

**Department of Indian Affairs and Northern Development
Corporate Services
Departmental Audit and Evaluation Branch**

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**Audit of Environmental Related
Emergency Funding and Expenditures
for Fire, Flood and Winter Roads**

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Table of Contents

| | <u>Page</u> |
|--|-------------|
| Executive Summary | i |
| Section 1 - Introduction | 1 |
| Background | 1 |
| Objectives | 2 |
| Scope | 3 |
| Methodology | 3 |
| Section 2 - Findings and Recommendations | 4 |
| Adequacy and Effectiveness of the Management Accountability Framework | 4 |
| How Well Regional Practices, Procedures and Expenditures were Handled | 12 |
| Determine Whether Costs were Reasonable and Supportable | 15 |
| Impact on the Health and Safety of First Nations Communities | 21 |
| Evaluate the Accounts and Records as they Pertain to Expenditures Claimed under the Winter Roads Projects in Ontario and Manitoba Regions for the 1997-1998 Season ... | 23 |
| Identify, Assess and Report on Improvements in the Administration of Winter Roads in Manitoba Since the Last Audit was Conducted (1991) | 24 |
| Compliance with Director General, Finance Direction Relating to Winter Roads Expenditures | 24 |
| Final Expenditures were in Accordance with the Terms and Conditions of the Federal/Provincial agreements, Memoranda of Understanding and /or Agreements with First Nations | 26 |
| Auditor's Opinion Related to Financial and Non-financial Management Practices, Processes and Controls | 27 |
| Lessons Learned and Areas for Improvement | 28 |
| Section 3 - Other Management Issues and Concerns | 30 |
| Risk Management and Emergencies | 30 |
| Funding and Budgeting for Emergencies | 32 |
| Other Environmental Risks | 36 |
| Annexes | |
| Terms of Reference | |
| Action Plan | |
| Appendix | |
| Appendix A - List of Personnel Interviewed | |

Executive Summary

Background

Corporate Services, Finance Branch at DIAND headquarters requested an audit to assess the extraordinary expenditures incurred as a result of the failure of the 1997-1998 winter roads in Ontario and Manitoba regions; the 1998-1999 and 1999-2000 expenditures related to fire protection in the Yukon and Manitoba, and Saskatchewan (1999-2000 only) regions, as well as British Columbia and Manitoba's 1999-2000 expenditures related to flooding. The audit has assessed the management control framework and financial structure in place to handle these emergencies and the impact on First Nations health and safety.

Objectives

The audit objectives were as follows:

- Report on adequacy and effectiveness of the management accountability framework related to winter roads, fire and flooding emergencies.
- How well regional practices, procedures and expenditures related to winter roads, fire and flooding emergencies were handled.
- Determine whether costs were reasonable and supportable.
- Assess the impact of these emergency expenditures on the affected First Nations communities' health and safety.
- Evaluate accounts and records pertaining to expenditures claimed under the winter roads projects in Ontario and Manitoba regions for the 1997-1998 season.
- Identify, assess and report on improvements in administration of winter roads in Manitoba since the last audit was conducted (1991).
- Assess and report on the extent of compliance of costs for the 1997-1998 winter roads (Ontario/Manitoba) season relating to the June 30th, 1998 letter from the Director General, Finance and the addendum to this letter dated September 30, 1999.
- Conduct tests to identify, analyze, document and support final expenditures under the terms and conditions of the federal/provincial agreements, Memoranda of Understanding (MOU) and/or agreements with First Nations for winter roads, fire and flood.

- Express an auditor’s opinion related to financial and non-financial management practices, processes and controls as they relate to winter roads, fire and flood emergencies.
- Identify lessons learned and recommend areas for improvement.

Audit Methodology and Approach

The audit was conducted in three phases: planning, fieldwork and analysis and reporting phase. The planning phase focussed on defining the issues warranting further examination in the fieldwork phase and in developing a plan and methodology to gather information on the audit issues selected for examination. The fieldwork was carried out at National Headquarters, Ontario, Saskatchewan, Manitoba, British Columbia and Yukon regions. The audit was conducted through interviews, surveys, focus groups and examination of records and supporting documents.

General Assessment

The auditors have reviewed the management practices, processes and controls used by the regions in responding to the identified environmental related funding and expenditures for fire, flood and winter roads. They found that the non-financial activities were generally in accordance with departmental policy and procedures except where noted, actions taken were reasonable and prudent under the circumstances and that due regard was paid to the health and safety of First Nations members.

They examined the financial management practices and controls at both regional and national headquarters levels and found that they were generally adequate. Improvements are needed in accounting for and reporting of actual emergency expenditures against funds advanced under funding arrangements with First Nations and organizations. This is especially important given the Treasury Board revised policy on grants and contributions effective from June 1, 2000. There is also a need to improve regional financial planning for the emergency expenditures and communicate the budgetary requirements on a timely basis.

Summary of Findings

There are different management accountability frameworks in place to address the identified environmental related emergencies across the regions which reflect the nature of a particular emergency. In all cases, the framework generally addressed the elements of planning, organizing, directing, controlling, including the management of risk, communication and coordinating. There were some deficiencies noted in particular frameworks and improvements have been recommended for regional action.

With minor exceptions, regional practices and procedures were found to be adequate, prudent management principles were followed and due consideration was given to the management of expenditures. There is a need for written procedures defining the roles, responsibilities and authorities for the guidance of regional emergency coordinators.

Overall, costs incurred were found to be reasonable and supportable and in the case of winter roads, were in compliance with the Director General's of Finance, direction. Payments were made in accordance with applicable memoranda of understanding and agreements with First Nations and provincial agencies. Certain regions could be more diligent in monitoring, tracking and documenting the actual expenditures against the advance of funds and in recovering any surplus funding at the end of projects.

The accounts and records pertaining to expenditures claimed under winter roads projects in Ontario and Manitoba were properly maintained. Expenditures were properly supported by documents and invoices.

Emergency expenditures for fire suppressions, flood and evacuations were for the protection of First Nations 's members. The extent to which the safety and health of the members would have been affected had the expenditures not been made could not be determined. Given that there has been no loss of life due to flood and fire, it is discernible that emergency expenditures had a positive impact in ensuring the health and safety of the community members.

The department would benefit from better sharing of experiences in managing environmental related emergencies across regions and across disciplines within regions.

The areas with the greatest risk for increased cost exposure in the future are floods and winter roads failures in Manitoba and winter roads failure in Northern Ontario. Mitigative actions are required to reduce the cost impact in future. It is possible that global warming will continue to increase fire suppression costs in Manitoba, Saskatchewan and the Yukon.

There is no single approach to budgeting and funding of environmental related emergencies. While the ability to forecast future weather patterns has improved, there is no reliable data available to forecast the potential impact on DIAND's budget.

Recommendations

- Regions to take steps to rectify identified deficiencies in the management accountability frameworks and in practices and procedures.
- Develop procedures and strengthen the departmental emergency planning/coordinator network in preparation of expected increased environmental related emergencies.
- Develop mitigation plans to reduce the cost impact of future emergencies.

- Develop and implement improvements in the monitoring, tracking and documenting of expenditures.
- Develop and implement improved methods for the funding of environmental emergencies.
- Disseminate the lessons learned.

Section 1 - Introduction

Background

The past two to three years (1997-1998 to 1999-2000) have been marked by climatic changes that have yielded hotter and dryer conditions in the North, cooler and wetter conditions on the west coast and warmer than normal winter conditions in central Canada. These unprecedented weather conditions have led to several significant weather-related program disruptions which have placed severe pressures on the department's A-base.

The winter of 1997-1998 was one of the warmest on record and subsequently winter roads in northern parts of Manitoba and Ontario were either not useable or were in place for a much shorter time than anticipated. As a result, many remote First Nations communities were threatened by shortages of essential fuel and non-perishable food scheduled for delivery by winter roads. The Manitoba Region was able to provide immediate assistance to its affected First Nations as a result of having an MOU with the Province of Manitoba for the provision of emergency services, whereas Ontario Region, with little provincial assistance, worked directly with its First Nations and private contractors to supply the necessary food stuffs and fuels to the affected communities. The costs associated with failed winter roads were in the vicinity of \$17 million.

In 1998-1999, the Yukon Region experienced a record-breaking fire season in terms of the number of communities and structures at risk and the number of major fires fought. Given that DIAND is directly responsible for protection of forest resources in the Yukon Territory, including pre-suppression and suppression activities, expenditures for Yukon fire protection in the year were three times (approximately \$31 million) the initial budget.

In fiscal year 1999-2000, the British Columbia and Manitoba regions have experienced severe spring flood conditions, coupled with forest fires in both the Yukon and Manitoba regions. This year's projected fire and flood emergency-related requirements have been identified in excess of \$30 million.

A significant attribute of these environmental related emergencies is the difficulty in predicting their occurrence, frequency and severity. Responding to regional requests for financial assistance due to these environmental emergencies affects the department's ability to plan and budget, leading to extraordinary funding pressures.

Consequently, aspects of environmental emergency funding needed to be examined, particularly with respect to the efficiency and effectiveness of regional management practices and controls (e.g. emergency procedures, agreements, resource planning and budgeting, expenditures, eligibility and payment criteria etc.), what improvements can be implemented and the impact of emergency-related expenditures on the affected First Nations communities.

Objectives

The overall objectives of the audit are listed below:

- Report on adequacy and effectiveness of the management accountability framework related to winter roads, fire and flooding emergencies and overall emergency planning.
- How well regional practices, procedures and expenditures related to winter roads, fire and flood emergencies were handled.
- Determine whether costs were reasonable and supportable.
- Assess the impact of emergency expenditures on the affected First Nations communities' health and safety.
- Evaluate accounts and records pertaining to expenditures claimed under the winter roads projects in Ontario and Manitoba regions for the 1997-1998 season.
- Identify, assess and report on improvements in administration of winter roads in Manitoba since the last audit was conducted (1991).
- Assess and report on the extent of compliance of costs for the 1997-1998 winter roads season relating to the June 30, 1998 letter from the Director General, Finance and the addendum to this letter dated September 30, 1999.
- Conduct tests to identify, analyse, document and support final expenditures under the terms and conditions of the federal/provincial agreements, Memoranda of Understanding (MOU) and/or agreements with First Nations for winter roads, fire and flood.
- Express an auditor's opinion related to the financial and non-financial management practices, processes and controls as they relate to winter roads, fire and flood emergencies.
- Identify lessons learned and recommend areas for improvement.

In addition, while not explicitly required in the objectives of the audit, it was determined that, with the exception of fire suppression in the Yukon Territory, all the environmental related emergency situations examined fall within the general scope of the departmental emergency preparedness organization. The objectives were expanded to include the determination of whether or not DIAND is fulfilling its emergency preparedness mandate and if the management accountability framework relating to emergency planning is adequate.

Scope

Corporate Services, Finance Branch at headquarters requested an audit to assess the extraordinary expenditures incurred as a result of the failure of the 1997-1998 winter roads in Ontario and Manitoba regions; the 1998-1999 and 1999-2000 expenditures related to fire protection in the Yukon and Manitoba, and Saskatchewan (1999-2000 only) regions, as well as British Columbia and Manitoba's 1999-2000 expenditures related to flooding. During the planning phase, other management issues and concerns were identified including those related to funding and budgeting for emergencies, risk management and other environmental risks.

Methodology

The audit was conducted in three phases: planning, fieldwork, and analysis and reporting. The planning phase included interviews with key headquarters and regional management staff and the review of related documentation. It focussed on defining the issues warranting further examination during the field work phase and in developing a detailed plan and methodology to gather information on each of the audit issues selected for examination. The fieldwork was carried out at National Headquarters, Ontario, Saskatchewan, Manitoba, British Columbia and Yukon regions.

The fieldwork phase of the audit was conducted through the use of the following tools:

- Interviews with regional and headquarters management and staff.
- Interviews with officials of other jurisdictions and agencies including: emergency planning organizations and forest fire services of the Governments of Ontario, Manitoba, Saskatchewan, British Columbia; Yukon Territory emergency planning organization; Canadian Inter-agency Forest Fire Centre (CIFFC); Environment Canada (EC); Emergency Preparedness Canada (EPC); First Nations Emergency Services Society (FNESS) of British Columbia, Manitoba Association of Native Fire Fighters (MANFF); and Nishnawbe Aski Development Fund (NADF).
- Pertinent documentation gathered from various sources including the United States General Accounting Office (GAO), services and agencies referred to above and the Internet.
- Surveys of affected First Nations communities in Northern Ontario, Manitoba, Saskatchewan and British Columbia.
- Controlled Risk Self Assessment (CRSA).
- Detailed examination of departmental files, records and supporting documents.

A list of personnel interviewed is attached as Appendix A.

