



Indian and Northern
Affairs Canada

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Management Practices Review of Lands & Trust Services Sector

Final Report
July 15, 2008

CIDM #1459121

Canada



Review Objective

- Review management practices of Lands and Trust Services Sector (LTS) to identify best practices and control weaknesses.
Management practices covered in the review included strategic and operational planning, risk management, coordination of programs and activities, monitoring, performance measurement and reporting, management of grants and contributions and financial management.



Methodology

- Field work conducted during May and June 2008.
- Interviews with staff and management of LTS (19), Indian Oil and Gas Canada (IOGC) (12) , and Human Resources (HR) Branch (3)
- Review of LTS and IOGC Finance and HR transactions from FY2007/08
 - Review of a sample of 44 LTS human resources transactions (24 staffing, 5 classification, 5 training, 5 overtime and 5 leave) and 20 IOGC (10 staffing, 2 classification, 2 training, 3 overtime, and 3 leave)
 - Review of 5 LTS contribution files (of a total population of 16 in LTS)
 - Review of 20 LTS and 9 IOGC purchases/contracts
 - Analysis of LTS/IOGC contracts listing for fiscal year 2007/08



Context

- Programs within LTS are administered through four branches:
 - Lands
 - Policy, Planning & Coordination
 - Governance
 - Individual Affairs
- IOGC is a special operating agency within LTS.
- LTS programs span across three INAC strategic outcomes (Land, People, Government).
- 2007/08 expenditures totalled \$49.0 million, including \$26 million in grants and contributions (14 recipients), directly managed by LTS.
- Total HQ employee population at March 31/08 was 217; representing 4.8% of INAC's population.



Observations – General Management (excluding IOGC)

Strengths

- Strong communications within the sector and with regional counterparts – through informal correspondence, conference calls and face-to-face meetings.
- Embedded Finance representative within LTS has led to improved relationships with the Chief Financial Officer (CFO).
- Strong working relationship with regional LTS counterparts; sector representatives provide timely guidance and oversight to support administration of LTS programs within the regions.
- The LTS financial management staff provide strong support to operational management through:
 - Ongoing dialogue related to budgets and forecasting;
 - Providing tools to support managers proactively manage their accounts;
 - Developing financial management training programs for LTS users; and
 - Defining roles and responsibilities related to financial transactions and processes.



Observations – General Management (cont'd)

Areas for Improvement

- While risk is considered to varying levels in decision making processes across the sector, with the exception of high-level documents, no risk assessments or risk mitigation action plans were identified during the review.
- LTS branches continue to develop their Performance Measurement Frameworks and “Smart Reporting” goals, which are aligned with the department's Strategic Outcomes; additional work is required to finalize performance indicators and targets and implement ongoing measurement and reporting.
- Use of the lease management system (NETLANDS) has been limited in some regions given that mandatory adoption has not been required or enforced; this impacts the ability of the regions to proactively manage lease renewals and limits LTS' ability to oversee and provide direction on the management of First Nations land leases.
- Inconsistent regional structures across Canada for delivery of LTS programs make it complex to monitor programs at HQ.



Background – HR (excluding IOGC)

- LTS workforce consists of 36% Aboriginal staff which is higher than the overall INAC complement of 29% - the Sector gives priority to Aboriginal candidates in order to meet the INAC objective of 50% external Aboriginal recruitment.
- Results of the June 2007 LTS Employee Survey identified conflict within the Sector and various types of abusive conduct.
- On the advice of the HR Branch, results were formally discussed with staff, and interpersonal communication training was delivered across the Sector; a follow-up survey was completed in June 2008 for which results have not yet been compiled.



Observations – HR (excluding IOGC)

- Communications between HR Branch and some LTS Responsibility Centre Managers (RCM) are strained; the review highlighted instances where LTS managers questioned or disregarded advice from HR Branch, examples include:
 - Recruitment of a casual employee into an indeterminate position through a job fair prior to assessment against merit criteria (original guidelines from HR Branch were unclear)
 - Lowering security requirements to target recruitment of a specific individual
- Of the 5 classification actions tested, the following files did not fully comply with applicable authorities:
 - 1 transaction was missing LTS management representation on the classification committee;
 - For 2 transactions, the classification consultant's authorization form was missing from the file; and
 - 1 transaction lacked rationale for the classification action.
- Of the 5 learning plans, 5 overtime transactions and 5 leave transactions reviewed, no issues were identified.



