

December 15, 2000

330 1044 01

**Department of the
Solicitor General of Canada**

**Report on the Audit of the
Tripartite Agreement Respecting
Police Services in the
Kanesatake Territory**

TABLE OF CONTENTS

	Page
1. INTRODUCTION	1
2. AUDIT OBJECTIVES	1
3. AUDIT SCOPE	2
4. AUDIT APPROACH	2
5. CONCLUSION	3
6. AUDITORS' REPORT	4
Schedule 1	Summary of Reported and Eligible Amounts 1999/00
Schedule 2	Audit Adjustments
Schedule 3	Audit Observations and Recommendations

1. INTRODUCTION

A financial audit of the tripartite contribution agreement, dated August 19, 1999, and replacing the Interim Agreement concluded in December 1996, between the Department of the Solicitor General of Canada ("Department"), the Quebec Government ("Quebec") and the Mohawk Council of Kanesatake ("Kanesatake" or "Recipient"), was conducted on behalf of the Department's Aboriginal Policing Directorate. The audit was undertaken in November and December 2000.

The subject of this audit is the contribution of \$1,300,000 (Department \$676,000; Quebec \$624,000) provided to Kanesatake to operate policing services in the Kanesatake Territory, between April 1, 1999 and March 31, 2000.

Kanesatake has the full responsibility for supervising the Police Force, which is entrusted with the duty for maintaining peace, order and public security; for providing residents in the Kanesatake Territory with a sense of security and safety from crime; for preventing crimes and other offences; and, for apprehending offenders and bringing them to justice.

The period covered by the agreement is April 1, 1999 to March 31, 2002.

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 recipient met both the financial and non-financial terms of the contribution agreement;
- 2.2.2 as they relate to the contribution that:
 - financial operations were conducted properly;
 - financial statements were presented fairly;
 - financial reports contained accurate and reliable information; and
- 2.2.3 the recipient 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 auditing 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 review indicated that the activities undertaken to operate the Kanesatake Police Force in the Kanesatake Territory appeared to be consistent with the stated objectives of the project.

Based on our examination, and notwithstanding the audit adjustments and observations made, we believe that the 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 Kanesatake Police Force in the Kanesatake Territory has generally met the financial and non-financial terms of the contribution agreement.

Details of the audit findings are presented in the Auditors' Report and supporting Schedules 1, 2 and 3.

6. AUDITORS' REPORT

December 15, 2000

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

Mohawk Council of Kanesatake
Tripartite Agreement Respecting Police Services in the Kanesatake Territory
dated August 19, 1999 and replacing the Interim Agreement concluded in December 1996
Period Audited: April 1, 1999 to March 31, 2000

We have audited the accounts and records of the Mohawk Council of Kanesatake (Kanesatake) insofar as they pertain to the amounts claimed for the above project. The preparation of the claims and the compliance with the contribution agreement are the responsibility of Kanesatake. Our responsibility is to express an 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, the eligible amounts of \$1,189,581 for fiscal year 1999/00 present fairly, in all material respects, the costs allowable under the terms of the agreement. Supporting information and related comments are provided in Schedules 1, 2 and 3.

The audit results were discussed with the Director of Finance and Administration, Kanesatake Police Force, who agreed with the results of the audit, except for adjustments made on administration charges (\$77,975) and on radio equipment and C.R.P.Q. (\$85,835).

MONTREAL, QUEBEC

**Mohawk Council of Kanesatake
Police Service in the Kanesatake Territory
Summary of Reported and Eligible Amounts
April 1, 1999 to March 31, 2000**