Section 2 - Findings and Recommendations

Adequacy and Effectiveness of the Management Accountability Framework

General

The nature and complexity of the identified emergencies varied significantly from region to region. As a result, the management of the events and the accountability framework varied accordingly. Our review examined the framework established for each type of event in each region. This section of the report includes a summary of the findings and recommendations by the type of emergency.

Winter Roads

Winter roads are used extensively in the northern regions of Canada to deliver bulk commodities to isolated communities not connected to any other form of surface transportation including roads, waterways or railways. The roads are temporary in nature and constructed on an annual basis, or as required, after the terrain and waterways have frozen sufficiently to support the weight of the transporting vehicles.

Winter road failures occurred in Manitoba and Ontario regions in 1998 due to the unusual warm weather condition. Winter roads are normally opened between mid-January and the end of March. In 1998, many winter roads in Manitoba and Ontario North were not opened and some were opened for partial load trucking only.

Findings

Northern Ontario

The decision to provide assistance in Northern Ontario was taken after the roads failure had occurred and after the goods were airlifted. The airlift had been arranged directly between the affected communities and the suppliers. Following discussions between the communities and DIAND, it was decided to provide subsidies to compensate them for the difference in cost for the airlifted goods versus the costs that would have been experienced had the goods been delivered using the winter roads. It was further decided to use the Nishnawbe Aski Development Fund (NADF) to administer the subsidy program. It should be noted that the winter roads in Northern Ontario are constructed and maintained by the First Nations themselves. The cost is shared on an equal basis between the Provincial Ministry of Northern Development and Mines and the First Nations.

We found that the management accountability framework, put in place, was generally adequate. Our tests indicate that the decision to use NADF to deliver the subsidy program in Northern Ontario was proper and that organization delivered the services in an effective manner. We are of the opinion that the region could be more active in working with the stakeholders to mitigate the consequences of future roads failures.

Manitoba

The first response to a winter roads failure was taken by the Manitoba Region. A team was established consisting of: the First Nations, DIAND and the Province of Manitoba. The province builds and maintains the winter road system, the cost of which is shared between the province and the First Nations. A decision was taken that the Provincial Highways Department would manage the project. The province contracted for the airlift capacity and worked with the Suppliers and First Nations in ensuring the goods were delivered to the affected communities. The costs for the airlift and for the administration of the project was shared between DIAND and the province based on the ratio of First Nations Members to the total population in the affected areas. The costs of the airlift were not reflected in the ultimate cost of the goods to the individual consumer.

We found that the management accountability framework put in place to cope with the winter roads failure was adequate. The six principal areas of planning, organizing, directing, controlling, communicating and coordinating were addressed. In our opinion, the Manitoba project was well managed by the team. Supplies were delivered as required and the First Nations did not encounter undue hardship.

Conclusion

We found that the responses taken were reasonable and prudent and reflected the uniqueness of the challenge in each region. Any mitigative actions taken by DIAND will need to reflect the differences in the management and maintenance of winter roads in the two provinces.

Recommendations

1. The Director, Intergovernmental Affairs, Ontario North, in conjunction with the Director, Strategic Direction and Policy, Ontario Region, should play a more active role in working with the First Nations and the Province in developing improved methods for moving fuel and bulk commodities to Northern communities including the operation of the winter roads system and the development of cost-effective alternative methods of transportation.
2. The Regional Director General, Manitoba Region, should develop a risk mitigation plan to cope with other winter road failures should they occur.

Forest Fire Suppression

Findings

Manitoba

Fire suppression on reserves in Manitoba is performed primarily by the Province of Manitoba, Department of Natural Resources (DNR). There is no formal agreement for such services. At the beginning of the year, DNR offers its service to DIAND at laid down rates. At the end of the fire season, DNR submits an invoice to DIAND who then prepares a funding agreement which allows for payment of the invoice.

In some cases, when a fire starts on reserve lands, the reserve fire department is contacted. Provided that the department has the equipment and training, it will respond. If the fire is not controlled, the department will call in DNR. The First Nations will submit an invoice to DIAND for the services provided. We found that in other provincial jurisdictions, the provincial agency is responsible for all forest fire suppression including any First Nations activities.

The management accountability framework is not written. Notwithstanding the lack of documentation, fire suppression and related activities appear to be responding to the needs of the First Nations. There is a central point of contact in DIAND who has a good understanding of the program but is not an expert on fire suppression. We could not find any procedures governing the First Nations forest fire suppression activities.

We note that Treaty Land Entitlement (TLE) negotiations will triple the forest fire protection area on reserves when completed.

We are of the opinion that the region should establish a formal agreement with the province for the provision of all fire suppression activities on First Nations reserves including the management of any First Nations participation.

Saskatchewan

We found that the management accountability framework for forest fire suppression in Saskatchewan is functioning adequately. Forest fire suppression on reserves is provided by the Government of Saskatchewan, Ministry of Environment and Resource Management under an Agreement dated 29 March 1993. The Agreement is well drafted and clearly defines the service to be provided. The fire suppression agreement places full responsibility for the provision of services on the province.

The Province of Saskatchewan fire service has a co-operative program with First Nations which call for the First Nations to provide 29 fire crews during the fire season for a 20-week period at an approximate cost of \$1.25 million. The cost is shared 50/50 between the two parties. The

First Nations share of the cost is subsidized by DIAND through funding agreements with the applicable councils and communities. The funds for the contribution come from the social assistance budget.

The review team found that the additional lands which are or will be added to the First Nations lands as a result of the Land Claims negotiation have not been reflected in the cost sharing formula with the province. Based on the current formula, the base cost for fire suppression will increase by approximately 50% when all negotiations are completed.

Yukon

The Yukon Region is unique in that it is the only region that has its own organization to deliver forest fire management services and is responsible for forest fire suppression for the entire Yukon Territory. In other regions, the services are delivered by provincial government departments, on behalf of DIAND, through agreements or memoranda of understanding.

The management accountability framework is documented in the Operational Procedures Manual and in the Yukon Fire Policy Manual. The accountability framework addresses, to an extent, each of the six principal areas: planning, organizing, directing, controlling, communicating and coordinating. The exceptions are as detailed below.

While normal operational planning is being done, we are of the opinion that the program needs an overall business plan that addresses the short and long term needs of the organization. The plan would be used to establish the optimum level of resources required to meet established objectives and to respond to the need of the stakeholders. Prior to October 1999, the program did not have dedicated logistics or administrative support. The support was provided by other regional staff. This situation has now been improved.

Application of government and departmental policies and procedures must be balanced with the emergency demands of fire suppression.

Risk management is intrinsic to the Fire Program and is applied on an hourly basis during the fire season. The roles and responsibilities of the personnel responsible for the program are adequately documented and well understood by all stakeholders.

We observed that the level of resources dedicated to the program for pre-suppression activities are significantly less than in other jurisdictions providing similar services considering the relative size of protection zones. There is anecdotal evidence provided by other agencies that increased expenditures on pre-suppression results in an overall decrease in total forest fire suppression costs.

Notwithstanding the high demands over the past two years, we found that the staff remains positive and are convinced that they can continue to provide a high level of service in the future. They are well trained and well equipped with basic fire fighting equipment. Fire Program

management is aware of and has addressed the impact of the changing environmental conditions and the likely increased demands on the service. However, these potential impacts have not been reflected in the overall plan.

We believe the region should: prepare a detailed business plan; develop “fast track” administrative procedures; establish an administration support team; and complete work on manuals and procedures on a priority basis.

Conclusion

The management accountability framework is different in each region. We are of the opinion that the Saskatchewan model, where the province is responsible for all forest fire suppression, is the most effective. The Yukon Fire Service provides the same services as their provincial counterparts in their jurisdictions and the accountability framework is similar.

Recommendations

3. The Regional Director General, Manitoba Region, should pursue a formal agreement with the Province for the provision of all forest fire suppression activities on First Nations lands.
4. The Director, Renewal Resources, Yukon Region, should: a) establish and document “fast track” procedures to provide logistics and administrative support that recognizes the uniqueness of forest fire suppression; and b) establish an administrative support team which would be trained and that could be rapidly mobilized in times of high risk.
5. The Regional Director General, Manitoba Region, should establish a central point of contact to coordinate all activities related to flooding and related mould issues and to develop a risk mitigation strategy.

Flooding

Findings

Manitoba

The flooding problem in Manitoba is placing major funding demands on the region. Actions are being taken to address the problem. However, the management accountability framework is not functioning efficiently. Coordination of activities is not centralized. Responsibility for the resolution of the issue is diffused between Intergovernmental Affairs, Lands and Trusts and the DG’s Office. There does not appear to be an overall strategy to resolve the issue. There is no evidence of any overall planning being done or that risk management is a factor in the decision making process.

As a result of the flooding, residents are experiencing problems with mould in dwellings and public buildings. The mould is an emerging issue with material potential liability. A management accountability framework is evolving. As with fires, the region is reacting but not necessarily in a coordinated manner. Responsibilities are diffused within the region and communications do not appear to have been established amongst the different parties.

Overall, the management accountability framework needs to be strengthened. We are of the opinion the region should: establish a central point of contact to coordinate all activities relating to flooding and mould; develop a risk mitigation strategy; and develop a protocol to address the mould issue.

British Columbia

We found that the management accountability framework established for the British Columbia flood mitigation project was effective. The work was completed as planned. There is evidence that there was good team work amongst the stakeholders. All available regional resources were involved as required, the roles and responsibilities of the players were documented and understood, all actions taken were appropriate under the circumstances. Procedures were established and followed and prudent management principles were adhered to.

We noted that the management framework addressed each of the six principal areas: planning, organizing, directing, controlling, communicating and coordinating. Risk management techniques were used to establish priorities. The project was the first in a far more extensive undertaking. There is evidence that steps are being taken to address outstanding flood mitigation requirements that could not be accommodated within the reviewed project. In view of the success of the project, the region should prepare a “lessons learned” document for the use of others in similar circumstances.

Conclusion

The management accountability frameworks are different and reflect the reactive approach in Manitoba and the mitigative approach taken in British Columbia. We believe both models are appropriate. However, mitigation should to be incorporated into the Manitoba model.

Recommendations

6. The Director, Lands and Trusts, Manitoba Region, should develop a protocol, on a priority basis, to address the mould issue.
7. The Regional Director General, Manitoba Region should: a) negotiate a formal agreement with the Province which clearly defines the roles and responsibilities of INAC, MANFF and the Province regarding the delivery of emergency planning, coordination and response to First Nations Reserves; b) assure that the function is resourced appropriately; and, c) give priority to completing the preparation and approval of Emergency Plans.

Emergency Planning/Coordination

Findings

Ontario

The management accountability framework in the Ontario Region for emergency planning/coordination is functioning adequately and the health and safety of First Nations members are being protected at the same level as other citizens of Ontario. There is evidence that: there is good team work among all the stakeholders; all available provincial and regional resources are involved as required; the roles and responsibilities of the players while not documented, are understood; actions taken are appropriate and procedures are being followed. Prudent management principles are being adhered to. Files are well documented.

We found that the planning framework addresses each of the six principal areas: planning, organizing, directing, controlling, communicating and coordinating. Emergency Measure Organization (EMO) reports that there are difficulties in getting many communities to prepare emergency plans due to lack of interest within the communities.

Manitoba

The management accountability framework is not working well in Manitoba as it relates to emergency planning. Notwithstanding the number of communities at risk from flood and forest fire, a large majority of First Nations communities do not have approved emergency plans.

There is a Funding Agreement with the Manitoba Association of Native Fire Fighters (MANFF) which includes the provision of Emergency planning/coordination services to First Nations. The activity, in both DIAND and MANFF, appears to be under-resourced. The DIAND emergency coordinator can devote very little of his time to the activity. The Executive Director, MANFF, advises that the Association's budget allows for only one person to be devoted to emergency planning/coordination and minimal funding for emergency training of First Nations emergency coordinators. There does not appear to be oversight and/or follow-up in DIAND of MANFF activities and concerns. While the Manitoba Emergency Measures Organization is actively involved with the delivery of services to First Nations, there is no formal agreement between DIAND, MANFF and the province.

Saskatchewan

We found that there is a management accountability framework in place in the Saskatchewan Region; however, there is little effort being devoted to the activity and there are no dedicated resources. As opposed to other jurisdictions, there is no involvement of either the provincial emergency planning organization or First Nations organizations in the delivery of the program. It is estimated that less than one third of the communities have emergency plans. The lack of management attention is attributed to the fact that there has never been a major emergency in the

region. The only reported environmental emergencies experienced by the region involved the temporary relocation of First Nations members as a result of forest fire activity in the northern part of the province. The region has indicated that given the scope of self-government negotiations in Saskatchewan, the region is in a position to include emergency preparedness as a subject in any self-government agreement. This would provide legislative basis for First Nation governments to work with provincial and federal agencies. For those First Nations not included in self-government negotiations, the region will work with Public Works to assist with the delivery of the program.

