Checklist 2—Screening Grants and Contributions for Possible Wrongdoing and Fraud

For “Yes” answers, auditors should:

* determine the reasons for the Yes answer,
* assess the significance of any Yes answers, and
* assess the implication of several Yes answers and how they relate.

The auditor should consider undertaking additional work to clarify or resolve these warning signs or red flags.

Auditors can amend the questions or add questions as appropriate to reflect the uniqueness of the entity.

**1. Stage 1, Grants and Contributions—Proposal, Application and Selection**

| QUESTIONS | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Is the recipient’s application and justification for funding not on file?
 |  |  |  |
| 1. Are proposals or business plans vague?
 |  |  |  |
| 1. Is there reason to suspect a possible conflict of interest between a government employee and an applicant?
 |  |  |  |
| 1. Is the funding for an organization that has no previous financial history or a history of limited success?
 |  |  |  |
| 1. Is audited financial information on the recipient organization limited or unavailable?
 |  |  |  |
| 1. Does the recipient organization regularly receive funding under the program?
 |  |  |  |
| 1. Does the recipient organization barely meet the required eligibility criteria?
 |  |  |  |
| 1. Is matching funding provided by the recipient organization and third parties inadequate or potentially misleading?
 |  |  |  |
| 1. Does the proposal make statements that cannot be supported?
 |  |  |  |
| 1. Is the proposal a questionable project or non-viable?
 |  |  |  |
| 1. Is there unusual parties in the proposal?
 |  |  |  |
| **Other Questions** |  |  |  |

**2. Stage 2, Grants and Contributions—Establishing the Agreement and Initiating Funding**

| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Are the term of the agreement vague?
 |  |  |  |
| 1. Do certain terms and conditions unreasonably favour the recipient and broaden the scope of permitted expenditures?
 |  |  |  |
| 1. Is the name and address of the applicant on the initial funding application different from those on the contribution?
 |  |  |  |
| **Other Questions** |  |  |  |

**3. Stage 3, Grants and Contributions—Reporting and Monitoring Compliance With Terms and Conditions**

|  |  |  |  |
| --- | --- | --- | --- |
| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| 1. Have complaints been received from users about the recipient’s services?
 |  |  |  |
| 1. Have subcontractors or suppliers complained that they are not being paid?
 |  |  |  |
| 1. Is the department’s or agency’s monitoring of contribution agreements inadequate?
 |  |  |  |
| 1. Do the recipient’s performance reports lack details, or do they appear exaggerated or inconsistent?
 |  |  |  |
| 1. Did the recipient become insolvent or bankrupt shortly after receiving government funding?
 |  |  |  |
| 1. Has most of the funding been spent but the purpose of the agreement is far from achieved?
 |  |  |  |
| 1. Does the valuation of in-kind matching funding appear unreasonable?
 |  |  |  |
| 1. Does matching funding provided by the recipient organization or by third parties differ from the amount expected?
 |  |  |  |
| 1. Are payments made without sufficient verification that the work has been performed?
 |  |  |  |
| 1. Are there significant changes to the funding from the initial agreement?
 |  |  |  |
| 1. Has an adverse event suddenly brought into question the success of the project?
 |  |  |  |
| **Other Questions** |  |  |  |

4. Stage 4, Grants and Contributions—Post-Agreement Reviews and Subsequent Events

| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Is the project described in the final report different than the one described in the original agreement?
 |  |  |  |
| 1. Have specific requirements of the contribution agreement not been met? (e.g. All matching funding not received)
 |  |  |  |
| 1. Are approvals for expenditures missing or made by unauthorized individuals?
 |  |  |  |
| 1. Are approvals for changes to the original agreement missing or made by unauthorized individuals?
 |  |  |  |
| 1. Have changes and/or expenditures been made without the Treasury Board approval, where required?
 |  |  |  |
| 1. Are the total actual costs significantly over budget or under budget?
 |  |  |  |
| 1. Is the final report significantly delayed or lacking critical information?
 |  |  |  |
| 1. Are there repayments owed to the government that have not been recovered?
 |  |  |  |
| 1. Was the final payment made before all the terms and conditions of the agreement had been met?
 |  |  |  |
| **Other Questions** |  |  |  |