



Aboriginal Affairs and  
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# **Investigation of Allegations at the Nekaneet First Nation**

2012



# Investigation of Allegations at the Nekaneet First Nation

**Name:** [Nekaneet First Nation Band](#)

**Population:** 186 on reserve; 468 total registered

**Location:** Saskatchewan

**Current Chief:** Jordi Fourhorns

**Time period covered by investigation:** April 1, 1999 to March 31, 2010



## Background

- The Assessment and Investigation Services Branch of the Department received allegations from members of the Nekaneet First Nation.
- Based on the allegations received, three areas were investigated :
  - Payments to former Chief and Council members
  - Other potential misuse of Aboriginal Affairs and Northern Development Canada funding
  - Questionable transactions and issues.
- The audit firm Deloitte and Touche was retained to conduct a forensic audit . In their investigation, the firm examined transactions from April 1, 1999 to March 31, 2009.



# Findings: Payments to Former Chief and Council Members

## Outstanding loans owing to the First Nation by former Chief and Council members

- Total loans and advances owing to the Nekaneet First Nation by band members increased from \$293,500 as of March 1999 to \$533,345 as of March 2009.
- The total loans and advances of \$533,345 were charged as an expense to the First Nation as non-collectible (bad debts).
- No supporting documentation was identified to confirm whether the loans and advances were appropriately approved by the Chief and Council.

## Alleged use of corporate entities by former Chief to divert funds from the Department

- Due to the lack of proper documentation and financial records at the First Nation, no evidence was identified to confirm or refute this allegation.



# Findings: Other Potential Misuse of Aboriginal Affairs and Northern Development Canada Funding

## Alleged misuse of funds allocated by the Department for tuition fees

- Tuition fees of approximately \$160,000 for a school division for the 2003 winter term were in arrears although the Department funding for the fees had been received by the First Nation. These arrears were addressed through the Band's line of credit and through a loan that was paid in full in 2006.
- The arrears in tuition fees for the winter term seem to result from the use of funding from the Department to manage the band's cash flow requirements. Funding from the Department is co-mingled with the band funds in the general operating account.

## Alleged post-secondary funding payments to former Band Administrator while receiving a salary

- This allegation was confirmed. Although the former Band Administrator indicated that the decision to provide the funding was approved by the post-secondary assistance committee, no evidence was found.
- Due to the lack of financial records, it was not possible to determine the extent to which the employment salary as Band Administrator and post-secondary funding were paid concurrently.



## Findings: Other Potential Misuse of Aboriginal Affairs and Northern Development Canada Funding

### Alleged misuse of funds allocated by the Department to purchase and maintain personal vehicles

- Due to the lack of proper documentation and financial records, this allegation could not be substantiated.

### Alleged payments of hydro bills for band employees and former Council members

- This allegation was confirmed. However, due to the lack of proper documentation and financial records at the First Nation, the specific members and the amount of the payments could not be determined.

### Alleged improper use of capital funding from the Department to build an outdoor hockey rink

- No evidence was found to confirm that funding from the Department was approved or allocated to build an outdoor hockey rink.

### Allegations that social assistance cheques to band members were held back and that payments were made to ineligible recipients

- No evidence was found to confirm that social assistance cheques to band members were withheld.
- Payments to ineligible members were made and later identified through the region's compliance review



## Findings: Questionable Transactions and Issues

### Allegations that leasing revenue from land was appropriated by former Council members and not received by the First Nation

- It was determined that appropriation of land to certain Band members was not done appropriately through the use of Band Council Resolutions and Certificates of Possession as per the *Indian Act*.
- The revenue generated by the leasing of those lands appears to have been collected as early as 1998. The total leasing revenue of \$113,400 was recorded by the Nekaneet First Nation between 2003 and 2006, of which only \$17,900 appears to have been paid to the First Nation. The remaining receivable of \$95,500 was written off as a bad debt expense. The actual amount collected by the land owners over the same period is unknown.



## Findings: Questionable Transactions and Issues

### Allegations that mortgages for former Band Council members were obtained based on questionable Band Council Resolutions

- Due to the lack of financial records and poor record keeping at the Nekaneet First Nation, no evidence could be found as to the existence of questionable mortgages granted on houses of former Band Council members.
- Two mortgages with ministerial loan guarantees were approved for Nekaneet band members, including the former Chief. The required Band Council resolutions for these mortgages were approved by a quorum of Band Council members. However, the actual loan agreements with the approved lender, whereby the band agrees to repay the loan in the event of default, were not approved by a quorum of Band Council members.
- For the house purchase of a specific individual, it appears that \$20,000 of Nekaneet First Nation funds were provided as a down-payment on the house. These disbursements were not recorded as a down-payment but as honoraria under contracts to that individual.





## Recommendations

- Complete financial records of transactions should be maintained and a retention policy should be developed and implemented. These records should include complete banking records and receipts, cancelled cheques, approved cheques requisitions, approved and numerically controlled Band Council Resolutions, invoices, receipts, and contracts.
- Documented procedures and approval process should be implemented to address cheque requisitions, Band Council Resolutions and cheque signing for disbursements to elected members and related family members. Band Council members should not be approving or signing for any personal payments or reimbursements. All cheque requisitions should be fully documented and supported by original receipts.
- Documented approval of all advances to members and a regular reconciliation of outstanding balances owing to Nekaneet First Nation should be maintained. Band Council members should not approve or sign for their own loans and advances.
- All decisions involving payments or guarantees of personal loans to elected members, related family members and related entities should be approved by a quorum of Council members that excludes interested parties. This should include payments related to increases to honoraria, wages, contracts, loan guarantees and use of personally controlled entities to conduct Band business, and for the hiring of related family members for employment positions with the Band.



## Recommendations

- Measures should be implemented to encourage disclosure of inappropriate activities to the proper authorities, if and when needed, by staff and other Band members.
- Staff members should be fully knowledgeable and trained on proper internal control processes and on approved and acceptable practices.
- Appropriate accounting and reporting processes should be put in place in order to meet the contribution agreement requirement: “The Council shall maintain accounting documentation regarding all funding provided by DIAND and other Federal Departments in a manner that will allow for audit”.