British Columbia

Emergency services in the British Columbia Region are provided to First Nations under a Memorandum of Understanding with the British Columbia Provincial Emergency Program (PEP). PEP will respond to emergencies affecting First Nations and recover costs from DIAND. The First Nations Emergency Services Society (FNESS) has been funded to work with First Nations to deliver emergency training to First Nations.

There is evidence that: there is good team work among all the stakeholders; all available provincial and regional resources are involved as required; the roles and responsibilities of the players, while not documented, are understood; actions taken are appropriate and procedures are followed. Prudent management principles are being adhered to. Management is reviewing the emergency planning/coordination function in the region.

The management accountability framework for the emergency planning/coordination is functioning adequately and the health and safety of First Nations members are being protected at the same level as other citizens of British Columbia.

Yukon

We were advised by the Director, Funding Services, Yukon Region, that there are no populated reserves in the Yukon Territory, DIAND has no responsibility for the delivery of emergency planning/coordination services to First Nations in the region.

Conclusion

There is a management accountability framework in place in all regions, with the exception of the Yukon, which addresses emergency planning and coordination. The framework is generally adequate. With the exception of Saskatchewan, the services are being delivered through third parties and the level of effort being expended generally follows the level of risk existing in each region. For example, we observed a high level of readiness in both the Manitoba and British Columbia Provincial organizations where emergencies are more prevalent.

Recommendations

8. The Regional Director General, Saskatchewan Region, should in conjunction with the Director of Corporate Affairs, plan and implement a program to ensure wide coverage of emergency preparedness/planning services to First Nations.
9. The Director of Renewable Resources, Yukon Region, should place priority on the early completion of the revised Operational Procedures Manual, the revised Fire Policy Manual and the action plan in response to the 1998 Fire Review.

How Well Regional Practices, Procedures and Expenditures were Handled

Winter Roads

Findings

The failure of the winter roads systems in Manitoba and Northern Ontario was a new experience for both regions. Immediate action was required and procedures were established as events unfolded. We noted that the Manitoba Region should have been more proactive in ensuring that the project was closed out more rapidly and excess funds returned by the province.

Conclusion

Overall, we found that the actions taken were reasonable and prudent with due consideration being given to overall expenditures.

Forest Fire Protection

Findings

Manitoba

As noted earlier, the Manitoba Region does not have an agreement with the province for forest fire suppression services. It pays on an “as and when” required basis. The region also reimburses, directly, First Nations when they provide suppression services. We could find no written procedures for managing or coordinating the activities of the two groups providing fire suppression services nor could we determine whether or not this is the most cost effective approach. We have recommended, in the previous section, that an agreement be negotiated with the province to coordinate and provide all forest fire suppression services on First Nations lands.

Saskatchewan

In Saskatchewan Region, we found that the procedures, as detailed in the agreement with the province for forest fire suppression, works well. The use of the three year rolling average for the costs allows for more accurate budgeting and removes the extreme variability which can be experienced with such costs. We note that the same format is used in the Ontario and British Columbia regions with similar positive results.

Yukon

In the Yukon Region, DIAND, performs the same forest fire suppression services as provincial fire authorities perform in their jurisdictions. We found that there is a detailed operational procedures manual in use. It was updated and re-issued during the 1999 fire season. The manual contained errors and omissions which were unacceptable to the users. These errors and omissions are being corrected and it is planned to have the corrected manual approved prior to the commencement of the 2000 fire season. There is an update of the Fire Policy Manual in process. Management has advised that it will be completed by 31 March 2000. In addition, recommendations contained in a review of the 1998 fire season are being reviewed and an action plan is being developed to address those recommendations not already actioned.

Overall, we found procedures in place to effect the efficient operation of the service and, to the extent possible within the assigned resources, we found that prudent management principles are being applied. We also found that expenditures, which reflect the extensive fire activity over the past two seasons, are being controlled to the extent possible.

Conclusion

Other than the deficiencies noted in Manitoba and the Yukon, we found that established practices and procedures covering forest fire suppression are followed and that reasonable and prudent management practices are being followed.

Recommendation

10. The Director, Corporate Services, Ontario Region, should document the internal procedures, authorities and responsibilities relating to emergency planning/coordination.

Flooding

Findings

Manitoba

We found that the Manitoba Region does not have written procedures for responding to flood events. The province is subject to severe and frequent flooding which seriously impacts the health and safety of affected First Nations. Immediate actions are taken and funding is identified after the fact. We also found that flooding is placing significant demands on DIAND staff. Management attention has been concerned mainly with funding and resolving demands from individual communities. As previously noted, we have recommended the appointment of a coordinator to address all flood related problems. The responsibilities of the coordinator would include the development of procedures to allow a more orderly response to future events.

British Columbia

We found that the situation in the British Columbia Region was significantly different. The activities relate to a mitigation program put in place in response to an anticipated flooding risk. By virtue of previous studies, the region was able to respond quickly and efficiently. We also found that established procedures were followed and prudent management principles were adhered to. Expenditures were monitored and controlled.

Conclusion

Due the prevalence of flooding in Manitoba and the consequences, we would have expected to see written procedures governing departmental responses. This issue is also addressed later in this report under our determination of whether costs were reasonable and supportable. Notwithstanding the deficiencies, overall we found that reasonable practices and procedures were being followed and that prudent management principles were adhered to.

Emergency Planning/Coordination

Findings

We found that all regions with the exception of the Yukon, have procedures for dealing with emergency situations on reserves. The procedures followed varied from region to region and reflected the characteristics of the individual regions. We found that each region had a dedicated and knowledgeable emergency coordinator responsible for emergency planning/coordination. However, we found that there was no documentation setting out the procedures, roles and responsibilities and authorities for the coordinators.

Conclusion

The department has a mandate to provide emergency/planning coordination services to First Nations reserves. We believe that written practices and procedures are required to ensure that services continue to be provided in an efficient and effective manner.

Recommendations

11. The Director, Funding Services, British Columbia Region should continue with the initiative to review the emergency planning/coordination function including the need to document the procedures and authorities.
12. The Director, Administrative Services, in conjunction with the regions, should consider the need to strengthen the overall administrative procedures defining the roles, responsibilities and authorities of the regional emergency coordinators.
13. The Director, Funding Services Ontario North, should consider the option of providing temporary advances to First Nations so that they have the necessary cash to truck in more fuel and non-perishables while the winter roads remain open.

Determine Whether Costs were Reasonable and Supportable

Winter Roads Failure Freight Subsidy

Findings

General

As a result of the winter roads failure, fuels and non-perishable foods had to be flown in at much higher freight cost. Both DIAND Manitoba and Ontario regions responded to this situation by providing financial assistance to the First Nations communities to defray the higher costs of transporting essential fuels and non-perishable foods. The approaches taken by the two regions were somewhat different.

In the Manitoba Region, the delivery of fuels and goods were handled directly in a coordinated and centralized way by the Manitoba Department of Highways and Transportation. The airlifting of fuel was managed by the Manitoba Air Services Branch. The federal government's share of the costs was 98.4% with the remaining 1.6% borne by the provincial government. The cost sharing formula was based on the ratio of reserve and non-reserve populations of the affected communities. This formula was developed by the Project Working Group and was included in the MOU.

In the case of Ontario Region, the First Nations and suppliers arranged their own delivery of fuels and foods. The financial assistance was provided to the suppliers and communities in the form of subsidies based on the difference between air and full-load trucking freight rates. A third party, the Nishnawbe Aski Development Fund (NADF), was contracted to handle the processing, verification and administration of the freight subsidy program on behalf of the region.

The total Manitoba Region's costs for the winter road financial assistance was approximately \$12.1 million or \$924 per capita. The management controls and procedures put in place by the Project Management Team were very adequate. These procedures covered the verification, approval and processing of air carriers' invoices, subsidy payments to suppliers for air freight for non perishable items and subsidy payments for trucking partial loads to the affected communities. The Project Management Team also conducted a post-mortem review of the project and has identified a number of recommendations.

We have examined the quantity of fuel delivered in 1997-1998 and compared it to the quantity delivered in previous years as well as the quantity delivered in 1998-1999. The amount of fuel delivered did not appear to be unreasonable. For a few affected communities, the amount of fuel delivered was slightly higher than the quantity delivered in 1998-1999. Generally speaking, the amount of fuel delivered in 1997-1998 represented a year's supply.

Our comparison of fuel shipped to the affected communities on a per capita basis showed that the quantity was much higher at the Garden Hill, St. Theresa Point, Wasagamack and Red Sucker Lake communities. These four communities also accounted for 92% of the total fuel airlifted. Several reasons accounted for the high quantity. These four communities are all located in the Island Lake area which was affected most by the winter road failure. The other communities such as Barren Lands, Poplar River, and Paungassi are located along the east side of Lake Winnipeg and were less affected. In addition, the latter communities were accessible by other means and that they also had reasonable inventory of fuel on hand.

The total cost of the subsidy for Ontario Region was estimated to be \$5.1 million which would amount to \$464 per capita. Our review of the claims showed that the quantity of fuel allowed was limited to the historical capacity of the First Nations communities. In other words, if more fuel was delivered in 1998 than the storage capacity, subsidies were provided up to the storage capacity only. Our examination of NADF and regional records also indicated that claims were reviewed to ensure that calculation and items meet the eligibility criteria and that the claims were reasonable and supportable.

The air freight rate subsidy for fuel including ground handling charges was less than \$0.50 per litre. Air freight subsidy including ground handling in Manitoba averaged \$1.15 per litre. These compared to the regular full-load truck rate of \$0.11 per litre.

The difference in the level of subsidies paid and the cost/litre of moving fuel between Manitoba and Ontario is attributed to the difference in the length of the airlift between the points of origin and the affected communities.

It has been pointed out to us that most First Nations would not be able to have all their supplies trucked in even if they knew that the winter roads would be opened for a shorter period. Their cash flow position simply could not fund the purchase of fuel and non-perishables.

Conclusion

Costs were reasonable and supportable and were in accordance with the formulae and principle stipulated in the Funding Arrangement with NADF or with the terms and conditions of the MOU with the Province of Manitoba.

The delivery of essential fuels and dry foods by air was a costly method. When it became evident that the winter roads had very limited accessibility in 1998, there was little time left to consider other options and air delivery was the only choice. It cost the Manitoba Region an average of \$1.15 and the Ontario North Region an average of \$0.50 for each litre of fuel delivered compared to the regular freight rate of \$0.11 per litre. The average cost per capita in the Manitoba Region was twice that of the Ontario Region, \$924 per capita vs. \$464 per capita. The difference in costs between the two regions is attributed to the difference in the length of the airlift between the points of origin and the affected communities.

Recommendations

14. The Regional Director General, Manitoba Region, should: a) consider other less costly options and approaches to handle future winter road failure problems; and b) consider and implement the recommendations contained in the Project Management Team Report in managing future fuel airlift program.
15. The Director General of Community Development, Socio-Economic Policy and Programs (SEPP), and the Director General of Finance, in conjunction with the Regional Director Generals of Ontario and Manitoba, should explore less costly approaches and options to alleviate the problems arising from winter roads failure.
16. The Regional Director General, Manitoba Region should request that Manitoba Department of Natural Resources provide detailed actual costs for each fire call once the work is completed and it should be in the Terms and Conditions of the agreement.

Forest Fire

Findings

In Ontario, Manitoba, Saskatchewan and British Columbia regions, forest fire suppressions were delivered by provincial governments with the participation of First Nations on a cost recovery basis usually based on some cost sharing formulae. In the Yukon Region, fire control management was handled directly by the region under the Renewable Resource Directorate.

The costs of forest fire control for the regions have been nominal except for the Manitoba and the Yukon regions. The estimated costs for Manitoba and the Yukon regions for the year 1999-2000 were:

| | |
|----------|--------------|
| Manitoba | \$ 5,369,000 |
| Yukon | \$24,596,000 |

We examined and compared the fee structure of the provincial agreements and found them to be reasonable and comparable. The cost sharing formulae were usually based on the area of the First Nations to the total areas, and the costs were usually based on the three or five years moving average costs.

For expenditures submitted by the Manitoba First Nations, we did a 100% verification to the supporting vouchers and other relevant supporting documents. We found that the labour rates were quite reasonable. However, we did observe that First Nations also charged for the use of fire trucks and pumps which were purchased initially with funds provided by the region. We were informed that the charges covered only the costs of operating and maintaining the equipment.

For fire evacuations and property damages claims, evacuations were handled by Provincial Emergency Management Organization with participation of DIAND regional staff, First Nations and other departments. The costs for evacuations were generally minor and usually consisted of providing temporary shelter, meals and transportation back to the communities after clean up. We were informed by the regions that they did not pay for property damages. Manitoba Region was the only region that paid property damages but this was consistent with the provincial allowance guidelines.

