

Management Practices Review of the Manitoba Regional Office



Report
June 20, 2007
INAC Audit and Evaluation Committee
September 28, 2007



Presentation Outline

- Study Objectives
- Methodology
- Context
- Observations
 - Contracting
 - Financial Management
 - Human Resources
 - Transfer Payment Programs
- Next Steps
- Other Issues Noted



Study Objectives

- Assess the adequacy of current practices for the management of human resources, grant and contributions, and financial controls.
- Develop recommendations to address specific weaknesses, gaps or risks, if any, in management processes and practices, or the need for further work if deemed necessary.



Methodology

- On site work conducted May 22-25, 2007
- Interviews with RDG, ARDG, Director Corporate Services, and Special Advisor to ADM to obtain background, context
- Testing focused on transactions from 2006-2007 FY.
- Contracting
 - Selected 7 of 32 files using a dollar unit approach from log of service procurements greater than \$15K and 15 of 49 (14 were multiple procurements from 2 firms) of procurements less than or equal to \$15K



Methodology (cont'd)

- Human Resources
 - Reviewed 13 files associated with classification or position appointments
 - Interviewed Director, Human Resources
- Transfer Payments
 - Reviewed
 - summaries of funded economic development projects
 - *Education Funding and Reporting Handbook, 2006-2007*
 - Summary of all recipient payments in 2006-07
 - Interviewed Director and Associate Director, Funding Services; former Director, Economic & Community Development; Economic Development program officers



General Context

- Region working towards devolution/elimination of the need for Regional office in keeping with December 7, 1994 Manitoba Framework Agreement Initiative (MFA)
 - Extensive sharing of information with Manitoba Chiefs (e.g., detailed annual budget shared)
- Significant efforts to increase the number of Aboriginal staff in Region (currently about 40%) in keeping with 1994 MOU between AMC and INAC.
- Non-aboriginal staff may be concerned about perceived limited opportunities
- MFA has lapsed (maximum term of 10 years to 2004). No agreement as yet on extending or replacing it.
- Significant number of small, isolated bands within the Region with limited economic prospects
 - 90% of Manitoba FN are totally dependent on federal transfers.
 - Sometimes dealing with 5-6 generations who only know social assistance.
 - Assertive FN leadership.



General Context (cont'd)

- Region feels that across-the-board Expenditure Review cuts did not take into account different demands/needs across regions
 - Cuts have targeted Vote 1
 - Manitoba's executive team considers that on a range of indicators, they are the most poorly resourced region within INAC
 - Ratio of Vote 1/Vote 10 funding
 - Seem to be the first to make cuts in specific areas (closure of District Offices, outsourcing IT)
 - Manitoba focused on activities that could be transferred/discontinued to meet ER 3 targets
- 2006-07: \$19.8M O&M and salaries, \$803M in transfer payment programs
- Alleged performance issues



Observations: Contracting

■ Context

- Contracts valued at \$15K or less delegated to Director level
- All contracts greater than \$15K were processed by regional Contracting & Procurement Officer within Corporate Services. For last six months of 2006-07, these contracts were processed by HQ contracting (regional position was vacant).
- Most high dollar contracts were for surveys associated with Treaty Land Entitlement (TLE) implementation

■ Strengths

- On contracts valued at more than \$15K, practice was to solicit bids from 4-6 vendors
- Evaluation committee, evaluation grid used to rate competitive bids



Observations: Contracting (cont'd)

- Weaknesses

- Series of contracts to two different firms for assessments of proposed economic development projects
 - 8 with one firm, 6 with another
 - Each individual contract less than \$15K and for a defined, distinct piece of work
 - Contractors had become familiar with INAC's requirements as subcontractors to Business Development Canada
 - Better practice would be to put a standing offer in place
 - Review team advised that process has started but is moving slowly
 - Would expand pool to draw from for this type of work
 - Would establish a more transparent process for awarding contracts



Observations: Financial Management

■ Context

- Budget allocated from HQ to Manitoba RO Reserve (e.g. Clearing Account) by authority, at the start of the fiscal year. Most of the budget is then allocated to specific program activities based on a formula, volume indicators, actual experience, allocated amount, etc.
- Hold back funds in the Manitoba RO Reserve for emergencies (floods, fires); provincial tuition increases; winter road costs; etc. Transfer budget to appropriate program activity when specific requirement is known.
- Transfer funds intended for capital projects to other program activities to address funding pressures because the capital budget is the primary source of “discretionary” funds available to a Region.



