

## Awarding and Management of Financial Contributions by Central Departments to Non-Profit Organizations

### Background

Every year, the Ville de Montréal's (City's) central departments award and pay out large financial contributions to non-profit organizations (NPOs). In 2020 and 2021, central departments contributed a total of \$109.6 million and \$127.5 million, respectively. This funding allows the City to offer a wide range of services to the Montréal community, including sports activities, cultural events and festivals; support for vulnerable individuals and local businesses; and training for young people. The contributions are awarded through calls for projects or undertaken by mutual agreement. Several guidelines provide a framework for awarding and managing financial contributions. These include the *Guide de gestion des soutiens financiers aux organismes à but non lucratif* (Guide), which sets out the life cycle stages of a contribution and provides guidelines to follow that ensure an optimal approach to managing contributions.

### Purpose of the audit

To ensure that financial contributions to NPOs by the City's central departments are awarded impartially and in compliance with the City's management frameworks and that they are used for the intended purposes.

### Results

While the City has several management frameworks in place, its central departments are unable to provide documented proof of impartiality in the awarding of financial contributions to NPOs or of compliance with those frameworks for any of the contributions examined. Moreover, we could find no evidence that the City is able to demonstrate that the funding provided is used in its entirety for the intended purposes.

Our work sheds light on shortcomings at every life cycle stage in awarding and managing contributions to NPOs by central departments.

During the analysis of an organization's eligibility, not all criteria set out in the Guide are taken into consideration, and documents used to determine such eligibility are not always present in the files.

Some financial contributions were paid before the agreements were even officially signed by the parties. While, on the whole, the NPOs submitted the documents required to release subsequent payments, we did not always find evidence of a satisfactory analysis of those documents. In addition, while nearly all of the files examined contained accountability documents produced by the NPOs, only a fraction contained documented proof of an analysis by the central departments of how the funding was used.

## Main Findings

### Evaluation of Financial Contributions

- Based on a sample of 47 financial contributions, we found that:
  - None of the nine eligibility criteria for an NPO set out in the Guide was applied in every contribution program;
  - The documents on file do not confirm that the organization’s eligibility was based on the Guide’s nine criteria;
  - The business units (BUs) were unable to demonstrate that the eligibility criteria were analyzed in each file;
  - 25 financial contributions were awarded without defined and documented criteria in support of the application’s evaluation;
  - 14 contributions, whose evaluation is not documented, lack predefined and documented evaluation criteria, and only 9 of 17 programs (53%) had a documented evaluation on file based on all established program criteria;
  - 55% of funding agreements were not signed by NPOs prior to the file being presented to the authorities as required by the management framework.
- None of the calls for projects submitted under the directive<sup>1</sup> on the composition of the analysis committee and the evaluation process of calls for proposals met all of the requirements, and in only 36% of cases does the committee membership comply with that directive.

### Payment of Financial Contributions

- For 97% of contributions governed by an agreement, the NPOs signed the agreement before the City, and in 15% of cases, requests for payment were processed prior to the City signing the agreement.
- In two cases, the initial payment was made before the City had signed the agreement, including a payment of \$800,000 made before the agreement was signed by the NPO.
- Prerequisites for payment are not always respected, or such respect is not supported by a documented analysis.

### Monitoring of Non-Profit Organizations’ Compliance with Obligations

- While all contributions have accountability requirements, only 57% complied with recommendations set out in the Guide and agreement models.
- For 53% of contributions, the agreement does not include accountability guidelines.
- 88% of contributions with accountability requirements recorded in the file show no evidence of a documented analysis.
- The files for 47% of contributions examined contain no financial statements, and, for those that do, the BUs were not able to provide evidence of a documented analysis.

In addition to these results, we formulated various recommendations to the business units, which are presented in the following pages.

<sup>1</sup> Directive sur la Composition du comité d’analyse et du processus d’évaluation des appels de propositions ou de projets visant à attribuer des contributions financières à des organismes à but non lucratif.