

DEPARTMENT OF INDIAN AND NORTHERN AFFAIRS CANADA

QUEBEC REGION

**REGIONAL INTERVENTION PROCEDURE WITH FIRST NATIONS
AND ORGANIZATIONS IN FINANCIAL AND/OR ADMINISTRATIVE
DIFFICULTY**

Final Version

April 6, 2006

TABLE OF CONTENTS

| | | |
|----|--|----|
| 1 | EFFECTIVE DATE | 4 |
| 2 | OBJECT | 4 |
| 3 | APPLICATION..... | 4 |
| 4 | SCOPE | 4 |
| 5 | CONTEXT | 4 |
| 6 | AUTHORIZATIONS AND REFERENCES | 5 |
| 7 | AUTHORIZATION OF PUBLICATION | 6 |
| 8 | DEFINITIONS | 6 |
| 9 | PROCEDURE STATEMENT | 8 |
| 10 | PROCEDURE REQUIREMENTS..... | 8 |
| 11 | MANAGEMENT OF DOCUMENTS | 13 |
| 12 | INAC RESPONSIBILITIES – QUEBEC REGION..... | 13 |
| 13 | INFORMATION REQUEST | 16 |
| 14 | REVIEW PROCESS OF THE PROCEDURE..... | 16 |
| 15 | APPENDICES..... | 16 |

REGIONAL INTERVENTION PROCEDURE WITH FIRST NATIONS AND ORGANIZATIONS IN FINANCIAL AND/OR ADMINISTRATIVE DIFFICULTY

1 EFFECTIVE DATE

This procedure was approved by the Regional Associate Director General on April 6, 2006 and will be effective September 1st, 2006.

2 OBJECT

2.2 Describe the framework approach adopted by the Quebec Region to implement Chapter 5.11 of Part 5 of the Financial Policy and Procedures Guide / Transfer Payments/Funding Arrangement -Intervention Policy (National Intervention Policy) with First Nations and organizations, herein identified as Recipient, in administrative or financial difficulty by defining the measures to be applied according to the problems identified.

3 APPLICATION

3.2 This procedure applies to all employees of the Department of Indian and Northern Affairs Canada (INAC), Quebec Regional Office.

4 SCOPE

4.1 This procedure applies to the different recipients funded by means of a Canada – First Nations Funding Agreement (CFNFA), a Comprehensive Funding Arrangement (CFA) and any other funding arrangement signed by the Department of Indian and Northern Affairs, Quebec Region. It also applies for the delivery of essential services in the case where the recipient did not sign a funding arrangement.

4.2 This procedure does not apply to legislated self-government agreements.

4.3 This procedure replaces Regional Directive no 155 of October 20, 1989 Entitled "Band Indebtedness ".

5 CONTEXT

5.1 INAC is in charge of the execution of a wide range of programs and services intended for status Indians (Report of the Auditor General of Canada – November 2003, Chapter 10, art. 10.20);

5.2 First Nations communities administer 85 percent of INAC's program funds through funding arrangements (Report of the Auditor General of Canada – November 2003, Chapter 10, art.10.21);

5.3 The intervention is intended to be temporary (Report of the Auditor General of Canada – November 2003, Chapter 10, art. 10.22);

5.4 Chapter 10 of the Report of the Auditor General of Canada of November 2003 raised certain problems about the intervention process of third party managers. In reply to this, in April 2003 the department approved the policy on third party managers. The Office of the Auditor General (OAG) studied this new Policy and

found that it did not correct certain previously indicated flaws. The department was required to correct these shortfalls and develop a strategy along with an Action Plan for this Policy to be applied to all Regions;

- 5.5 One of the expectations of the OAG was that the funding arrangement with the third party manager set out the development of management capacity for the First Nation concerned along with a strategy to end the intervention;
- 5.6 Following comments from the OAG, the department undertook a review of its intervention policy and decided to include its new Policy on third party managers;
- 5.7 National Headquarters requires that the Regions implement the national policy by explaining the procedures, roles and responsibilities of the Region and by transmitting them to the Recipients (Chapter 5.11 of Part 5 of the Financial Policy and Procedures Guide/ Funding Arrangement -Intervention Policy, article 21.3);
- 5.8 The Quebec Region, for its part, took steps to develop a regional implementation strategy of the Intervention Policy of which the main product is the present Procedure;
- 5.9 This Procedure considers the concerns and suggestions raised by the stakeholders met during discussion groups: INAC employees, Aboriginal managers, financial institutions and federal partners;
- 5.10 The National Intervention Policy Review Advisory Committee insisted on the necessity of putting more emphasis on the development of First Nations capacities. In reply to this, INAC Headquarters is committed to strengthen its Management Control Framework (MCF) by developing a formal evaluation process to be used to assess the management capacity of the First Nation and allow it to elaborate a plan to improve and develop management capacity;
- 5.11 At the Regional Office, it was observed that over the last few years there has been an increase in the number of First Nations in financial and/or administrative difficulty and in their level of indebtedness. The improvement of First Nations management capacity for staff and elected members must thereby be at the heart of the Department's approach;
- 5.12 In addition, the Regional Office considered the suggestion of the OAG, that "if it wishes to intervene in a timely manner, the department must act before the First Nation goes too far into debt". This is why one of the bases developed in this procedure is Preventive Intervention, based on collaboration with First Nations.

6 AUTHORIZATION AND REFERENCES

- 6.1 *Access to Information Act;*
- 6.2 *Financial Administration Act, Part III, Public Expenditures, Articles 32, 33 and 34;*
- 6.3 *Privacy Act;*
- 6.4 Treasury Board Policy on transfer payments;
- 6.5 Financial Policy and Procedures Guide (Volume 3), Transfer Payments (Part 5);
- 6.6 Indian Programs Manual (Volume 1), Capital Facilities and Maintenance, Approval and Management of Ministerial Loan Guarantees for Housing - Chap.1-13;

- 6.7 Records Management Policy dated September 29, 1999;
- 6.8 Ministerial manual on document classification;
- 6.9 Regional Directive - Report Management Framework;
- 6.10 Terms and conditions of Funding Arrangements signed by INAC and in the case of CFNFA, by INAC and the other departments;
- 6.11 Year-End Reporting Handbook for First Nation, Tribal Council and First Nations Political Organizations.

