



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

CDIM: 1874339

Management Practices Review of the British Columbia Region

Final Report
January 13, 2009

Canada



Review Objectives

The objectives of the management practices reviews are:

- To assist Regional and sector management in assessing whether their management practices and controls are designed to achieve objectives in an efficient and effective manner;
- To inform senior management of areas of strength and weakness in respect of the department's management practices and controls; and
- To inform the AES risk-based audit planning exercise so that future audits can be directed at the areas and horizontal control systems that present the highest levels of risk.



Methodology

- On-site work conducted October 9-16, 2008 in Vancouver.
- Interviews conducted with 34 Regional representatives including the RDG, ARDGs, Directors, Managers and staff.
- A random sample selected (judgmental sample in areas of higher risk) of 25 human resource transactions (including staffing, classification, training expenditures relative to existing learning plans, overtime and leave), 5 grant and contribution files and 21 contracting transactions (including Litigation Management and Resolution Branch and Treaties and Aboriginal Government - Negotiations West transactions) during the 2007/08 fiscal year for review.



Context

- The B.C. Region is responsible for delivery of INAC programs to First Nation people on reserves and communities across B.C.
- The B.C. Region signed a total of 241 contribution agreements in 2007/08:
 - 216 (90%) represented single-year agreements
- Among INAC Regions, B.C. has the largest number of First Nation communities (198).
- 2007/08 total expenditures represented \$711 million, including \$683 million in grants and contributions.



Observations –General Management

- Strengths:
 - Senior management participates in quarterly meetings to review performance against the Strategic Plan.
 - Regular meetings are held at the senior management level to discuss emerging issues and propose solutions.
 - Strategic Objectives filter down through each directorate's Operational Plan and into individual performance plans to ensure staff are working toward the same goals as the Regional office.
 - Risk management awareness sessions were delivered to managers across the Region as an initial step toward a broader roll-out of integrated risk management.
 - All staff are consulted and encouraged to provide input during the formulation of the annual Operation Plan for each directorate.



Observations –General Management (cont'd)

- Strengths:
 - Communication of all program terms and conditions to First Nations is clear through the distribution of The Regional Program Guide.
 - The Region is committed to ensuring First Nations adhere to program terms and conditions. If there is departure from the defined terms and conditions, the Region enforces repayment of funding.
 - The Region designed and implemented the Financial Signing Authority System to track each person's delegated signing authority at any given time.
 - The Lands and Trusts Services Directorate conducts a formal risk management process at all levels of the land transaction process.
 - Staff receive full support of senior management for training requests.



Observations –General Management (cont'd)

- Areas for Improvement:
 - While the Region is implementing its integrated risk management regime for future fiscal years, its 2008-09 strategic and operational plans were not supported by a formal assessment of strategic risks.
 - Users of the First Nations and Inuit Transfer Payments (FNITP) system require better training to avoid errors in processing and recording of important financial and reporting documentation from First Nations.



Observations –General Management (cont'd)

- Areas for Improvement:
 - There is desire in the Region for more frequent communication with Headquarters (HQ).
 - No formal mandatory training is in place for Funding Services Officers (FSO).
 - There is insufficient staffing to handle the increased workload in the Economic Development directorate, e.g. 100% submission and invoice review.



Background - Human Resources

- The total population of employees in the Region at March 31, 2008 was 294 (includes indeterminate and term employees over three months).
- The Region reports that it includes 23.6% Aboriginal staff, lower than the overall INAC complement of 29.1%.
- The Region continues to give priority to Aboriginal candidates in order to support INAC's goal of 50% external Aboriginal recruitment, with little change.
- 24.9% of the B.C. Region staff are eligible for retirement within the next 5 years compared to 21.2% nationally.
- Staffing was not included in this review as B.C. Region staffing practices are included within the scope of an ongoing audit.



Observations – Human Resources

- Strengths
 - Emphasis on HR Planning in the Region is important in light of the aging workforce and potential for significant loss of corporate memory - initial steps taken toward integrated HR planning by reflecting operational requirements in HR Plans.
 - The Region proactively assesses the quality of learning plans through its “quality audits” of all staff learning and development plans.
 - Compensation staff refused to process pay for long-term acting appointments in instances where letters of offer are unsigned.
 - Of 5 leave transactions reviewed, no issues were noted.
 - Of 5 classification transactions tested, no issues were noted
 - The Region has strong capacity in terms of HR



Observations – Human Resources (cont'd)

- Areas for Improvement
- Of 5 overtime transactions reviewed, 1 was signed by a manager without requisite financial authority and a second was signed by an appropriate delegated manager, but not in the appropriate section to indicate Section 34 sign-off.
- 2 of the 5 training plans reviewed were not approved by the manager with delegated Section 34 authority for the cost centre in question.
- Some managers perceive that HR turnaround time is too slow – like other Regions, B.C. does not have service standards for provision of advice and processing transactions.
- Compensation staff do not have easy access to Specimen Signature Records of managers with delegated financial authority and do not regularly utilize the online system which logs assignment periods of financial acting authorities.