We examined the claims by the First Nations and found the expenditures to be reasonable and supportable. We did observe that in the case of Manitoba Region, funds advanced to the First Nations for evacuations and property damages were not tracked against actual expenditures. In fact, there was little monitoring to ensure that actual expenditures and documents were submitted by First Nations against the funds released.

We were informed that First Nations were required to submit audited financial reports at the end of each fiscal year to account for the funds received. Our examination of audited reports indicated that the reporting format and information included were not sufficient to keep track of the funds against the actual expenditures for evacuations and property damages.

The costs for the Saskatchewan Region were found to be fair and reasonable. In accordance with the agreement with the province, the base amount of \$1,085,207.70 was computed using a three year rolling average. In addition, there was a charge from the previous year of \$855,524.72 computed in accordance with the adjustment formula.

For the Yukon Region, Fire Management Expenditures in the Yukon Region fluctuated from year to year with the last two (2) years having risen significantly to a new level (1998-1999 - \$30,754,800; 1999-2000 - \$24,596,000). The major expenditures in 1998-1999 and 1999-2000 were for rental of helicopters and air tankers, air fuel, fire retardant, food and accommodations for fire crews, rental of heavy equipment, and contracted emergency fire crews. Our analysis of expenditures found that overall expenditures appeared to be reasonable and properly supported by documents.

We observed that the rental of helicopters was obtained through call-ups against National Standing Offers (NSO). The NSOs provided hourly rates with a minimum charge of four (4) hours per day. They did not provide rates on a seasonal, weekly or monthly basis which would normally be lower than hourly rates. Our analysis of helicopter usages and expenditures for the 1999 fire season revealed that the actual usages frequently exceeded the minimum four hours pay day. In fact, many helicopters were rented and used daily between mid-June to the end of August for the entire period.

We also observed that there were instances of contracting practices which may lend themselves to criticism. For example, an emergency standing offer was used to procure the services of a catering services company for an amount of \$989,750 without the normal tendering process. Four companies were asked to submit their quotes and the company with the lowest quotes was awarded the contract. Since the needs for catering services could be anticipated every year for fire suppression, the use of competitive contracting process would be more appropriate and would likely result in better price.

The region also used Regional Standing Offers to rent heavy equipment for fire suppression. In excess of 800 standing offers were issued with one for each piece of equipment. This practice not only created unnecessary administrative work, it could also be construed as circumventing sound contracting practices and may deny the best price available to the region.

Conclusion

The costs were reasonable and supportable.

In the case of Manitoba Region, there was a lack of tracking system to monitor the actual expenditures against the funds released to First Nations for evacuation and property damages.

We observed that for the Yukon Region, opportunities for cost savings exist if the needs were better planned and therefore better procurement practices could be put in place to obtain more favourable price.

We also observed instances in the Yukon Region where contracting practices could be construed as circumventing Treasury Board and departmental guidelines and may lend themselves to criticism.

Recommendations

17. The Director, Funding Services, Manitoba Region should have a clear plan of how First Nations have acquired equipment used in fire fighting and that the rates relate to the funding of capital equipment from DIAND.
18. The Director of Renewable Resources, Yukon Region, in conjunction with the Director, Corporate Services, should ensure that needs are better planned to enable the Region to have sound procurement practices.
19. The Director, Funding Services, Manitoba Region should: a) require that First Nations periodically provide invoices to substantiate actual expenditures; and b) implement a tracking system to account for the funds transferred to First Nations against the actual costs incurred.

Flood

Findings

British Columbia and Manitoba regions were the two regions facing the most severe flood problems. The flood related expenditures in 1999-2000 for the two regions were estimated to be:

| | |
|------------------|--------------|
| British Columbia | \$ 9,761,000 |
| Manitoba | \$18,487,000 |

The approaches taken by the two regions in response to the flood situation were completely different. British Columbia Region took a more pro-active approach with funds spent on mitigative flood projects, while Manitoba took a more reactive approach with funds spent on flood control, evacuation and property damages.

We examined seven of the 40 flood projects in British Columbia with a total cost of \$6,873,000 or 70% of the total costs of the 40 projects. We found that the projects were selected after risk assessments using a set of criteria. The projects were adequately planned, supervised and monitored. Expenditures were properly authorized and approved.

The Manitoba Region reported as of January 20, 2000, an estimated cost for the year in the amount of \$18,487,842. We conducted a 100% verification of the fund advanced to First Nations to the funding records and funding arrangements. The team found that the fund transferred to Roseau River First Nations was overstated by \$450,000, thus reducing the total estimated costs to \$18,037,842.

We also verified the payments of four communities (Fairford, Lake St. Martin, Little Saskatchewan and Roseau) to supporting documents. We found that in the cases of Fairford and Lake St. Martin, the payments were supported by proper vouchers and that the communities provided the region periodically a full accounting of the fund spent.

In the cases of Little Saskatchewan and Roseau communities, we found no supporting documents for the payments. The regional officer responsible for the flood was unable to provide us with supporting documents. We were informed that under the funding arrangements, the communities were required to provide a full accounting of expenditures to the region on or before March 31, 2000 or such other date as may be determined by the Minister.

Conclusion

We found that there were adequate controls and procedures in place to ensure that expenditures were properly controlled, reasonable and supported by documents.

We observed that monitoring of expenditures and proper documentation was lacking for some communities in the Manitoba Region and that there was no systematic tracking of the funds advanced against the actual costs incurred.

Recommendations

20. The Director, Funding Services, British Columbia Region, should contract with the consulting engineering firms directly to eliminate one of the levels of the process resulting in the extra administration fee and to maintain sound contracting practices.
21. The Director General, Finance, should ensure that the new departmental financial reporting system allows the regions to account for the actual expenditures incurred against funds released to First Nations.
22. The Director, Funding Services, Ontario North, should immediately take action to recover the surplus winter roads funds from the First Nations and from NADF.

Impact on the Health and Safety of First Nations Communities

Findings

Input from First Nations was obtained through the use of questionnaires. While the return rate was low, it was discernible that the actions taken were positive and contributed to the maintenance of the health and safety of individuals.

Winter Roads Failure

From our review of records, interviews and surveys, there appeared to be no direct impact on the health and safety of First Nations communities. Financial assistance for winter roads failure had the impact of relieving the financial hardships of the affected community members by reducing the high prices of fuels and non-perishable foods they would otherwise have to pay. In this sense, the department's intervention may have had a positive indirect impact on the members' health and safety.

Forest Fire

Forest fire expenses related mainly to fire suppressions, evacuation, and property damages. The regions' priority of fire suppression is the protection of health and safety of the community members with protection of infrastructure and forest resources as secondary. The majority of expenditures involved fire fighting which threatened the safety and health of the residents, especially those vulnerable to smoke.

Evacuations were declared by First Nations chiefs after consultations with EMO and Health officials when the health and safety of the community members were threatened. Thus, by definition, the expenditures positively impacted on the health and safety of the community members.

A large portion of the expenditure in Manitoba was spent on property damages such as repairing or rebuilding houses. These expenditures were more related to compensations and it was not evident to what extent they impacted directly on health and safety.

Flood

By definition, expenditures on flood mitigation work, flood controls and evacuations were related to the protection of life. However, a large amount of the expenditure was for repairing and rebuilding properties destroyed by floods. These expenditures were more in the nature of compensations than relating to health and safety.

Conclusion

By nature, emergency expenditures for fire suppression, flood and evacuation were for the protection of the health and safety of community members. The extent to which the safety and health of the members would have been affected had the expenditures not been made could not be determined. Given that there has been no loss of life due to flood and fire, it is discernible that these emergency expenditures had a positive impact in ensuring the health and safety of the community members.

Evaluate the Accounts and Records as they Pertain to Expenditures Claimed under the Winter Roads Projects in Ontario and Manitoba Regions for the 1997-1998 Season

Findings

In Manitoba Region, the winter road's failure subsidy program was delivered by the Manitoba Department of Highways and Transportation.

In Ontario Region, the airlifting of fuel and nonperishable foods were handled by the First Nations and suppliers themselves. The financial assistance was distributed through a First Nations Agency, Nishnawbe Aski Development Fund (NADF) to the affected First Nations and suppliers.

Under the terms of the Arrangement, a separate bank account was established to account for funds advanced by the regions and disbursements. As of the date of this audit visit, there was a surplus of \$436,840 in the Manitoba Province's Project account and a surplus of approximately \$800,000 in the NADF account available to be refunded to DIAND.

We conducted a general review of the Manitoba provincial project accounts and the management controls in authorizing, approving and processing of expenditures. We also examined the contracting of chartered aircraft which accounted for the majority of costs and analysed the costs for reasonableness.

During the course of the winter road failure project, three audits have been carried out on the Project Management Team's account by the Internal Audit Services of the Manitoba Department of Finance. These audits included a review of the administrative process and controls, verification of air carrier expenditures and contracts. The audits found that there were overcharges by the aircraft suppliers on two occasions and these overpayments have since been recovered by the Project Manager.

We examined the claims of nine First Nations in Ontario out of 25 and verified them to the funding arrangements, subsidy calculation and verification performed by NADF, supporting documents and 1998-1999 financial audited reports of First Nations. We found that freight subsidy for fuels and non-perishables was processed and determined in accordance with the principle stipulated in the Funding Arrangement and the delivery mechanism approved by the Winter Roads Steering Committee.

Conclusion

Accounts and records were properly maintained by the Manitoba Department of Highways and by NADF as per Funding Arrangement. Expenditures were properly supported by documents and invoices. Surpluses in the accounts had not been refunded to DIAND at the time of the review.

Recommendations

23. The Regional Director General, Manitoba Region, should immediately take measures to secure the funds from the province related to winter roads.
24. The Regional Directors' General reinforced by the Director General of Finance, should emphasize to the regions the need for the timely refund of surplus funds advanced under funding arrangements.
25. The Director, Administrative Services, in consultation with the Director General, Finance and the Regional Directors' General of Ontario and Manitoba should revisit the eligibility criteria for financial assistance and clarify the definition of "essential" in order that the criteria and the definitions reflect more closely the need and the intention of future subsidy programs.

Identify, Assess and Report on Improvements in the Administration of Winter Roads in Manitoba Since the Last Audit was Conducted (1991)

Findings

The region no longer has any contractual relationship or MOU with the province pertaining to the construction and maintenance of winter roads. The agreement is now between the First Nations and the Province of Manitoba with the First Nations' share of the costs funded by the region.

Conclusion

Since DIAND is no longer a party to the administration of the winter roads, no audit effort was required.

Compliance with Director General, Finance Direction Relating to Winter Roads Expenditures

Findings

On June 30, 1998, the Director General, Finance, issued a letter to the Manitoba and Ontario regions with respect to the provision of financial assistance for the winter road failure. The letter stipulated the principle and the type of expenditure that would be eligible for financial assistance. Basically, financial assistance will not be provided for the transport of:

- Capital materials or equipment for capital project construction;

- Bulk fuel that is normally sold to or consumed by the Manitoba Hydro, Ontario Hydro or other public utility corporation or private company; and
- Fuel for personal consumption.

Subsequent to this letter, two amendments were made. On December 9, 1998, the Acting Director General of Finance authorized that transport of fuel for First Nations' Power Authorities would be eligible. On September 30, 1999, the Director General of Finance also approved the "food basket" distribution methodology for the nonperishable component of the subsidy for the Ontario Region as it would be impossible to determine the actual transportation costs relating to this component.

Our review of records indicated that both regional and National Headquarters staff scrutinized accounts closely to ensure that financial assistance was in compliance with the guidelines with one noted exception: financial subsidies were provided for the transport of fuel used for personal consumption.

The decision not to exclude personal consumption was taken by the regions based on an inability to differentiate how the gasoline was being used. The administrative systems and records in place maintained by First Nations and suppliers could not provide the data that were necessary to distinguish personal and non-personal consumption. As a result, no attempt was made to exclude personal consumption of fuel from the calculation of financial assistance. There was also the contention that fuels for the use of vehicles, snowmobiles, etc. should be considered "essential." Some communities also suggested that transportation subsidy for chemicals for water treatment plants should also be allowed since they affect the health and safety of the communities. As a result, some modifications were made and approved. For example, the department decided that fuel sold to Ontario Hydro would not be eligible whereas fuel used by the First Nations electric generators would be eligible. Given that 1998 was the first time such a program was implemented, modifications to the eligibility criteria were inevitable.

Conclusion

We found that financial assistance was provided in compliance with the guidelines with one noted exception: financial subsidies were provided for the transport of fuel used for personal consumption.

Recommendation

26. The Director, Funding Services, Manitoba Region should implement a tracking system to account for funds advanced against actual expenditures. This is especially important for multi-year projects.

Final Expenditures were in Accordance with the Terms and Conditions of the Federal/Provincial agreements, Memoranda of Understanding and /or Agreements with First Nations

Findings

Winter Roads Failure

As discussed in previous Sections, winter roads' failure financial subsidies were handled by the Provincial Department of Highways and Transportation in Manitoba through an Agreement, and in the case of Ontario by the NADF through a Funding Arrangement.