	Reported Amounts (Audited Financial Statements)	Reclassi- fications (1)	Modified Financial Statements	Audit Adjustments (Schedule 2)	Eligible Amounts (2)
Revenues					
Department	\$676,000		\$676,000		\$676,000
Quebec	624,000		624,000		624,000
Insurance claim	8,097		8,097		8,097
Tickets, fines and towing	27,242		27,242	\$(8,057)	19,185
Other revenues (vehicle rental)	<u>2,000</u>		<u>2,000</u>	<u>8,057</u>	<u>10,057</u>
Total revenues	<u>\$1,337,339</u>		<u>\$1,337,339</u>	<u>\$ 0</u>	<u>\$1,337,339</u>
Expenditures					
Salaries and Fringe benefits	\$825,253	\$1,999	\$827,252	\$(10,193)	\$817,059
Administration charges	87,500		87,500	(77,975)	9,525
Advertising and memberships	968		968		968
Allowances for room and board	3,600		3,600		3,600
Books and office supplies	2,013		2,013		2,013
Donations and public relations	647		647		647
Electrician	2,688		2,688		2,688
Electricity and heating	19,931		19,931		19,931
Equipment and facility rentals	25,210	(2,473)	22,737	(574)	22,163
Insurance – liability	4,550		4,550		4,550
Janitorial services and supplies	14,170		14,170		14,170
Maintenance of building	7,288	1	7,289		7,289
Vehicles expenses	46,513	473	46,986		46,986
Nutritional supplies	1,201		1,201		1,201
Police commission	11,757		11,757		11,757
Printing material	2,410		2,410		2,410
Professional fees – legal	14,745		14,745		14,745
Capital assets (3) (vehicles, surveillance equipment)	90,917		90,917	(39,258)	51,659
Radio Equipment & C.R.P.Q. (3)	85,835		85,835	(85,835)	0
Shipping and postal fees	235		235		235
Social and community events	1,381		1,381		1,381
Specialized material	9,916		9,916		9,916
Special operations (4)	80,144		80,144		80,144
Telecommunications	18,108		18,108		18,108
Training expenses	10,205		10,205		10,205
Travel expenses	3,400		3,400		3,400
Uniforms and gym supplies	5,078		5,078		5,078
Insurance – vehicles	27,440		27,440		27,440

**Mohawk Council of Kanesatake
Police Service in the Kanesatake Territory
Summary of Reported and Eligible Amounts
April 1, 1999 to March 31, 2000**

	Reported Amounts (Audited Financial Statements)	Reclassi- fications (1)	Modified Financial Statements	Audit Adjustments (Schedule 2)	Eligible Amounts (2)
Other expenditures (waste disposal)	\$ <u>313</u>		\$ <u>313</u>		\$ <u>313</u>
Total expenditures	\$ <u>1,403,416</u>	\$ <u>0</u>	\$ <u>1,403,416</u>	\$ <u>(213,835)</u>	\$ <u>1,189,581</u>
Surplus					\$ <u>147,758</u>
Department's Portion of Surplus (52%)					\$ 76,834
Plus : Special contribution from Department for acquisition of Radio Equipment and Centre de Renseignements Policiers du Québec (C.R.P.Q.) (Schedule 2**)					\$ <u>52,000</u>
Excess of contribution paid over approved contribution amount					\$ <u>128,834</u>

- (1) Differences between the general ledger accounts and the audited financial statements. Wrong classification but no change to the deficit shown. Amounts were reconciled to the general ledger of the Kanesatake Police Services.
- (2) These costs are allowable under the terms of the Agreement.
- (3) Capital assets are recorded as expenses in the year of acquisition.
- (4) The expenses incurred under special operations are detailed as follows:

First Nations Police Assistance	\$40,431
Travel expenses	5,798
Vehicle expenses	473
Purchase of capital assets	9,848
Uniforms and gym supplies	20,309
Specialised material	3,255
Other	<u>30</u>
	<u>\$80,144</u>

Special operations are mainly undertaken for the control of drugs and narcotics. A large portion of the cost involved is related to the use of other First Nations Police.

**Mohawk Council of Kanesatake
Police Service in the Kanesatake Territory
Audit Adjustments
April 1, 1999 to March 31, 2000**

Adjustments

The adjustments are explained as follows:

Revenues:

Tickets, fines and towing	\$	0
---------------------------	----	---

Amount of \$8,057 reclassified from account "Tickets, fines and towing"
to account "Other revenues"

"Other revenues"	(8,057)	
"Tickets, fines and towing"	<u>8,057</u>	
	<u>\$ 0</u>	

Expenses:

Salaries and fringe benefits:		(10,193)
-------------------------------	--	----------

Unexplained differences between the amounts recorded in the general ledger and
the amounts shown on payrolls and T-4

Difference in gross salaries	\$(5,875)	
Difference in pension	<u>(4,318)</u>	
	<u>\$(10,193)</u>	

Administration charges:		(77,975)*
-------------------------	--	-----------

Lack of supporting documents (this expense is subject to Department's approval)

