

#### Aboriginal Affairs and Northern Development Canada

#### Affaires autochtones et Développement du Nord Canada



# Investigation of Allegations at the Kawacatoose First Nation

2012





## Investigation of Allegations at the Kawacatoose First **Nation**

Name: Kawacatoose First Nation

Population: 1,147 on reserve; 3,036 total registered

**Location:** Saskatchewan

**Current Chief:** Darin Poorman

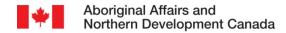
Time period covered by investigation: April 1, 2009 to March 31, 2012

## **Background**

 Aboriginal Affairs and Northern Development Canada (AANDC) engaged the audit firm, KPMG, to undertake a forensic audit of the Kawacatoose First Nation in response to various allegations received from community members.

The forensic audit firm was tasked to:

- Review the level of payments made to Chief and Council and the funding source for these payments.
- Determine if cash payments were distributed to emergency workers in connection with tornado relief work in a manner as to avoid changing the social assistance status of workers, and identify the source of those payments.
- Determine if cash payment were distributed to Chief and Council during the emergency work and identify the source of payment.
- The scope of the audit included: the period of April 1, 2009 to March 31, 2012.



## Findings – General

- Various control weaknesses existed that challenged the Kawacatoose First Nation's ability to manage its financial affairs related to the tornado relief.
- The inability of key persons in the community 's administration to identify the source of funding for cash payments of \$311,000 to emergency workers in July 2010 demonstrates a serious weakness in the expenditure control process and in financial accounting.
- On numerous occasions, the standard cheque requisition forms were left completely blank, yet the related payments were issued.



## Findings – Payments to Chief and Council

- In 2011-12, the salary of the Chief increased from \$65,000 to \$104,936 and the salary for Councillors increased from \$37,700 to \$75,244.
- Total "other remuneration" (including travel) went from \$270,000 in 2009-10 to more than \$570,000 in 2011-12. Much of this increase was due to out-of-province travel costs (higher per diems, accommodation, etc.)
- The largest component of the \$570,000 (2011-12) travel and other remuneration consists of \$439,000 for "administration" (77% of total travel and other remuneration). Of this amount, more than \$84,000 was spent by the Chief at the time, with other Councillors ranging from \$53,000 to \$37,200 each.
- Per diems for Education Board meetings were being paid for from the education budget and recorded in the education program account. These payments should have been included in the "other remuneration" category.
- Chief and Council received \$200 per board meeting attended, including when several board meetings were held on the same day.
- No significant cash payments were made to the Chief and Council during the emergency period.



## Findings – Cash Payments to Emergency Workers

- A tornado in July 2010 caused, among other things, significant damage to 18 housing units in the community. Relief workers received cash payment for work dealing with the aftermath of the tornado. These payments were not tracked in the accounting records of the community, but were tracked on cash payout sheets. Many of the emergency payout sheets were not signed or dated..
- From July to September 2010, a total amount of \$435,576 was distributed in cash payments to relief
  workers, but only \$302,000 in cash withdrawals from relief accounts could be accounted for. The
  majority of the cash payments were made in July 2010. The auditors were not able to determine the
  source of these cash payments in July. Key individuals in the community could not offer any
  explanation on this matter.
- In August 2010, a total of \$256,000 was withdrawn, but only \$540 was paid that month to emergency workers. In September 2010, a total of \$46,000 was withdrawn, but only \$13,368 was paid out to emergency workers that month. Key individuals in the community could not offer any explanation.



## Findings – Cash Payments to Emergency Workers and Councillors

- 135 individuals received cash payments for relief work while also receiving social assistance. These individuals received a total of \$178,998 in cash payments while receiving a total of \$110,290 in social assistance between July 2010 and September 2010.
- As reflected in the minutes of the July 19, 2010 meeting, the community was concerned about the impact of cash payments on social assistance. Nothing was done, however, to ensure that social assistance payments to those who received cash payments for relief work were reduced appropriately.

Note – Following the audit, a recovery of \$90,009.40 was made.



#### Recommendations

- 1. The community should ensure that all payments to emergency workers are properly documented and accounted for: name of the worker, date, hours worked, nature of work, signature of worker.
- 2. The community should implement a uniform practice of requiring individuals who are seeking payment to fill out all standard line items on the cheque requisition form before payment is provided. This includes the name of the individual seeking funds, the date, the reason for attendance of various meetings, length of meeting and program name. This would allow the community to maintain a clear auditable trail of payments, which can prevent errors in accounting and bookkeeping practices.
- 3. Chief and Council should review the number of meetings and the necessity of holding meetings outside the First Nation and out of the province.
- 4. Chief and Council should not be paid for relief work over and above their regular salaries.
- 5. Chief and Council should follow the rules in regard to cash payments made to social assistance clients.