We have conducted sufficient tests of supporting documents and have reviewed the management controls put in place by these agencies to satisfy us that the expenditures and accounting for the expenses were in accordance with the terms of the Agreements.

Fire Suppression and Evacuation

For fire suppression and evacuation, except for the Yukon Region, the services were delivered by provincial departments and First Nations agencies through agreements or funding arrangements. First Nations were also asked to perform fire suppressions and evacuation and these services were arranged through funding arrangements.

Our review of the expenditures indicated that expenses were in accordance with the terms of the agreements and funding arrangements. However, it should be noted that in many cases, the funding arrangements with First Nations did not provide details on the terms and conditions. In the Yukon Region, we examined 210 transactions for a total of \$4,956,668 or 22.5% of total expenditures and verified them to supporting documents such as contracts, invoices, authorization of call-ups, flight reports and tickets, meal counts, receiving reports of supplies and employee daily time slips, etc. We found that there were adequate controls and procedures in place in authorizing, verifying and approval of expenditures and that they were supported by proper documentation. We also observed that the administrative support was unable to process the expenditure payments during peak fire suppression seasons and this resulted in interest charges to the region as well as financial hardships to small local suppliers.

Flood

As described in the other sections of this report, funds were spent mainly on mitigative flood projects in British Columbia. These projects were managed and supervised by four engineering consulting firms under contract with a Tribal Council. A Funding Arrangement was made between the British Columbia Region and the Council for the services of contracting the four engineering firms. The mitigative flood projects (40) were carried out by First Nations through Funding Arrangements with the British Columbia Region.

We have reviewed seven of these projects with total costs of \$6,873,000 or 70% of the total costs in 1999-2000. We have also reviewed the management controls and procedures implemented by the engineering firms to satisfy ourselves that expenditures were properly authorized, processed and approved and that work was performed.

In Manitoba, most of the flood related activities were for flood controls, evacuation and repairing infrastructure. Evacuation services were provided by Manitoba Emergency Measures Organization and other departments without charges. The majority of costs were for First Nations for sandbagging, temporary relocation expenses, repairing infrastructures and property damages. Funds were provided to the affected communities through Funding Arrangements.

We conducted a 100% verification of the funds advanced to the communities to the Funding Arrangements and records and found that the amount provided to a First Nation was overstated by \$450,000. A 100% verification was necessary since there was no single record to account for all the funds related to the “flood.” We found that terms and conditions were generally not stipulated in the Funding Arrangements. We also verified the payments to actual expenditures for four communities and found that there were no supporting documents for two of them.

Conclusion

In general, our audit tests indicated that final expenditures were in accordance with the terms and conditions of agreements and funding arrangements. For funds advanced to First Nations, specific terms and conditions were often omitted from the arrangements. In some cases, there was also a lack of monitoring to ensure that funds provided to the communities were accounted for and supported by actual expenditures documentation.

Recommendations

27. The Director, Administrative Services, in consultation with Director of Transfer Payments, should develop guidelines to ensure that adequate terms and conditions are included in funding arrangements.
28. The Director, Administrative Services, in conjunction with the Director of Resource Management and Reporting and the Regional Directors’ of Corporate Services should develop a policy and procedures for guidance in managing future environmental related emergencies.

Auditor’s Opinion Related to Financial and Non-financial Management Practices, Processes and Controls

We have reviewed the management practices, processes and controls used by the regions in responding to the identified environmental related funding and expenditures for fire, flood and winter roads. We found that: the non-financial activities were generally in accordance with

departmental policy and procedures except where noted, actions taken were reasonable and prudent under the circumstances, and that due regard was paid to the health and safety of First Nations members.

We have examined the financial management practices and controls, at both regional and national headquarters levels, relating to the winter road, fire and flood expenditures. Our review led us to conclude that they were generally adequate. In our view, improvements are needed in accounting for and reporting of actual emergency expenditures against funds advanced to First Nations and organizations. There is also a need to improve regional financial planning for these emergency expenditures and to communicate the budgetary requirements on a timely basis.

Lessons Learned and Areas for Improvement

Findings

From our interviews with regional staff, First Nations agencies and provincial staff, as well as result of this review, a number of lessons learned and areas for improvement have been identified for considerations. They are:

- The department requires a policy and road map in addressing these emergency activities. This document should include as a minimum, the roles of the department, the extent of financial assistance available, the roles of the stakeholders, the steps and process in handling these situations, the responsibilities and authorities of the players within the department;
- There is a requirement for improved communications and coordination between regions and headquarters, inter and intra-regional functional groups. The emergency situations were handled best where team work approach was used and where there were good communications;
- There is a need to take into account the limitations of existing systems and procedures in designing financial assistance programs to facilitate the implementation of such programs;
- The department should explore other more cost-effective and permanent options to address winter roads failure problems. Options suggested included the construction of all weather road or connection with basic bridges over lakes for the most vulnerable communities. The department should also re-examine the benefit to First Nations which take into account the remoteness factor and accessibility to the communities; and
- Many personnel interviewed felt that there is a need of a Disaster Financial Assistance Arrangement (DFAA) type of program for First Nations.

In addition to the lessons learned, we observed approaches being used that we consider worthy of note and would categorize as “best practices.” These “best practices” may be of use to other regions. They are:

- Ontario North has established an emergency response team that manages the frequent temporary relocation of communities due to forest fires. The team has established reception centres for use when required. Members of the team maintain a visible presence during the relocation ensuring that the needs of the evacuees are looked after and ensuring that relocation costs are contained;
- The Province of Saskatchewan fire service has a co-operative program with First Nations which call for the First Nations to provide 29 fire crews during the fire season for a 20-week period at an approximate cost of \$1,250,000.00. The cost is shared 50/50 between the two parties. When not involved in fire suppression activities, the team performs work on the reserves. The First Nations share of the cost is subsidized by DIAND through funding agreements with the applicable councils and communities. The funds for the contribution come from the social assistance budget. This is considered to be an excellent program; and
- The approach adopted by the British Columbia Region to implement the flood mitigation project is a good example of how to effectively manage a project. At the outset, all the players were brought together and a plan of action was developed. All the regional resources were utilized, including the technical advisor from the PWGSC client service unit. Procedures were modified to permit the “fast tracking” of the project. The mitigation work was completed on time and within budget.

Conclusion

The department would benefit from better sharing of experiences in managing environmental related emergencies across regions and across disciplines within regions.

Recommendation

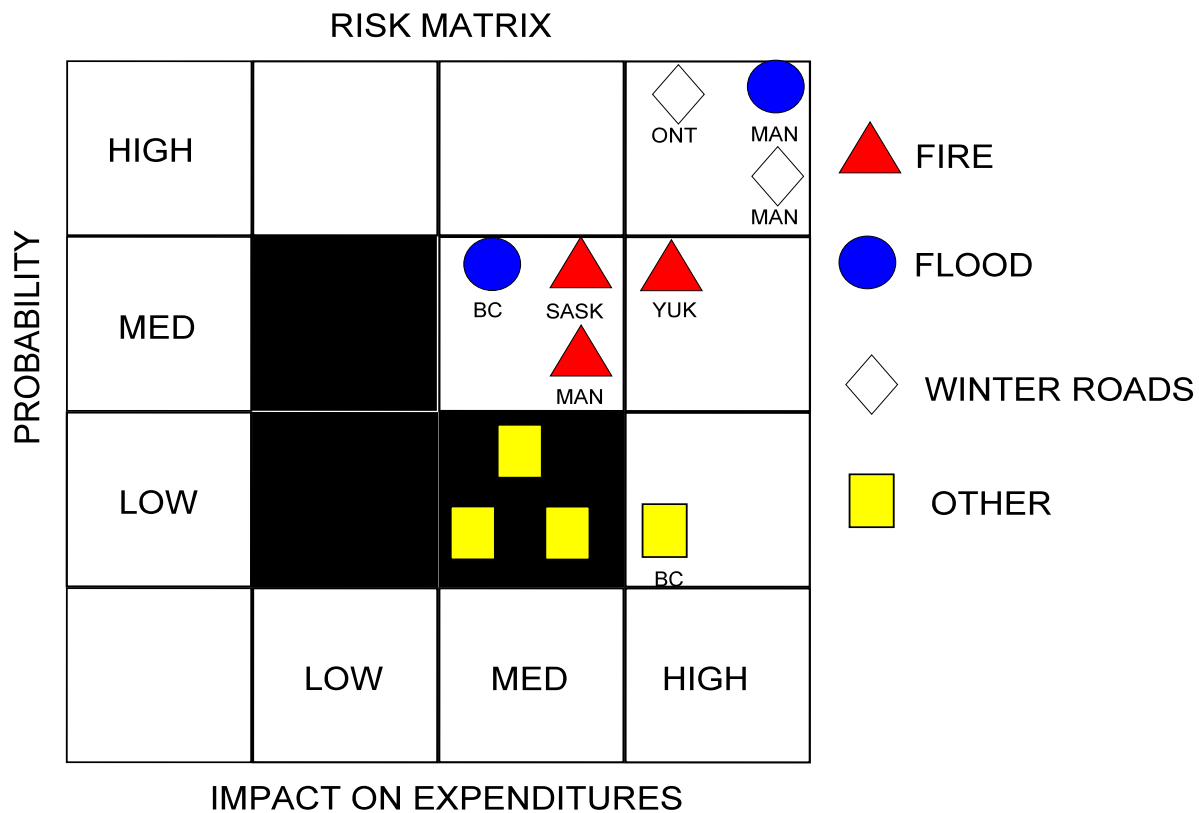
29. The Director General of Finance and the Director General, Community Development (SEPP), in conjunction with the Directors of Funding Services in Ontario North and Manitoba Regions, should ensure that there are appropriate funds for the failure of winter roads.

Section 3 - Other Management Issues and Concerns

Risk Management and Emergencies

Findings

The identified environmental emergencies and their impact on future expenditures have been plotted on a traditional risk matrix.



Based on our assessment, environmental related emergencies with the highest risk and mostly likely the greatest potential for cost growth are winter road failures in Ontario, flood and winter roads failures in Manitoba and forest fire suppression program in the Yukon. The “other” category includes risks identified during the field phase of the audit and includes natural events such as earthquake, tsunami and drought. The greatest “other” risk is in the British Columbia Region but the probability is assessed as low.

In normal situations, risks can be managed by reducing the probability and/or consequences of the event. In the case of environmental related risk events, DIAND has no control over the natural phenomenon. Therefore, efforts must be concentrated on reducing the consequences of such occurrences. To this end, risk mitigation strategies are required to reduce the financial impact of those risks which fall outside the shaded areas of the matrix.

In our review, we noted that such a mitigation strategy has been developed in the British Columbia Region to address the risk of flooding. Similarly, it was noted that the Province of British Columbia has a very well organized emergency planning system in place to address all emergencies. The region has an agreement with the province to provide the same level of emergency services to First Nations.

To date the regional responses in Ontario and Manitoba to the failure of winter roads has been reactive. In the current year, there has been another failure of the roads in Northern Ontario and a significantly shortened season in Manitoba. As the impact on expenditures is high and the probability of continued failures is high, risk mitigation actions are required. It is recognized that winter roads are not the responsibility of DIAND. However, the financial consequences ultimately fall on the department and therefore it must play a key role in developing mitigation plans.

Flooding and related mould problems have had a high impact on expenditures in Manitoba. There is no indication that the probability of flooding will decrease in the future. In fact, there are indications that flood mitigation activities carried out by the province to protect other assets have had a negative impact on First Nations lands, further exacerbating the situation. The region does not have an overall mitigation strategy to reduce the financial impact of flooding in future.

Forest fire activity is affected by global warming and most forest fire experts predict that the fire season in most regions will increase in length and be more intensive. This increase, coupled with a more aggressive attacking strategy, will continue to cause substantial increases in the cost of forest fire suppression in all regions. As forest fire suppression in Saskatchewan and Manitoba is provided by the provinces, DIAND must rely on those organizations to control the costs. It can only ensure that the budget is adequate to cover the expected increases. A similar situation exists in all other regions with the exception of the Yukon where DIAND Northern Affairs Program has the responsibility to deliver a forest fire suppression program. In the Yukon, the mitigation of cost increases is dependent upon improved planning and resource utilization.

Conclusion

The areas with the risk for increased cost exposure are flood and winter roads failures in Manitoba and winter roads' failure in Northern Ontario and mitigative action is indicated. Cost pressures will also arise from increased fire suppression costs in Manitoba, Saskatchewan and the Yukon resulting from the impacts of global warming. While not part of this study, one could reasonably expect similar cost increases in forest fire costs in Ontario, Alberta and British Columbia. While a low probability, the potential for a natural disaster with a major financial impact and serious loss of life must be considered in British Columbia.

