

October 31, 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 Listuguj Mi'gmaq First Nation**

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1. INTRODUCTION

A financial audit relative to the contribution agreement dated May 12, 1997, between the Department of the Solicitor General of Canada (Department), the Province of Quebec (Quebec) and the Listuguj Mi'gmaq First Nation (LMFN) was conducted on behalf of the Department's Aboriginal Policing Directorate. The audit was undertaken in September 2000.

The subject of this audit is the contribution of up to \$680,000 (Department - \$353,600 Quebec - \$326,400) awarded to the LMFN (Recipient) to continue the provision of policing to the Listuguj Mi'gmaq First Nation community.

The structure of the peacekeeping force of the Listuguj Police Department (LPD) is Composed of eight (8) police officers and one civil staff member. Per the contribution Agreement, "The LPD is responsible for maintaining peace, order and public security within the Listuguj Territory, including for greater certainty Indian Lake Road and the section of highway 132 between Riverside West and Dundee Road. The peacekeeping responsibilities of the LPD include the prevention of crime and offences pursuant to the laws applicable within the Listuguj Territory and seeking out offenders."

The period covered by the agreement is March 1, 1998 to March 31, 2001. 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 Recipient 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 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 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 indicates that the activities undertaken to maintain and provide police services in the Listuguj Mi'gmaq First Nation territory are generally consistent with the objectives set out in the Agreement.

Based on our examination, notwithstanding the audit 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 Recipient 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

The Listuguj Mi'gmaq First Nation Agreement dated May 12, 1998
Period audited: April 1, 1999 to March 31, 2000

We have audited the accounts and records of the Listuguj Mi'gmaq First Nation relative to the above contribution agreement. The preparation of the claims and compliance with the contribution agreement are the responsibility of the Recipient. 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, 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 Operations of The Listuguj Mi'gmaq First Nation has been informed of the audit adjustments. As of the date of this report, comments have not been received from the recipient.

Conseils & Vérification Canada.

STE-FOY, QUEBEC

The Listuguj Mi'gmaq First Nation 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	\$353,600	\$353,600		\$353,600
Quebec	326,400	326,400		326,400
Other revenues (see Schedule 2 for details)		1,817	\$10,896	12,713
Total Revenues	<u>\$680,000</u>	<u>\$681,817</u>	<u>\$10,896</u>	<u>\$692,713</u>
<u>Expenditures</u>				
Capital expenditures (automobile and miscellaneous items) funded from operations	\$28,000	\$29,642		\$29,642
Equipment, leasing and maintenance	16,844	10,161		10,161
Heat and light	21,000	5,268	(\$3,664)	1,604
Insurance	13,500	4,000	(1,385)	2,615
Material and supplies	17,400	51,413	(21,950)	29,463
Professional fees	24,000	817		817
Salaries and benefits	475,756	491,366	(9,600)	481,766
Telephone	12,000	10,366	(476)	9,890
Uniforms	16,000	14,905		14,905
Vehicle operating and travel	45,600	57,869	(7,273)	50,596
Workshops, seminars and training	9,900	12,034		12,034
Total Expenses	<u>\$680,000</u>	<u>\$687,841</u>	<u>(\$44,348)</u>	<u>\$643,493</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>(\$6,024)</u>	<u>\$55,244</u>	<u>\$49,220</u>

The Listuguj Mi'gmaq First Nation Band Council
Summary of Adjustments
April 1, 1999 to March 31, 2000

Adjustments

The adjustments are explained as follows:

REVENUES

(Note 2 of schedule 3)

Other revenues

Escorting young offenders to court	\$8,766	
Court revenue	305	
Fines collected	<u>1,825</u>	

Total adjustments of Revenues		<u><u>\$10,896</u></u>
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EXPENSES

Heat and lights

Charge for utilities non supported	(\$3,000)	
Expenses pertaining to fire department:		
Requisition of February 21, 2000	(545)	
Requisition of September 29, 1999	<u>(119)</u>	(3,664)

Insurance

Insurance sharing cost between police and fire departments not properly supported:

Insurance of building	(1485)	
Liability insurance	<u>100</u>	(1,385)

The Listuguj Mi'gmaq First Nation Band Council
Summary of Adjustments
April 1, 1999 to March 31, 2000

Material and supplies (Note 3 of Schedule 3)		
Costs prior to period	(780)	
Costs reported twice	(780)	
Expenses not allowable according to agreement:		
Promotional pencils	(896)	
Halloween stickers	(486)	
	<u> </u>	(2,942)
Reported rent not supported		(12,000)
Representative not allowable according to agreement:		
Travelling expenses of T. Isaac Sr. as police representative	(2,025)	
Dance party	(575)	
Expenses pertaining to fire department	(2,204)	
Amount reported twice	(2,204)	
	<u> </u>	(7,008)
		<u>(21,950)</u>
Salaries and benefits (Note 4 of Schedule 3)		
To eliminate salary of an employee acting as liaison officer posted to peacekeeping service		(9,600)
Telephone		
Cost incurred prior to period under review		(476)