7 AUTHORIZATION OF PUBLICATION

- 7.1 This procedure is issued under the authority of the Regional Director General of the Department of Indian and Northern Affairs Canada, Quebec Region.

8 DEFINITIONS

- 8.1 **Recipient:** The party (First Nation or organization) who has entered into a Funding Arrangement for the receipt of funds and the delivery of programs and services. "*Bénéficiaire*";
- 8.2 **Regional Office:** INAC Regional Office responsible for the Quebec Region. "*Bureau régional*";
- 8.3 **Co-manager:** A qualified individual, partnership, corporation or tribal council, acceptable to both the Recipient and the Minister. The co-manager is hired contractually by the Recipient to help him develop and/or implement the Remedial Management Plan. "*Cogestionnaire*";
- 8.4 **Intervention Advisory Committee (IAC):** Under the responsibility of the Funding Services Branch, this committee consists of the Regional Manager, Funding Arrangements, the Regional Manager, Transfer Payments, the Chief, General Accounting, the regional advisor responsible for the follow-up of communities in difficulty, and depending on the community concerned, the Funding Officer and the Regional Advisor, Audit and Remedial Management Plans. Analysts of the concerned programs will take part in the IAC meetings when the situation requires it. "*Comité aviseur en intervention*";
- 8.5 **Communities in Financial and/or Administrative Difficulty Follow-up Committee (CFADFC):** Consists of Regional Advisors, Transfer Payments, and two Funding Officers.;
- 8.6 **Council:** A "Band" within the meaning of the Indian Act, represented by the chief and councillors of the First Nation having signed a Funding Arrangement. "*Conseil*";
- 8.7 **Trigger:** One or a combination of indicators observed within a First Nation generating sufficient concern for the Regional Office to pay particular attention to it. A non-exhaustive list is presented in Appendix A. "*Déclencheur*";
- 8.8 **Co-management Agreement:** A written agreement made by the Recipient and the co-manager and accepted by the Quebec Regional Office. A non-exhaustive list of the co-managers's roles and responsibilities is presented in Appendix B "*Entente de congestion*";

- 8.9 **Funding Arrangement:** A document containing terms and conditions by which a transfer payment is made by the Minister for the delivery of programs and services. “*Entente de financement*”;
- 8.10 **Ministerial Guarantee (or: Loan Guarantee):** designates a loan guaranty by means of which the Minister guarantees the reimbursement of the loan to the lender if the borrower fails to meet the reimbursement obligations stated in the loan agreement. “*Garantie ministérielle*”;
- 8.11 **Intervention:** Refers to the National Intervention Policy; it is the application of all the measures to which the Regional Office may resort in accordance with the Funding Arrangement to correct a default by the Recipient or, when the Recipient has not signed a Funding Arrangement: the naming of a third party manager by the Minister. “*Intervention*”;
- 8.12 **Preventive Intervention:** The application of the proactive approach of the Regional Office with the First Nation, to prevent the deterioration of a problematic situation stemming from the presence of triggers. The implementation of Preventive Intervention allows for the settlement of the situation with the First Nation before being obliged to apply the National Intervention Policy “*Intervention preventive*”;
- 8.13 **Level of Indebtedness:** Used for the present procedure to decide on the financial situation of the Recipient by either using the result of the cumulative deficit ratio or that of the negative working capital ratio. “*Niveau d’endettement*”;
- 8.14 **Action Plan:** A plan developed by the Recipient and approved by the Regional Office to correct a problematic situation within a Preventive Intervention. “*Plan d’action*”;
- 8.15 **Remedial Management Plan (RMP):** A plan developed by the Recipient and approved by the Regional Office that identifies the required measures to be implemented by the Recipient in order to remedy a default under a Funding Arrangement. “*Plan de redressement/PDR*”;
- 8.16 **Transition Plan:** An Action Plan developed by the Recipient and approved by the Regional Office demonstrating that the First Nation has the capacity to assume the responsibility of administering its financial programs and services funded by the Funding Arrangement, and indicating the measures that will be implemented to allow the First Nation to gradually reclaim its administrative powers and thereby reduce the level of intervention. “*Plan de transition*”;
- 8.17 **Working capital ratio:** A ratio used to determine the level of indebtedness of a Recipient and his capacity to meet short-term obligations. The detailed calculation method and certain specifications are presented in Appendix C. “*Ratio du fonds de roulement*”;
- 8.18 **Cumulative Surplus (Deficit):** A ratio used to determine the level of indebtedness of a Recipient. The detailed calculation method and certain specifications are presented in Appendix C. “*Surplus cumulative (deficit)*”;
- 8.19 **Third Party Manager:** A third party, named by the Minister to administer the funding which would be otherwise paid to the Recipient and to fully or partially fulfill the obligations of the Recipient by virtue of its Funding Arrangement or, when the Recipient has not signed a Funding Arrangement, a third party to administer the delivery of programs and services. “*Séquestre-administrateur*”;

- 8.20 Essential Services:** The programs and services described in Chapter 5.16 – Management Control Framework for the reception of reporting requirements. / Part 5 of the Financial Policy and Procedures Guide / Transfer Payments “*Services essentiels*”;
- 8.21 Regional Report Tracking Management System (RRTMS):** Computer-based tool allowing for the entering of reporting requirements of the Funding Arrangement and carry out its follow-up. “*Système de gestion régional de suivi des rapports (SGRSR)*”;
- 8.22 Exit Strategy:** Procedure for the purpose of reducing or eliminating the level of intervention. “*Stratégie de sortie*”.

