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Investigation of Allegations at the Sliammon First Nation

2011



Background

- In late 2009, the Assessment and Investigation Services Branch (AISB) of the department received allegations concerning the use of funds by certain individuals in the Sliammon First Nation. It was alleged these individuals were wrongfully paid substantial amounts of money for unsupported work from 2008 to 2010.
- In May 2010, KPMG was commissioned to conduct a scoping exercise pertaining to the allegations.
- Based on the findings of the scoping exercise, the AISB decided that an investigation of the financial management of the community's funds by specific individuals was warranted. In August 2010, KPMG was retained to conduct this work.
- In addition, it was determined that certain financial activities relating to the management of the housing program should be reviewed from September 2009 to March 2010.





Work Undertaken

- Financial transactions pertaining to the activities of specific individuals were reviewed for the period 2008 – 2010.
- Transactions involving the Housing Department of the First Nation were reviewed.
- Interviews were conducted and meetings were held with various persons within the First Nation or working for the First Nation.
- Pertinent governance and financial documents were reviewed including: posting journals; requests for payments; Council minutes; financial statements; housing documents; and general ledgers.





Findings—Disbursements to Parties

- Payments made to four specific individuals were considered reasonable considering their positions in the administration of the First Nation.
- Although an individual received a significant amount of compensation, invoices and a business case were found to support payments. Requests for payment were approved by the responsible person at that time.





Findings—Housing

- The Chief and many of the Councillors were not advised of financial matters relating to the community's Housing Department as they occurred at that time.
- A number of issues regarding housing disbursements were identified including: renovation work done for privately-owned homes that was paid for with community funds; cheques being issued without proper supporting documentation; housing funds being used in areas other than housing; improper payments made to certain individuals and; lack of proper payment controls.
- Of the total payments made from the housing bank account that was funded from the non-rental income from April 2009 to March 2010, no supporting documentation could be located for approximately \$141,000.
- The First Nation had a surplus of AANDC funding versus expenditures on AANDC approved programs, but no funds remained in the bank account.





Findings—Triplex Construction

- A number of transactions in the Housing Department were for the construction of the “2008 Triplexes” (built in 2009-10). The project was for 34 units, with a total estimated construction cost of approximately \$3 million (funded by a bank, AANDC and the Sliammon Band). Loan payments to the bank were to be covered by rental income.
- Given the co-mingling of funds, it was not possible to determine if AANDC funds were used for other construction or other program costs. The lack of support for the cost of the project, the lack of segregation of duties and the co-mingling of funds contributed to the First Nation’s inability to maintain appropriate accounting of the project.
- Given the First Nation’s inability to fully collect the rent from its rental properties, there was a cash shortfall resulting in the First Nation having to use some other source of funds to meet its obligations to the bank, increasing the risk that AANDC program funding was being used to meet the First Nation’s non-program obligations.





Findings—Housing/Furnishing

- As the 2008 Triplex Construction was under budget, Chief and Council decided to furnish the 34 units with basic furniture of \$1,000 per unit, although no Band Council Resolution (BCR) could be found to support this. For the year ended March 31, 2010, the First Nation incurred charges of \$144,097 for these items. The items purchased, however, were in a number of cases not basic items (eg. appliances) but included such items as leather chairs, TVs and, in some cases, items not delivered to the triplex housing site.
- A building supply company had an open purchase order (PO) arrangement and three different accounts with the First Nation with payments totalling \$254,128 for the fiscal year that ended on March 31, 2010 – the majority of which was on the Housing Account.
- Various issues with the PO system were noted: some orders had no amounts; others no descriptions; and not all were initialed. In some cases, the POs were open POs, allowing continuous purchases to be made from the vendor.
- The First Nation's records and controls regarding these expenditures were clearly inadequate.





Findings

- With the hiring of a new Chief Financial Officer (CFO) at the First Nation in April 2010, some controls were re-instated, limiting further spending.
- There is some evidence that the newly-elected councillors are paying closer attention to the community's financial affairs and, with the assistance of the CFO, measures are being put in place to rectify the deficiencies identified.





Conclusions

- There were significant financial management issues arising from poor segregation of signing authority, a lack of policies, limited financial internal control, and poor governance.
- During the period under review there was a breakdown in general governance that allowed a small group of people to make major financial decisions that would leave the First Nation with significant financial commitments for a number of years.
- The co-mingling of housing funds increases the risk that AANDC-program destined funds will be used to meet the First Nation's non-program obligations.





Recommendations

- It is recommended that appropriate accounting and reporting processes be put in place in order to meet AANDC contribution agreement requirement: “The Council shall maintain accounting documentation regarding all funding provided by DIAND and other Federal Departments in a manner that will allow for audit.”
- It is recommended that specific by-laws and policies relating to governance be adopted and implemented by the First Nation.

