

# Ministry of Children and Family Development

## Financial and Internal Control Review of Métis Commission of Children and Families of BC

Revised  
August 21, 2013



# Grant Thornton

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August 21, 2013

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Dear Mr. Kennedy:

Further to our *Information Technology & Management Consulting Professional Services Agreement XLD211146* of April 12, 2013, we enclose the revised report on our findings from our limited scope review of financial operations and internal control systems and procedures at the “Métis Commission for Children and Families of BC”. The report has been amended to reflect two factual inaccuracies that were brought to our attention by the “Métis Commission for Children and Families of BC”, but these amendments do not materially change the findings of the report.

We trust this is in order, and would be pleased to discuss our report at any time. We thank you for the opportunity to provide our Advisory Services to the Ministry of Children and Family Services.

Yours sincerely,

Doug Steele, CA, CISA  
Partner, Advisory Services  
**Grant Thornton LLP**

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## Executive Summary

1. Pursuant to the *Information Technology & Management Consulting Professional Services Agreement XLD211146* of April 12, 2013, Grant Thornton LLP was engaged by the Ministry of Children and Family Development (“the Ministry”) to conduct a limited scope review of the financial and internal controls of the “Métis Commission for Children and Families of BC” (“the Commission”). Our primary contact at the Commission was its Chief Executive Officer, Ms. Deborah Canada, and its Finance Officer, Mr. Quang Ho.
2. The Ministry is responsible to ensure proper accountability and appropriate use of public funds. Concerns and allegations were recently brought forward prompting the Ministry to initiate this limited scope review of the Commission. We were asked to review its financial records and internal control systems and processes. More specifically, our terms of reference are set out later herein.
3. We received full cooperation of the Board of Directors of the Commission, as well as from their Chief Executive Officer and Finance Officer. We generally had unrestricted access to financial, accounting, and banking records during the course of our review. Notwithstanding this cooperation, we were limited by the fact that the current Finance Officer at the Commission <sup>s.22</sup> had limited personal knowledge of its business operations and transactions prior to 2012.
4. We found the condition of the accounting records and supporting documentation at the Commission to be generally satisfactory and sufficient starting from the year 2012. In prior years, we would consider the bookkeeping within their accounting records to be seriously deficient. This finding was primarily based on the commentaries by the Commission’s external auditors in their Management Reports at the conclusion of their work in performing the annual audit, and the number of year-end adjusting journal entries, many of which were required to correct entry errors. Otherwise, we found the supporting financial records to be generally well-organized and sufficient in detail, but not necessarily accounted for properly.
5. Based on the number of year-end adjusting journal entries, and their dollar value, in our view, the quarterly financial reports submitted to the Ministry by the Commission prior to 2012 had significant inaccuracies. That is, we generated the same reports from their accounting system during our procedures, but reflecting the specific quarterly period



previously reported on, and noted significant differences in revenues, expenses, and the resultant surpluses and deficits as reported then versus that presented now.

6. In our view, the significant inaccuracies arose from the lack of qualified personnel previously fulfilling the Finance Officer role. We understand that historically, with one exception, none of the past Finance Officers held appropriate professional accounting designations or business degree qualifications.
7. However, the Commission's current Finance Officer has a university degree in business administration, s.22 has sufficient knowledge of accounting principles and practices to generally fulfill the role. It was apparent from our site visits that he was competent with the Commission's accounting system, "Adagio", the data as recorded, and its reporting capabilities.
8. s.22 it was also apparent that the underlying accounting principles required for fund accounting within a Not-for-Profit organization. Nevertheless, it appears that he was cognizant of proper and sufficient internal control processes to generally safeguard the Commission's finances.
9. Given the Commission's relative size in terms of the number of employees, and the amount of its annual financing, there appeared to be sufficient controls in place over its bank accounts. Cheques required two signatures, however, to the extent that the signatories to the account included a member of the Board of Directors who lived in Williams Lake, it was not practical for her to be readily available to sign cheques. Accordingly, we understand that she pre-signed a number of blank cheques which in the normal course would be a serious breach of internal controls. However, we also understand that the pre-signed cheques were secured in a locked filing cabinet within the finance office, which also had a locked door.
10. We reviewed several years of bank statements and noted that there were no handwritten cheques issued at the Commission. Cheques were generated through the accounting software such that a bookkeeping entry was coincidentally made to record the transaction.
11. We also reviewed several years of monthly bank reconciliations at the Commission. In conducting our review, we noted that there were various periods prior to the current Finance Officer's employment where the actual bank balance did not reconcile with the recorded balance, albeit that generally the differences were of nominal amounts (less than \$1,000). Of some mild concern was that non-reconciled differences were evident in a series of successive months. Of equal concern was that it was apparent that bank reconciliations were not conducted in a timely manner, that is, within two to three weeks following the receipt of the bank account statement. Nevertheless, we attribute these control weaknesses to be evidence that the Finance Officers s.22