9 PROCEDURE STATEMENT

- 9.1** The purpose of this Procedure is to establish a regional application and implementation framework for the National Intervention Policy and adding a preventive section to it;
- 9.2** This Procedure was established in order to help regional stakeholders to make an informed choice on the type of approach to adopt for a problematic situation identified in the administration and the delivery of programs and services transferred to the First Nations;
- 9.3** A flow chart was developed in order to illustrate the decision-making framework of the present Procedure and is presented in Appendix D;
- 9.4** This Procedure replies to a need for consistency and standardization; it seeks to ensure a clear and fair process for all the Recipients;
- 9.5** The result targeted by this Procedure is to reduce the number and levels of intervention with Recipients;

10 PROCEDURES REQUIREMENTS

10.1 Diagnostic

As soon as a trigger or a combination of triggers has been noted or one of the defaults listed on the effective National Intervention Policy has been identified, the Regional Office must initiate the following process:

10.2 Choice of the type of intervention

- 10.2.1** The Funding Officer, in collaboration with the Transfer Payments Advisor (TPA), and, when needed, with the concerned representative, begins to collect information and analyze the situation. Section A of the Diagnostic File is filled in order to determine if the situation requires an intervention. This sheet is then transmitted to the Regional Managers, Funding Arrangements and Transfer payments, with a copy to the Director, Funding Services.
- 10.2.2** If the situation does not require intervention, the process ends and the Diagnostic File is kept in the Funding Arrangement file.
- 10.2.3** If the situation requires intervention, a meeting of the IAC is called to analyze the situation. The IAC recommends to the Director, Funding Services, for approval, the type and level of

intervention if necessary, (re: Art.10.3) by completing Section B of the Diagnostic File and transmitting it to him.

- 10.2.4** The Director, Funding Services, approves or modifies the recommendation on the type and level of intervention by completing Section C of the Diagnostic File.
- 10.2.5** A copy of the completed diagnostic file (Parts A, B and C) is then transmitted to the Regional Director General, to the IAC members, the CFADFC and federal partners.

10.3 Description of types of intervention

10.3.1 Preventive Intervention

10.3.1.A The Funding Officer and the regional Advisor, Transfer Payments write to the Recipient in order to schedule a meeting, within 30 days, to share and validate the conclusions of the situation analysis.

10.3.1.B During this meeting of the Funding Officer and the regional Advisor, Transfer Payments with the Recipient, the content of an Action Plan, when required, along with its date for submission will be discussed in order to correct the situation. If no Action Plan is required, the Funding Officer and the regional Advisor, Transfer Payments will then update the diagnostic file and transmit it to the IAC to recommend the end of the preventive intervention.

10.3.1.C Upon reception of the Action Plan, the Funding Officer and the regional Advisor, Transfer Payments will analyze it in order to recommend its acceptance, or its acceptance with modifications.

10.3.1.D The recommendation is presented to the IAC for approval.

10.3.1.E A letter signed by the Regional Manager, Funding Arrangements is sent to the Recipient either to signify that an Action Plan is accepted, or to request modifications and determine a reasonable timeframe to produce them.

10.3.1.F In the event that the Recipient does not produce an Action Plan according to the agreed timeframe, the funding officer and the Advisor, Audit and Remedial Management Plans will then update the diagnostic file and transmit it to the IAC for a reassessment of the choice of intervention(re: Art.10.2).

10.3.1G Action Plan

An Action Plan must be developed and submitted by the Recipient to the Regional Office. The minimum standards that will be used for the purpose of acceptance by the Regional Office are presented in Appendix E.

10.3.1.H Follow-up and Evaluation of Results

- a) A follow-up and an evaluation of results, according to the timeframe set up in the Action Plan, will be carried out in the Follow-up File by the Funding Officer and the Regional Advisor, Transfer Payments.
- b) This evaluation is then presented to the IAC for validation.
- c) If Preventive Intervention gives positive results, it is followed up until the problem is resolved.
- d) If Preventive Intervention does not give the expected results, the IAC re-evaluates the situation.

10.3.2 Application of the National Intervention Policy

10.3.2.A In the event where INAC already applies the national Intervention Policy:

- a). The IAC recommends the maintenance, reduction or increase of the intervention level to the Director, Funding Services by completing Section B of the Diagnostic File and transmitting it to him for approval.
- b). The three levels of intervention, as described in the National Intervention Policy, are as follows:
 - i. Level 1: The Remedial Management Plan managed by the Recipient
 - ii. Level 2: Co-management
 - iii. Level 3: The Third Party Manager
- c). In the event of a reduction of the level of intervention, a Transition Plan will be required.

10.3.2.B In the event that the failure of the Recipient to perform his duties oblige the Regional Office to immediately apply the national Intervention policy:

- a) The IAC recommends the level of intervention to the Director, Funding Services by completing Section B of the Diagnostic File and transmitting it to him for approval.
- b) The three levels of intervention, as described in the National Intervention Policy, are as follows:
 - i. Level 1: The Remedial Management Plan managed by the Recipient
 - ii. Level 2: Co-management
 - iii. Level 3: The Third Party Manager
- c) The Funding Officer and the Advisor, Audit and Remedial Management Plans write a letter, to be signed by the Director, Funding Services, to the Recipient to request additional information and to schedule a meeting.
- d) The due date for the reception of the Remedial Management Plan will be recorded in the RRTMS.

