

February 2, 2000

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**Department of the
Solicitor General of Canada
Report on the Audit of the
Quadripartite Contribution Agreement on Police Services
Obedjiwan Indian Council**

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1. INTRODUCTION

A financial audit of the Quadripartite Contribution Agreement (Agreement), dated April 21, 1998, between the Obedjiwan Indian Council (Council), the Department of the Solicitor General of Canada (Department) and the “ministre de la Sécurité publique”, the “ministre responsable des Affaires autochtones” and the “ministre délégué aux Affaires intergouvernementales canadiennes” (Quebec) and the Amerindian Police Council (APC) was conducted on behalf of the Department’s Aboriginal Policing Directorate. The audit was undertaken in November 1999.

The subject of this audit is the contribution of \$639,000 (Department: \$332,280; Quebec: \$306,720) to the Council, between April 1, 1998 and March 31, 1999. The purpose of this Agreement is to provide policing services on the Obedjiwan territory.

The Atikameks of Obedjiwan have the responsibility to maintain the Police Force, which is entrusted with the duty for maintaining peace, order and public security; for preventing crimes and other offenses; and, for apprehending offenders and bringing them to justice.

2. AUDIT OBJECTIVES

2.1 The general objectives of the audit were:

- 2.1.1 to ensure that reported 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:
 - 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, 1998 to March 31, 1999, which 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, within 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 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 fieldwork 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 Obedjiwan 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 Obedjiwan Indian Council has generally met the financial and non-financial terms of the Agreement.

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

6. **AUDITORS' REPORT**

February 2, 2000

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

**Quadrupartite Contribution Agreement on Police Services –
Obedjiwan Indian Council – Dated April 21, 1998
Period Audited: April 1, 1998 to March 31, 1999**

We have audited the accounts and records of the Obedjiwan Indian Council, insofar as they pertain to the amounts reported for the above project.

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, subject to the audit qualifications detailed in Schedule 2, the audited amounts of \$598,355 for the fiscal year 1998/99 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 and 2.

The audit results have been sent to the Chief of Police and the administrative manager of the Obedjiwan Police Service. To date, we have received the administrative manager's concurrence with the audit results, which are detailed in comment 4.5 of Schedule 2.

SAINTE-FOY, QUEBEC

Schedule 1

OBEDJIWAN POLICE COUNCIL
Approved, Reported and Audited Amounts
April 1, 1998 to March 31, 1999

	<u>Approved Amounts</u>	<u>Reported Amounts</u> ⁽¹⁾	<u>Audit Adjustments</u> ⁽²⁾	<u>Audited Amounts</u>
Revenue				
Department (52%)	\$ 332,280	\$332,280	\$ -	\$332,280
Quebec (48%)	306,720	306,720	-	306,720
Total Revenue	<u>\$ 639,000</u>	<u>\$639,000</u>	<u>\$ -</u>	<u>\$639,000</u>
Expenditures				
Bank charges	\$ -	\$ 387	\$ -	\$ 387
Vehicle purchases	-	50,820	-	50,820
Repair and maintenance	-	23,280	(14,576)	8,704
Professional fees	-	51,490	(24,430)	27,060
Oil and gas	-	26,107	(14,440)	11,667
Travel and meeting expenses	-	31,474	-	31,474
Accommodation and construction	-	10,099	(782)	9,317
Salaries and benefits	-	240,018	152,731	392,749
Telephone and telecommunication	-	35	-	35
Insurance	-	12,804	(6,031)	6,773
Uniforms	-	12,952	(2,147)	10,805
Materials and supplies	-	8,445	-	8,445
Training	-	197,018	(186,899)	10,119
Audit and management	-	30,000	-	30,000
Total expenditures	<u>\$639,000</u>	<u>\$694,929</u>	<u>\$(96,574)</u>	<u>\$598,355</u>
Department's Portion of Eligible Costs (52%)				\$311,145
Funds Provided by the Department				(332,280)
Excess of funds provided by the Department over the audited amounts				<u>\$(21,135)</u>

⁽¹⁾ See Comment 4.1 of Schedule 2.

⁽²⁾ See Schedule 2 for an explanation of audit adjustments.

OBEDJIWAN INDIAN COUNCIL
Audit Adjustments, Audit Qualifications, Observations
and Supplementary Information
April 1, 1998 to March 31, 1999

1. AUDIT ADJUSTMENTS

a) Repair and maintenance			
Delete unsupported costs			
[See observation 3.1]		\$(13,156)	
Delete taxes [See audit qualifications 2.2]		(920)	
Delete costs incurred in February and March 1998 prior to the			
period under review			
[See observation 3.2 a)]		<u>(500)</u>	\$(14,576)
b) Professional fees			
Delete costs for monitoring incurred prior to the period under review			
between January 1 and March 31, 1998			
[See observation 3.2 b)]		\$(18,000)	
Delete costs for monitoring and administration incurred after			
March 31, 1999		(5,122)	
(Administration : 15% x \$5,122)			
[See observation 3.2 b)]		(768)	
Delete unsupported costs		<u>(540)</u>	(24,430)
[See observation 3.1]			
c) Oil and gas			
Delete unsupported costs			(14,440)
[See observation 3.1]			
d) Accommodation and construction			
Delete costs incurred between May 1, 1995 and November 30, 1998			
prior to the period under review			
[See observation 3.2 c)]			(782)
e) Salaries			
Reallocate salary expenses included in Training			
[See observation 3.4]			152,731
f) Insurance			
Delete prepaid portion			
[See observation 3.3]			(6,031)
g) Uniforms			
Delete unsupported costs			
[See observation 3.1]			(2,147)

