

October 2, 2000

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**Department of the Solicitor General of Canada
Report on the Audit of
the Tripartite Agreement
respecting Police Services in
the Betsiamites Community**

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1. INTRODUCTION

A financial audit relative to the contribution agreement dated June 2, 1997, between the Department of the Solicitor General of Canada (Department), the Province of Quebec (Quebec) and the Betsiamites Band Council (Band Council) was conducted on behalf of the Department's Aboriginal Policing Directorate. The audit was undertaken in August 2000.

The subject of this audit is the contribution of up to \$608,000 (Department - \$316,160, Quebec - \$291,840) awarded to the Band Council to continue the provision of policing to the Betsiamites community.

The Band Council has the responsibility to maintain the Police Force, which is entrusted with the duty to maintain peace, order and public security in the Betsiamites territory; to prevent crimes and other offences to the applicable laws and regulations; and, to apprehend offenders.

The period covered by the agreement is April 1, 1997 to March 31, 2000. The period covered by the audit is April 1, 1999 to March 31, 2000.

2. AUDIT OBJECTIVES

2.1 The general objectives of the audit were:

- 2.1.1 to ensure that claimed expenditures have been incurred by the recipient and are in accordance with the contribution agreement, and departmental and central agency guidelines;
- 2.1.2 to verify and report the costs incurred and claimed and indicate the concurrence, or otherwise, of the Recipient with the audit findings; and
- 2.1.3 to bring to the attention of the Department any matters considered to be of significance or requiring management action.

2.2 Specific objectives included determining that:

- 2.2.1 the Band Council is meeting both the financial and non-financial terms of the contribution agreement;

2.2.2 as they relate to the contribution:

- financial operations were conducted properly;
- financial statements were presented fairly;
- financial reports contained accurate and reliable information; and

2.2.3 the Band Council had an adequate internal control system to account for and manage the contribution received.

3. AUDIT SCOPE

3.1 The audit scope was limited to the verification of the recipient's financial records, supporting documentation, and claims for the period April 1, 1999 to March 31, 2000, and included:

- an examination and assessment of the quality, propriety and accuracy of the recipient's financial records, accounting procedures and internal controls, as they relate to the costs charged under the terms of the agreement; and
- an assessment of the reasonableness and eligibility of the expenditures incurred or charged in accordance with generally accepted accounting principles, and with the terms of the agreement.

3.2 The audit was conducted in accordance with generally accepted auditing standards, and in accordance with the Office of the Comptroller General's Guide on the audit of Federal Contributions.

4. AUDIT APPROACH

Our approach was based on recognition of the need to focus on the key issue, which is the compliance by the recipient with the terms and conditions of the contribution agreement, and primarily to ensure that the claimed expenditures have been incurred, and the recipient is meeting the financial terms of the agreement.

The audit was undertaken in three phases:

- planning;
- field work and analysis; and
- reporting.

The planning phase included an orientation/familiarization with the mandate, obtaining information and documentation from the Department, developing the detailed audit program, and arranging the on-site visit with the recipient.

The field work and analysis consisted mainly of undertaking the detailed audit program to gather evidence to support our audit opinion, findings, and conclusions. The principal audit activities included interviews with the recipient's representatives, an examination and evaluation of accounting systems, controls, and the results of the tests conducted on the books and records and supporting documentation of the recipient as they relate to this contribution, and obtaining the recipient's response to the audit findings.

The reporting phase involved an analysis of our findings, and the formulation of an opinion on the information obtained from the recipient, for inclusion in the audit report. In addition, we have debriefed representatives from the Department's Aboriginal Policing Directorate and Management Review Division on the results of the audit.

5. CONCLUSION

Our examination indicated that the activities undertaken to maintain and provide police services in the Betsiamites community are generally consistent with the objectives set out in the Agreement.

Based on our examination, notwithstanding the adjustments made and subject to the audit qualifications detailed in Schedule 2, we believe that reported expenditures were made in accordance with the agreement. Generally, the recipient maintained adequate controls over expenditures funded by the contributions received from the Department and Quebec.

Our review revealed that the Band Council has generally met the financial terms of the agreement but there are some issues with the non-financial terms. Areas for improvement are provided in Schedule 5.

Details of the audit findings are presented in the Auditors' Report, and supporting Schedules 1 to 5.