10.3.2.C Remedial Management Plan

- a) For each level of intervention, a Remedial Management Plan must be developed by the First Nation and submitted for acceptance by the regional office. Appendix A of the national Intervention Policy details the minimum standards for approval of a Remedial Management Plan .
- b) Upon reception of the Remedial Management Plan, the Funding Officer and the Advisor, Audit and Remedial Management Plans will analyze it and present their conclusions to the IAC for recommendation to the Director, Funding Services.
- c) A letter signed by the Director, Funding Services will be sent to the Recipient either to indicate that the Remedial Management Plan is approved, or to request modifications within reasonable timeframe which should not exceed 30 calendar days. The new date will be registered in the RRTMS.
- d) In the event that the Recipient refuses to produce a Remedial Management Plan, registration in the RRTMS will result in a withholding of funds until the reception of the Remedial Management Plan. The level of intervention will also be revised by the IAC for recommendation to the Director, Funding Services.
- e) For the three abovementioned levels, a report on the progress of the Remedial Management Plan's implementation will be required by the Regional Office, at least every three months. This reporting requirement will be registered in the RRTMS. A reporting model is attached in Appendix F.

10.3.2.D Exit Strategy

- a) The first action to take in order to reduce or end the level of intervention is to obtain the participation of the Recipient in the settling of the default or difficulties having caused the default.
- b) The Recipient has the responsibility to demonstrate that he has the necessary capacity and will to take over the management of his funding - by submitting a Transition Plan to the Regional Office;

10.3.2.E Transition Plan

- a) The minimum standards for the Transition Plan are described in Appendix G.
- b) The Director, Funding Services is responsible for approving the Transition Plan.

10.3.2.F Follow-up and evaluation of results

- a) The intervention performance review must be done by minimally respecting the criteria listed in the National Intervention Policy (performance review model).
- b) The results of the measures of the Remedial Management Plan will be evaluated quarterly by the Funding Officer and the Advisor, Regional Transfer Payments and the evaluation will be shared with the Recipient.
- c) Co-management: A quarterly evaluation based on the mandate, will be carried out by the Funding Officer and the Advisor, Regional Transfer Payments and a copy will be transmitted to the Recipient and the co-manager.
- d) Third party managers: A quarterly evaluation based on the Third Party Agreement will be carried out by the Funding Officer and the Advisor, Regional Transfer Payments and a copy will be transmitted to the third party manager.

10.4 Regional Coordination of Funding allocations

- 10.4.1. A summary of the situation of the communities in difficulty will be regularly updated by the CFADFC and transmitted to the concerned sectors.
- 10.4.2. The directors of other Regional Office sectors must inform the Director, Funding Services, of any new funding allocated to Recipients in administrative and/or financial difficulty, whether they are already under remedial action or at risk.
- 10.4.3. The issue of ministerial guarantees must comply with Order in Council P.C.. 1999-2000 on November 4, 1999 of which the directive "Approval and Management of Ministerial Loan Guarantees for Housing", Indian Program Manual, Volume 1, Facilities and Maintenance, is the implementation. This measure does not apply for communities in Preventive Intervention.

10.5 Rules of Contact and Correspondence with the Recipients

- 10.5.1 It is desirable that the administrators of the Recipient be present during follow-up meetings.
- 10.5.2 All correspondence from the Regional Office pertaining to this procedure will be addressed to the First Nation Council or the directors of the Recipient organization; a copy will be sent to the Director General of the Recipient and/or to its controller if need be.
- 10.5.3 In the event of co-management, a copy of all correspondence must be addressed to the co-manager.
- 10.5.4 In the event that the Funding Arrangement of the Recipient is administered by a third party manager, all correspondence must be addressed to the third party manager, with copy to the Recipient.

11 MANAGEMENT OF DOCUMENTS

- 11.1** Any document relating to the present procedure must be conserved in the CIDM (Comprehensive Integrated Document Management) under number 4240-1 Remedial Management Plans.
- 11.2** All the reports required from the Recipient within this procedure, except for the Action Plan, must be entered in the RRTMS and are subject to the Regional Framework Directive on Report Management.

12 INAC Responsibilities– Quebec Region

Other than the responsibilities defined in the National Intervention Policy in force:

12.1 The Associate Regional Director General must:

- 12.1.1** Approve and oversee the implementation of the present procedure.
- 12.1.2** If applicable, approve the modifications to the Procedure following its revision.

12.2 The Director, Funding Services must:

- 12.2.1.** Implement the present Procedure;
- 12.2.2.** Implement the Intervention Advisory Committee (IAC);
- 12.2.1.** Approve the type and the level of intervention, the remedial management plan and the transition plan.
- 12.2.2.** Submit the modifications of the present Procedure to the office of the Regional Director General for approval.
- 12.2.5** Regularly inform the other Regional Office sectors about Recipients in administrative and/or financial difficulty, even if they are already under remedial action or at risk.

12.3 The Director, Corporate Services must:

- 12.3.1** Ensure that the regional Procedure complies with the national Intervention Policy;
- 12.3.2** Carry out annual quality control tests in order to determine if the National Intervention Policy and the regional procedure in place are respected;
- 12.3.3** Carry out the holdbacks linked to the non reception of reports required in the regional Procedure.

12.4 The Directors of regional sectors must:

- 12.4.1** The directors, Regional sectors, must inform the Director, Funding Services of any new funding awarded to Recipients in administrative and/or financial difficulty, even if they are already under remedial remedy or at risk;

12.4.2 Inform the regional management committee of any decisions and actions concerning a Recipient in administrative and/or financial difficulty, even if they are already under remedial remedy or at risk;

12.4.3 Provide the IAC with analysts, officers or advisors when required;

12.4.4 Ensure that potential triggers identified/ listed by their employees be transmitted to the Funding Officer in charge of the file.

