



Aboriginal Affairs and
Northern Development Canada

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Investigation of Allegations at the Key First Nation

2012



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Name: [The Key First Nation](#)

Population: 280 on reserve; 1,273 total registered

Location: Saskatchewan

Current Chief: Rodney Clarence Papequash

Time period covered by investigation: April 1, 2008 to March 31, 2011



Background

- The Assessment and Investigation Services Branch of the Department received allegations of financial improprieties and wrongdoing at the Key First Nation from the Chief and Council and community members.
- The auditing firm of Deloitte and Touche was retained to conduct a forensic audit of certain allegations.
- Financial transactions for the period from April 1, 2008 to March 31, 2011 were reviewed.



Allegations Investigated

1. Potential misuse of the Key First Nation band account funds together with the redirection of certain settlement funds

- Improper severance payment to former Chief
- Improper Christmas bonuses to band members

2. Potential misuse of education funding since 2008-09

- Student loans paid for students who were receiving funding under the post-secondary education program
- Post-secondary education funding provided to non-band members

3. Potential misuse of social assistance funding since 2008-09

- Social assistance funding provided to non-eligible individuals
- Social assistance funding used to pay personal expenses
- Social assistance funding used to pay fines and related expenses, such as courses required due to convictions for criminal or other offenses

4. Potential misuse of funding for the annual Culture Camp event

- Funding for the Culture Camp not used for the intended purpose



Findings – Alleged Redirection of the Settlement Funds

Severance payment to former Chief

- A Band Council Resolution dated December 16, 2008, resolved to implement a severance package of \$3,000 per year of service to all employees, Council members and the Chief, effective December 16, 2008, just prior to the December 18, 2008 election of Chief and Council.
- On December 16, 2008, a \$60,000 payment was issued to a former Chief as severance payment related to the 20 years of service provided by this Chief to the First Nation. Funds from the Pelly Haylands Trust, disbursed under an existing debt repayment provision, were the sole source of funds for this payment. The disbursement of these trust funds was approved by the former Chief receiving the payment and the Council at the time.
- The severance payment dated December 16, 2008, was not an existing debt of the First Nation at the time of entering into the Trust Agreement, September 5, 2008, and therefore was inappropriate. Funds from the Pelly Haylands settlement were inappropriately directed to fund the severance payment to the former Chief.
- No other severance package to employees and Council members of the Key First Nation was identified



Findings – Alleged Redirection of Settlement Funds

Christmas bonuses paid to members of the Key First Nation

- The auditors confirmed that funds from the Pelly Haylands settlement were inappropriately directed in various band accounts to pay for Christmas bonuses of the Key band members.
- In 2008, a payment of Christmas bonuses was allegedly made to members of the First Nation, totaling \$220,000 (a distribution of \$200 to each band member).
- Funds totaling \$320,000 flowed from the Pelly Haylands trust funds through six bank accounts of the First Nation between December 19, 2008 and January 15, 2009. There were 603 cheques of \$200 each issued to band members, totaling \$120,600 of the \$320,000.
- The remaining \$199,400 of co-mingled trust funds transferred appears to have been used for purposes other than payment of Christmas bonuses.



Findings – Alleged Misuse of Education Funding Since 2008-09

Students loans and post-secondary education

- A total of \$52,612 appears to have been inappropriately paid to the two students for post-secondary education.
- In 2010, student loans were paid for two students who were also receiving funding under the post-secondary education program. A total of \$6,408 in loan payments for tuition payments were provided for the two students, payments which are allowable under the Department's post-secondary education guidelines. All other payments to these two individuals appeared to relate to living and book allowances.
- Both students would have been ineligible for post-secondary education funding since they were apparently not resident in Canada for 12 consecutive months prior to the date of their initial application for funding.



Findings – Alleged Misuse of Education Funding Since 2008-09

Students loans and post-secondary education

- All disbursements made on behalf of students to educational institutions from April 2009 to March 2011 were reviewed: 197 disbursements were identified, totaling \$383,407.
- Of these, disbursements totaling \$3,417 are in contravention of the Department's program guidelines:
 - A charge for books (\$1,155) was paid to an educational institution although the student received a book allowance totaling \$1,000 during the same period.
 - Twenty-six disbursements made to various educational institutions were ineligible expenditures, including \$2,262 for public transit pass fees. These fees are not considered part of tuition and should not have been paid from post-secondary education funds.