6. AUDITORS=REPORT

Director General
Aboriginal Policing Directorate
Department of the Solicitor General of Canada

Betsiamites Band Council Agreement dated June 2, 1997
Period audited: April 1, 1999 to March 31, 2000

We have audited the accounts and records of the Betsiamites Band Council (Band Council) relative to the above contribution agreement. The preparation of the claims and compliance with the contribution agreement are the responsibility of the Band Council. Our responsibility is to express our opinion on the reported amounts based on our audit and the terms of the contribution agreement.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the amounts claimed are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the claims. An audit also includes assessing the accounting principles used and significant estimates made by the recipient.

In our opinion, Schedule 1 presents fairly, in all material respects, the eligible amounts under the terms of the agreement. Supporting information and related comments are provided in Schedules 1 to 5.

The Director of Public Security of the Betsiamites and the assistant general manager of the Band Council have been informed of the audit finding. As of the date of the report, we have not received comments regarding our findings.

Conseils et Vérification Canada.

STE-FOY, QUEBEC

Betsiamites Band Council
Summary of Budgeted, Reported and Eligible Amounts
April 1, 1999 to March 31, 2000

| CATEGORY | <u>Budget Amounts</u> | <u>Reported Amounts</u> | <u>Adjustments</u> | <u>Eligible Amounts</u> |
|--|---------------------------|-----------------------------|--------------------|-----------------------------|
| <u>Revenues</u> | | | | |
| Department | \$ 316,160 | \$ 316,160 | \$ 0 | \$ 316,160 |
| Quebec | 291,840 | 291,840 | 0 | 291,840 |
| Insurance claims | 10,000 | 2,808 | 0 | 2,808 |
| Total Revenues | <u>\$ 618,000</u> | <u>\$ 610,808</u> | <u>\$ 0</u> | <u>\$ 610,808</u> |
| <u>Expenditures</u> | | | | |
| Salaries | \$ 329,840 | \$ 374,173 | \$ (28,055) | \$ 346,118 |
| Benefits | 32,984 | 21,503 | (1,715) | 19,788 |
| Transportation and communication | 6,528 | 9,053 | (325) | 8,728 |
| Repairs and maintenance | 11,600 | 18,493 | (1,295) | 17,198 |
| Equipment and supplies | 20,875 | 34,911 | (3,768) | 31,143 |
| Materials and supplies | 27,000 | 176 | (23) | 153 |
| Professional services | 107,373 | 103,493 | (29,499) | 73,994 |
| Rental | 53,000 | 53,068 | (22,324) | 30,744 |
| Training | 28,800 | 4,524 | (575) | 3,949 |
| Total Expenses | <u>\$ 618,000</u> | <u>\$ 619,394</u> | <u>\$ (87,579)</u> | <u>\$ 531,815</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 0</u> | <u>\$ (8,586)</u> | <u>\$ 87,579</u> | <u>\$ 78,993</u> |

AdjustmentsSchedule 2
Page 1 of 2

The adjustments are explained as follows:

| EXPENSES | Betsiamites Band Council Summary of Adjustments <u>April 1, 1999 to March 31, 2000</u> | |
|---|--|-------------|
| Salaries | | |
| To eliminate the salaries of the Director, Assistant Director, clerk and secretary relative to the fire protection service (Note 3 of Schedule 3) | | \$ (28,055) |
| Benefits | | |
| To eliminate the cost of benefits of the Director, Assistant Director, clerk and secretary relative to the fire protection service (Note 3 of Schedule 3) | | (1,715) |
| Transportation and communication | | |
| To eliminate expense for a dreamcatcher which is not provided for under the contribution agreement | \$ (50) | |
| To eliminate expense claimed but not paid because the cheque was cancelled | <u>(275)</u> | (325) |
| Repairs and maintenance | | |
| To eliminate goods and services tax and provincial sales tax claimed (Note 2 of Schedule 3) | | \$ (1,295) |
| Equipment and supplies | | |
| To eliminate expenses incurred before April 1, 1999 | \$ (1,559) | |
| To eliminate goods and services tax and provincial sales tax claimed (Note 2 of Schedule 3) | (1,185) | |
| To eliminate expenses which are not provided for under the contribution agreement (mugs, pins and balloons) | <u>(1,024)</u> | \$ (3,768) |