Equipment facility rentals:		(574)
-----------------------------	--	-------

GST and QST reimbursable from Associates Fleet Services (leased vehicle)

Capital assets:		(39,258)
-----------------	--	----------

Vehicle ordered from Hollis Ford Inc. on March 18, 2000 but invoiced and
delivered only on August 22, 2000

Radio Equipment and C.R.P.Q.:		(85,835)**
-------------------------------	--	------------

Equipment received and installed after March 31, 2000 as the estimate from the
supplier CTM Bell Mobilité is dated April 11, 2000. The full amount was paid on
May 11, 2000. This acquisition is subject to Department's approval.

TOTAL AUDIT ADJUSTMENTS		<u>\$(213,835)</u>
-------------------------	--	--------------------

**Mohawk Council of Kanesatake
Police Service in the Kanesatake Territory
Audit Adjustments
April 1, 1999 to March 31, 2000**

- * The administration charges paid to the Mohawk Council of Kanesatake are based on estimation and are not justified by supporting vouchers except for insurance of building and contents at a cost of \$9,525. The details are as follows:

Council and administration	\$25,000
Accounting services	35,000
Insurance	12,500
Maintenance and snow clearing (use of Mohawk Council of Kanesatake own equipment)	<u>15,000</u>
	87,500
Less : Insurance of building and contents	<u>9,525</u>
	<u>\$77,975</u>

- ** A \$52,000 contribution was offered to the Mohawk Council at the beginning of the year 2000 for the acquisition of radio equipment and C.R.P.Q. It did give only a short period of time to select the right supplier before March 31, 2000. An amount of \$85,835 was spent and paid on Radio Equipment and C.R.P.Q. after March 31, 2000. The Department was kept informed of the negotiation with suppliers.

**Mohawk Council of Kanesatake
Police Service in the Kanesatake Territory
Audit Observations and Recommendations
April 1, 1999 to March 31, 2000**

1. Recruitment standards

Our audit has demonstrated that insufficient documentation is kept by the Kanesatake Police Service to justify that recruitment and selection of the police officers were made in accordance with section 4.6 of the Agreement.

The police officers personnel files do not include a copy of the certificate of Indian Status, the high school diploma, a set of fingerprints and no indication regarding a criminal record. Also, the medical examination report and the police basic training course certificate were missing for some of the police officers.

The Kanesatake Police Service should implement a better control system to justify the recruitment and selection of the police officers.

2. Deposit delays

Ticket revenues and other revenues received by the Police Service are not transferred on a regular basis for deposit to the Finance Department. At the time of a deposit of \$11,197.25 dated August 13, 1999, nine (9) cheques for a total of \$600 were refused by the bank as they were older than six months. This deposit also included a cheque of \$1,200 dated May 10, 1999.

A cheque of \$169,000 received on July 9, 1999 from the Department was also deposited late on July 21, 1999.

All revenues generated by the Police Service should be transferred to the Finance Department on a regular basis (at least on a weekly basis) and deposited promptly.

3. Payment delays

We have noted that interest or penalties has been charged on several occasions due to late payments. For example, \$108.50 in interest was paid to Newcourt Financial, Dagenais Auto Services and Bell Canada.

Invoices for payment should be submitted upon receipt by the Police Service to the Finance Department and payments made within due dates.

4. Lack of supporting documents

The accounts "Travel expenses" and "Police assistance external" are not always sufficiently documented. For example, two account expenses were incomplete as hotel bills were not attached to the expense claim.

Also, we have noted that most of the police assistance from Listiguj Police Force is only supported with a memorandum from the Kanesatake Chief of Police. No official invoice from Listiguj Police Force is attached to the requisition form for payment.

**Mohawk Council of Kanesatake
Police Service in the Kanesatake Territory
Audit Observations and Recommendations
April 1, 1999 to March 31, 2000**

5. Cash receipts

The amount shown in the general ledger as Tickets, fines and towing revenues is \$27,242. This account includes several types of revenues, such as travel reimbursement, patrol vehicle trade in, reimbursement for purchase of fighting suits, etc. for a total of \$8,057 (see adjustment no. 1).

Those amounts were posted directly to the general ledger. The Mohawk Council Finance Department should maintain a cash receipt journal. This would constitute a more complete financial record.