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Charity wonders about sudden interest from Ottawa

After two audits in four years and onerous translation demands, Vancouver's CoDevelopment Canada wonders if it is being punished for criticizing government



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CoDevelopment Canada executive director Kathryn Janzen sifts through documents that must be translated from Spanish to English to satisfy Canada Revenue Agency rules, as staffers Cindy Pandini and Steve Stewart look on.

By: Donovan Vincent News reporter, Published on Sat Aug 23 2014

Staff members with the Vancouver charity CoDevelopment Canada stare at binders and boxes full of documents and financial records in their tiny office and wonder how they'll manage to translate it all from Spanish into English.

Working with partners in Latin America, the charity helps fund programs that assist the poor. But to maintain its charitable status, CoDevelopment Canada (CoDev for short) is having to wade through mounds of paperwork from those partners, including interim and year-end financial reports, receipts, program proposals and budgets — and translate it all into English.

[The CRA's charity world: Revenue Agency says charities may be selected for audit based on "risk" or by random selection](#)

That's a lot of work. CoDev is a four-person operation, and two of those people are part-timers.

The specifics of this new translation protocol follow a directive that came down in January from the Canada Revenue Agency (CRA) after it audited the charity last year.

Barbara Wood, CoDev's former executive director, says the group will find a way to get the translating done. But she and CoDev's current staffers are wondering why the tax agency has

audited CoDev twice since 2009. The group, which began its work in 1985, had never been audited before.

The organization also wonders why the revenue agency felt the need to send three people to the charity's office during last year's audit. There was only one auditor in 2009.

"There was a sense of them trying to drill down on every opportunity to find out what we were doing, why, and if it fit with what we said we were doing as an organization," Wood said in an interview, recounting last year's audit. "It was more a sense of — they were going into every little thing, and so you begin to wonder what they were looking for."

CoDev also has concerns about the level of detail and documentation the tax agency now requires from the charity.

These new requirements and the group's 2013 audit — since completed — come at a time of controversy that has raged for the past two years: critics of the federal government claim the CRA has launched politically motivated audits targeting charitable groups that have questioned government policies.

The goal is to bring the charities to heel, critics allege.

Two years ago, Ottawa allocated extra money — now \$13 million per year — to probe charities to see if they are misusing their charitable status and spending too much time and money on political activities.

Charities are not permitted to spend more than 10 per cent of their funds on political activities, though a number of groups, including CoDev, say the definition of political activities is vague.

From Jan. 1, 2012, until June 30, 2014, the Charities Directorate completed 1,988 audits of charities through its regular audit program, and has identified 52 charities for political activities audits, of which 37 are ongoing or closed, says CRA spokesperson Philippe Brideau.

He says the audits aren't politically motivated and the CRA is not being directed to audit specific charities; rather, the charities are chosen through an arm's-length process within the CRA. Charities from all four broad categories of charity (the advancement of religion, the advancement of education, the relief of poverty, and other purposes beneficial to the community) have been selected for review, Brideau says.

The government's position is that charities in Canada, which collect \$14.2 billion in donations each year, must be audited to ensure the process is working properly.

The controversy boiled over this week, after Conservatives on the Commons finance committee slammed the door on calls for a probe of the tax agency's audits. Conservative MP Gerald Keddy said allegations that the CRA is being used by the government for political purposes are "absolutely shameful."

Still, opposition to the way the audits are being conducted remains. CoDev has joined forces with

other international development NGOs in Canada to speak out against the audits.

Wood muses about whether CoDev's criticism of the government played a role in putting it on CRA's radar. For instance, the charity vigorously opposed Ottawa's decision to sign a free-trade agreement with Colombia, a country Woods describes as having "massive displacement and violence."

Canada signed the deal in 2008 after months of hearings and protest from several Canadian groups, including churches, other NGOs and unions. To address the concerns, a clause was added in the agreement that requires the Canadian and Colombian governments to produce annual reports on the human rights impact of the deal. The agreement was implemented in August 2011.

CoDev agreed to share some details with the Star about its experience with the audit process.

The charity forges links with like-minded organizations in Canada, and has 19 Latin America partners in nine countries. One of the 19, the Maria Elena Cuadra Movement for Working and Unemployed Women (MEC), is based in Nicaragua. MEC's goals include helping to modernize labour relations in Nicaragua's free-trade zones by promoting the notion that human, labour and gender rights for workers must be upheld.

In 2013-14, CoDev and its Canadian partners sent MEC nearly \$38,000. The money was used for causes such as MEC's legal clinic, which that year handled 2,000 cases — 1,600 involving women — pertaining to issues such as labour-rights violations and gender-based violence.

During that financial period, CoDev's revenue was close to \$1.5 million. The charity reported it spent 6 per cent of its funds on political activities.