Observations – Grants and Contributions

- The following findings were noted during the review of five (5) G&C files and interviews with Funding Services Officers:
 - While there is some monitoring of G&C activities, in the five files reviewed there was no standard approach to the initial assessment of recipient risk, the level of monitoring required based on those risks and documentation of such monitoring.
 - Within the five files reviewed, those that were proposal driven did not provide evidence of a consistent and rigorous review of proposals submitted by prospective recipients.
 - Reports produced as a result of agreements are not consistently reviewed by Regional staff when submitted by the recipient prior to funding being released.
 - Several recipient reports were not recorded as reviewed on a timely basis (i.e. within two weeks).
- FSOs have not been reviewing the financial statements submitted by First Nations on a timely basis. Several files had not been reviewed for more than three years (noted during the Audit of the Quality Assurance Process and the Application of the Intervention Policy).



Observations – Grants and Contributions (cont'd)

- There is no consistent, formal approach across the Region to ensure a recipient is informed of the outcome of their proposal submission in a timely manner or of the specific scope and budget approved in relation to their proposal.
- Overall, there is no consistent approach to documentation of G&C files managed within the Region to support decisions, performance and compliance to terms and conditions of funding agreements.
- Pending further direction from HQ on the application of the "Right to Audit Clause", the Region has not implemented a formal recipient audit regime.



Observations – Grants and Contributions (cont'd)

- Staff continue to struggle with the use of FNITP. Front-line employees cannot access the information they need as they are not yet comfortable and proficient with the system and its capabilities. There is an increased risk of losing important documentation as some is maintained within FNITP and some in hard copy form.
- Management feel financial resource allocations are inadequate and will impede the achievement of program objectives (e.g. Economic Development, Capacity Development).
- Front-line staff (Funding Services Officers and Program Officers) do not receive formal mandatory training. This may contribute to inconsistencies in review procedures across the Region.
- Economic Development project proposals are approved on a “first-in-first-out” basis providing they meet the eligibility criteria.



Observations – Contracting

- Strengths
 - In most of the sample of sixteen contracts files reviewed, the appropriate Request for Proposal (RFP) was located on file.
 - It was noted that the necessary Section 32 and Section 34 approvals were included on most files in compliance with *Financial Administration Act*.
 - In the majority of instances the tender was received before closing time and officially opened in accordance with government regulations.



Observations – Contracting (cont'd)

- Areas for Improvement:
 - Of the sixteen files that were reviewed, six contained no statement of work and two of the statements were incomplete.
 - Two of the files examined had no evidence of a thorough pre-contracting review (e.g. challenging of estimates and statements of work to ensure lowest possible cost).
 - In some instances there was no proof of advertisement and no explanation of the initiation of the process or how the proposal was assessed.
 - There are potential weaknesses in the transparency of the selection method which could cause complaints to the CITT for loss of business.



Observations – Acquisition Cards

- Five acquisition cards were tested to confirm whether due diligence was exercised in the management of acquisition card expenditures. No exceptions to compliance were noted.



Recommendations- General Management

- The RDG should continue the current roll-out of integrated risk management, focusing on integration of risk assessment with planning, priority setting and resource allocation processes.
- The RDG should continue to focus on defining, measuring and reporting on performance indicators – aligned to INAC's strategic outcomes.
- The RDG should seek to further develop working relationships with HQ across all sectors and programs in order to improve knowledge sharing and thus increase efficiency.



Recommendations – Human Resources

- Issues related to managers signing off on overtime and leave transactions without requisite financial signing authority should be addressed and monitoring controls instituted to prevent future instances.
- When processing pay transactions, compensation staff should have access to Specimen Signature Records of managers with delegated financial authority and make use of the online system which logs assignment periods of financial acting authorities
- In consultation with HQ, B.C. Region should consider establishing service standards for turnaround on requests for advice and processing of transactions.



Recommendations – Grants and Contributions

- In coordination with Finance HQ, additional in-depth FNITP training should be provided to front-line staff to enable them to perform their responsibilities more efficiently and to ensure FNITP is used to its full potential.
- A comprehensive standard for G&C programs, including ongoing monitoring, documentation of activities and the development of a risk-based recipient audit regime should be in place for all programs. Leveraging the audit clause incorporated into each recipient agreement, a risk assessment process should support the recipient monitoring and audit process undertaken within the Region.
- Funding Services Officers/Program Managers should review mandatory reports (including financial statements) in a timely manner to ensure the First Nation is in compliance with the program terms and conditions prior to the release of funding.



Recommendations – Grants and Contributions (cont'd)

- Funding Services Officers and Program Officers should receive mandatory training to keep aware of review methodology.
- Evidence of the rigorous review of proposals, applications and reporting should be maintained and documented.
- Program Managers should review and approve/reject project proposals and applications within two weeks of receipt to avoid delays on funding decisions.
- First Nations reports should be reviewed and filed within two weeks of receipt to ensure funding flows to recipients on a timely basis.
- Funding decisions in the Economic Development program should be based on a ranked eligibility order or priority system rather than on a “first-in-first-out” basis to ensure the fair distribution of funds.



Recommendations – Contracting

- Rigorous due diligence should be observed with regard to all contracting processes and transactions.
- Review checklists should be developed and implemented to ensure contracting steps are complete and in line with TBS guidelines.
- Additional resources should be employed to monitor compliance with directives and guidelines.
- Sufficient documentation must be maintained to support the selection method of contracted resources.