The Listuguj Mi'gmaq First Nation Band Council
Summary of Adjustments
April 1, 1999 to March 31, 2000

Vehicles operating and travel

(Note 5 of Schedule 3)

Insurance:

Amount according to supporting documentation	5,000	
Reported amount	<u>(8,020)</u>	(3,020)

Oil and gas:

GST and PST included in the total amount

\$24,123 posted for the period:

GST applicable (7%)	(1,468)	
PST applicable (7.5%)	<u>(1,683)</u>	(3,151)

Repairs and maintenance:

GST, PST and HST included in suppliers' invoices
for automotive repairs and maintenance:

GST	(155)	
PST	(177)	
HST	<u>(488)</u>	<u>(820)</u>
		(6,991)

Expenses (headlight bulb, replace universal joint,
check engine light indicator and labour) reported twice (282)

Total adjustments to vehicles operating and travel (7,273)

Total adjustments to all expenses (44,348)

Total net adjustments \$55,244

The Listuguj Mi'gmaq First Nation Band Council
Audit Observations
April 1, 1999 to March 31, 2000

NOTES:

1. Goods and services tax (GST), Harmonized sales tax (HST) and Provincial sales tax (PST)

Audit tests revealed that GST, HST and PST were included in reported amounts and for which an adjustment of \$3,971 has been made. According to the LMFN representative, the band council policy is to submit a request for refund of taxes once a year. No such claim had been submitted for the fiscal year 1999-2000 at the time of our visit. Details of the calculation are presented in paragraph 5 of this Schedule.

2. Revenue

The Listuguj Police Department provided services to the LMFN health and welfare department to escort young offenders to court. Invoices are prepared for each transportation and include mileage, meals and security guards billed at \$14.50 per hour. For fiscal year 1999-2000, escort revenues generated \$8,766. Other revenues including court revenues and police fines were \$305 and \$1,825 respectively for the same period. These revenues had been incorrectly recorded to Band Council revenue. An adjustment has now been made to correct this.

3. Material and supplies

This category of expenses includes an amount of \$780 (handcuffs and basketweave belts with logo) recorded on March 16, 1999, prior to the period under review. In accordance with the general ledger, this disbursement is linked to a non-member of the police force. Furthermore, this entry has been reported twice.

Monthly payments of \$1,000 or \$12,000 per year have been reported for the Police department rent. No supporting documentation, basis of calculation or explanation could be provided at the time of the audit.

The Listuguj Mi'gmaq First Nation Band Council
Audit Observations
April 1, 1999 to March 31, 2000

NOTES: (cont'd)

The following miscellaneous expenses are not directly related to policing activities and have been adjusted:

- Travelling expenses of \$2,025 for non-member of the police force to represent the Listuguj Police department at a graduation event held in Timiskaming from April 6, to April 12, 1999.
- Contribution of \$575 to finance Much Music Video Dance at the Bingo Hall held on November 13, 1999 under the National Addictions Awareness Week.
- Ceramic tiles, laminated floor, laminated blind and labour of \$2,204 paid for the fire department in February 2000.
- The above amount of \$2,204 has been reported twice.

4. Salaries and benefits

Starting on January 14, 2000, an amount of \$800/week has been reported for salary and benefits for an individual who was acting as liaison officer and was a non-member of the police force. Considering the fact that this individual was not a member of the police force, an adjustment of \$9,600 has been made for the period ending March 31, 2000.

5. Vehicles operating and travel

• **Insurance**

As per insurance premium documentation for the period from April 1999 to March 2000, the automobile premium was \$5,000 as opposed to \$8,020 charged to the Police department. An adjustment of \$3,020 has been made accordingly.

The Listuguj Mi'gmaq First Nation Band Council
Audit Observations
April 1, 1999 to March 31, 2000

NOTES: (cont'd)

- **GST, PST and HST**

For Oil and Gas, both (GST) and (PST) are included in the total amount of \$24,123 for fiscal year 1999-2000. In addition, taxes are also included for some suppliers related to repairs and maintenance. These taxes should be refunded by the Department of Revenue. The details of those amounts are presented in the following table.

	GST	PST	HST	Total
Oil and Gas	1,468.00	1,683.00		3,151.00
Repairs and maintenance	154.81	177.48	488.20	820.49
Total	\$1,622.81	\$1,860.48	\$488.20	\$3,971.49

- **Repairs and maintenance**

An expense of \$282 (headlight, bulb, universal joint, check engine light indicator and labour) was reported twice on March 13, 2000 for a supplier.

The Listuguj Mi'gmaq First Nation Band Council
Non-Compliance with Agreement
April 1, 1999 to March 31, 2000

1. Hiring standards

According to the section 5.0 of the contribution agreement, a police officer applicant must fulfil the following criteria to become a member of the LMFN peacekeeping force:

- Be at least 18 years of age;
- Be a Canadian citizen;
- Be a member of the Listuguj Mi'gmaq First Nation or a member of another native nation;
- Have a record of conduct reflecting a moral character showing integrity;
- Possess a high school diploma or the equivalent or appropriate aptitudes, experience and attributes;
- Never have 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 LPD Police Chief to the Commissioner of the Royal Canadian Mounted Police (hereinafter to ass 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 a policeman training; and
- Speak the Mi'gmaq language or undertake to follow a course of study of the Mi'gmaq language and speak, read and write English or French and have a working knowledge of the other language, or be willing to acquire such a working knowledge.