Funding and Budgeting for Emergencies

General

In its approach to the issue of funding and budgeting for emergencies, the review team examined the characteristics of each of the types of emergencies, assessed the potential impact of the changing environmental conditions, reviewed provincial government responses to similar occurrences and considered possible funding alternatives for DIAND.

Findings

Winter Roads

The partial failure of the winter roads system in Northern Ontario and Manitoba is a phenomenon directly caused by the warmer than normal weather in the area. The impact of the failures has affected, almost exclusively, First Nations communities. A similar failure has been experienced in the past winter in Northern Ontario and there was a partial failure in Manitoba. The financial consequences in Manitoba were negated to a large extent by mitigative actions taken by the province and First Nations in developing a more northerly route to supply the communities in the Island Lakes Region.

Environment Canada predicts continued warmer than normal temperatures for the winter of 2000-2001. Ultimately, the continued warming will likely result in the inability to construct roads to some communities. There are no alternate forms of transportation that will not place severe financial pressures on the communities. DIAND can, therefore, expect continued requests for additional financial assistance.

The winter roads failures have not placed similar financial pressures on the governments of Ontario and Manitoba. During the interviews, the question often arose as to whether or not the failure of winter roads constituted an emergency in the same sense as a flood, fire or other similar event. The costs resulting from the failure of winter roads would not likely be eligible under DFAA guidelines.

Forest Fires

There are two cost elements arising from forest fire activity. The first cost element, and the major expenditure, relates to the actual fire suppression costs. The second cost element is the costs which arise as a result of fire activity. These items include the temporary relocation of affected First Nations members and the loss of real and personal property arising from the fires themselves.

In our discussions with forest fire experts in other jurisdictions, all were of the opinion that the global warming is causing the fire season to become longer and area of fire activity is expanding. Costs are increasing rapidly with a significant upward trend since 1995. There is a general consensus among the experts that this trend will continue. DIAND has a dedicated budget for forest fire suppression which has not been adjusted to reflect this trend.

We also observed that there are major variations from year to year. For example, the suppression cost for the entire Province of Saskatchewan has ranged from a low of \$26 million in 1997 to a high of \$94 million in 1999. With this variability, it is very difficult to budget with any degree of certainty. The infrastructure or pre-suppression costs for a fire service are predictable which can be budgeted for as is the case in all jurisdictions. These pre-suppression costs include the program overhead and prevention costs. The actual fire suppression costs are totally dependent upon factors which are beyond the control of the fire service.

Weather is a major factor as the majority of fires are started by lightning. All provincial fire services reported that greater investment in pre-suppression activities result in lower suppression costs and that there is a trade off between the two. Ontario has developed a computer program which is used to optimize the balance between pre-suppression and suppression costs.

We found that all fire services respond in a similar manner and use the same rules of engagement. The first priority is the protection of the health and safety of individuals followed by “values at risk” i.e. timber resources, infrastructure etc. In fire situations, exceeding budgets is not a major constraint of the fire fighters.

We noted during our review of the Yukon Fire Program that the pre-suppression budget appears to be lower than what would be expected when comparing the budget to other jurisdictions such as Saskatchewan and Manitoba. Subsequent to the field work it has been determined that the department has made a significant investment to upgrade the infrastructure. We have recommended that a long term business plan be prepared for the Yukon Fire Program and we expect that the plan will identify a need for an increase in the pre-suppression budget. Notwithstanding this action, there will still be a strong probability that the extreme variability in suppression costs will remain and that the variability will have to be addressed in the DIAND Northern Program budget.

With respect to the second cost element, we note that the major cost impact results from the need for temporary relocation of isolated communities in Northern Ontario and in Manitoba and loss of property in Manitoba. The costs can be significant; however, in our opinion, these events are true emergencies and the costs should not be included with those for fire suppression. Provincially with non-First Nations communities, temporary relocation is a joint responsibility of the fire service and the emergency organization. Affected citizens are normally expected to bear their own costs and any loss of property would be borne by an individual’s insurer. While such costs are eligible for assistance under the DFAA, costs are generally below the provincial threshold and the DFAA is not used.

Flooding

Floods are high risk in Manitoba and represent true emergencies. The provincial emergency measures organization is well organized. We found that the province has made extensive use of the DFAA and significant amounts of Federal and Provincial money have been invested in mitigative works to protect farm lands and urban areas. First Nations believe that Manitoba's water management activities have negatively impacted certain communities and legal action is underway between the First Nations and the province. We believe that the emergency costs related to floods could be substantially reduced if mitigation was undertaken.

The Province of British Columbia, with federal assistance, invested considerable time and effort on flood mitigation. First Nations communities were not part of the activities and the communities were at risk. The DIAND Region decided to take action to rectify the situation and the \$9.7 million flood mitigation project was completed. This represents the first phase of a more ambitious undertaking. Flood related emergency costs in the region are not identified. Emergency response to First Nations communities is provided by the Provincial Emergency Preparedness (PEP) organization under the agreement between it and DIAND. PEP's response is the same for all citizens in the province.

Emergency Planning/Coordination

We found that the costs for the departmental emergency planning/coordination infrastructure are not separately budgeted for or tracked. We noted that both the Ontario and British Columbia regions set aside funds each year to provide for the payment of any emergency response costs incurred. In addition, each of these regions has funding arrangements with the provincial organizations for the provision of services. Manitoba has a funding arrangement with MANFF which includes the provision of emergency services.

Funding Options

During the planning phase, we identified funding options which had potential for use by DIAND. These options include:

- Funding models recommended for use in the United States;
- Having Treasury Board place the First Nations on the same footing as the provinces for the purposes of the DFAA;
- Advancing funds to First Nations; and
- Replacement of winter roads with all-season ones.

We found that the costs that can be legitimately categorized as emergency costs, are small in comparison to the overall cost incurred and, as such, the first option is not practical. Similarly, the DFAA option does not offer significant benefits and would impose increased and

unnecessary complexity into the process. In addition, we did not find any support among the interviewees for either alternative nor were we able to identify any other alternatives which would offer a “magic bullet” solution. We found that the Emergency Coordinators’ principal concern was that funds had to be available when emergencies arose.

We believe the last two approaches have potential to be included in winter roads mitigation actions and incorporated them in previous recommendations.

Weather Forecasts as a Budgeting Tool

It had been reported Environment Canada was able to accurately forecast the weather on a long term basis and the forecasts may be of assistance in establishing budgets for environmental emergencies. Our research confirmed Canadian Meteorology Services does produce forecasts of long term weather patterns; however, we found that there is no data available upon which to reliably forecast emergency related costs.

Conclusion

Overall, we see the department’s best approach to funding and budgeting for emergencies is segmented one that addresses different characteristics of each identified situation. Based on our risk assessment model, there is a high probability there will continue to be problems with the winter roads. In the event the warming trend continues, it is likely that some communities may not be able to rely upon winter roads and alternatives for supply will have to be developed. Steps should be taken to mitigate the financial impact of winter roads failure as much as possible. To the extent cost increases cannot be mitigated, DIAND will need to establish a departmental position as to the level of additional funding it is prepared to provide.

It is our opinion that forest fire suppression costs should continue to be a separately budgeted item. However, the budget must be adjusted to reflect the upward trend in suppression costs and cost increases from the Treaty Land Entitlements (TLE) negotiations. In those regions where agreements exist with the provinces, the increases are not likely to be major. In the event an agreement can be reached with the Province of Manitoba to assume all fire suppression services, we believe that the costs in that region will be moderated. In addition, the budgeting problem would be further improved if a three or five year rolling average concept is used for billing purposes in Manitoba.

We are of the opinion that emergency costs caused by forest fires should not be included in the forest fire suppression budget but be included in a national emergency fund that should be established. In addition, DIAND should define those events that constitute an emergency and which would be eligible for funding under the proposed emergency fund. The creation of an emergency fund would provide DIAND senior management with visibility into the real costs of emergencies and would facilitate better risk management.

Recommendations

30. The Director, Administrative Services, should in conjunction with the Director, Resource Management and Reporting and the Regions, review the forest fire suppression budget and seek approval to adjust it accordingly.
31. The Assistant Deputy Minister of Corporate Services, in conjunction with the Director General of Finance, should explore with Treasury Board an approval methodology which recognizes the extreme variability of forest fire suppression costs.
32. The Director, Administrative Services, in conjunction with the Director, Resource Management and Reporting and the Regions, should define those events considered to be emergencies and identify the costs currently being incurred.
33. The Director General of Finance and the Regional Director Generals, should consider the establishment of a centrally controlled fund to be used exclusively for emergency responses.

Other Environmental Risks

Findings

As part of the interview process, we asked the interviewees to identify other potential environmental risks and their potential impact. As could be expected, the British Columbia Region was concerned with earthquake and tsunami. While environmental cleanup was identified, we noted that Manitoba and British Columbia have on-going programs to correct existing deficiencies. Mould was identified as a serious issue in Manitoba, but is not considered a problem in other regions visited.

Our research and interviews with emergency experts identified the potential for increased weather related events as a result of global warming. In Canada, it is reported that the severe weather related insured costs have increased significantly. The 1998 ice storm affecting Eastern Ontario and Quebec is an example.

Conclusion

From the information available, it is impossible to quantify the risk of increased weather related events to First Nations. We believe that it is fair to assume that there will be an effect on one or more communities. The department must ensure that the emergency response network is in place, working effectively and that it will have access to financial resources if and when required.

Terms of Reference

Terms of Reference

Audit of Environmental Related Emergency Funding and Expenditures for Fire, Flood and Winter Roads

Background: The past two to three years (1997-1998 to 1999-2000) have been marked by climatic changes that have yielded hotter and dryer conditions in the North, cooler and wetter conditions on the west coast and warmer than normal winter conditions in central Canada. These unprecedented weather conditions have lead to several significant weather-related program disruptions which have placed severe pressures on the department's A-base.

The winter of 1997-1998 was one of the warmest on record and subsequently winter roads in northern parts of Manitoba and Ontario were either not useable or were in place for a much shorter time than anticipated. As a result, many remote First Nation communities were threatened by shortages of essential fuel and non-perishable food scheduled for delivery by winter roads. The Manitoba Region was able to provide immediate assistance to its affected First Nations as a result of having a MOU with the Province of Manitoba for the provision of emergency services, whereas Ontario Region, with little provincial assistance, worked directly with its First Nations and private contractors to supply the necessary food stuffs and fuels to the affected communities. The costs associated with failed winter roads was in the vicinity of \$15-18 million.

In 1998-1999, the Yukon Region experienced a record breaking fire season in terms of the number of communities and structures at risk and the number of major fires fought. Given that DIAND is directly responsible for protection of forest resources in the Yukon Territory, including pre-suppression and suppression activities, expenditures for Yukon fire protection in this year were three times the initial budget (approximately \$31 million).

To date in fiscal year 1999-2000, the British Columbia and Manitoba regions have experienced severe spring flood conditions, coupled with forest fires in both the Yukon and Manitoba regions. This year's projected fire and flood emergency-related requirements have been identified in excess of \$30 million.

A significant attribute of these environmental related emergencies is the difficulty in predicting their occurrence, frequency and severity. Responding to regional requests for financial assistance due to these environmental emergencies affects the department's ability to plan and budget, leading to extraordinary funding pressures. Consequently, aspects of environmental emergency funding need to be examined, particularly with respect to the efficiency and effectiveness of regional management practices and controls (e.g. emergency procedures, agreements, resource planning and budgeting,

expenditures, eligibility and payment criteria etc.), what improvements can be implemented and the impact of emergency-related expenditures on the affected First Nation communities.

Need: Corporate Services, Finance Branch at headquarters has requested an audit to assess:

the extraordinary expenditures incurred as a result of the failure of the *1997-1998 winter roads* in Ontario and Manitoba regions; the *1998-1999 and 1999-2000 expenditures related to fire protection* in the Yukon and Saskatchewan (1999-2000 only) regions, as well as British Columbia and Manitoba's *1999-2000 expenditures related to flooding*:

Scope: The audit will report to DIAND's senior management on how well regional and headquarters practices, procedures and expenditures related to the winter road, fire and flooding emergencies are handled and recommend improvements where possible.

Issues: The following issues were identified during the pre-planning phase and these will be confirmed during the planning phase.

1. Report on the adequacy and effectiveness of the management accountability framework related to the winter road, fire and flooding emergencies in:
 - Planning
 - Organizing
 - Directing
 - Controlling (including management of risks)
 - Communicating
 - Coordinating
2. How well regional practices, procedures and expenditures related to the winter roads, fire and flooding emergencies were handled.
3. Determine whether costs were reasonable and supportable.
4. Assess what the impact was of these emergency expenditures on the affected First Nation communities' health and safety
5. Evaluate the accounts and records as they pertain to expenditures claimed under the winter roads projects in Ontario and Manitoba regions for the 1997-1998 season. With respect to the Province of Manitoba's involvement, *assess* the province's winter roads funding claims and

audited statements and audit relevant accounts and records of the Manitoba Region to ascertain whether or not costs funded by DIAND are in accordance with the terms and conditions of the MOU.

