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Canada Canada

Deputy Minister Sous-ministre

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MEMORANDUM FOR THE MINISTER

UPDATE ON LA PASSERELLE PROJECT

(Information only)

ISSUE

Following a media report on April 8, 2019, alleging the misuse of funds provided to a recipient organization under Public Safety Canada's (PS) Crime Prevention Action Fund, La Passerelle – Intégration et Développement Économique (La Passerelle), PS initiated an investigation into the allegations.

BACKGROUND

In 2014, PS launched the Crime Prevention Action Fund (CPAF): Measures to Support Exiting Prostitution Call for Letters of Intent process.

PS entered into a funding agreement with La Passerelle for the project Sans Visage (La prostitution informelle – si on en parlait?), which runs between March 30, 2017, and March 31, 2022. The PS funding amount is \$1,500,474.45. According to the project proposal, the project targets 175 immigrant, francophone girls and women from racialized, ethno-cultural groups and offers concrete and targeted interventions to help them exit informal prostitution.

In April 2019, the Toronto Star published a series of articles regarding alleged misuse of government funding by La Passerelle. One article specifically referenced funding from PS and alleged that the project was not taking place as per the funding agreement.

On April 10, 2019, PS sent a letter to the group requesting an in-person meeting to discuss the allegations and obtain clarification on aspects of the project and its management. On April 11, 2019 PS Ontario Regional Office attended a meeting with

La Passerelle where it denied all allegations (the organization has since filed a notice of libel against the Toronto Star).

Following this meeting, La Passerelle was requested to, and provided, project information including: the project's participant assessment instrument; the project's general ledger entries to facilitate financial monitoring; and, a revised activity plan for fiscal year 2019-20.

Upon review, the documents lacked sufficient detail to enable a robust analysis and a second request for more detailed information was made. After review of the subsequent submission of materials, concerns remained.

As a result, on June 18, 2019, a second letter was sent advising La Passerelle that PS would be undertaking a compliance audit (performance and financial) by an external auditing firm. An onsite audit visit occurred from July 22 to July 25, 2019. Additionally, PS requested a revised project plan containing specific elements related to project viability, proposed actions to address concerns, timelines, assigned staff, and status of action items.

CURRENT STATUS

The organization is currently on probation. No payments have been issued since March 2019 and a payment of \$70,883.45 is on hold pending the outcome of the audit and review of the revised project plan.

The final audit report was submitted to PS on September 6, 2019. The audit found that La Passerelle generally complied with the financial terms and conditions of the funding agreement. There were some exceptions, however, and the audit report provided 12 recommendations to address gaps in efficiency and transparency. All 12 recommendations in the audit report relate to financial governance and capacity that can be addressed with a Management Action Plan (MAP).

The audit recommends financial management practices that will improve financial controls (e.g. the Board of La Passerelle reviews financial statements on a quarterly basis rather than the current annual review; the Operations Chief take full advantage of the functionalities of the program QuickBooks to record and track financial activities, etc.). In addition, the audit noted a recoverable sum of \$26,040.00 from fiscal years 2017-18 and 2018-19. Due to the organization's use of a financial management system that requires significant manual input, a data entry error was the cause.

The audit made several recommendations which, if implemented, should mitigate the recurrence of similar errors.

The documents La Passerelle submitted related to the request for a revised project plan contain all of the required elements and while not as detailed as requested, with support from the regional office, the project will be on track to achieving the stated objectives of the Exiting Prostitution Initiative.

PS has also been in contact with other federal departments with funding agreements with La Passerelle. To date, no federal department has chosen to terminate its funding agreement.

CONSIDERATIONS

The option of mutual termination as defined in section 27c of the contribution agreement was presented to La Passerelle in the June 18, 2019, letter. La Passerelle has indicated to the regional office that they have no interest in terminating the project.

The audit findings with respect to financial management and project viability have not provided sufficient information to meet the required standard to terminate the agreement using the termination clause found in the agreement.

Although organizational capacity issues were identified, the audit findings do not support the termination of the project based on financial management. The organization has indicated a strong willingness to make the necessary changes to strengthen their financial controls and increase transparency.

Regarding project viability, the submitted revised project plan indicates a level of project development and implementation capacity that is not unusual for funding recipients of the CPAF. As noted above, the revised project plan lacks details that had been requested, however it contains enough information and project structure that the regional office is confident it can continue to work with the recipient to develop a more fulsome project plan which will result in a project that meets the objectives of the Exiting Prostitution Initiative.

NEXT STEPS

PS will send a letter to La Passerelle following the writ period, in accordance with the Caretaker Convention, informing the organization of the results of Public Safety's review of the documents submitted on July 17, 2019, and the audit conducted between July 22, 2019, and July 25, 2019.

Following the election, the regional office will work with La Passerelle to support them in addressing the recommendations in the audit report and strengthening its financial, governance, and project implementation capacity. As part of the process, over the fall, officials from the Ontario Regional Office will work with La Passerelle to:

- Develop a MAP that addresses the 12 recommendations contained in the audit report;
- Update the risk assessment of the project and amend the contribution agreement to realign project activities and reporting requirements
- Finalize the Accounts Receivable, \$26,040.00, identified in the audit report;
- Closely monitor project implementation plans and activities; and
- Closely monitor evaluation activities.

Once the MAP is finalized and the contribution agreement is amended, the outstanding payment, minus the Accounts Receivable, would be released. Should the recipient not comply with the conditions as set out above, the issue of termination for cause can be revisited by the Minister as set out in the agreement.

Should you require additional information, please do not hesitate to contact me or Patrick Tanguy, Assistant Deputy Minister, Emergency Management and Programs Branch, at 613-993-4325.


for Gina Wilson

Enclosure: (0)

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