12. Respectfully, in terms of Ms. Canada's remuneration and benefits, in our view, the Board should independently reassess the terms. That is not to suggest that she does not provide substantial benefits to the Commission. Rather, we recommend this as the history of changes to her remuneration and benefits over the years was apparently considered and documented by random email transmissions where some Board members were excluded from the decision while Ms. Canada held some influence.
13. An overriding recommendation is for the Ministry to continue working with the Commission. However, the Board, Chief Executive Officer, and Finance Officer should immediately prepare a "zero-base budget" for Ministry review and approval. A "zero-base budget" essentially is a planning document that identifies the best-case and minimum-case for the operations of the Commission to continue. This is an opportunity for the leaders of the Commission to express their minimum service levels and "wish-lists" for funding. With a "zero-base budget", the leaders would identify the minimum and optimum service levels, and the respective costs to justify the expenditures. From the perspective of the funder, this will provide the Ministry with sufficient information and data that supports the proposed funding levels going forward. Given the weaknesses of the historical quarterly and annual reporting (from a financial perspective), the production of a new "zero-base budget" provides a "clean slate" and level of confidence that can be appreciated and substantiated by the Ministry as "funding agency" and by the Commission as a "Not-for-Profit" organization. Following the production of the "zero-based budget", the Ministry should perform quarterly reviews of contract deliverables and spending as against the new budget.
14. Through the audit process, a significant surplus was identified. Another overriding recommendation would be that the Ministry and the Board meet to discuss how surplus accrued through Provincial funds will be addressed.

## Scope and Approach

15. We were asked to review the financial records, as well as the internal control system and processes, of the Commission for the period April 2009 to the present.
16. We were asked to focus on the following concerns:
  - a. Recording and management of deferred revenue and other allegations of financial misconduct as documented in the judgment in a wrongful dismissal case, in an anonymous letter received by the Ministry, and through conversation with a lawyer who was providing counsel to a former employee of the Commission.
  - b. The reasonableness of salary/compensation levels, expenses and reimbursements for staff and the Board of the organization, and a comparison with contractual limits for administrative expenses;
  - c. The validity and appropriateness of contracting practices of the Commission;
  - d. The accounting and financial control practices being used by and in place at the Commission, including their cheque signing and cheque management process;
  - e. A follow up on internal control recommendations previously issued by the Commission's accounting firm, Stone and Company;
  - f. The acceptability of the Commission's accounting practices and financing safeguards, and,
  - g. The Commission's adherence to its contract with the Ministry and potential conflicts of interest between the Commission and another agency, White Buffalo Aboriginal Health Commission and Resource Centre, arising from the sharing of a Chief Executive Officer.
17. We were asked to consider whether any problems identified in these areas, in our view, represented operational deficiencies or were the result of other causes.