12.5 The Manager, Transfer Payments must:

12.5.1 Ensure the application of the present Procedure by Advisors, Transfer Payments;

12.5.2 Ensure the training of employees in charge of applying the present Procedure;

12.5.3 Monitor the transmission of the present Procedure;

12.5.4 Ensure the periodic update of the present Procedure;

12.5.5 Act as permanent member of the IAC.

12.6 The Regional Manager, Funding Arrangements must:

12.6.1 Ensure the application of this procedure by Funding Officers;

12.6.2 Act as permanent member of the IAC.

12.7 The Funding Officer must:

12.7.1 In collaboration with the Advisor, Regional Transfer Payments and the concerned program analyst, analyze the audited financial statements and/or the potential triggers of a situation that could lead to an intervention and complete the diagnostic file;

12.7.2 Call a meeting of the IAC if necessary;

12.7.3 Inform and meet the Recipient when an intervention is required;

12.7.4 Analyze the required Action Plan, Transition Plan or the Remedial Management Plan;

12.7.5 Evaluate the results of the Remedial Management Plan or the Action Plan required by this procedure and ensure their follow-up;

12.7.6 Document the communications and complete the Visit Report following meetings with the Recipient;

12.7.7 Enter the reports linked to the present Procedure into the RRTMS.

12.8 The Advisor, Transfer Payments must:

12.8.1 If he/she is a Regional Advisor, Audit and Remedial Management Plans:

- Collaborate in the application of this Procedure with the Funding Officer and the program analyst concerned;
- Analyze the financial reports required by the present procedure;
- Carry out the update of the data in the Transfer Payments Management System (TPMS).

12.8.2 If he/she is coordinator of the Follow-up on Communities in Difficulty:

- Collaborate with the Funding Officer and the Regional Advisor, Audit and Remedial Management Plans;
- Coordinate the intervention performance reviews;
- Follow up on the Procedure results;
- Act as permanent member of the IAC.

12.9 The Intervention Advisory Committee (IAC) must:

12.9.1 Recommend the type and the level of intervention to the Director, Funding Services;

12.9.2 Approve or refuse the Action Plan required during a Preventive Intervention;

12.9.3 Recommend the acceptance, modification or refusal of the Remedial Management Plan to the Director, Funding Services;

12.9.4 Approve the end of Preventive Intervention.

12.10 The Communities in Financial and/or Administrative Difficulty Follow-up Committee (CFADFC) must:

12.10.1 Periodically update the Summary Table of communities in Remedial Management Plans and communities at risk;

12.10.2 Transmit to the Director, Funding Services, all the information which could be useful for decision-making.

13 INFORMATION REQUEST

13.1 Any information request relative to the present procedure should be sent to the Manager, Transfer Payments, Indian and Northern Affairs Canada, Quebec Region.

14 REVIEW PROCESS OF THE PROCEDURE

This Procedure will be reviewed on an annual basis and modified when necessary.

Following the annual quality assurance exercise, recommendations for modifications to the present Procedure will be submitted to the Director, Funding Services. The necessary modifications will be carried out and presented to the Associate Regional Director General for approval.

15 APPENDICES

- A.** List of triggers
- B.** Co-management: list of roles and responsibilities/criteria
- C.** Calculation of ratios
- D.** Flow chart
- E.** Minimum standards for action plans (preventive intervention)
- F.** Activity report format
- G.** Minimum standards for transition plans

APPENDIX A

LIST OF TRIGGERS FOR PREVENTIVE INTERVENTION

Note: The following list is non-exhaustive and the triggers are given as examples. By trigger we mean: a combination of indicators observed within a First Nation and generating sufficient concern for the INAC Regional Office to pay special attention to it.

| Field of Activity | Trigger |
|--|--|
| Program and Service Delivery | |
| Service to the members | Complaints received from FN members in the event of a denial of services by their Band Council. |
| Reporting requirements | Regular delays in the presentation of reports |
| Compliance reviews | Non admissible expenses or recipients, non compliant practices, deviations from the compliance report, financial statements and statistical reports Absence of progress between two reviews |
| State of housing stock | Health or safety problems Accelerated depreciation of property (Negative comments from ACRS) |
| State of housing | Health/safety problems raised by Health Canada Accelerated depreciation of housing |
| Complaints and allegations | Volume/severity |
| Governance | |
| Accountability | Deficient (ex: calls from members, no annual report, etc.) |
| Roles et responsibilities of elected officials | Regulations on internal government |
| Relations of Council with its environment | Major deterioration of relations between the FN and neighbouring communities |
| New council elected | Non defined rules for transfer of power |
| Development plan | Absence of or failure to respect program policies |
| Human resources | High turnover rate Key positions vacant and hard to fill Lack of experience and competence of staff |
| Exercise of power | Political deadlock/ Divided Council High remuneration of elected officials and travelling costs |
| Requests for access to information | Volume/subject |
| Complaints and allegations | Volume/severity |

| Field of Activity | Trigger |
|---|---|
| Financial Management | |
| Socio-economic environment | Loss/Departure of an important employer from the region which could lead to social, financial problems, etc Event causing band revenues to drop. Ex: Drop in price of crab Social crisis |
| Management of accounts payable | Numerous calls Difficulty/impossibility to obtain short-term and long-term funding |
| Financial institutions | Numerous calls (defaults, etc) Difficulty obtaining credit |
| Band managers | Calls to INAC for liquidity problems |
| Management of provincial programs | Modifications of rates have a financial impact on certain communities (ex: social services, school fees) |
| Businesses belonging to Band Councils | Deficits covered by the Council (from the Funding Arrangement) |
| Budgetary and financial control | No budgeting exercise or interim financial reports No financial management policy or no implementation (I) |
| Management of capital projects | Exceeding of costs/political interference/non attached funding despite starts of ministerial works/guarantees impossible to obtain. |
| Contingencies (in Financial Statements) | Lawsuit can cause increased risk of deficit |
| Elections | Financial impact |
| Working capital | Seizure of bank account/liquidity problem |
| Level of indebtedness | Increase of level |
| Rent collection | Low collection rate (bad debts) |
| Complaints and allegations | Volume/severity |

REGIONAL INTERVENTION PROCEDURE

APPENDIX B

B-1- PREDETERMINED SERIES OF CRITERIA FOR THE SELECTION OF A CO-MANAGER

The selection of a co-manager must be based on a predetermined series of criteria that can include any or all of the following criteria:

- i) Aptitude to help the Recipient respect their obligations arising from the Funding Arrangement and correct the default;
- ii) Previous experience in financial management;
- iii) Experience as a co-manager or third party manager;
- iv) Work experience with the First Nations and First Nations organizations;
- v) Experience in the planning and implementation of Remedial Management Plans;
- vi) Experience in the planning and implementation of administrative policies;
- vii) Time spent, or time to be spent in First Nations communities;
- viii) Aptitude to offer training in administration/management;
- ix) Aptitude to effectively collaborate and communicate with First Nations, and guide them.
- x) Hold professional liability insurance;
- xi) Consideration of the Procurement Strategy for Aboriginal Businesses;
- xii) Costs;
- xiii) References; and
- xiv) Any other criteria required according to the circumstances.