OBEDJIWAN INDIAN COUNCIL
Audit Adjustments, Audit Qualifications, Observations
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April 1, 1998 to March 31, 1999

1. AUDIT ADJUSTMENTS (cont'd)

h) Training

Reallocate salaries expenses included in Training [See observation 3.4]	\$(152,731)	
Delete unsupported costs incurred in March 1998 prior to the period under review [See observation 3.2 d)]	(30,675)	
Delete unsupported costs [See observation 3.1]	(3,493)	\$(186,899)

Total Audit Adjustments

\$(96,574)

**OBEDJIWAN INDIAN COUNCIL
Audit Adjustments, Audit Qualifications, Observations
and Supplementary Information
April 1, 1998 to March 31, 1999**

2. AUDIT QUALIFICATIONS

2.1 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 were made as of March 31, 1999. For example:

Included in Professional fees are Monitoring fees of \$48,000, for which no cash disbursements were made as of March 31, 1999.

2.2 Taxes GST/QST

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 \$2,638 was confirmed. We have made an adjustment of \$920 since the balance \$1,718 was already included in the adjustment made for unsupported costs for repairs and maintenance in the amount of \$13,156 and presented in point 1.a).

2.3 Interest

The amounts paid by the Department and by Quebec are deposited in an account which earns interest. This interest is deposited in the account at the end of each month. The interest amount for the period April 1, 1998 to March 31, 1999 is \$30,284. However, the portion related to police services cannot be determined, since the Obedjiwan Indian Council has only one bank account for all of its operations.

3. AUDIT OBSERVATIONS

3.1 Filing process

At the time of our testing, some vouchers were unavailable apparently due to an inadequate filing process. We have made audit adjustments for these expenditures. [See adjustments 1.a), b), c), g) and h)]

**OBEDJIWAN INDIAN COUNCIL
Audit Adjustments, Audit Qualifications, Observations
and Supplementary Information
April 1, 1998 to March 31, 1999**

3.2 Costs not provided in the Agreement

a) Repair and maintenance

Some repair expenses incurred in February and March 1998 were included in the reported amounts. Since these expenses are not related to the audited period, we have made an audit adjustment. [See adjustment 1.a)]

b) Professional fees

An amount of \$48,000 for the management provided by the Amerindian Police Council was allocated to the police service. In accordance with the Agreement article 10.1 c), \$18,000 was related to the period January 1, 1998 to March 31, 1998 and \$30,000 to the period April 1, 1998 to March 31, 1999. The amount of \$18,000 was included in the costs reported. Since this amount does not apply to the period reviewed, we made an adjustment.

Lawyer's fees incurred in June and July 1999 are also included in the costs reported. These fees in the amount of \$5,122 plus 15 % of administration charges are considered to be a part of the \$30,000 allocated for the management during the period of April 1, 1998 to March 31, 1999. An adjustment was made to exclude those fees. [See adjustments 1.b)]

c) Accommodation and construction

Some expenses incurred between May 1, 1995 and March 31, 1998 were included in the reported amount. As these expenditures do not apply to the audited period, we have made an audit adjustment. [See adjustment 1.d)]

d) Training

An amount of \$30,675 was billed to the Obedjiwan Indian Council on March 8, 1998, for the training of one student at the Collège d'Alma (\$19,079) and at the Police Institute (\$11,596). No information about the training period is available. Consequently, since there was no information to support such an expense and the costs had been incurred in the preceding period, we have made an adjustment. [See adjustment 1.h)]

**OBEDJIWAN INDIAN COUNCIL
Audit Adjustments, Audit Qualifications, Observations
and Supplementary Information
April 1, 1998 to March 31, 1999**

3.3 Insurance

Some insurance costs are prepaid expenses. We have made an audit adjustment for a total amount of \$6,031 of which an amount of \$3,147 is for combined commercial insurance and an amount of \$2,884 is for car insurance. [See adjustment 1.f)]

3.4 Salaries

The training account contains mostly salary expenses. A total amount of \$152,731 should be transferred to the salaries account to reflect the actual expenses. [See audit adjustment 1.e)]

4. SUPPLEMENTARY INFORMATION

4.1 Reported Amounts

The Band Council has modified its fiscal year to end on March 31 instead of June 30. The reported costs for the period April 1, 1998 to March 31, 1999 was established from the audited financial statements for the period of July 1, 1998 to March 31, 1999 to which we added the recorded expenses for the months of April, May and June, 1998.

4.2 Internal Controls

An examination and evaluation of accounting systems, controls, administrative and financial policies, and the results of tests conducted on the books and records indicated that the Obedjiwan Indian Council has an adequate internal control system, except for the police director who authorises his own expenses. These expenses should be authorised by his superior.

**OBEDIWAN INDIAN COUNCIL
Audit Adjustments, Audit Qualifications, Observations
and Supplementary Information
April 1, 1998 to March 31, 1999**

4.3 Staff

Staff assigned to the police service is composed of:

- a police chief (full time);
- a secretary (full time);
- six police officers (full time); and part time police officers as required.

The police service has no specific recruitment policy. Some verifications are made prior to employees hiring, but there is no documentation on file such as driver's license verification, finger prints, medical exam, etc. The chief of police told us that he intends to correct this situation.

4.4 Documents not yet received.

At the time of the audit, the recipient had not yet submitted to the Canada and Quebec the audited financial report for the period ending on March 31, 1999 and proof of insurance, as required by Sections 10.07 (d) and 10.10 of the Agreement respectively. In addition, the police activity reports were not sent to Quebec as required by Section 10.07 (c) of the Agreement, however the reports were forwarded to Statistics Canada.

4.5 Recipient's Comments

The administrative manager agreed with the audit results of the police service. However, he mentioned that several vouchers were obtained after the auditors visit.