18. Our approach included:

- a. interviews with the following individuals at the Commission:
  - i. Agda Neumann – Member of the Board of Directors;
  - ii. Marlene Swears – President of the Board of Directors;
  - iii. Larry Railton, past member of the Board of Directors;
  - iv. Deborah Canada – Chief Executive Officer;
  - v. Quang Ho – Finance Officer;
  - vi. s.22 – Administrative Assistant;
  - vii. – Service Coordinator;
  - viii. Quality Assurance & Policy Analyst;
- b. obtaining and reviewing certain of the Commission's financial records and performing various limited review procedures (with limited sampling in some instances), including:
  - i. reconciling and tracing the G/L deferred revenues and surplus to the annual financial statements and to the quarterly reports submitted to the Ministry;
  - ii. reviewing the payroll records, identifying any large or unusual payments and obtaining satisfactory explanations for any red flags identified;
  - iii. reviewing bank statements and bank reconciliations and identifying any unusual transactions and balances that were not reconciled, and/or other concerns;
  - iv. reviewing the VISA credit card statements as well as expense reports for any unusual payments and obtaining satisfactory explanations for any red flags identified, and/or other concerns;
  - v. reviewing master vendor list and identifying any related parties paid;
  - vi. reviewing, to the extent available, Board of Directors minutes and assessing the level of governance at the Commission;

- vii. follow-up on Stone & Company the external auditors, management letters, and identifying any recommendations that have not been implemented;
    - viii. reviewing General Ledgers and Trial Balances and the list of year-end adjusting journal entries proposed by the auditors; and,
  - c. performing additional investigation and analysis of the Commission's financial records relative to the issues identified.



# Findings

## Background

19. The Métis Commission for Children and Families of BC (defined earlier as the “Commission”) was incorporated as a non-profit Society under the British Columbia Commission Act on September 20, 1999. Under the leadership of the original six Commissioners, the Commission was established as a non-political body to advise governments and other interested parties with regard to strategic services for Métis children and families in British Columbia. The programs offered by the Commission have been primarily funded by the Ministry of Children and Family Development of the Province of British Columbia (defined earlier as the “Ministry”).
20. The Commission shares the same Chief Executive Officer, Deborah Canada, as White Buffalo Aboriginal Health and Resources Society, although each organization has independent Boards of Directors, mandates, accounting systems, internal control processes, and operations.
21. Recently, concerns and allegations have been brought forward to the Ministry. The issues include the Commission’s accounting and record-keeping practices, its internal and financial controls, and the possible misuse of funds. Also, the Ministry has additional concerns regarding the Commission’s financial reporting, its capacity to effectively manage its allotted funding, and its contracting practices. This prompted the Ministry to initiate a special purpose audit, with a limited scope, of the Commission.

## General

22. We received full cooperation of the Board of Directors of the Commission, as well as from its Chief Executive Officer, other senior management, and staff. We generally had unrestricted access to the available accounting, banking, and other financial records and supporting documentation during the course of our review.
23. Notwithstanding this cooperation, we were limited by the fact that the current Finance Officer at the Commission <sup>s.22</sup> had limited personal knowledge of its business operations and transactions prior to 2012.



**Deferred Revenue and Other Allegations of Financial Misconduct**

24. Deferred revenues arise as the result of funding received by the Commission for services which have yet to be delivered. According to the revenue recognition principle pursuant to generally accepted accounting principles, receipts in advance of services should be recorded as a “deferred revenue” liability until services are provided, at which time the “deferred revenue” is converted into “revenue”.
25. In an accounting context, deferred revenue is recognized on the Balance Sheet within an organization’s annual financial statements. Generally its quantum would approximately be equal to the cash on hand, also a Balance Sheet item. Readers of financial statements would quickly appreciate that the outstanding liability is matched by funding on hand.
26. Alternatively, revenue is recognized on the Income Statement (also called the Statement of Receipts, Disbursements, and Surplus/Deficit), along with expenses. As expenses are incurred and paid, the cash balance is reduced on the Balance Sheet. At the same time then, the deferred revenue liability should be reduced, as it is converted into revenues reported on the Income Statement. According to the generally accepted accounting principle of matching revenues with expenses then, in circumstances where funding is “thin”, there is little expectation of surpluses or deficits. That is, through the budgeting process for Not-for-Profit organizations such as the Commission, there is little excess funds available, and generally no deficits as there is little if any “room” for over-spending the budget.
27. Historically, it was apparent that the Commission had been internally accounting for government funding receipts on a “cash basis”, that is, recognizing revenue in the period when funding was received instead of recognizing revenue on an “accrual basis” when the services were provided. When the external auditors attended to their procedures with respect of the annual financial results, the unused portion of the revenue for services yet to be provided was only then adjusted to recognise the “deferred revenue” liability on the Balance Sheet as at the fiscal year-end. That is, pursuant to generally accepted auditing standards, the annual audited financial statements were prepared on an accrual basis.
28. Accordingly, for purposes of the quarterly reports to the Ministry (and/or other funding providers), this meant that no appropriate cut off was applied to the revenue (and expenses) reported therein at each quarter end. Even at the fiscal year-end, the report to the Ministry was delivered relatively well in advance (6 to 8 months) of the release of the audited financial statements. Thus, in our view, Ministry officials were receiving inaccurate quarterly reports, which had essentially been devoid of the year-end adjusting entries ultimately recommended by the auditors.
29. From the Ministry, we obtained and reviewed a few quarterly reports as previously submitted during the years 2009 – 2013. We intended, on a test basis, to compare the details in these historical reports to what would be generated now, after the year-end adjusting entries were recorded. Unfortunately, we were unable to obtain the replicated