6. Identify, assess and report on improvements in the administration of winter roads in Manitoba since the last audit was conducted (1991).
7. Assess and report on the extent of compliance of costs for the 1997-1998 winter roads (Ontario/Manitoba) season in relation to the June 30th, 1998 letter from the Executive Director, Finance Branch and the addendum to this letter dated September xx, 1999.
8. Conduct tests to identify, analyse, document and support final expenditures under the terms and conditions of the federal/provincial agreements, MOUs and/or agreements with First Nations for winter roads, fire and flood.
9. Express an auditor's opinion related to the financial and non-financial management practices, processes and controls as they relate to the winter road, fire and flood emergencies.
10. Identify and share best practices and lessons learnt related to Environmental Related Emergency Funding and Expenditures for Fire, Flood and Winter Roads to prepare management for the future

Resources: The audit will be performed using DAEB resources and consulting services. Overall management of the audit will be the responsibility of DAEB.

Timeframe: The audit will begin in October 1999 and will be completed by the end of February 2000.

Cost: Estimated contract fees are \$100,000

Approved by:

Gordon Shanks
Assistant Deputy Minister
Corporate Services
October 18, 1999

Action Plan

PROJECT TITLE / TITRE DU PROJET: **Audit of Environmental Related Emergency Funding and Expenditures for Fire, Flood and Winter Roads**

REGION OR SECTOR / RÉGION OU SECTEUR: **All**

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|---|--|--|---|--|
| <p>1. The Director, Intergovernmental Affairs, Ontario North, in conjunction with the Director, Strategic Direction and Policy, Ontario Region, should play a more active role in working with the First Nations and the Province in developing improved methods for moving fuel and bulk commodities to Northern communities including the operation of the winter roads system and the development of cost-effective alternative methods of transportation.</p> | <p>Page 5</p> | <p>a) The department has funded Mamow Community Corporation to develop a coordinated plan for the construction of bulk fuel facilities for 8 Sioux Lookout Area First Nations. Mamow will assist the First Nations to prepare business plans to access funding from federal, provincial and bank financing to partner with INAC's seed funding for the bulk fuel initiative. b) Ontario regional officials will be meeting with provincial counterparts to address improving portions of the winter roads that are difficult for two-way traffic. c) Ontario has funded, and will continue to fund, innovative proposals for the operation of the winter roads system, and the transport of bulk supplies is sustainable with a partnership approach such as the Asheweig Winter Roads Corporation serving six (6) First Nations. d) The department is supporting initial planning costs for sub-regional groups interested in developing all weather roads</p> | <p>Director of IGA</p> | <p>March 31, 2001</p> |

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|--|--|---|---|--|
| <p>2. The Regional Director General, Manitoba Region, should develop a risk mitigation plan to cope with other winter road failures should they occur.</p> | <p>Page 5</p> | <p>Short term - MRO to engage consultant to determine fuel storage capacity; operational requirements; project storage increases to meet growth; safe margin of storage for emergencies; and costs, at potentially affected FN in Manitoba.</p> <p>Medium term - work with Province of MB in the identification and development of more secure winter road routes to FN.</p> <p>Long Term - work with Province of MB, FN and private sector in the development of an all weather road network to replace the winter roads. This recommendation also relates to recommendation # 15.</p> | <p>Regional Director General</p> | <p>July 30, 2001</p> <p>July 30, 2003</p> <p>July 30, 2006</p> |
| <p>3. The Regional Director General, Manitoba Region, should pursue a formal agreement with the Province for the provision of all forest fire suppression activities on First Nations lands.</p> | <p>Page 8</p> | <p>MRO will initiate negotiations with Province of MB and conclude an updated Forest Fire Suppression agreement.</p> | <p>Regional Director General</p> | <p>March 31, 2002</p> |

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| 4. The Director, Renewal Resources, Yukon Region, should: a) establish and document "fast track" procedures to provide logistics and administrative support that recognizes the uniqueness of forest fire suppression; and b) establish an administrative support team which would be trained and that could be rapidly mobilized in times of high risk. | Page 8 | a) Recognized and in place. Reviewed annually. b) Individuals identified. Availability subject to other Directorates. | Director of Renewable Resources | Completed |
| 5. The Regional Director General, Manitoba Region, should establish a central point of contact to coordinate all emergency activities related to flooding and related mould issues and to develop a risk mitigation strategy. | Page 8 | MRO to complete assessment of feasibility and finalize report. | Regional Director General | March 31, 2001 |

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| 6. The Director, Lands and Trusts, Manitoba Region, should develop a protocol, on a priority basis, to address the mould issue. | Page 9 | MRO in partnership with FN will develop regional technical committee to develop protocol. | Director of Lands and Trust | March 31, 2002 |
| 7. The Regional Director General, Manitoba Region should: a) negotiate a formal agreement with the Province which clearly defines the roles and responsibilities of INAC, MANFF and the Province regarding the delivery of emergency planning, coordination and response to First Nations Reserves; b) assure that the function is resourced appropriately; and, c) give priority to completing the preparation and approval of Emergency Plans. | Page 9 | MANFF completing proposed five year operational plan. MRO negotiation with Province of MB and development of agreement. | Regional Director General | January 2001 October 2001 |

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| 8. The Regional Director General, Saskatchewan Region, should in conjunction with the Director of Corporate Affairs, plan and implement a program to ensure wide coverage of emergency preparedness/planning services to First Nations. | Page 12 | The Director, Corporate Services, Saskatchewan Region, in conjunction with the Director, Public Works (Technical Services) will prepare a workplan to ensure emergency planning/coordination with Saskatchewan First Nations governments. | Regional Director General | December 31, 2001 |
| 9. The Director of Renewable Resources, Yukon Region, should place priority on the early completion of the revised Operational Procedures Manual, the revised Fire Policy Manual and the action plan in response to the 1998 Fire Review. | Page 12 | a) Currently being revised. b) Currently being revised. c) Fire Action Plan in place and progress being made in meeting recommendations. | Director of Renewable Resources | a) April 1, 2001 b) April 1, 2001 c) April 1, 2001 |

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| 10. The Director, Corporate Services, Ontario Region, should document the internal procedures, authorities and responsibilities relating to emergency planning/coordination. | Page 13 | The Director, Corporate Services, Ontario Region in consultation with the Director, Administrative Services, Headquarters and the National Working Group will prepare a document outlining internal procedures, authorities and responsibilities relating to emergency planning/coordination for the Ontario Region. This recommendation also relates to recommendation # 12. | Director of Corporate Services | September 30, 2001 |
| 11. The Director, Funding Services, British Columbia Region should continue with the initiative to review the emergency planning/coordination function including the need to document the procedures and authorities. | Page 15 | The Region has undertaken both a short and long term review of how this function will continue to be managed by the Region. The longer term review will examine the potential for transfer responsibility to First Nations. This recommendation also relates to Recommendation #12. | Director of Funding Services | June 30, 2001 |

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| <p>12. The Director, Administrative Services, in conjunction with the regions, should consider the need to strengthen the overall administrative procedures defining the roles, responsibilities and authorities of the regional emergency coordinators.</p> | <p>Page 15</p> | <p>Establish a working group, including regional representatives, to define roles, responsibilities, etc. of EP Coordinators, as well as developing policy and procedures for guidance in handling future emergencies. This review would also include defining those events considered emergencies and costs incurred - past and present - as an initial step. This recommendation also relates to recommendations # 11, 12.</p> | <p>Director of Administrative Services</p> | <p>March 31, 2002</p> |

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| <p>13. The Director, Funding Services Ontario North, should consider the option of providing temporary advances to First Nations so that they have the necessary cash to truck in more fuel and non-perishables while the winter roads remain open.</p> | <p>Page 15</p> | <p>1. Currently, the Ontario Region does not have a winter road subsidy program. Should such a program be implemented the region would refine the current process of providing cash advances to assist in the transportation of supplies normally purchased from INAC funded programs, i.e. construction supplies, fuel, etc. Also, transportation cost for non-perishables, currently provided by the retail stores, would be reviewed.</p> <p>2. First Nations are being encouraged to work with Tribal Councils to plan and budget for transporting supplies over winter roads. This may include bridge financing. This recommendation also relates to recommendation # 15.</p> | <p>Director of Funding Services</p> | <p>March 31, 2001</p> |

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| <p>14. The Regional Director General, Manitoba Region, should: a) consider other less costly options and approaches to handle future winter road failure problems; and b) consider and implement the recommendations contained in the Project Management Team Report in managing future fuel airlift program.</p> | <p>Page 17</p> | <p>Addressed in #1</p> <p>Short term - MRO to engage consultant to determine fuel storage capacity; operational requirements; project storage increases to meet growth; safe margin of storage for emergencies; and costs, at potentially affected FN in Manitoba.</p> <p>Medium term - work with Province of MB in the identification and development of more secure winter road routes to FN.</p> <p>Long Term - work with Province of MB, FN and private sector in the development of an all weather road network to replace the winter roads. This recommendation also relates to recommendation # 15.</p> | <p>Regional Director General</p> | <p>Addressed in #1</p> <p>July 30, 2001</p> <p>July 30, 2003</p> <p>July 30, 2006</p> |

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| <p>15. The Director General of Community Development (SEPP), and the Director General of Finance, in conjunction with the Regional Director Generals of Ontario and Manitoba, should explore less costly approaches and options to alleviate the problems arising from winter roads failure.</p> | <p>Page 17</p> | <ul style="list-style-type: none"> - DGs Finance and Community Development to conduct workout with Ontario, Manitoba. - Options to be reviewed by regions and First Nations. - Operational framework for management of winter roads failure completed. <p>This recommendation also relates to recommendations # 1, 13, & 15.</p> | <p>Directors General of Finance and Community Development</p> | <p>March 1, 2001</p> <p>September 1, 2001</p> <p>October 1, 2001</p> |
| <p>16. The Regional Director General, Manitoba Region should request that Manitoba Department of Natural Resources provide detailed actual costs for each fire call once the work is completed and it should be in the Terms and Conditions of the agreement.</p> | <p>Page 17</p> | <p>All Provincial detailed billings are received and included in the terms and conditions of the funding arrangement on yearly basis. This recommendation also relates to recommendation # 3.</p> | <p>Regional Director General</p> | <p>March 31, 2001</p> |

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| 17. The Director, Funding Services, Manitoba Region should have a clear plan of how First Nations have acquired equipment used in fire fighting and that the rates relate to the funding of capital equipment from DIAND. | Page 20 | The set rates for equipment use by the FN are for operation and maintenance of the equipment. Rates are being reviewed for the 2001/2002 year. | Director of Funding Services | April 30, 2001 |
| 18. The Director of Renewable Resources, Yukon Region, in conjunction with the Director, Corporate Services, should ensure that needs are better planned to enable the Region to have sound procurement practices. | Page 20 | Changes to procurement practices have taken place and are constantly being reviewed by the Department. | Director of Renewable Resources and Director Corporate Services. | Completed |

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| 19. The Director, Funding Services, Manitoba Region should: a) require that First Nations periodically provide invoices to substantiate actual expenditures; and b) implement a tracking system to account for the funds transferred to First Nations against the actual costs incurred. | Page 20 | Currently in place - all accountable advances for evacuation and damages require substantiation by invoice for actual costs. | Director of Funding Services | Completed |
| 20. The Director, Funding Services, British Columbia Region, should contract with the consulting engineering firms directly to eliminate one of the levels of the process resulting in the extra administration fee and to maintain sound contracting practices. | Page 21 | The situation examined by the audit was considered extraordinary and does not reflect ordinary business practices. Regions will continue to work in the manner that supports program delivery and management directly by First Nations. | Director of Funding Services | Completed |

PROJECT TITLE / TITRE DU PROJET: **Audit of Environmental Related Emergency Funding and Expenditures for Fire, Flood and Winter Roads**

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|---|--|--|---|--|
| 21. The Director General, Finance, should ensure that the new departmental financial reporting system allows the regions to account for the actual expenditures incurred against funds released to First Nations. | Page 21 | The management of funds advanced against actual costs requirement incurred is reported for a recipient. This requirement is established in the funding arrangement. The financial system is not a tracking system for reporting requirements. INAC uses the Transfer Payments Management System (TPMS) to track report required and received. The recommendation as stated is not an accounting system requirement and should be restated to reflect that the information flow as recommended be developed as part of TPMS on a program reporting tool. This recommendation also relates to recommendation # 27. | Director General of Finance | October 1, 2001 |
| 22. The Director, Funding Services, Ontario North, should immediately take action to recover the surplus winter roads funds from the First Nations and from NADF. | Page 21 | First Nations have been identified and advised of the recovery of the advances. As funds were provided under FTP, discussions with NADF for appropriate use of surplus funds are under discussion. | Director of Funding Services | March 31, 2001 |

