

# Compliance Audit - YFFN

Presentation to the Audit Committee of the MHEB

  
May 8, 2014



# Context

- Manitoba Hydro has funding obligations through two agreements which enable YFFN's participation in future development activities :
  - The Joint Keeyask Development Agreement (2009)
  - Conawapa Process Agreement (2007)
- Funding is provided on the basis of reimbursement for reasonable costs incurred, in accordance with Manitoba Hydro's Reimbursement Policy. YFFN submits work plans and budgets to Manitoba Hydro for pre-approval.

# Future Development Process Costs for Partner Communities (to Dec 2013)

Community	Wuskwatim	Keeyask	Conawapa	Community Total
Cree Nation Partners (TCN/WLFN)	-	94,378,954	6,445,217	100,824,171
Fox Lake Cree Nation	-	26,939,943	14,641,781	41,581,724
Nisichawayasihk Cree Nation	51,473,950	9,380	-	51,483,330
Tataskweyak Cree Nation	2,374,857	12,762,636	128,918	15,266,410
War Lake First Nation	-	473,905	143,392	617,297
<b>York Factory First Nation</b>	<b>43,398</b>	<b>25,409,221</b>	<b>5,721,737</b>	<b>31,174,356</b>
<b>TOTAL</b>	<b>53,892,205</b>	<b>159,974,039</b>	<b>27,081,045</b>	<b>240,947,289</b>



# Background

- PPDD staff increasingly concerned about:
  - Increase in frequency and urgency of requests for payment; irregular requests for payment
  - Inability to fully reconcile advances (missing back up)
  - Lack of response to questions and requests for additional back up in a timely fashion (resulting in amounts deducted from claims)
  - Mileage claims that did not match amounts paid to staff
  - Same errors in claims made repeatedly, not corrected
  - Progress on some deliverables behind schedule





# Audit Scope

- Future Development reimbursement claims for Keeyask and Conawapa for the period April 1, 2011 to March 31, 2013.
- Obtain a general understanding of YFFD's financial status, systems, and claims preparation and review processes.
- Confirm that the expenses claimed for reimbursement were paid by YFFD.
- Trace all Manitoba Hydro payments for these agreements into the YFFD bank account. Attempt to identify the use of any significant funds transferred by YFFD to the York Factory First Nation, if any.
- Provide findings of non-compliance, if any.



# Timelines

- Staff first raised concerns about YFFN claims in or around April 2012, and engaged in ongoing communications over the next 6 months to address these concerns with YFFN:
  - Informal conversations between MH and YF staff.
  - June 4, 2012 email to Wayne Redhead outlining concerns and proposing a meeting.
  - July 11, 2012 meeting to discuss concerns and resolve issues related to missing documentation due to Band Office fire, and outstanding reconciliation of contribution agreements.
  - September 19, 2012 meeting to review ongoing concerns.
  - September 20, 2012 email to Roy Redhead summarizing MH's response to issues discussed, and proposing a meeting between YF and MH staff to share information and improve reporting processes.
  - October 30, 2012 decision by PPDD staff to pursue an audit.



# Timelines, cont.

- PPDD staff recommended an audit in November 2012, and were subsequently instructed by EC to undergo an internal audit of the claims reimbursement processes and to meet with YFFN to attempt to resolve the issues. Both of these processes were already underway.
- November 28, 2012 letter to Wayne Redhead documenting concerns and past communications and attempts to resolve. January 24, 2013 meeting between YF and MH staff to clarify and improve processes.
- In April 2013, the audit was authorized.
- Mr. Victor Neufeld of Prairie Forensic and Investigative Accounting was engaged on the recommendation of Internal Audit.
- The audit took place in May (MH files) and September (YFFN files), with delays through June (forest fires in York Landing) and July/August (auditor unavailable). The final report was received in January 2014.



# Audit Recommendations

- 45 recommendations (many with similarity and overlap)
- Separated recommendations for YFFN (27) and recommendations for MH (18)
- Grouped recommendations for YFFN into 4 main themes:
  - Review accounting systems, controls and capacity to address concerns in the audit report
  - Implement effective budgetary controls to address YFFD's deficit and cash flow problems
  - Implement more effective planning and control over travel expenses
  - Review practices to ensure compliance with the Reimbursement Policy
- Table of specific non-compliant items which may require repayment of funds is on page 19 of the audit report.



# Non-Compliant Items

- 7 items with an estimated dollar impact
- \$250,000 Keeyask advance
- \$78,500 to \$108,000 estimate of overpayment of airfares
- 5 other non-compliant items with estimated value between \$29,995 and \$105,495





# Action Plan - YFFN

- Based on the audit report recommendations, the following immediate actions are required by YFFN:
  1. Designate a single point of accountability for Future Development planning, budgeting and authorization of expenses.
  2. Provide monthly bank statements to document FD transactions.
  3. Work with MH to resolve all non-compliant items on page 19 of the audit report.
  4. Reach agreement on reconciliation or repayment of the \$250,000 Keeyask advance.



# Action Plan - MH

- 18 recommendations specific to MH are being implemented, tracked and monitored, and include:
  - Ensuring that travel claims are compliant with the Reimbursement Policy (Y1 airfares)
  - Confirming that salaries claimed were consistent with salaries paid
  - Confirming that NSF cheques were re-issued and cleared the account
  - Review of carry-forward provisions in Reimbursement Policy



# Current Status

- PPDD staff developed an action plan which addresses priority issues, and are proceeding to implement it as soon as possible:
  - Staff met with YFFN representatives March 6 to review the audit report and recommendations, and communicate actions required. A follow up meeting took place March 13 with Chief (Louisa Constant) and Council, to obtain support for the action plan.
  - March 28, PPDD received a copy of a memo from D. Briscoe to S. Thomson outlining direction related to the audit and action plans.
  - York elections April 15 have resulted in the election of a new Chief (Ted Bland).
  - Chief Bland has committed to clarifying the accountability and signing authority connected with the Future Development account
  - A meeting took place April 17 with YFFN (incl. Chief Bland) to address the 12 non-compliant items from p. 19 of the audit report. 5 items were resolved, 6 require further information, and 1 is unresolved (Y1 airfares).



## Current Status, cont.

- Further analysis of the non-compliant items is taking place to determine whether any repayments need to be made by YFFN.
- Major Project Partnerships and Services is actively tracking and reporting progress on the implementation of both the YFFN and MH required actions.