copy of all of the Profit and Loss statements and the majority of the Balance Sheet reports at the Commission as copies were apparently not kept on file as would be appropriate. However, we retrieved what would purportedly be the same quarterly Balance Sheet reports from the Commission's Adagio system for the same period years 2009 - 2013.

30. For each representative quarter, we compared the surplus/deficit reported to the Ministry with the surplus/deficit currently recorded in the Commission's Adagio system for the period. We also reconciled the surplus /deficit included in the Commission's year-end report (Quarter 4) for years 2009 – 2013 with the surplus/deficit reported on the audited annual financial statements. As a result of our comparisons, we identified significant variances between:
- the surplus/deficit as then reported by the Commission to the Ministry on a quarterly basis with the surplus/deficit currently recorded in the Adagio system for the same period;
  - the surplus/deficit reported by the Commission to the Ministry at the fiscal year end with the surplus/deficit reported in the annual audited financial statements.
31. In our view, while small variances can potentially be explained due to a short cut off period for Ministry reporting where additional expenses are posted to the Commission's accounting system after the report is submitted, to the contrary, larger variances do not withstand this explanation but rather indicate poor management and accounting practices. However, we discussed this with the new Finance Officer, <sup>s.22</sup>

We recommended that he discuss with the Commission's auditors to become more familiar with accrual accounting versus cash accounting.

32. We discussed the issue of how the year end adjusting journal entries would make material changes to the original quarterly reports submitted to the Ministry with the Chief Executive Officer. Respectfully, given her lack of business qualifications, she concurred that these circumstances were not in the best interests of either the Commission or the Ministry, in terms of accountability and transparency. She cited the difficulty in finding qualified accountants to take employment with the Commission when funding constraints limited the number of potential candidates for the position of Finance Officer. She also concurred that some minimal level of an understanding of financial controls, financial statements, and accounting generally by herself and members of the Board of Directors would be a benefit in the future. This latter comment was endorsed by the members of the Board when discussed with them.
33. Two tables below provide the results of the analysis performed:

*Table 1: Reconciliation of surplus/ deficit reported by the Commission to the Ministry with the surplus/ deficit as per the Commission's Adagio system*

Period end / Program		Reported to the Ministry: P&L - Surplus/(Deficit)	Current records as per Adagio: P&L - Surplus/ (Deficit)	VARIANCE
<b>Year 2013 (Regular)</b>				
Q4	March	55,626	44,207	11,419
Q3	December	29,608	29,609	(1)
Q2	September	7,457	7,458	(1)
Q1	June	8,434	2,827	5,607
<b>Year 2012 (Regular)</b>				
Q4	March	899	18,889	(17,990)
Q3	December	126,028	125,546	482
Q2	September	122,935	122,452	483
Q1	June	31,792	157,814	(126,022)
<b>Year 2012 (Development project)</b>				
Q4	March	7	7	(0)
Q3	December	160,594	160,595	(1)
Q2	September	54,300	54,300	(0)
Q1	June	49,351	47,307	2,044
<b>Year 2012 (Residential Redesign Forum)</b>				
Q4	March	Not available	1,829	Not available
Q3	December	Not available	1,829	Not available
Q2	September	Not available	1,829	Not available
Q1	June	Not available	(1,871)	Not available
<b>Year 2011 (Regular)</b>				
Q4	March	134	165,436	(165,303)
Q3	December	36,409	43,309	(6,900)
Q2	September	25,131	23,873	1,258
Q1	June	(5,739)	20,633	(26,372)
<b>Year 2011 (QA project)</b>				
Q4	March	3,412	16,863	(13,452)
Q3	December	27,812	Not available	Not available
Q2	September	Not available	Not available	Not available
Q1	June	Not available	Not available	Not available
<b>Year 2011 (Government training)</b>				
Q4	March	198	198	-
Q3	December	Not available	Not available	Not available
Q2	September	Not available	Not available	Not available
Q1	June	Not available	Not available	Not available
<b>Year 2011 (Research project)</b>				
Q4	March	1,965	22,877	(20,912)
Q3	December	161,121	Not available	Not available
Q2	September	Not available	Not available	Not available
Q1	June	Not available	Not available	Not available
<b>Year 2010 (Regular)</b>				
Q4	March	(12,874)	85,097	(97,971)
Q3	December	24,488	68,281	(43,793)
Q2	September	24,474	56,314	(31,840)
Q1	June	(19,697)	37,778	(57,475)