Findings – Alleged Misuse of Education Funding Since 2008-09

Post-secondary education to non-band members

- It was alleged that in 2010, post-secondary education funding was provided to an individual who was not a Key First Nation member. It was noted that although the individual appears to have been registered as a Key First Nation member, that person was also a registered member of the Navajo Nation. In addition, it appears that this individual had not been a resident in Canada for 12 consecutive months prior to the date of application for funding.
- A total of \$3,300 of post-secondary education funding was issued to this individual. In July 2011, the individual was informed by the Key First Nation that funding for fall 2011 was not approved.
- The membership status of all students on behalf of whom tuition was paid by the First Nation from April 2009 to March 2011 was reviewed. Of the 96 students, only one was apparently not a band member at the time of the payment. In 2009, \$1,132.50 was inappropriately paid on behalf of this individual.



Findings – Alleged Misuse of Social Assistance Funding Since 2008-09

Non-qualified individuals

- The auditors noted a high level of turnover in the Income Assistance Administrator position during the review period.
- Income assistance files were not well organized and maintained with files stored in several locations. Several clients had more than one file and several client files were combined with files of other clients. In many cases, files were incomplete.
- Of the 314 income assistance files reviewed: only 44 were complete client files in 2008-09; one complete in 2009-10 and; no complete files in 2010-11.
- Through compliance audits, the Department reviews client eligibility for income assistance. This review resulted in the identification of approximately \$78,255 (7%) in non-reimbursable expenditures during the review period for which the First Nation did not receive funding.
- In December 2011, for example, the compliance audit identified approximately \$42,000 in non-reimbursable expenditures that had been claimed by the First Nation.



Findings – Alleged Misuse of Social Assistance Funding Since 2008-09

Non-qualified individuals

- Income assistance files were not adequately maintained to support the eligibility of income assistance clients.
- A high level of income assistance payments were deemed to be ineligible by the Department. This may be partially due to high turnover in the Income Assistance Administrator position, lack of a formal training program, and lack of management oversight.

Personal expense payments

- The auditors found no evidence that income assistance program funding was used to pay personal expenses that are not eligible expenses under the Department's program.

Fine-related disbursements

- The auditors noted that four payments appear to relate to courses required for individuals due to convictions for criminal or other offenses (drivers without impairment course, violence prevention program sessions).
- In one case, the payment of \$150 was funded through income assistance special needs program funds. Other sources of funding were used in the remaining three cases.



Findings – Alleged Misuse of Funding for the Annual Culture Camp Event

- The Department funds the annual Youth Culture Camp event through the social development – National Child Benefit Reinvestment Initiative. In 2010-11, the Department allocated \$7,849 to this project.
- Culture Camp related funding is turned over to the Chief when received, and is not managed by the First Nation.
- The reporting requirements of this Initiative do not require that funding recipients provide detailed budgets, detailed breakdown of actual expenditures, or source documentation in order to determine if funding was expended as was intended.
- There are no financial or management controls in place at the First Nation to prevent or detect the misuse of these funds.
- Due to the lack of financial documentation, the auditors were unable to independently verify that the funding received for the Youth Culture Camp was used for the intended purpose.



Recommendations

- The First Nation may wish to undertake a forensic audit of all disbursements from the Pelly Haylands Trust Fund.
- The band's Director of the Education Program should ensure that recipients of post-secondary education funding are eligible, in particular, that they meet the residency requirements.
- As for income assistance, the First Nation should:
 - Develop and implement a formal training program for Income Assistance Administrators;
 - Develop and implement a standardized system for maintaining income assistance client files;
 - Perform a review and clean-up of current income assistance client files to ensure that they are complete and well organized;
 - Conduct regular internal management reviews of income assistance client files and reporting to reduce non-reimbursable expenditures
- The First Nation should retain ownership and accountability for culture camp funding that it receives from the Department.
- The First Nation should follow the band's standard payment processes when disbursing culture camp funding.