



Issue Date: March 2011	Effective Date: Immediate	Responsible Agency: Comptroller General	Directive No: 801
Chapter: Control of Expenditures			
Directive Title: GRANTS AND CONTRIBUTIONS			

1. POLICY

The Government provides assistance to communities, organizations and individuals by transferring funds and other assets under programs that are fair, equitable and accessible.

Assistance and transfers under this Policy must be managed in a manner that:

- is open and transparent to the public;
- provides for government independence and objectivity;
- clearly identifies roles and responsibilities;
- provides adequate administration and documentation; and
- takes into consideration economy, efficiency and effectiveness.

2. DIRECTIVE

To provide authority for funding grants and contributions, Departments must develop grant and contribution policies and payment directives as follows:

- Ongoing grant and contribution transfers must be made in accordance with a grant and contribution policy prepared by a Department and approved by Executive Council.
- Except as noted below, one-time transfer payments, or payments involving new programs for which a policy has not yet been developed, must only be made under the authority of a grant and contribution payment directive that has been approved by the Financial Management Board (FMB).
- One-time transfer payments that do not exceed \$25,000 may be made under the authority of a grant and contribution payment directive that has been approved by the Minister or Deputy Head of the department making the payment.

The approvals required for grants and contributions under this directive also apply to grants and contributions that involve the transfer of assets other than cash. These transfers are covered under FAM Directive 801-1 Grants in Kind.

3. PROVISIONS

3.1 Authorization

- 3.1.1. Grants and contributions requirements, which are authorized annually in the Estimates, are based on the individual Department grant and contribution policies and payment directives which must meet the provisions for such policies and payment directives contained in Appendix A.**
- 3.1.2. Grants and contributions must not be increased or redirected to other uses without approval of the Executive Council or the FMB, except for the transfer of funds among activities for one time payments not requiring FMB approval which may be approved by Ministers or Deputy Ministers of the department making the payment.**
- 3.1.3. The threshold of \$25,000 in this directive for Minister or Deputy Minister approval applies to the total grant or contribution and departments may not stage payment over a period of time to circumvent the requirement of FMB approval.**
- 3.1.4. All grant and contribution recipients must sign an agreement or other authorizing documentation accepting the terms of the grant and contribution arrangement before payment is issued.**
- 3.1.5. Departments must use existing templates in drafting funding agreements. If a template is not used, or extensive changes are made to an existing template or a new template is being developed, the department must consult with the Department of Justice before signing the agreement.**
- 3.1.6. Agreements may only be signed by Department Officials who have been delegated the appropriate level of signing authority.**

- 3.1.7. Grant and contribution policies must apply to all anticipated payments under the program and any payments that deviate from the program requirements must be approved by the FMB.**

3.2 Multi-year agreements

- 3.2.1. Any agreement that requires payments in a subsequent year must comply with the requirements of S.46 of the FAA and state that such payments are conditional upon having available appropriated funds in the subsequent year.**
- 3.2.2. Where a subsequent year payment is required, as allowed in s.44 (2) of the FAA, third party recipients must provide all the required financial information and other accountability requirements for the prior year before receiving the subsequent year contributions, unless an exemption is approved by the Deputy Head.**

3.3 Monitoring

- 3.3.1. The Deputy Head or delegate of the funding department is responsible to monitor the recipient to ensure compliance with the conditions of the agreement, applicable legislation, and FAM directives. If a recipient ceases to be eligible during the term of the agreement, the recipient shall repay any unexpended funds in accordance with the agreement terms. The department shall invoice the recipient within 30 days from the time it is determined that they are no longer eligible.**
- 3.3.2. Procedures must be in place to ensure that payments cease when eligibility ceases and that any funds paid in error are recovered promptly.**
- 3.3.3. Departments must provide a quarterly report listing any payments approved only by a Minister or Deputy Minister to the Expenditure Management Division of the Department of Finance.**

3.4 Accounting

Grants and contributions are transfer payments that will be accounted for on the accrual basis of accounting. There are different types of transfer payments and Departments must be aware of them. See Appendix C for a discussion of the accounting issues affecting grants and contribution.



- 3.4.1. All grant and contribution payments must be charged against an appropriation in the Department providing the assistance and the total of all grants and contributions made by the Department must be identified.**

- 3.4.2. A contribution that may become recoverable at a later date or that remains unspent for the specific purpose for which it was provided must be recorded as an accountable advance and S.54 of the *FAA*, which deals with accountable advances, applies. The provisions of FAM Directive 817-4 also apply**

Appendix A

REQUIRED INFORMATION FOR GRANTS AND CONTRIBUTION POLICY OR PAYMENT DIRECTIVES

The following is the basic information requirements that must be part of any grant and contribution policy or payment directive. The requirements for funding agreements may be found in Appendix B. The information set out below is not intended as an all-inclusive list. Individual circumstances may require other additional, appropriate considerations.

1. Purpose

This section must contain a clear statement of the program's objectives.