*Table 2: Reconciliation of surplus/deficit reported by the Commission to the Ministry at the year end with the surplus/deficit as per annual audited financial statements*

Fiscal Year End	Surplus/ Deficit as per Annual Audited Financial statements (\$)	Surplus/ Deficit reported to the Ministry (\$)	Variance (\$)	
Y/e March 31, 2013	Not available yet	55,626	Not available yet	
Y/e March 31, 2012	78,003	906	(77,098)	Note 1
Y/e March 31, 2011	196,201	5,709	(190,492)	Note 2
Y/e March 31, 2010	5,363	(12,874)	(18,237)	
<b>Note 1: Surplus/Deficit as per reports submitted to the Ministry, Year 2012</b>				
Regular fund	899			
Development program	7			
Residential program (as per Adagio)	-			
Total	906			
<b>Note 2: Surplus/Deficit as per reports submitted to the Ministry, Year 2011</b>				
Regular fund	134			
QA project	3,412			
Government training	198			
Research project	1,965			
Total	5,709			

34. In our review of the reports submitted by the Commission to the Ministry, we noted that the surplus/deficit reported therein on the Profit and Loss Statement did not agree with the current year surplus/deficit reported on the Balance Sheet. These amounts should be identical, as it is the linkage between the two financial statements. The table below illustrates the variance identified:

Period Ended March 31, 2013	Surplus / (Deficit) reported, \$
Profit and Loss Statement	55,626
Balance Sheet Statement	34,537
<b>Variance</b>	<b>21,089</b>

The Commission's Finance Officer had not noticed the variance before, and when asked, was not able to provide us with the explanations of differences.

Please note that we were not able to perform a similar analysis for years 2009 to 2011 as the required Balance Sheet statements were missing in the Commission's records.

#### **Reasonableness of Salary/Compensation Levels, Expenses, and Reimbursements**

35. During our review, we analysed the Chief Executive Officer's remuneration and expense claims at the Commission. We also looked at the honorarium paid to the Board of Directors.

36. In our view, there were no clear terms of employment for the Chief Executive Officer. Evidence of changes to the terms of her employment, including remuneration and benefits, were not always properly documented in the employment contracts or addendums to the contract.
37. Rather, more often than not, the Chief Executive Officer's terms of employment including remuneration and benefits were "discussed" and approved in email correspondence between some members of the Board of Directors and the Chief Executive Officer herself. Often, such discussions were difficult to track, as there were gaps in the "email chains" in many instances. Furthermore, there was little evidence of discussion between members of the Board independent of the presence or input of the Chief Executive Officer.
38. On the basis of information gleaned from T-4 records, paystubs, payroll records within the accounting system, and other correspondence, we estimated that over the last four calendar years, the Chief Executive Officer's direct remuneration was approximately as follows:

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$90,000	\$104,000	\$123,000	\$134,000