Note: This list is not established for the delivery of advice to the Recipient but rather as an example of what could be used as selection criteria.

REGIONAL INTERVENTION PROCEDURE

APPENDIX B

B-2 LIST OF DIFFERENT ROLES AND RESPONSIBILITIES OF A CO-MANAGER

Here is a list of roles and responsibilities that co-manager could have to assume in order to meet the needs of the Recipient and, eventually transfer to him the entire management of the Funding Arrangement. The co-manager must help the Recipient:

- a. Administer the conditions of the Funding Arrangement;
- b. Plan or update the Remedial Management Plan;
- c. Prepare or update the budget/Expenditure plan;
- d. Manage the debt in order to facilitate the returning of management responsibilities and program delivery to the Recipient;
- e. Negotiate the reimbursement plans and help develop a Debt Management Plan;
- f. Prepare and/or present the required reports in order to respect the reporting requirements included in the Funding Arrangement;
- g. Develop administration, decision-making and management systems affecting all the operations of the Recipient in order to correct the default or eliminate the cause of the intervention;
- h. Re-establish the capacity of the Recipient to ensure responsible and sound program and service delivery in compliance with the Funding Arrangement;
- i. Evaluate the accountability, management, administration, and human and financial resources management systems and policies, governing the activities of the Recipient;
- j. Keep an accounting system in regard to the community members referring to programs, services, and community responsibilities;
- k. Establish and keep procedures intended to facilitate program management and support financial control, and even become co-signatory of certain or all accounts that the Recipient possesses with recognized Canadian financial institutions and help the Recipient manage all the financial resources;
- l. Write situation reports every month on all questions pertaining to the results of the Remedial Management Plan, which could include meetings with the representatives of the Minister if necessary.
- m. If necessary, ensure that the employees of the Recipient receive the training required to develop their capacities in administration or management;
- n. Present reports on the use of funding and on program and service delivery;
- o. Establish an exit strategy of the Intervention Policy for the eventual return of powers to the Recipient;
- p. Settle all disputes;
- q. Assume all the roles and responsibilities that the circumstances could require.

Note: This list is not established for the delivery of counselling services to the Recipients but rather as an example of what could be used as selection criteria in the co-management agreement.

REGIONAL INTERVENTION PROCEDURE

APPENDIX C

CALCULATION OF RATIOS

1.0 Use of ratios

The cumulative surplus (deficit) ratio and the working capital ratio are used to determine the level of indebtedness of a Recipient and his capacity to respect short-term commitments.

When one of these ratios reaches or exceeds 8% of the revenues arising from the current operations of the Recipient, an analysis process or a more in-depth investigation must be carried out in order to verify if the Recipient is truly encountering financial difficulties.

2.0 Types of ratios

- 2.1 Cumulative surplus (deficit) ratio in relation to revenues arising from the current operations.
- 2.2 Working capital ratio in relation to revenues arising from the current operations.

3.0 Definitions

Cumulative surplus (deficit): Implies the net amount of annual surpluses and deficits of all the Recipient's funds since its creation.

Working capital: Implies short-term assets minus short-term liabilities.

Business funds: Implies cumulative surpluses (deficits) arising from the operations of the Recipient's businesses.

Capital funds: Implies the net value of the fixed assets of the Recipient minus the debts related to them.

Trust funds: Implies funds withheld in trust for the Recipient in the Consolidated Revenue Fund (CRF) and in private trusts.

Operational funds: Implies regular activities of the Recipient other than those of the business funds, capital funds and trust funds.

Revenue of current operations: Implies the total of revenues of the consolidated financial statements minus the revenues coming from the capital funds, trust funds and certain enterprise funds. In addition, we must exclude from this calculation the revenues pertaining to major capital or investment projects that are not repetitive from one year to the next and that could artificially increase the revenues for one year and thereby distort the ratios.

4.0 Calculation of ratios

To ensure an exact calculation of these ratios, it is important to exclude the amounts that do not affect the current operations of the Recipient.

Equity capital arising from capital funds and trust funds is often of considerable amounts that cannot be used to estimate the current operations of the Recipient. As a result, it is recommended that these amounts not be considered.

Equity capital – business/enterprise funds are the cumulative surpluses (deficits) arising from the operation of businesses of the accounting entity. The cumulative results of these activities are found in the Investments and Members' Equity section of the consolidated balance sheet.

As the operations of these enterprises could have consequences on the current operations and the delivery of programs and services of the Recipient, this must be considered during the assessment of the financial state of the Recipient. The financial performance of enterprises which have at least one of the four (4) following characteristics could have an effect on the financial state of the Recipient:

1. The enterprises that are not distinct entities according to the law;
2. The enterprises in which the Recipient did not delegate powers allowing them to function as independent enterprises;
3. The enterprises that do not sell services or goods outside of an accounting entity;
4. Within their current activities, the enterprises that cannot continue their operations and respect commitments made with sources outside of the accounting entity without the financial support of the Recipient.

According to the *CICA Public Sector Accounting and Auditing Handbook*, the enterprises that do not have these characteristics are considered as "government business enterprises" and their results must be excluded from the calculations of ratios to evaluate the financial state of the Recipient.

