



Indian and Northern
Affairs Canada

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Management Practices Review of the Ontario Region

Final Report
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Canada



Review Objectives

The objectives of the management practices reviews are:

- To assist regional and sector management in assessing whether their management practices and controls are designed to achieve objectives in an efficient and effective manner;
- To inform senior management of areas of strength and weakness in respect of the department's management practices and controls; and
- To inform the Audit and Evaluation Sector's (AES) risk-based audit planning exercise so that future audits can be directed at the areas and horizontal control systems that present the highest levels of risk.



Methodology

- On-site work conducted May 26-30, 2008 in Toronto (serving Southern Ontario) and Thunder Bay (serving Northern Ontario).
- Interviews conducted with 23 regional representatives including the Regional Director General (RDG), Acting Regional Director General (ARDG), Directors, Managers and staff from both the Toronto and Thunder Bay offices.
- A random sample selected (judgmental sample in areas of higher risk) of 40 human resource transactions (including staffing, classification, training expenditures relative to existing learning plans, overtime and leave), 30 grant and contribution files and 20 contracting transactions during the 2007/08 fiscal year for review.
- A scoping exercise conducted by Audit Services Canada (ASC) on the funding provided to the Mushkegowuk Tribal Council for the residential renovation of 60 housing units of the Kashechewan First Nation.



Context

- The Ontario Region is responsible for delivery of INAC programs to First Nation people on reserves and communities across Ontario; the population served represents 23% of overall First Nations members in Canada.
- The Ontario region signed a total of 202 contribution agreements in 2007/08:
 - 110 of these agreements are managed out of the Thunder Bay office and 92 are managed in Toronto
 - 45 (22%) represented multi-year (3 or 5 years) agreements
- Among INAC regions, Ontario has the second largest number of First Nation communities (127) and the largest annual budget.
- The Ontario region provides services out of two regional offices (Toronto and Thunder Bay) and three business centres (Brantford, Sudbury and Sioux Lookout).
- 2007/08 total expenditures represented \$993 million, including \$956 million in grants and contributions.



Observations –General Management

- Strengths:
 - The Region has a well established process in place for the review of the annual recipient audited financial statements.
 - There is a strong communication and reporting relationship with Headquarters (HQ), which is very receptive to the Region's questions, policy issues and clarifications.
 - The Professional and Institutional Development (PID) program has developed checklists and process tools to assess funding proposals and to ensure that only proposals that meet the program's terms and conditions are accepted and funded.
 - Leave requests are completed through PeopleSoft and can only be approved by authorized managers.
 - Risks are identified during ongoing management and staff meetings. Issues regarding recipients, reporting changes in programs and outstanding audits are discussed. Hot spot risk areas are identified and reported to Socio-Economic Policy and Regional Sector SEPRO on a regular basis.



Observations –General Management

- Areas for Improvement:
 - There is currently no integrated and comprehensive approach to risk management across the Region.
 - There are no formally established performance indicators for performance reporting therefore key information is not measured and reported on a consistent basis.
 - Although First Nations and Inuit Transfer Payment (FNITP) has automated controls that halt funding (for example if a reporting requirement has not been met by a recipient) these controls can be overridden by Funding Services Officers, allowing funding to be released without compliance with the terms of the agreement.



Human Resources - Background

- The total population of employees in the region at March 31, 2008 was 462 (includes indeterminate, term employees over three months and 120 teachers and staff in federal schools).
- The region includes 51.5% Aboriginal staff, higher than the overall INAC complement of 29.1%.
- The region continues to give priority to Aboriginal candidates in order to support INAC's goal of 50% external Aboriginal recruitment.



Observations – Human Resources

- Succession planning is critical to the Ontario region as key staff in Human Resources and Funding Services are eligible to retire in the upcoming 3-5 years. Overall, 27.5% of staff in the region are eligible for retirement within the next 5 years. This exceeds the INAC average of 21.2%. This will result in significant loss of corporate memory and underscores the need to ensure documentation of processes and files.
- Documentation of Human Resources (HR) files was limited for many staffing actions selected for review, thereby impairing ability to fully demonstrate rationale and justification for appointments and of the staffing actions within the files.
 - Inconsistent documentation of processes
 - Limited use of checklists and templates, and
 - Inconsistent approach used for records management of HR files.