Our review of the police officers' files revealed that in most cases the above-mentioned criteria were not fully supported, thus indicating that there is a lack of monitoring over the police officers' personal files.

We recommend that the LMFN obtain all supporting information in order to ensure that files are properly documented in accordance with Section 5.0 of the contribution agreement.

The Listuguj Mi'gmaq First Nation Band Council
Non-Compliance with Agreement
April 1, 1999 to March 31, 2000

2. Report on police activities

Sections 9.10(c) and 9.10(d) of the contribution agreement respectively request that quarterly and annual reports over police activities be submitted to the ministère de la Sécurité publique. According to our interviews with the Police Chief, who started in this function in June 2000, all the obligations of LMFN pertaining to the reporting of police activities have not been fulfilled. It was noted that the Chief was not aware of the terms and conditions of the Agreement.

We recommend that quarterly and annual reports be prepared and submitted as stipulated in Sections 9.10(c) and 9.10(d) of the contribution agreement.

3. Financial statements

Section 9.9 (e) of the contribution agreement requires that the LMFN 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, a statement of income and expense and a detailed accounting of expenditures by budget category.

The LMFN representative interviewed on this matter at the time of our visit stated that he was fairly new in the position of head of the accounting department and that he was unable to provide documentation to demonstrate that audited financial statements for the period ending March 31, 2000 had been submitted to Canada and Quebec.

We recommend that the LMFN submit its annual audited financial statements to Canada and Quebec within four months after the end of the fiscal year in accordance with Section 9.9(e) of the contribution agreement.

The Listuguj Mi'gmaq First Nation Band Council
Internal and Financial Controls and
Police Service Policy and Procedure Deficiencies
April 1, 1999 to March 31, 2000

Audit tests, interviews with personnel, examination of procedures and financial controls over operations costs of the LMFN peacekeeping force has indicated some areas requiring improvement.

1. Expenditure control over police vehicles

The peacekeeping force uses three vehicles to patrol the LMFN territory. They are filled up at a gas bar located on the reserve. Gas chits are signed by the police officer and kept by the supplier. The chits are eventually attached to periodic invoices received by the police service. A purchase order is then filled out and sent over to the financial section for cheque issuance and accounting. Police officers daily activity reports also indicate that vehicles have been filled up.

Our review of the documentation revealed that many of the gas chits do not indicate the number of kilometres of the vehicle at the time of fill up. Furthermore, audit tests revealed instances where fill ups of gas were made for private vehicles. Police chief and staff members declared that no comparison is made between the suppliers' invoices and the daily activity reports of police officers. With respect to the fill ups of vehicles not owned by the peacekeeping service, LMFN could not provide any explanations to support these expenses.

We recommend that kilometres be indicated on each and every gas chit issued. Police officers on duty should sign off the gas chit and write the number of kilometres on the daily activities report. Reconciliation of all documentation should also be done and signed off by Police Chief prior to request for payment. In addition, the acceptability of the use of private vehicles should be reviewed by the parties to the agreement for the delivery of peacekeeping services.

2. Monitoring of financial performance of the peacekeeping force

The audit revealed the existence of adequate policies and procedures with respect to internal and financial controls over expenditures. For instance, the Police Chief signs requisitions and requests for payment and the LMFN financial and administrative department is responsible to approve and issue payments and maintain bookkeeping. However, interviews with LMFN representatives indicated some weaknesses over peacekeeping budgetary controls. For

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Internal and Financial Controls and
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instance, the Police Chief was not aware of the financial situation of the service under his responsibility.

We recommend that the periodical financial reports be provided to the Police Chief to ensure a proper monitoring of costs, to detect any budgetary discrepancies and take the appropriate action.

3. Land, building, equipment, personnel and administrative and oversight services

Annual rent of \$12,000 was charged to the peacekeeping service for the period 1999-2000 along with services such as janitor, electricity and lights. The audit revealed the absence of a written agreement between the LMFN and the LPD to define the terms and conditions of the parties in this matter.

Due to the fact that the rights and obligations of the parties in Section 9.2 of the agreement are subject to interpretation, and no documentation was available to support these costs, we have adjusted the reported amounts.

We recommend that the terms and conditions of Section 9.2 of the contribution agreement be revised for clarity. Thereafter, LMFN and the LPD should put in place an agreement on these matters.

4. Claimed amounts related to the fire protection service

On several occasions, costs pertaining to the fire protection service have been posted against the peacekeeping operations budget and thus, are included in the audited annual financial statements of 1999-2000. A total of \$4,712 included in Schedule 2 and pertaining to the fire department has been adjusted for the period under review.

We recommend that only the costs related to the peacekeeping agreement be reported to Canada and Quebec.