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|---|--|------------------------------------|---|--|
| 23. The Regional Director General, Manitoba Region, should immediately take measures to secure the funds from the province related to winter roads. | Page 24 | Completed, funds recovered. | Regional Director General | Completed |

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| <p>24. The Regional Directors' General reinforced by the Director General of Finance, should emphasize to the regions the need for the timely refund of surplus funds advanced under funding arrangements.</p> | <p>Page 24</p> | <p>Ont - RDG letter to RCMs will emphasize the internal process of timely recovery of surplus funds. Sask - Currently, the Saskatchewan Region does not fund First Nations for emergency related activities , therefore no action is required. BC - Timeliness continues to be examined through the audit review process in the Region. Yuk - A letter has been sent to the Regional Senior Management team emphasizing the need for the timely refund of surplus funds advanced under funding arrangements. SEPP - This requirement is well understood by regions. The collection of surplus contributions is included as part of the required audit review process. This requirement is included as part of the Management Control Framework. Man - Done, in place now.</p> | <p>Director General of Finance Regional Director General</p> | <p>March 31, 2001 N/A Completed Completed Completed</p> |

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| <p>25. The Director, Administrative Services, in consultation with the Director General, Finance and the Regional Directors' General of Ontario and Manitoba should revisit the eligibility criteria for financial assistance and clarify the definition of "essential" in order that the criteria and the definitions reflect more closely the need and the intention of future subsidy programs.</p> | <p>Page 24</p> | <p>Ont- The Director, Administrative Services, Headquarters in consultation with the regions is to establish a National Working Group to review the eligibility criteria for financial assistance and to clarify the definition of "essential" to more closely reflect the need and intention of future subsidy programs with respect to Environmental related emergency funding and expenditures for Fire, Flood and Winter Roads.</p> <p>Adm - Undertake a review of eligibility criteria for financial assistance, including definition of eligible costs for subsidy purposes.</p> <p>Fin - - See response of Director, Administrative Services (he has lead).</p> <p>Man - MRO and ORO to mutually revisit and clarify the definitions.</p> | <p>Regional Director General</p> <p>Director of Administrative Services</p> | <p>December 31, 2001</p> <p>December 31, 2001</p> <p>October 31, 2001</p> |

PROJECT TITLE / TITRE DU PROJET: **Audit of Environmental Related Emergency Funding and Expenditures for Fire, Flood and Winter Roads**

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| 26. The Director, Funding Services, Manitoba Region should implement a tracking system to account for funds advanced against actual expenditures. This is especially important for multi-year projects. | Page 25 | Review of current tracking system being undertaken for winter roads. | Director of Funding Services | March 31, 2001 |
| 27. The Director, Administrative Services, in consultation with Director of Transfer Payments, should develop guidelines to ensure that adequate terms and conditions are included in funding arrangements. | Page 27 | Adm - Assess the need to include terms and conditions in funding arrangement and develop appropriate guidelines. TP - Transfer Payments Directorate will work with Administrative Services to develop appropriate terms and conditions to be included in the national model funding agreements as it relates to funding transferred for the provision of flood related activities, with a planned completion date of Sept. 2001. This recommendation is linked to recommendations 21 & 26. | Director of Administrative Services Director of Transfer Payments | December 31, 2001 September 2001 |

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| 28. The Director, Administrative Services, in conjunction with the Director of Resource Management and Reporting and the Regional Directors' of Corporate Services should develop a policy and procedures for guidance in managing future environmental related emergencies. | Page 27 | Establish a working group, including regional representatives, to define roles, responsibilities, etc. of EP Coordinators, as well as developing policy and procedures for guidance in handling future emergencies. This review would also include defining those events considered emergencies and costs incurred - past and present - as an initial step. | Director of Administrative Services | March 31, 2002 |
| 29. The Director General of Finance and the Director General, Community Development (SEPP), in conjunction with the Directors of Funding Services in Ontario North and Manitoba Regions, should ensure that there are appropriate funds for the failure of winter roads. | Page 29 | <ul style="list-style-type: none"> - DGs Finance and Community Development to assess available sources and alternatives. - Seek TB understanding to the recommendation # 31. This recommendation is linked to recommendation # 15. | Directors General of Finance and Community Development | June 1, 2001 |

PROJECT TITLE / TITRE DU PROJET: **Audit of Environmental Related Emergency Funding and Expenditures for Fire, Flood and Winter Roads**

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| 30. The Director, Administrative Services, should in conjunction with the Director, Resource Management and Reporting and the Regions, review the forest fire suppression budget and seek approval to adjust it accordingly. | Page 36 | Review existing FFS budget and seek approval to adjust accordingly. This recommendation is linked to recommendation # 31. | Director of Administrative Services | June 30, 2002 |
| 31. The Assistant Deputy Minister of Corporate Services, in conjunction with the Director General of Finance, should explore with Treasury Board an approval methodology which recognizes the extreme variability of forest fire suppression costs. | Page 36 | <ul style="list-style-type: none"> - Finance Branch to develop different approval methodology options - Meetings to be held with Treasury Board to discuss the options developed - Obtain TB approval on methodology acceptable to both TB and DIAND | Assistant Deputy Minister of Corporate Services | May 31, 2002 |

PROJECT TITLE / TITRE DU PROJET: **Audit of Environmental Related Emergency Funding and Expenditures for Fire, Flood and Winter Roads**

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|---|--|--|---|--|
| <p>32. The Director, Administrative Services, in conjunction with the Director, Resource Management and Reporting and the Regions, should define those events considered to be emergencies and identify the costs currently being incurred.</p> | <p>Page 36</p> | <p>Establish a working group, including regional representatives, to define roles, responsibilities, etc. of EP Coordinators, as well as developing policy and procedures for guidance in handling future emergencies. This review would also include defining those events considered emergencies and costs incurred - past and present - as an initial step.</p> | <p>Director of Administrative Services</p> | <p>March 31, 2002</p> |

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|---|--|---|---|--|
| <p>33. The Director General of Finance and the Regional Director Generals, should consider the establishment of a centrally controlled fund to be used exclusively for emergency responses.</p> <p>Fin - DG Finance to review existing emergency funds and related reserves. Propose to Financial Management Committee a revised means for funding emergencies.</p> | <p>Page 36</p> | <p>Ont - The National Working Group under the direction of the Director, of Administrative Services, Headquarters, will develop and implement improved methods for the establishment of a centrally controlled fund to be used exclusively for emergency responses. A draft document will be prepared by the working group for review by the Director General of Finance and the Regional Director Generals.</p> <p>Yuk - A request has been made to the Director General Finance Branch to co-ordinate a discussion among Regional Director Generals on the establishment of a centrally controlled fund to be used exclusively for Fire Emergency responses</p> <p>Sask. - The Saskatchewan Region is prepared to work with the Director General of Finance as required</p> | <p>Regional Director General</p> <p>DG, Finance</p> | <p>April 1, 2002</p> <p>Completed</p> <p>December 31, 2002</p> |

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| | | <p>BC - B.C. Region reserves a portion of the regional capital program for emergencies. Beyond this the region sees the Financial Management Committee (FMC) as meeting this need and does not support the creation of a separate national emergency fund. A tax-back scheme could be utilized if required.</p> <p>Man - MRO agrees. This recommendation is linked to recommendation #31.</p> | | <p>Completed</p> <p>HQ Lead Role</p> |

Appendix A

Appendix A - List of Personnel Interviewed

Headquarters

| | |
|-------------------|--|
| Bélanger, Louise | Emergency Preparedness Co-ordinator |
| Chan, Mathew | Director, Asset Management and Policy Support, Real Property Services for INAC |
| Coughlin, Maureen | A/Manager, Resource Requirements and Allocation |
| Dance, John | Director, Resource Management and Reporting |
| Johnston, Steve | Director, Administration and Corporate Services |
| Phillips, David | Senior Climatologist, Environment Canada |
| Conn, Bob | Program Coordinator, Emergency Preparedness Canada |

Ontario Region

| | |
|-------------------|---|
| Phillips, Mitch | Director, Corporate Services |
| Harrison, Doug | Emergency Measures Ontario |
| Griffith, Maureen | Emergency Measures Ontario |
| DeJong, Heather | Manager, Corporate Services, Ont. North |
| Bannon, Gene | Manager, LTS. Ont. North |
| Rochon, Gilles | Associate DG, Ont. North |
| Forbes, Dennis | Nishnawbe Aski Business Advisory Support Services |
| Lindsrom, Bert | PWGSC Tech Services, Ontario North |
| Saltel, Roger | Funding Services, Sioux Lookout |
| Kaivukoski, Kai | Intergovernmental Affairs, Sioux Lookout |
| Wilcox, Howe | Ont. Ministry of Northern Dev. and Mines |
| Hillman, Kim | A/Director, Funding Services Ontario North |

Manitoba Region

| | |
|--------------------|--|
| Blais, Mary | Associate RDG |
| Cochrane, Lorne | Regional Director General |
| Radwanski, Mike | Sr. Negotiator/Policy analyst |
| Dee, Bonnie | Manager, Resource Planning, Analysis and Audit |
| Hutchison, Dale | Environmental and Natural Resources Analyst, LTS |
| Dighbe, Arun | Director, Corporate Services |
| Keating Powl, Iris | Manager, Program support, Funding Services |
| Sabourin, Doree | Financial Control Officer |
| Korpesho, Diana | Regional Housing Advisor, Funding Services |
| Kuryk, Don | Manager, Manitoba Highways and Transportation |
| Domaratzki, Mary | Assistant Programming, MH&T |
| Kopansky, Keith | Project Supervisor, Manitoba Department of Highways and Transports |
| Bodner, Len | Audit partner, Internal Audit Services, Manitoba Finance |
| Matthes, Wayne | Chief Inspector, Manitoba Emergency Management Organization |
| Miller, Inez | Manitoba Emergency Management Organization |
| Kitchen, Gord | Director, Land Entitlement and Claims Implementation |
| Bolton, Robert | Senior Environment Officer, Lands and Trust Services |
| Egan, Martin | Director, Lands and Trust Services |
| Hart, Ivan | Chief Executive Officer, Manitoba Association of Native Fire Fighters Inc. |
| Buck, R. J. (Bob) | Superintendent, Headquarters Operations, Fire Program, Manitoba Natural Resources |
| McLeary, Bob | Manitoba Highways, Winter Roads |

Saskatchewan Region

| | |
|-----------------|---|
| Laxdal, Tom | Manager of Fire Operations, Saskatchewan Environment and Resource Management (SERM) |
| Casavant, Felix | Fire Operations, SERM |
| Kreutzer, Earl | Manager, Capital Management |
| Emond, Richard | Sr. Budget Analysis |
| Clark, Brian | Manager, Social Development |
| McLean, Jean | Manager, Administration |
| Ellis, Larry | Manager, Intergovernmental Affairs |
| Marr, Wayne | Director, Saskatchewan Emergency Planning |

British Columbia Region

| | |
|----------------------|---|
| Hooper David | Advisor, Intergovernmental |
| Cummings Don | Real Property Services, PWGSC |
| Sawyer Doug | Funding Services |
| MacDonald Ken | Manager, Special Service, Funding Services. |
| Watson John | Regional Director General |
| Thompson Sandy | Director, Inter Government Affairs |
| Gee Garry | Director, Real Property Services, PWGSC |
| Adnitt Ted | Resource Planning and allocation |
| Hall Kelvin | Funding Services |
| McDonald Doug | Manager, Financial Planning and Analysis |
| King Judith | Program Analyst, Funding Services D. |
| Merchessault Merle | Manager of Operations, Funding Services D. |
| MacKay, Doug | Manager Corporate Services |
| MacKay, Larry | General Manager, FNESS (PWGSC employee) |
| Santos, Paula | Engineer, FNESS (PWGSC employee) |
| Johnson, R. G. (Ron) | Supervisor, Policy and Plans, PEP BC |
| Hames, David | BC Forest Fires |

Yukon Region

| | |
|-------------------|--|
| Sewell Terry | Regional Director General |
| McLachlan Jerry | Director, Corporate Services |
| Irvine Eric | Regional Financial Analyst/audit coordinator |
| Robbins Judy | Contracts officer |
| Dorosz Stan | Head, Materiel Management |
| Dumas Gordon | Head, Fire Management |
| Harris Lorne | Air Operations Supervisor |
| Beaver Al | Fire Management Planning Supervisor |
| Butlers Ruth | Administrative Assistant |
| Butra Paul | Regional Manager Field Operations |
| Wood, Trevor | Ontario Fire Protection Services |
| Jeffery, C. Allan | Director, CIFFC |
| Magnuson, Eric | Director, Yukon, EMB |
| Larkin Tyrone | Client Service, PWGSC |