Observations – Human Resources

- Improvements are underway to existing processes relative to:
 - Consistent use of checklists for all staffing files;
 - Documentation of all discussions/decisions within HR files; and
 - Maintenance of HR files by staffing action to ensure completeness of documentation.
- Based on the 20 staffing actions tested, the following transactions did not comply in full with applicable authorities:
 - In two transactions – staffing action files for indeterminate positions did not contain the statement of merit criteria.
 - In one transaction – staffing action file did not contain a sufficient and appropriate assessment of information to support the appointment of the candidate.
 - In 15 transactions – staffing action files did not contain a checklist indicating that all key documents were on file.



Observations –Human Resources

- Of the five leave transactions tested, no issues were identified.
- Of the five overtime transactions tested, one overtime form represented several months of overtime transactions which did not demonstrate evidence of pre-approval.
- Based on the five learning plans tested, four did not demonstrate evidence that the training outlined within the plans had taken place. Primary responsibility for follow-up on training plans lies with the employee. While the Responsibility Center Managers (RMCs) are held accountable to ensure compliance, limited monitoring and reporting on the status against agreed-upon learning plans is provided to support this responsibility.



Observations –Human Resources

- As a result of competition within the Toronto marketplace, a number of positions within the Ontario region are filled with acting employees. Some employees expressed frustration with the number of individuals that act in key positions, impacting continuity and quality of service.
- Several employees expressed concern regarding the capacity of the HR group in the Ontario region, specifically in the North where there is only one part-time HR representative. This has resulted in delays as Northern requests often require assistance from HR staff in Toronto.



Observations – Grants and Contributions

- Based on the detailed review of thirty (30) G&C files, eight files did not comply fully with policy requirements:
 - Holdbacks were identified within the contribution agreements but were not reflected within the FNITP system in order to be appropriately administered (two files).
 - Reports required in the approved Management Regime were not reflected in the contribution agreement and, as such, not reflected in FNITP for tracking purposes (two files).
 - There was no evidence of INAC approval on the amendment to an original contribution agreement; however, a Funding Action Request was noted on file demonstrating appropriate Financial Administration Act (FAA) Section 32 authority (one file).
 - Recipient reports were not recorded as reviewed on a timely basis (i.e. within two weeks) (two files).
 - Signature of FAA's Section 33 was not evident on the individual payment batches (two files).



Observations – Grants and Contributions (cont'd)

- There is no consistent, formal approach across the region to ensure a recipient is informed of the outcome of their proposal submission in a timely manner or of the specific scope and budget approved in relation to their proposal.
- Due to delays in the process of developing contribution agreements, the region does not consistently provide First Nations sufficient time to review the agreements and meet deadlines.
- When changes to the terms and conditions of a funding arrangement are required, INAC must prepare an amendment to be signed by the recipient. However, Notices of Budget Adjustment (NOBAs) can be used for revising budget amounts (upwards) within a funding arrangement and do **not** require the signature of the recipient. NOBAs can be used instead of amendments and, as a result, recipients are not aware of any reporting requirements associated with NOBAs.
- Overall, there is no consistent approach to documentation of Grants and Contributions (G&C) files managed within the region to support decisions, performance and compliance to terms and conditions of funding agreements.



Observations – Grants and Contributions (cont'd)

- While there is some monitoring of G&C activities, there is currently no standard approach to the initial assessment of recipient risk, the level of monitoring required based on those risks and documentation of such monitoring.
- There is currently no formal recipient compliance audit regime in place within the region (i.e. management-led audits to assess compliance to the terms and conditions of the agreements); however, there are processes in place to complete audit procedures on specific agreements/programs (i.e. social assistance, education).
- Staff continue to struggle with the use of FNITP. Front-line employees cannot access the information they need as they are not yet comfortable and proficient with the system and its capabilities. This has resulted in delays in the establishment of receivables (i.e. repayments) in FNITP and OASIS.
- Reports produced as a result of agreements are not consistently reviewed by regional staff when submitted by the recipient and reporting requirements have been omitted from some amendments to agreements.