Avoid vague wording and answer the following questions:

How does this program relate to the overall goals, objectives, and priorities of the Government?

- How does this program relate to the department's accountabilities?
- Are there economic or social benefits to the public?
- Are there benefits to the Government?
- What other results is the program expected to achieve?
- Is the program an ongoing program or does it have a limited life?

2. Eligibility

An identification of the recipient (legal name and contact information in the case of payment directives, class or group of recipients, in the case of policies) and identification of criteria to be included on the eligibility list.

3. Review

The procedure for review of eligibility must be identified. The level within the department at which this review takes place must be included.

4. Supporting Data

The details of supporting material required in any application from the prospective recipient must be included. This may include annual budgets, financial statements, financial analysis and similar information in addition to a written agreement.

5. Accountable Requirements

The reporting requirements expected of the recipient.

The Government's right to conduct an audit, even though an audit may not always be undertaken, must be stated. If an audit is not required the information necessary to satisfy accountability requirements must be indicated.

The obligations and accountabilities of the parties involved and the financial and/or non-financial conditions, as well as the consequences of failing to adhere to these conditions must be stated.

6. Amount

The method used to determine the maximum amount payable to each recipient, including details of any formulas used.

The maximum amount payable.

Appropriate provisions for the department to terminate the agreement and withdraw from the project if the original objectives are not being met.

Provision for the disposition of any surplus funds i.e. repayment to the Government, carry over to subsequent years activity, outright gift to the recipient, etc.

A provision that the Government's liability is limited to the amount of funding authorized and that the Government will not be responsible for any shortfalls or deficits.

The conditions to be met before a payment is made and the schedule or basis of payment.

Where it is applicable, the allowable costs and the types or classes of expenditures eligible for reimbursement.

7. Method of Payment

The level of funding and method of payment, including lump-sum, installments, holdbacks, expenditure based payments, etc as well as the appropriation to which the payment is to be charged.

8. Term

A policy or payment directive must state the number of years over which it expects the terms and conditions will apply and over which the payments will continue to be made.

9. Anticipated Factors of Change

For multi-year programs, the conditions that will affect the level of funding in subsequent years. If a change is anticipated, then the estimated effect on the total level of funding required in future years must be calculated.

10. Other Requirements (where appropriate)

- A requirement for the recipient to report any amounts owing to the government, under legislation or an agreement, and recognition that amounts due to the recipient may be set-off against amounts owing to the government.
- A requirement for the recipient to repay advances, overpayments, interest on overdue amounts, unexpended balances and disallowed expenses, and a declaration that such amounts constitute debts due to the Government.
- The total program funding requirements and the level of funding required in the current fiscal year.
- If funding increases are required, the source of the additional funds.
- In determining who the recipients of grants and contributions will be, other than entitlement transfers, Departments are to consider the past experience with prospective recipients. Factors to consider are: promptness of meeting reporting requirements; outstanding amounts due under prior agreements, and similar matters.
- Policies should have a provision for how a potential recipient can appeal a decision of the Department to deny a grant or alter the terms of an existing grant or agreement. The appeal authority must be at a high level within the Department, preferably the Deputy Head.
- The submitting department shall determine if a specific grant or contribution is related to any existing Federal or Government program and shall ensure that the possibility of double funding does not exist.

Appendix B

REQUIRED INFORMATION FOR FUNDING AGREEMENTS

As in Appendix A, the following is the basic information requirements that must be part of any funding agreement. The information set out below is not intended as an all-inclusive list. Individual circumstances may require other additional, appropriate considerations.

1. Parties to the Agreement

The Department of the Government and the legal name of the other party.

2. Responsibilities

Who is responsible for managing the program.

The form the contribution will take and restrictions on use of the asset contributed.

3. Payment

The level of funding and method of payment.

Any other assistance that may be provided.

Who is responsible for, and the source, of additional funding if funding requirements increase.

For a payment of significant amounts, a requirement for the recipient to declare any and all sources of proposed funding for the project before or shortly after the commencement of the agreement, as well as upon completion of the project

A provision for repayment where the total government assistance exceeds the amounts spent for a specified purpose.

4. Term

The effective date, the date of signing, and the duration of the agreement.

5. Accounts and Financial Records

The requirement for the recipient to maintain proper records, make them available to the Government and to retain them for audit or review purposes.

A requirement for the recipient to repay advances, overpayments, interest on overdue amounts, unexpended balances and disallowed expenses, and a declaration that such amounts constitute debts due to the Government.

Provision to recover payments should the recipient be in default of the agreement.

The reporting requirements expected of the recipient.

The Government's right to conduct an audit, even though an audit may not always be undertaken must be stated. If an audit is not required the information necessary to satisfy accountability requirements must be indicated.

Provision for cancellation or reduction of transfer payments in the event that Departmental appropriation or funding levels are changed.

A requirement that any payment under the agreement is subject to there being an appropriation for the fiscal year in which the payment is to be made

6. General Terms and Conditions

A provision that the Government may terminate, suspend or reduce the scope of the agreement if the recipient fails to comply with the terms of the agreement.