CoDev's encounters with the Canada Revenue Agency began with their audit in 2009.

That audit was a fairly bloodless affair, Wood recalls.

The auditor came for about four days to the group's small second-floor office in east Vancouver on June 10, 2009. A few glitches were spotted. For example, CoDev had been reporting some of its money in the wrong boxes on its tax returns, and filing cabinets in the charity's office containing donor information weren't being locked.

"We are a small office. This never occurred to us," says Wood.

Those problems were quickly addressed.

That first audit was a "helpful process" Wood recalls.

"It was more a feeling of 'You're making a couple mistakes; here's what you need to correct. It was almost like a helpful process ... more like a process we were working on together ... collaborative, positive at the end,'" Wood recalls.

The tax agency sent a compliance letter to the charity that September. CoDev was left with the understanding that Latin American partner reports, and CoDev's own books and records, should be maintained in French or English, as required of charities in Canada.

In addition, in order to maintain compliance with the tax rules, the charity understood it had to start ensuring its agency agreements — formal contracts CoDev has with each of its partners — were also translated into English.

CoDev's written summaries of the proposals for the Latin American projects, and the charity's summaries of interim and annual narrative reports sent from their Spanish partners — reports where the partners use anecdotes to describe how the projects are running — would continue to be translated into English.

But a few years later, CoDev discovered these measures were far short of what the CRA expects.

By then a dramatic shift in tone was coming from Ottawa on the charities file, marked at the time by public comments from federal Conservative cabinet ministers who appeared to be drawing a line in the sand with some charities.

In January 2012, for example, in an open letter, then Natural Resources minister Joe Oliver touted Canada's commitment to diversifying its energy markets to boost the economy, but took a swipe at "environmental and other radical groups that would seek to block this opportunity to diversify our trade."

"Their goal is to stop any major project no matter what the cost to Canadian families in lost jobs and economic growth. No forestry. No mining. No oil. No gas. No more hydroelectric dams," Oliver wrote in his letter.

He didn't mention a specific charity or group.

He went on to complain that the unnamed organizations threaten to "hijack" Canada's regulatory system to achieve their ideological agenda.

"They seek to exploit any loophole they can find, stacking public hearings with bodies to ensure that delays kill good projects. They use funding from foreign special interest groups to undermine Canada's national economic interest," he said.

A few months later, the tone ratcheted up when in May 2012, Peter Kent who was then environment minister, gave interviews to the CBC in which he accused unnamed charitable environmental groups of "laundering" money from offshore donors in a bid to thwart Canada's environmental assessment process.

That year, Ethical Oil, a pro-Alberta oilsands group — it is non-profit and non-governmental — filed formal complaints to the CRA about three Canadian environmental groups, including the David Suzuki Foundation, claiming the charities are overstepping their bounds regarding political activities.

Several environmental groups, many of which have spoken out against the oilsands, for instance, were caught up in the early rounds of charity audits.

Amid all of this, CoDev got a surprise in mid-October 2012: the charity was to be audited again. The second one began Jan 28, 2013 with three Canada Revenue Agency staff showing up at the CoDev office, an auditor and two whose area of specialty was program funding.

The trio was friendly and professional, Wood recalls, but the process had a different feel to it than in 2009.

“A typical audit looks at samples here and there — this one, everything was being looked at,” Wood says.

The translation issue was raised again, when the CRA visitors grew annoyed about the number of documents that were in Spanish only. The CRA photocopied and left with CoDev’s documents.

Over the remainder of 2013, the CoDev and the CRA exchanged correspondence and telephone calls.

In January, CoDev received its audit report, and an accompanying agreement it had to sign that laid out the new terms.

That’s when the charity saw in black and white how much more documentation it was now required to produce in English to maintain charitable status — the detailed receipts, budgets, the annual and intermediate narrative and financial reports, and more.

Kathryn Janzen, CoDev’s new executive director, says she’s concerned about the impact the extra workload will have on her group.

“Being a small organization, the additional paperwork is causing delays in program start-up this year, and staff is dedicating much more time to administrative tasks, translation, etc.,” she said in an email to the Star.

She added that CoDev strives to keep administrative costs as low as possible to ensure most of its funding reaches its Latin American partners.

The CRA doesn’t comment on specific audits of charities. But in terms of translation requirements in general, the tax agency says that a charity’s books and records must support, and be traceable to, the amounts reported in the charity’s financial statements and its annual information return, and must clearly detail the charity’s activities.

Looking back, Wood admits there were misunderstandings and mistakes on CoDev’s part, but they were honest errors.

Nevertheless, she wonders about the tone and approach of the 2013 probe, and why CoDev wound up being subjected to two audits so close together.