Observations - Grants and Contributions (cont'd)

Mushkegowuk Tribal Council Management of Renovation of 60 Housing Units:

- The Mushkegowuk Tribal Council (MTC) was responsible for managing the renovation project.
- An initial amount of \$250,000 was provided by amending the existing DIAND/First Nation Funding Agreement with Mushkegowuk Tribal Council (MTC) for expenses incurred on behalf of MTC's member First Nation to start the emergency infrastructure and housing repairs.
- From the original \$250,000, through a number of amendments and Notice of Budget Adjustments (NOBAs), MTC received a total of \$11.3 million for this project.



Observations – Grants and Contributions (cont'd)

- At the request of the department, Audit Services Canada conducted a scoping exercise which revealed that:
 - Normal project approval and reporting procedures were not followed by the regional office and no clear scope and budget were established;
 - Notice of Budget Adjustments totalling \$8.9 million were used to amend the original \$250,000 initially provided for this project;
 - Monitoring activities were not sufficient given the risks associated with this project;
 - MTC did not document all expenditures appropriately (e.g. payroll and vehicle use);



Observations – Grants and Contributions (cont'd)

- MTC applied several administration fee rates in the course of the project on which payments were based;
- Management letters were sent to the region and to MTC by INAC Audit and Assurance Services Branch.



Observations - Contracting

- Of the 20 contracts tested, one did not comply fully with contracting policies:
 - Contract work had commenced and had been invoiced prior to signing of the contract.
- Five acquisition cards were tested to confirm whether due diligence was exercised in the management of acquisition card expenditures. No exceptions to compliance were noted.



Recommendations- General Management

- The RDG should develop an integrated approach to risk management within the region.
- The RDG should continue to focus on defining and measuring/reporting on performance indicators – aligned to INAC's strategic outcomes.



Recommendations – Human Resources

- Through the coordination of Human Resources and RCMs, the Director of Human Resources should continue efforts to ensure complete, accurate and up to date HR files are in place and maintained. This should include consistent maintenance of checklists and copies of evidence maintained in each HR file to support the associated decisions.
- To ensure appropriate monitoring of the implementation of approved training plans, regular reports should be provided to RCMs and senior management.
- Focus should continue to be placed on succession planning specifically in the areas of Human Resources and Funding Services to ensure a smooth transition and transfer of corporate memory when key players leave the organization. Documentation of processes should be assured during any transition period.



Recommendations – Grants and Contributions

- In coordination with Finance HQ, in-depth FNITP training should be provided to front-line staff to enable them to perform their responsibilities more efficiently and to ensure FNITP is a useful and reliable tool.
- The Directors of Funding Services, in conjunction with the Director of Corporate Services and in coordination with the Director of the Transfer Payment Directorate, should develop a process to ensure accurate and timely capture of repayable amounts within FNITP and the financial system, for recovery.
- The Director of Corporate Services should develop a process to monitor and document overrides of halted funding and take remedial action for misuse of overrides.
- The region should develop a standard approach to G&C file documentation to ensure complete, accurate and up to date files are in place.



Recommendations – Grants and Contributions (cont'd)

- A comprehensive standard for G&C programs, including ongoing monitoring, documentation of activities and the development of a risk-based recipient (compliance) audit regime should be in place for all programs. Leveraging the audit clause to be incorporated into each recipient agreement, a risk assessment process should support the recipient monitoring and audit process undertaken within the Region.
- To ensure efficiency of monitoring processes, the Regional Operations Committee (ROC), should ensure that only those reports required for INAC's oversight and monitoring are included in agreements, on the basis of risks.
- Delegated authorities should be made aware of their responsibilities in order to determine whether the use of a NOBA is appropriate. Monitoring the use of NOBAs vs. amendments should be undertaken to determine that the criteria for the use of either are clear and applied consistently.
- Justification for emergency funding should be documented on file, and the region should revert to regular processes as early as possible, within months.