A clause to limit the liability of the government in the case where the recipient is entering into a loan, a capital lease or other long term obligation in relation to the project for which the transfer payment is provided.

An indemnification clause for the benefit of the Crown and an insurance provision where applicable.

For agreements dealing with grants-in-kind, a provision for how a change of use of the asset granted will be dealt with. (allowed, not allowed, government approval level required, etc)

A clause that requires the recipient not to represent itself, including in any agreement with a third party, as a partner or agent of the Crown, unless this is agreed to by the Government

Provision defining rights (whole or in part) to assets acquired or intangible property created in the process of carrying out the requirements of the agreement or funding program.

Provision for the confidential treatment of all information or material supplied to or obtained by the recipient as a result of the agreement with the Government.

A provision as to how the agreement may be terminated, amended or renewed and the financial considerations that result from the termination or change.

The laws under which the agreement is to be interpreted.

Definition of any unusual terms.

Prohibiting any member of the Legislature from obtaining any share or part of the agreement or from receiving any financial benefit from the agreement.

Requiring the recipient to comply with all laws and regulations that are applicable.

The method of delivering notices that are required under the agreement and the contact person or position to whom the notices are to be delivered.

Appendix C

Definitions

For purposes of this Directive, **Grants and Contributions** are transfers of money or other assets from a government to an individual, an organization or another government for which the government making the transfer does not:

- receive any goods or services directly in return, as would occur in a purchase or sale transaction;
- expect to be repaid in the future, as would be expected in a loan; or
- expect a financial return, as would be expected in an investment.

The terms defined below are those used in determining the different types of grants and contributions identified by PSAB as requiring specific program or period end accounting requirements. It is not necessary to identify these differences in preparing the Estimates or the Appropriation process. Departments, however must be able to identify the different types for proper program or period end accounting purposes.

Grants

Transfers that are made at the discretion of the government. The Government making the transfer has discretion in deciding whether or not to make the transfer, the conditions to be complied with, if any, how much will be transferred and to whom. Grants include such transfers as: cultural grants, scholarships, research grants and regional development grants. In most cases, recipients have to apply for the money or meet some eligibility criteria; however, in contrast to entitlements, applying or meeting eligibility criteria does not guarantee that the recipient will receive the money. The government still has discretion to decide whether or not to make the transfer. There is usually a ceiling on the total amount that may be transferred under a particular grant program and some grant recipients are subject to performance or reporting requirements.

Entitlements

Transfers that a Government must make if the recipient meets specific eligibility criteria. Such transfers are non-discretionary in the sense that both:

- “who” is eligible to receive the transfer; and
- “how much” is transferred; is prescribed in legislation and/or regulations.

The entitlement may be legislated or as a result of long-standing precedence. There are two types of entitlements: those of individuals and those of other governments or institutions.

Entitlements of individuals

Most transfers to individuals are entitlements. Governing legislation or regulations identify specific eligibility criteria that recipients must meet. Once those criteria have been met, the recipient is entitled to receive the transfer. There are no conditions attached to how the recipient spends the money. The amount to be transferred is usually specified in the legislation or regulations. The amount transferred may vary depending on the circumstances of the recipient.

A key characteristic of an entitlement is that the government must make the transfer to all individuals who meet the specified eligibility criteria. The key criterion for recognizing an entitlement of individuals is whether the recipient has met significant eligibility criteria.

Entitlements of other governments or institutions

A number of significant intergovernmental transfers are entitlements. Entitlements of one government from another include established programs financing and per capita or formula based transfers from the government to local governments. Some transfers to institutions are also entitlements. The governing legislation or regulations for these transfers set out the bases for determining the amount of the entitlement. Some are based on complex formulas. Others may be calculated on a per capita or other unit basis.

Transfers under shared cost agreements

These transfers involve reimbursements of eligible expenditures pursuant to an agreement between the transferring government and the recipient. In a sense, transfers under shared cost agreements are similar to entitlements because the recipient is "entitled" to the transfer once it has incurred eligible expenditures. They are different from other entitlements, however, because the recipient must spend money to be entitled to any reimbursement. In addition, the terms of specific shared cost agreements are usually negotiated and agreed upon in a signed contract.

The transferring government may agree to pay for all or only a portion of the eligible expenditures. The specific terms of the agreement may be found in legislation or in signed contracts. There may also be a ceiling on the total amount that will be shared.

These transfers are sometimes referred to as contributions.



Other government transfers

Some transfers may have characteristics of more than one of the major types of transfers discussed above. For example, some provincial transfers to institutions or agencies may have characteristics of both entitlements and grants. A provincial government may have a statutory responsibility, or a perceived obligation due to a well-established practice, to maintain the housing or education facilities in its jurisdiction. However, the government might determine annually the amount that will be transferred and how it will be distributed among the organizations in its jurisdiction. The amount determined at the beginning of the year might even be changed during the year. Thus, the government has some discretion.