Betsiamites Band Council
Summary of Adjustments
April 1, 1999 to March 31, 2000

Adjustments (Cont'd)

Materials and supplies

| | | |
|---|--|---------|
| To eliminate goods and services tax and provincial sales tax claimed (Note 2 of Schedule 3) | | \$ (23) |
|---|--|---------|

Professional services

| | | |
|---|--------------|----------|
| To eliminate the construction cost related to the fire station (Note 4 of Schedule 3) | \$ (28,613) | |
| To eliminate insurance cost for fire trucks | <u>(886)</u> | (29,499) |

Rental

| | | |
|---|-----------------|----------|
| To eliminate goods and services tax and provincial sales tax claimed (Note 2 of Schedule 3) | \$ (324) | |
| To eliminate the rental fees relative to the fire station (Note 5 of schedule 3) | <u>(22,000)</u> | (22,324) |

Training expenses

| | | |
|--|--|--------------|
| To eliminate training expenses claimed but not paid because the course and the cheque had been cancelled | | <u>(575)</u> |
|--|--|--------------|

| | | |
|-----------------------|--|---------------------------|
| Total Net Adjustments | | <u><u>\$ (87,579)</u></u> |
|-----------------------|--|---------------------------|

Betsiamites Band Council
Audit Observations
April 1, 1999 to March 31, 2000

NOTES:

1. Accounts payable

The financial statements are presented in accordance with the accrual basis of accounting. Consequently, there are amounts reported for which no cash disbursements had been made as of March 31, 2000, particularly for salaries and benefits.

2. GST/QST Taxes

During the conduct of our tests on the expenditures, we noted that the GST and QST were sometimes included in the reported amounts. As a result of these tests, a tax amount of \$2,827 was confirmed. According to the chief accountant, when the Band Council receives the reimbursement of taxes, these amounts are not re-allocated to each department. Consequently, we have made adjustments to the accounts concerned.

3. Salaries and benefits

During the year ended March 31, 2000, the Band Council employed a Director of Public Security, an assistant director, seven constables, a general clerk, a part time secretary and part time constables as required.

Two of the seven constables no longer work as police officers. One constable resigned and received an amount of \$3,064 as severance pay. The other constable was dismissed in May 2000 following a trial in which he was found guilty of fraud. This constable has been suspended with salary from May 19, 1998 until September 17, 1999 and without salary from September 18, 1999 until May 4, 2000. From April 1, 1999 until March 31, 2000, the Betsiamites Band Council paid a total amount of \$25,326 to this constable for salary, benefits and holidays.

During the interview with the Director of Public Security, we noted that salaries and benefits related to the fire protection department were claimed and reported under this Agreement. In actual fact, per the director, 30% of the director's and general clerk's time as well as 15% of the assistant director's and secretary's time is spent on operations relating to the fire

Betsiamites Band Council
Audit Observations
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NOTES: (cont'd)

protection department. There are no formal job descriptions for these positions, but according to the director, these percentages are accurate. An audit adjustment in the amount of \$29,770 has been made to reflect this situation.

4. Professional services

Professional services include costs such as insurance, car registration and project support as defined hereafter. The Betsiamites Band Council includes in project support the remaining construction amount for the public security building not covered by the income received from all parties including the Department of Indian Affairs and Northern Development. (INAC) The remaining cost was \$492,377 in 1996-1997. The Band Council decided to spread this amount over the next five years. The amount reported is \$98,475 per year since 1996-1997. The following information shows how the Betsiamites Band Council determined the amount of \$492,377:

| DESCRIPTION | AMOUNT |
|--|------------------|
| Incomes from INAC for fire station construction | \$258,579 |
| Deferred revenue from contribution agreements from Department and Quebec prior to June 1995 for construction of the police station | 161,872 |
| Total income | \$420,451 |
| Fire and police station construction cost | 912,828 |
| Remaining amount in 1996-1997 to be spread over the next five years (\$98,475 per year) | \$492,377 |

Betsiamites Band Council
Audit Observations
April 1, 1999 to March 31, 2000

NOTES: (cont'd)