The cumulative surplus (deficit) ratio in relation to revenue arising from current operations is calculated in the following way:

- a)
$$\frac{\text{Total cumulative surplus (deficit) excluding certain types of equity capital}}{\text{Revenues of current operations}}$$

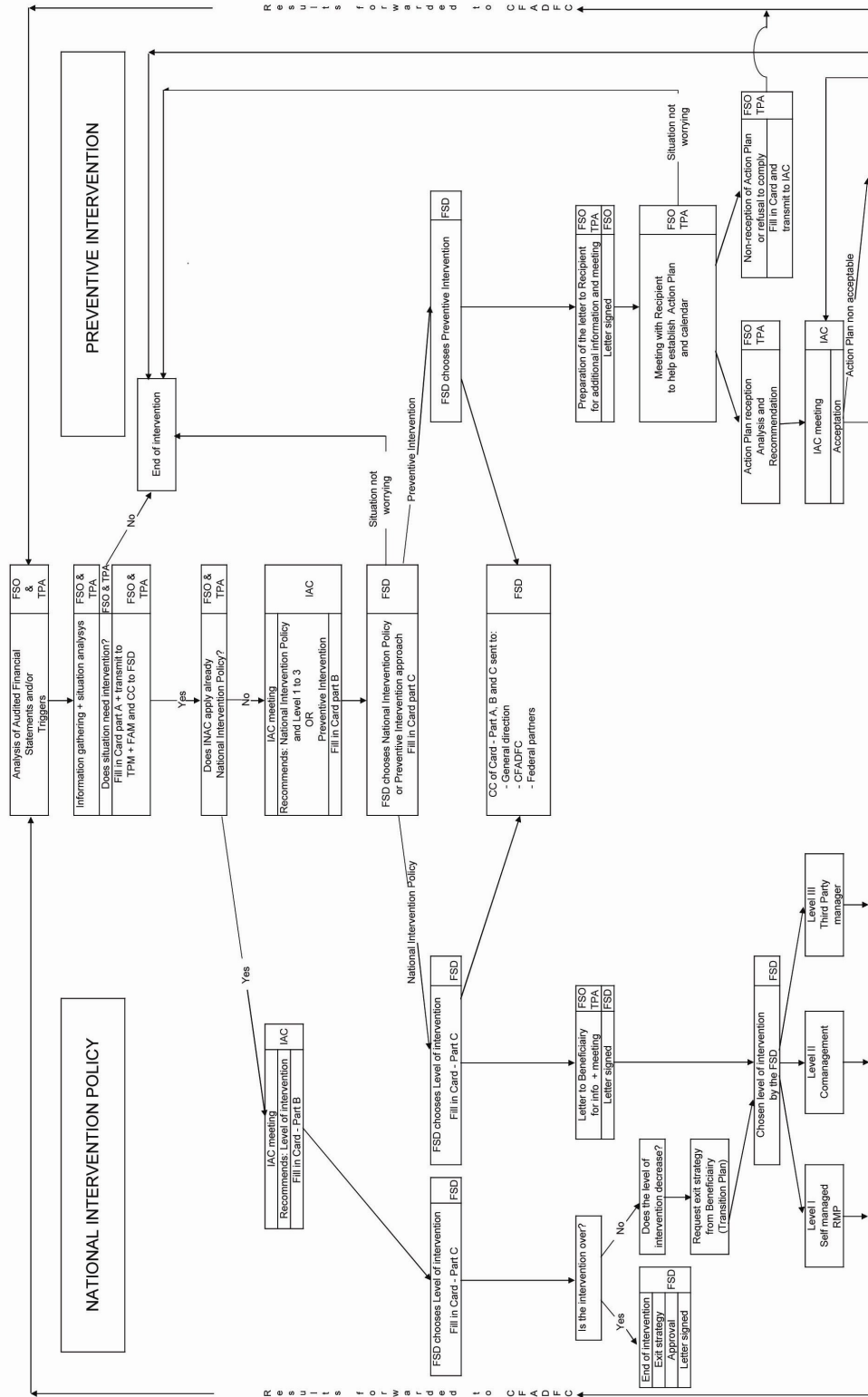
The working capital ratio in relation to revenue arising from current operations is calculated in the following way:

