



Indigenous and
Northern Affairs Canada

Affaires autochtones
et du Nord Canada

Financial Review of Rolling River First Nation



Canada

INAC • AANC



Background

- Indigenous and Northern Affairs Canada (INAC) contracted Ernst & Young LLP to perform a financial review of Rolling River First Nation, to determine whether funds provided were used in accordance with the terms and conditions of the funding agreement.

- The period reviewed was from April 1, 2009 to December 31, 2014 and focused on allegations involving:
 - Remuneration for Chief and Council and band employees, including travel and/or payroll advances.
 - Cash advances to vendors.
 - Expenditures related to the administration of the post-secondary student support program.





Findings: General

- The financial review identified a lack of:
 - Supporting documentation and evidence of approval for payments made by the First Nation.
 - Written policies and procedures around financial management.
 - Consistently applied practices and procedures around financial management (i.e. holiday pay, travel/sundry allowances).
- Year-end audit adjusting entries were not entered into the First Nation's general ledger on an annual basis.
- Signatories on some cheques for the reimbursement of expenses, travel allowances and payroll were also payees or related to the payee.
- Revenues were co-mingled into a single bank account and the First Nation consistently ran a significant overdraft in their main bank account.





Findings: Remuneration - Salaries

- Salaries paid exceeded the payroll amounts provided.
- Unsupported advance salary payments and bonuses were made without evidence of approval.
- Posting errors, including:
 - Holiday Pay payments and travel reimbursements posted to staff wage accounts.
 - Payroll advances were recorded as wages, and subsequently re-classified as Accounts Receivable account.
 - Certain salary amounts recorded in the general ledger were not paid to the employees as listed.
- Individuals received Holiday Pay payments for up to six weeks of time off not taken.





Findings: Administration Fees

- In addition to salaries, certain individuals received payments for administration fees.
- We could not locate a Band Council Resolution or other approval document for the payment of administration fees. Individual payments were typically supported by a hand written request from the individual.
- Administration fees were paid from both INAC and other sources.





Findings: Travel allowances

- Certain individuals received a monthly travel allowance of \$100 or \$150 to cover on-reserve travel. Supporting receipts were not required for payments of the allowances.
- The review found that individuals often received payments that were higher than the monthly travel allowances of \$100 or \$150.
- In total \$136,525 in ineligible/unsupported payments were identified, of which \$126,175 was INAC-funded.





Findings: Remuneration – Sundry Expenses

- Certain employees received a monthly sundry allowance of either \$100 or \$150.
- Chief and Council members received \$200 per month.
- The sundry allowance was paid more frequently than monthly to certain employees and Chief and Council members.
- In total \$169,970 in ineligible/unsupported payments were identified, of which \$40,495 was INAC funded.





Findings: Other Items

- The review identified \$24,814 of Post-Secondary Student Support expenditures that were ineligible or unsupported and consisted of the following:
 - Unconfirmed travel per diems (\$9,316)
 - Cash prize payouts (\$4,750)
 - Salary payments to employees and Chief and Council members (\$3,591)
 - Other payments lacking proper supporting documentation (\$7,157)





Findings: Other Items (Continued)

- Several of the potentially ineligible expenditures identified were coded to Band Support Funding in the First Nation’s general ledger.
- The First Nation’s audited financial statements show the following surplus/(deficit) in Band Support Funding:

2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
(\$57,855)	(\$84,913)	(\$105,096)	(\$13,337)	(\$16,354)	(\$9,456)

- Due to co-mingling of INAC and Band source funds, the review was unable to determine which funds were used to cover deficits in Band Support Funding, as such, INAC funds earmarked for other programs may have been used to cover them.





Conclusions

- This financial review has confirmed the allegation that INAC funding has not been used in accordance with the INAC funding agreement and highlights the need for the Band to improve its internal controls and financial oversight.
- A total of \$455,755 of expenditures which were INAC funded have been identified as ineligible and/or unsupported, and are subject to recovery.

	INAC funded Programs		Total
	Other INAC Programs	Band Support Funding	
Salary, Honorarium & Holiday Pay	\$51,758	\$163,038	\$214,796
Admin Fees	\$48,975	\$500	\$49,475
Travel allowance	\$50,800	\$75,375	\$126,175
Sundry allowance	\$8,120	\$32,375	\$40,495
Post Secondary Student Support Program	\$24,814	-	\$24,814
Total:	\$184,467	\$271,288	\$455,755

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Recommendations

The following recommendations, if implemented, would improve the Band's internal controls:

- Prepare formal written policies and procedures for:
 - Payroll and honoraria
 - Travel and allowances
 - Accountable advances, including payroll
 - Other remuneration to employees and Chief and Council
- Develop and implement accounting procedures for activities such as bank reconciliations, analysis of accounts receivables and payables and processing of year-end audit entries.
- Delivering training on newly implemented policies and procedures, including roles and responsibilities.
- Open a separate bank account to be used for INAC funds.

