Ville de Montréal as required by grant agreements and ensure that the accounting system reflects the actual costs of projects.

5.5.E. Recommendation

We recommend that the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, ensure that the delegation of any powers by the Board of Directors to the director general, particularly in the area of contract approval, is approved and is subject to a Board of Directors resolution and accountability reporting to the Board of Directors.

5.5.F. Recommendation

We recommend that the Société du musée d'archéologie et d'histoire de Montréal, Pointe-à-Callière, adopt a capitalization policy in order to properly identify the costs of tangible capital assets.