Observations: Financial Management (cont'd)

■ Strengths

- Extensive analysis/monitoring of budget/expenditures
- Will ask to transfer funds from Vote 1 to Vote 10 on banking day if they have funds they don't think they will spend
 - Had surplus salary \$ in 2006-2007 because positions remained unfilled across the Regional Office. Two year delay in filling position of Director, HR contributed to staffing delays.
 - Converted to Vote 10 to meet funding pressures.



Observations: Financial Management (cont'd)

- Weaknesses

- Strong desire to ensure that all funds are spent so that amount lapsed is minimal. Can lead to funding projects that will have minimal medium to long term impact
 - Funded an economic development project with a 50% score from regionally-developed evaluation process. Manitoba Region has established this as the minimum threshold.
 - May nominally allow a set amount for each FN without regard to the extent to which proposed projects will further program objectives (e.g., Education—Parental & Community Engagement Strategy, New Paths for Education, Youth Employment Strategy Program; Social Maintenance & Support Services—Family Violence)



Observations: Human Resources

- Context

- Director, HR is a PE6. Staff are PE3 or lower.
- Director, HR vacant for approximately 2 years. Filled on an acting basis
 - PE3 was acting PE6 for over a year and other HR positions remained vacant.
 - Former Director brought back for about 4 months until current Director assumed position
- Difficult to recruit experienced HR professionals.
- New PSEA implemented starting January 1, 2006. More latitude provided to program managers. Over 20 have taken required training and now have delegated authority for staffing.
- A number of people in acting positions (8% as of May 7, 2007). Efforts to reduce this are under way.



Observations: Human Resources (cont'd)

- Strengths

- Current Director, HR (appointed December 2006) has considerable experience and knowledge of requirements

- Weaknesses

- Good practice for staffing and reclassification not consistently followed
 - Files prior to 2007 not well documented.
 - Position descriptions not consistently revised after responsibilities realigned due to ER and other pressures. Initiative underway at time of review to address this.
 - Classification committees not consistently convened as required.
 - Position language and security requirements changed without supporting rationale.
 - Reactivated a position rather than created a new position.
 - Vacancies filled without competition where competition appeared to be required. Rationale was not provided on the file.



Observations: Human Resources (cont'd)

- Weaknesses (cont'd)
 - Organization appears to be top heavy

Salary Range	Number	Positions (as of May 7/07, includes terms)
>\$100K	8	EX 1, EX 2, EX 3; ENG6; ENG5
\$90-100K	30	AS 8; ENG4; FI3; PE6; PM6
\$80-90K	10	IS5, PC3, PE5, SI6
\$70-80K	45	AS5, EDS2, EG6, FI2, PM5, OM4
\$60-70K	37	AS4, CS1, FI1, IS3, PC2, PE2, PE3, OM3, PM4, SI4
\$50-60K	39	AS2, AS3, PM2, PM3, SI3
\$40-50K	57	AS1, CR4, CR5, PM1, SI1
<\$40K	11	CR3



Observations: Human Resources (cont'd)

- Weaknesses (cont'd)
 - Spent about 1% of total salary budget on training in 2006-2007. Departmental target is 2%.
 - March 2006 study identified:
 - a lack of orientation, systems and functional training for staff
 - no training plans or strategic plans related to skills development for junior or new staff



Observations: Transfer Payment Programs

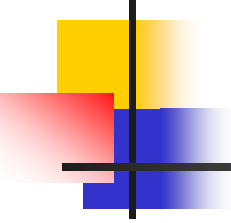
- Context

- Most of funds allocated based on some kind of formula. Limited number of programs project based with funding tied to a proposal.
- Until July 2006, responsibility for economic development, education and social development programs split between two directorates. One recommended projects for approval, the other managed the agreement
 - March 2006 study identified lack of role clarity between two Directorates; processes/procedures had not been updated to reflect new organization; staff had been moved without considering where the function would best fit
- Staff responsible for Economic Development programs have operated quite independently for some time.