Observations – HR (cont'd)

- Of 20 randomly selected staffing actions tested, instances of incomplete staffing files and non-compliance with applicable authorities were noted as follows:
 - For 3 acting appointments (related to 2 employees) – letters of offer dated subsequent to commencement (in one case subsequent to end date) of acting period as a result of LTS delays in providing required documentation to HR Branch;
 - In 1 transaction – no justification of selection of candidate from pool on file; and
 - In 1 transaction – the RCM had not been delegated HR authority until after the date of letter of offer.
- Based on comments gathered during interviews with HR Branch, a further 4 staffing actions/plans were reviewed – this review revealed concerns regarding the transparency of staffing activities within specific branches of LTS, including:
 - Repeat long-term acting appointments (now being controlled by Assistant Deputy Minister);
 - Attempts to avoid competitive recruitment processes; and
 - Lack of complete assessments against merit criteria.



Observations – Grants and Contributions (G&C) (excluding IOGC)

- Based on the detailed review of five (5) G&C files, the following instances of non-compliance with policy requirements were identified:
 - 1 file contained no documentation to evidence review of the work-plan (no proposal required for the program in question);
 - 1 file contained no evidence of review of recipient eligibility and no rationale for funding level decision;
 - 1 contribution exceeded the per recipient amount allowed by the program authority (\$1.1M compared to \$1M maximum); and
 - 1 file contained no documentation to evidence review of recipient reports; all other files utilized a standard review checklist.
- For the five files reviewed, the associated programs had no established deadlines for proposal submission, no service standards for proposal review, and no consistent response process.



Observations – Grants and Contributions (cont'd)

- Of the 4 proposal driven G&C files reviewed, 3 did not demonstrate assessment of the proposal against minimum assessment criteria designed to gauge recipient capacity.
- All 5 G&C files reviewed lacked monitoring plans linked to a documented assessment of risk, including the recipient capacity to deliver and administer funds in an accountable manner.
- LTS has limited guidelines, documentation standards or consistent approach for administering G&C files within the sector. Processes, guidance on best practices, and tools available from the department are generally limited to financial management policies and processes and funding agreement models.
- LTS makes limited use of the new First Nations & Inuit Transfer Payments (FNIPT) G&C management system for recording non-financial information (assessments, linking documents/e-mails, results of monitoring, recipient performance information) and no central filing system or legacy systems exist to track and store this information.



Observations – Contracting & Payments (excluding IOGC)

- From a review of a listing of contracts entered into by LTS during 2007/08, three instances were identified where multiple low dollar-value, sole source contracts appeared to be for similar services with the same contractor. Of these three instances, the following was noted:
 - one was an instance of contract splitting where two service contracts (implementation of Treaty Land Entitlement) occurred consecutively with the same supplier at \$24,500 per contract;
 - one instance involved three contracts for similar services (non-violent communication training) totalling less than the sole-source limit of \$25,000 but exceeding the manager's delegated service contract limit of \$15,000; and
 - one instance involved two contracts to the same supplier for very similar services, together exceeding the manager's sole-source limitation for service contracts (one contract for organization design and one for HR strategy).



Observations – Contracting & Payments (cont'd)

- Of 15 contracts tested, the following did not comply fully with contracting policies:
 - 1 contract demonstrated work completed and an invoice issued beyond the term of the contract; and
 - 1 call up against an existing contract was completed via e-mail; no signature was on file.
- Of the 5 acquisition card statements examined, no significant issues were noted.



Recommendations (excluding IOGC)

- Administration of non-advertised HR Staffing transactions should be assessed by the Audit & Evaluation Sector (AES) in greater detail through the ongoing Audit of Staffing and Payroll for Non-Advertised Appointments and Acting Appointments.
- There is a need for improved standards, tools and training for staff who administer grants and contributions – the ongoing Audit of the Intervention Policy and Quality Assurance is assessing these issues department-wide.
- Although oversight of regionally delivered G&C programs exists, further definition of reporting requirements from regions and oversight processes within LTS sector are required to reduce reporting burdens on regions while ensuring that adequate performance information is collected and analyzed.
- The LTS Director responsible for financial activities should improve monitoring of contracting activities (including periodic analysis and a mechanism to track and address instances of non-compliance).