According to the building plans, we estimate that 44% of the area is for the fire station area and 56% for the police station. Based on this, we determined the amount which should have been reported and claimed since 1996-1997:

| DESCRIPTION | POLICE STATION (56% of the area) | FIRE STATION (44% of the area) |
|--|--|-----------------------------------|
| Income from INAC for fire station construction | | \$258,579 |
| Deferred revenue from contribution agreements from SGC and the provincial government prior to 1995 for the police station construction | \$161,872 | |
| Fire station construction cost (44% x \$912,828) | | \$401,644 |
| Police station construction cost (56% x \$912,828) | \$511,184 | |
| Remaining amount in 1996-1997 to be spread over the next five years (\$69,862 per year) | \$349,312 | |
| Amount reported per year | 98,475 | |
| Amount which should have been reported per year | 69,862 | |
| Audit adjustment | \$28,613 | |

5. Rental

Rental represents the cost of the cellular phone rental and rent of \$50,000 per year. The Betsiamites Band Council charges an annual amount of \$50,000 to the public security department. According to the assistant general manager of the Betsiamites Band Council and the Director of Public Security, this is to cover the costs for electricity, janitor, janitorial supplies and administration fees. There is no written agreement between the Band Council and the public

Betsiamites Band Council
Audit Observations
April 1, 1999 to March 31, 2000

NOTES: (cont'd)

security department. According to the assistant general manager, this is a flat rate of \$50,000 annually and there is no support for the annual amount. This amount is for the entire public security building and it has been claimed and reported in the contribution agreement. We have made an audit adjustment to exclude 44% or \$22,000 of this charge of \$50,000.

6. Other expenses

The detail of the other expenses claimed and reported is shown below:

| DESCRIPTION | AMOUNT |
|--|-----------------|
| TRANSPORTATION AND COMMUNICATION: | |
| - Travel - Director | \$403 |
| - Travel - Constables | 2,144 |
| - Postal fees | 634 |
| - Phone and fax | 5,466 |
| - Other expenses | 406 |
| TOTAL | \$9,053 |
| REPAIRS AND MAINTENANCE: | |
| - Telecommunication | \$1,936 |
| - Repairs and maintenance – cars | 15,884 |
| - Other expenses | 673 |
| TOTAL | \$18,493 |
| EQUIPMENT AND SUPPLIES: | |
| - Fuel | \$15,259 |
| - Clothing | 4,703 |
| - Office supplies | 12,126 |
| - Tires and parts | 2,515 |
| - Other expenses | 308 |
| TOTAL | \$34,911 |

Betsiamites Band Council
Audit Observations
April 1, 1999 to March 31, 2000

NOTES: (cont'd)

| | |
|-------------------------------|----------------|
| MATERIAL AND SUPPLIES: | |
| - Car supplies | \$176 |
| | |
| TRAINING FEES: | |
| - Training | \$4,524 |

7. Police mandate

There is no revenue generated for fines, the reasons for which are explained in this section.

Article 5.1 of the contribution agreement requires that the Band Council maintain in operation a police department which is responsible for peacekeeping, order and public security within the Betsiamites community. The peacekeeping responsibilities also include the prevention of crime and offences under the laws applicable to the community in addition to seeking out offenders.

However, the police department stopped giving out fines in April 1996 after a Band Council special meeting was held on March 7, 1996. A resolution to that effect was adopted in April 1996.

Betsiamites Band Council
Non-Compliance with Agreement
April 1, 1999 to March 31, 2000

1. Public Security Board

Section 6.1 of the contribution agreement requires that the Band Council establish a public security board. Three members are to be part of this board, the objective of which are to oversee and implement community priorities and to ensure the quality of the police services delivered to the community.

At the present time, there is no public security board in the Betsiamites community. The Director of Public Security, however, has prepared a document which includes objectives and priorities for 1999-2000.

The Betsiamites Band Council should put in place a public security board as required in Section 6.1 of the contribution agreement.

2. Hiring standards

According to section 8.2 of the contribution agreement, to become a police officer an applicant must:

- be at least 18 years old;
- be a Canadian citizen;
- have a record of conduct reflecting morality;
- have a driver's license issued by the province of Quebec;
- possess a high school diploma or the equivalent;
- have never been found guilty following an information for an offence under the Criminal Code (R.S.C., 1985, c. C-46) which according to the information, was prosecuted by way of indictment, except when the applicant has been pardoned;
- provide a set of fingerprints, which must be submitted by the Betsiamites Director of Public Security to the Commissioner of the RCMP for verification and archiving;
- submit to the medical examination prescribed for police officers in Quebec, or the equivalent, and be declared in good health;
- pass policeman training; and
- speak, read and write English or French and have a working knowledge of the other language.

