



Aboriginal Affairs and
Northern Development Canada

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Investigation of Allegations at the Ebb and Flow First Nation

2012



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Name: [Ebb and Flow First Nation Band](#)

Population: 1,633 on reserve; 2,937 total registered

Location: Manitoba

Current Chief: Nelson Houle

Time period covered by investigation: April 1, 2003 to March 31, 2010



Background

- In 2010, the Assessment and Investigation Services Branch of the Department received several allegations including: misuse of social assistance funding,; inappropriate payments to employees; vote buying,; excessive payments to Chief and Council; inappropriate transactions and; inappropriate funding of staff who ran in an election.
- The audit firm, Navigant Consulting Inc., was retained to conduct audit work concerning these allegations.
- The review period was from the 2003-04 to the 2009-10 fiscal years. Some transactions after this time period were also examined.



Allegations and Findings – Social Assistance

Allegation that band members were inappropriately denied social assistance from the band.

- The auditors reviewed documents and the social assistance eligibility process. Nothing of concerns was noted.
- Names were not provided of those who believed they were refused social assistance inappropriately. No individuals came forward in this regard during the audit work.
- Some band members did not understand why they were denied social assistance if their spouse was employed or why they would be removed from social assistance once their spouse obtained employment.
- It was concluded that the allegation stems from a lack of information on the social assistance eligibility criteria.



Allegations and Findings – Payments to Education Department Employees

Allegation that 15 employees in the Education Department were paid higher than appropriate salaries due to their relationship with the Education Director.

- The auditors did not identify any information that would indicate that these employees were paid more than what they were entitled to according to the budgeted amounts for their position or based on comparison of the compensation paid to individuals in the same job category.
- There was one exception but that individual also took on additional responsibilities.
- The Council verbally approved the education budget. There was no written record of this approval.



Allegations and Findings – Vote Buying

Allegation that payments were made in the form of cash and goods (appliances) to individuals in exchange for their votes.

- The auditors conducted an analysis of payments made to vendors who either would have been used to purchase the appliances, or would have been used to facilitate the cash payments.
- It was found that there was an increased amount of payments made to these recipients during the election period. However, the auditors did not identify any additional information supporting vote buying. No individuals came forward or were identified by others as having received cash or the appliances in exchange for their votes.
- The auditors could not refute or substantiate this allegation.



Allegations and Findings – Excessive Payments to Chief and Council

Allegation that the Chief and Council received excessive payments during the review period . These alleged payments included a \$5,000 Christmas bonus and a payment of \$2,000 to the Chief and Council and the Administration Finance Officer.

- The auditors did not identify a \$5,000 Christmas bonus payment to the Chief and Council. A \$900 Christmas bonus paid to Chief and Council was identified. This payment is similar to amounts paid in previous years.
- The auditors confirmed that salary advances were paid to employees and to Council members around Christmas time. These advances were repayable, and the auditors confirmed that the funds are being paid back through a deduction from the pay of the individuals who received the advance. This practice occurs throughout the year and has occurred prior to the election of the current Chief and Council.
- The auditors identified that \$2,000 was paid as a donation for start-up capital for a business (a pool hall) owned by the Finance Officer. This payment was approved by all Council members.



Allegations and Findings – Allegations Made Against the Finance Officer

Allegation that the Finance Officer's allotted a house from the Housing Department to someone not entitled to receive one. It was also alleged that the Finance Officer was receiving payments under various iterations of a last name.

- The auditors were informed that the individual had traded houses with someone who was supposed to occupy the multi-bedroom home. The individual was not on the waiting list for a new home at the time that the transaction occurred. The auditors were unable to reach the person who 'traded' homes with the individual in question.
- The auditors identified that payments made to the Finance Officer under one last name consisted mostly of salary and travel payments. Payments of \$2,855 were also made to the Finance Officer under a different name, from the Education Account..



Allegations and Findings – Inappropriate Payment of Salaries to Staff who Ran in the Election

It was alleged that funding from the Canada Mortgage and Housing Corporation (CMHC) was used to pay the salaries of staff who ran in the 2010 election, contrary to the election policy of the First nation. It was also alleged that additional inappropriate payments had been made for a total of \$72,000.

- The auditors identified that a total of \$18,300 of Education funding was paid to five members of the Education Department's staff who ran in the election. They had taken a leave of absence from their positions during the election period.
- The Director of Education was originally approached by a Council member to pay the salary of these individuals who had taken the leave of absence, but the Director of Education refused to sign the cheques as it was contrary to the First Nation's Election Policy. The Director of Education is a signatory for the education account and had to sign on the cheques.
- The Chief and Council wrote the cheques from the CMHC account and then subsequently did a transfer from the education account to the CMHC account, which in effect circumvented the authority of the Education Director.



Allegations and Findings – Inappropriate Payment of Salaries to Staff who Ran in the Election

- Apparently, an employee of the Health Department also took a leave of absence to participate in the election. This individual did not receive any compensation and took instead sick days and vacation days. At the time of the audit, the Chief and Council were considering refunding the sick days and vacation days used by the employee.
- The auditors identified a payment of \$70,000 to a building supply company that services the First Nation; It is unlikely that these funds were used to pay the salaries of the employees who ran in the 2010 election or their spouses.



Recommendations

While many of the allegations proved to be unsubstantiated, there are opportunities for the Chief and Council to increase the level of perceived fairness, transparency and communication to its band members.

- Chief and Council must ensure that advances paid to themselves or to staff do not come from program funds of Aboriginal Affairs and Northern Development Canada unless there is clear, documented authorization to substantiate the payment of such advances and plans for their recovery are in place.
- Chief and Council should document their budgetary decisions in writing.
- Chief and Council should develop a policy on Chief and Council remuneration.
- Chief and Council should clarify the First Nation's policy regarding paying salary to staff who run in elections.