Recommendations (cont'd)

- Risk management should be more formally introduced to ensure that managers and staff understand key risks and management risk tolerances – formal links between risk assessments, strategic planning and resource allocation should be established and documented.
- LTS Branches should further the development of their Performance Measurement Frameworks with a focus on measuring their contributions to the achievement of INAC strategic outcomes and implementing accompanying performance measurement and reporting regimes.
- LTS should establish and communicate a mandatory requirement for the use of the NETLANDS land management system by regions and support and oversee the adoption of the system through the development of a policy framework.
- The ADM – LTS should continue to work with management and employees to improve overall workplace health in the sector, including developing a plan of action and a follow-up health check to ensure that progress has been made and improvements are being realized as compared to the baseline LTS employee survey results (June 2007).



IOGC

Observations and Recommendations



Observations – General Management (IOGC)

Strengths

- Strong working relationship with LTS.
- A robust operational planning process is in place, incorporating key risks identified within the organization.
- Significant focus on cheque handling/processing controls to ensure accuracy and completeness of recording of trust monies received by IOGC on behalf of First Nations.
- Ongoing improvement in management of contracting, including:
 - Increased centralization/monitoring of contracting processes; and
 - Development of contracting training programs for users.
- Ongoing support/challenge function for managers related to budgeting/forecasting supports strong financial management.
- Proactive approach to HR management; quarterly report provided to IOGC Management and shared with LTS management including:
 - HR dashboard;
 - Staffing/classification actions; and
 - Statistics on status of learning plans, overtime and leave balances.



Observations – General Management (IOGC – cont'd)

Areas for Improvement

- Organizational structure within IOGC has led to a “siloesd” approach to management, particularly between Land Directorate and Production Directorate; in the course of this review, an operations committee was established to deal with cross-divisional issues and communication.
- Consistent with LTS, IOGC is focused on measuring outputs (i.e. dollars collected, # of leases, # of agreements); moving toward “outcomes” (i.e. dollars expected to continue, service delivery and market value).



Background – HR at IOGC

- IOGC, considered a separate employer by Treasury Board, includes 47% Aboriginal employees.
- IOGC actively pursues strategies to attract Oil and Gas industry workers in the Western Canada market.
- IOGC adopts many HR policies and practices which are consistent to those employed by INAC.



Observations – Human Resources (IOGC)

- Information gathered through interviews indicated that IOGC has experienced difficulty in attracting individuals with oil and gas experience, directly impacting the organization's ability to meet service standards – the market pay adjustment to specific positions has provided a reasonable level of mitigation.
- Succession planning is critical for IOGC; more than 25% of the overall staff complement is eligible to retire in the next 5 years – this will result in significant loss of corporate memory, impacting need to ensure completeness of process documentation.
- The 3 overtime transactions tested did not demonstrate formal pre-approval. Although the existing process only requires verbal or e-mail pre-approval, this was not documented on file.



Observations – Human Resources (IOGC – cont'd)

- Of the 2 learning plans tested, one individual had not attended the identified training courses; follow-up indicated challenge due to resource constraints; interview process identified that while a process is in place, there is limited ongoing follow-up on the status of learning plans by management.
- The 3 leave, 10 staffing and 2 classification transactions examined were processed appropriately.



Observations – Contracting & Payments (IOGC)

- Of the 6 contracts tested, 2 were signed by the responsible manager subsequent to the commencement of work (April 1 commencement date, although allocation had not taken place for commitment of funds within OASIS).
- Of the 3 acquisition card statements tested, no exceptions were identified.



Recommendations (IOGC)

- The Chief Executive Officer (CEO) of IOGC, in conjunction with the ADM – LTS, and HR representatives within the organization should work to maximize IOGC's "separate employer" status to support recruitment and succession planning challenges.
- The CEO of IOGC, in conjunction with the GMs, should focus on the status of ongoing development and learning of staff to support employee satisfaction and potentially reduce turnover.
- Consistent with the approach of LTS, the CEO of IOGC, in conjunction with the Director of Planning & Corporate Services, should develop a process to ensure documented evidence of pre-approval of overtime transactions.
- The CEO of IOGC, in conjunction with the Director of Planning & Corporate Services, should continue ongoing focus on streamlining contracting processes, including documentation of roles and responsibilities, provision of training and improvement to SOWs and contracts to meet the needs of IOGC and maintain compliance with INAC policies.



Recommendations (IOGC – cont'd)

- For those contracts required for April 1, the Director of Planning & Corporate Services of IOGC should work directly with LTS Finance, CFO and IOGC RCMs to ensure funds are allocated as necessary and to enable commitment within the OASIS financial system; facilitating ease of contracting and compliance with contracting policies.