Betsiamites Band Council
Non-Compliance with Agreement
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Our review of the constables' files indicated that above-mentioned criteria are not all supported.

We recommend the Betsiamites Band Council obtain from all constables all information included in Section 8.2 of the contribution agreement for current and future hirings.

3. Report on police activities

As per the contribution agreement Section 9.9(c), the Director of Public Security should submit to the ministère de la Sécurité publique, each month, a report on police activities, showing the number and type of criminal complaints handled.

The director advised us that he submits this report to the ministère once a year with information for the entire year.

We recommend that the Director of Public Security submit a report on police activities as required by Section 9.9 of the contribution agreement.

4. Financial statements

Section 9.9 (e) of the contribution agreement requires that the Band Council should submit to Canada and Quebec, within four months of the end of each fiscal year, financial statements audited by an independent public accountant comprising a balance sheet, an income and expense statement and a detailed accounting of expenditures by budget category.

When we met with the assistant general manager and the Director of Public Security on August 24, 2000, the Band Council had not yet sent this information. Furthermore, according to the assistant general manager, the Band Council did not send a balance sheet and a detailed accounting of expenditures by budget category in previous years.

The Betsiamites Band Council should submit to Canada and Quebec, financial statements as required by Section 9.9 (e) within four months of the end of each fiscal year, including a balance sheet, an income and expense statement and a detailed accounting of expenditures by budget category.

Betsiamites Band Council
Internal and Financial Controls and
Police Service Policy and Procedure Deficiencies
April 1, 1999 to March 31, 2000

During our audit we noted the following areas requiring improvement in internal and financial controls and in policy and procedures, and we include the following recommendations:

1. Police car control

The public security department has four cars for its needs. One of these cars will be sold in the near future.

The three other cars are used by the constables. Two of them (marked police cars) are used by the constables to conduct patrols in the community. There is a control on the use of these cars because the constables are required to fill out a form at every shift and they record the mileage of the cars used at the beginning and at the end of their shift.

The other car is an unmarked police car. We have been verbally advised that the unmarked car is used by the constable who must go at least twice a week to Baie-Comeau to the law court for trials and other duties. There is no logbook maintained for the unmarked car.

We recommend that the public security department maintain a logbook for the unmarked police car.

2. Monitoring of financial performance

The Betsiamites Band Council has formally established and documented adequate policies and procedures with respect to internal and financial controls during the audit period. The Director of Public Security has the authority to approve expenditures up to \$5,000; expenditures over \$5,000 require the approval of the band general manager. The accounting and bookkeeping for the public security department is done by the Band Council's financial department. Our review of books and records demonstrated that the controls were functioning during the audit period and are considered to be adequate.

Monitoring the budget is done only once a year at mid-year. For all departments, a comparison is done between the actual costs and the budget and the reasons for the variances are noted.

We recommend that the Betsiamites Band Council review the financial position of the

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Internal and Financial Controls and
Police Service Policy and Procedure Deficiencies
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public security department as compared to budget at least twice a year (after 6 months and 12 months).

3. Agreement with the Band Council

As mentioned in point 5 of Schedule 3, the Band Council charges an amount of \$50,000 to the public security department every year for rental. We were advised that the amount of \$50,000 is to cover the electricity, the janitor and janitorial supplies and for administration fees (accounting and bookkeeping). There is no written agreement between the Band Council and the public security department and there is no documentation available to support this amount.

Furthermore, the amount of \$50,000 is reported and claimed against the contribution agreement although it applies to the entire public security building including the fire station.

We recommend that the public security department and the Band Council put in place an agreement and maintain documentation to support these types of expenses.

We recommend that the Band Council charge the public security department the actual costs for the electricity and the janitor and janitorial supplies and provide support for such costs.

4. Reported amounts related to the fire protection service

As mentioned previously in the report, the Band Council reported amounts related to the fire protection service not covered by the contribution agreement. Furthermore, the external auditors partially segregated the costs of the fire protection and the peacekeeping services in the audited financial statements.

We recommend that only the costs related to the contribution agreement be reported to the Department and to the Province of Quebec.

We recommend that the external auditors segregate in the appropriate sections of the audited financial statements, the costs related to fire protection and peacekeeping.