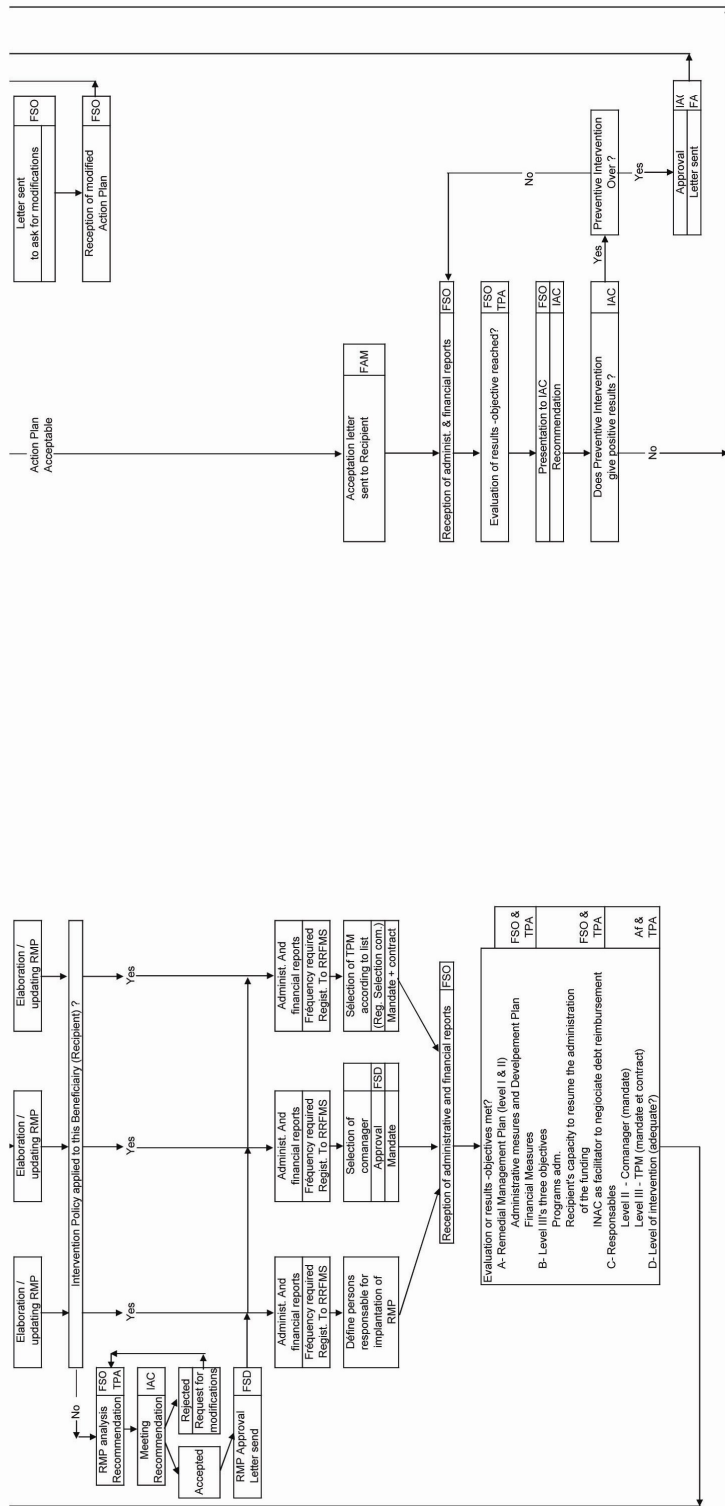
- b)
$$\frac{\text{Working capital (Short-term assets – Short-term liabilities)}}{\text{Revenues of current operations}}$$

APPENDIX D

RÉGIONAL INTERVENTION PROCEDURE

FLOW CHART (MAPPING)





REGIONAL INTERVENTION PROCEDURE

Legend:

| | |
|--------|---|
| FSD | Funding Services Officer |
| IAC | Intervention Advisory Committee |
| TPA | Transfer Payment Advisor |
| CFADFC | Communities in Financial and/or Administrative Difficulty |
| FSD | Funding Services Director |
| FAM | Funding Advisor Manager |
| TPM | Transfer Payments Manager |
| PI | Preventive Intervention |
| RMP | Remedial Management Plan |
| NIP | National Intervention Policy |
| RRTMS | Regional Report Trading Management System |

APPENDIX E

MINIMUM STANDARDS OF ACTION PLANS FOR PREVENTIVE INTERVENTION

The Action Plan must include:

- The object (purpose) of the Action Plan;
- The effective date;
- Identification of the problem– cause of preventive intervention;
- Remedial measures –including specific delays to solve each problem;
- Performance indicators to be used to measure effectiveness;
- The roles and responsibilities of the parties in the Action Plan;
- Financial forecasts (in the event of financial difficulties);
- Capacity building and the identification of training activities (if applicable);
- A clause on the reports and the follow-up;
- Approval by the Recipient.

REGIONAL INTERVENTION PROCEDURE

APPENDIX F

MINIMUM STANDARDS OF QUARTERLY REPORTS TO BE SUBMITTED FOR A REMEDIAL MANAGEMENT PLAN (RMP)

The quarterly reports must include the four (4) following sections to be considered as compliant:

Section A – Introduction

Executive summary:

- Report date;
- Period covered (fiscal year);
- Reference to Remedial Management Plan (version # or RMP date);
- Reference to the conditions of the acceptance of the RMP by INAC (if applicable);
- Summary description of obtained results;
- Highlights –main achievements;
- Signatories of the report.

Section B – Financial performance

The required financial reports must include all the Council operations, meaning current operations (administration, education, income security, social services, public security, health services, etc...), the construction/renovation of capital assets, the management of the housing stock and all other band activities (economic activities such as fishing, forestry, businesses, enterprises, etc...).

The financial reports must include for the covered period:

- Summary statement of revenues and expenditures per service /department compared to the prorata budget ;
- Explanations of important deviations (real versus budget);
- Detailed balance including the related notes (if applicable);
- Forecast cash flow for the remaining period of the fiscal year;
- Detailed list of accounts/ clients filed by due date -30/60/90/120 days and over;
- Detailed list of accounts/ payable filed by due date -30/60/90/120 days and over;
- List of accrued accounts receivable;
- List of accrued expenses;
- Detailed list of deferred revenues included in balance sheet.

Section C - Activity Report- Remedial measures

This section must include a progress (achievement) report of the administrative and financial measures set out in the Remedial Management Plan presented in compliance with the model included here.

Section D – Conclusion

This section must include:

- The performance assessment of the measures set out in the Remedial Management Plan;
- The recommendations on the modifications to be made to the Remedial Management Plan if applicable.
- The objectives (measures) to prioritize for the next quarter;

REGIONAL INTERVENTION PROCEDURE

APPENDIX G

MINIMUM STANDARDS OF TRANSITION PLANS

The Transition Plan must include:

- The object (purpose) of the Transition Plan;
- The effective date;
- The description of the desired reduction of the level of intervention;
- The identification of administrative problems – that caused the high level of intervention;
- Remedial measures –including specific delays to solve each problem;
- The description of measures showing that the Recipient will eventually be able to assume full administrative powers and justifying a reduction of the level of intervention;
- Capacity building and the identification of training activities (if applicable);
- The roles and responsibilities of the parties in the Transition Plan;
- Approval by the Recipient.

Once it is approved by the Director, Funding Services, the Transition Plan will be attached to the Funding Arrangement and become an integral part of the Funding Arrangement.