Observations: Transfer Payment Programs (cont'd)

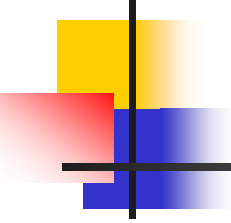
- Strengths
 - Manual summarizing for all programs managed regionally: objectives, authorities, eligible recipients, application requirements, maximum level of funding, reporting requirements. Manual shared with FN.
 - Committee for Econ Dev projects comprised of Tribal Councils and PTOs, both a strength and a weakness
 - Involves Manitoba FNs, consistent with desire to devolve
 - Potential for conflict of interest—all of the decision makers may have a proposal for funding before group at some time
 - Call letter used for project driven programs that sets out evaluation criteria
 - Separate *Education Funding and Reporting Handbook* prepared. Includes application, and reporting templates for use by FN.



Observations: Transfer Payment Programs (cont'd)

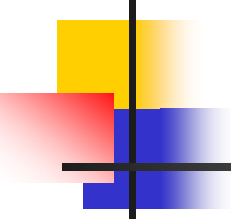
- Weaknesses

- Project funding in some cases allocated on first come, first serve basis or all FNs allocated approximately the same amount
 - Equal allotments reinforces sense of entitlement (considered core funding) and generally does not result in maximizing program results
- Evidence of project splitting. (Chiefs are aware that RDG has delegated authority up to \$100K for CEOP projects and take this into account when preparing submissions)
 - 40% of 2006-2007 projects valued at \$90-100K; 19.3% valued at exactly \$100K.
 - INAC project officers weren't comparing to previously funded projects
- Started 2006-07 by indicating economic development project proposals had to be submitted by a specific date and then subsequently waved requirement. Not clear if all FNs were advised of change.



Observations: Transfer Payment Programs (cont'd)

- Funding ceilings not communicated to FNs with the result that some requests significantly exceeded ceiling amount.
- Delivery of CEOP appears to be poorly aligned with the OAG's Attributes of a Well-Managed Transfer Payment Program
 - Should be funding projects most likely to advance program objectives. Project evaluation criteria may not support this.
 - First come, first served, means low rated proposals may be funded (one Ec Dev project had a 50% rating and was funded).
- Changes undertaken for 2007-08
 - Plan to have approvals in place by start or early in next fiscal year
 - Plan to compare new proposals with the objectives of previously funded projects



Observations: Transfer Payment Programs (cont'd)

- INAC delegated authorities not necessarily evident
 - Need to back up to approved T&C's to determine delegated authorities. Some program areas (e.g., economic development) have decided to further restrict delegated authorities. This is not easily discerned by those not intimately involved in the program



Next Steps

- Immediate

- Communication of INAC policy priorities to Manitoba RO, followed by implementation and monitoring
- Coaching/mentoring for regional management
- Increase HQ's functional guidance to Region for funding programs
- Conduct Program integrity analysis, e.g., use of evaluation committee
- Training on good practice for administering G&Cs
 - INAC AES *Grants & Contributions Audit Criteria*, June 15, 2007
 - TBS *Guide on Grants, Contributions and Other Transfer Payments*, July 2002
 - OAG *A Framework for Identifying Risk in Grant and Contribution Programs*, November 1, 2000
- Evaluation of positions to confirm that position description adequately reflects actual responsibilities



Next Steps (cont'd)

- Longer Term
 - Undertake both horizontal and vertical audits
 - Prioritize audits of project based transfer payment programs where discretion exists in Region on how funds are allocated (e.g., horizontal audit)
 - Include both HQ and Regions in the scope as many of the symptoms observed in Regional practice may be due to the establishment of a limited overall control framework
 - Would result in a range of recommendations to improve program outcomes and strengthen program control framework in all Regions and HQ
 - Audits of management practices in a Region (over time, audit all regions) (vertical audits)



Other Issues Noted

- Program Questions
 - Economic Development
 - Should transfer payment programs support the creation of businesses that are established solely to take advantage of the tax benefits of businesses operating on FN reserves (e.g., web-based pharmacy)?
 - Capital Programs
 - Need to create incentives for FN to maintain what is built.