39. We also understand from some email correspondence that Ms. Canada was to work four days per week for the Commission, as she was employed 1 day per week at the White Buffalo Aboriginal Health and Resources Society. She was purportedly to receive s.22 of holidays per year at the Commission.
40. Within the amounts of the noted remuneration set out above, we found document evidence in the form of cheques s.22 that Ms. Canada received From our discussions with Board members, this was not a well known fact amongst all of them.
41. We appreciate that it remains within the purview of the Board of Directors of the Commission to agree to the compensation and benefits of their Chief Executive Officer. However, in our experience, those at an Executive level are generally compensated on the basis of salary rather than hourly wage, irrespective of the number of hours that the individual performs in their responsibilities in that capacity. Often salary and benefits for the Executive of organizations are discussed amongst Board members in an independent setting. It was not clear from comments made by Board members that this process was standard; that is, as noted, often Ms. Canada's remuneration was formalized through email transmissions with her by some but not all of the Board.
42. We found that there was a process in place that requires every staff member at the Commission to track their time in timesheets. However, it was apparent that in recent years, this procedure was not followed by the Chief Executive Officer, as we found no

evidence that timesheets were submitted by her on a weekly basis at the Commission. Accordingly, for example, historically there were no means to determine her day-to-day activities, what vacation entitlements she had taken and/or were unused, or as a means to audit expense reimbursements. In our view, if only for accountability, transparency, and as a good example to staff, proper time records should be kept by Ms. Canada.

43. We generally examined on a test basis the expense reports submitted by all staff, including the Chief Executive Officer. Generally, it appeared that other staff submitted expense reports with sufficient details that then were reviewed by the Chief Executive Officer as an internal control process for authorization of reimbursement. However, not all of the expense reports filed by the Chief Executive Officer had the same detail, or authorization by a Board Member. In our view, a Board member needs to review and if found satisfactory, authorize reimbursement of expenses incurred by Ms. Canada.
44. We learned that the Commission recently updated its Constitution Articles of Association in April 2013. Accordingly, the Board of Directors of the Commission shall consist of 3 to 9 Métis Commissioners. We also learned that the previous version of the Constitution which was in place from September 2011 stated that the “Board of Directors *shall* consist of 7 commissioners and 5 ex officio members” [*emphasis added*]. Nevertheless, it was apparent that despite the “absolute” number and composition, the Board has not been properly constituted since September 2011, nor to the present.
45. According to the Commission’s Constitution, the Métis Commissioners may receive “reasonable honoraria” for attending meetings and for conducting the Commission’s business. Based on our review of details in the Commission’s accounting records, the following (present and former) Directors received an honoraria from Apr 01, 2010 to approximately April 2013 of:

<b>BOD Member</b>	<b>\$CND</b>
Kim Bayer	4,400
Agda Neumann	13,565
Larry Railton	3,475
Marlene Swears	20,200
Lynne Thompson	11,675
<b>Total</b>	<b>53,315</b>

46. Included within these totals above were “Christmas Bonuses” of \$5,000 paid to each of Agda Neumann, Marlene Swears, and Lynne Thompson on November 6, 2011. We were advised by Ms. Neumann that the funds for which these bonuses were paid came from a Development contract, for which “administration dollars” were budgeted. That is, she stated that the payments “did not come out of the core dollars that the Ministry provides us”.



**Validity and Appropriateness of Contracting Practices**

47. In the course of our examination, we reviewed the Commission's vendor lists and traced some of the expenditures to the vendors' contracts and other supporting documents. While we found that the contracting practice at the Commission was generally appropriate, we noted that the s.22 was paid to provide janitorial services at the Commission office, being paid a total of \$250 bi-weekly, or approximately \$6,500 per year.
48. We found no evidence that the janitorial services were put out for tender, nor did we find any other evidence that service providers were given an opportunity to bid on supplying the service to the Commission.
49. Upon discussion with Ms. Canada, we understood from her s.22 does not report directly to her but rather to the Finance Officer at the Commission. While this appears to eliminate a "real conflict of interest", in our view, there remains a "perceived conflict of interest". That is, it is less likely that the Finance Officer at the Commission would bring any concerns regarding the quality and value-for-dollar of janitorial services provided by s.22 without fear of any personal repercussions.
50. s.14
- 51.
- 52.
- 53.

### **The Accounting and Financial Control Practices**

54. In the course of our review of the control practices, including the Commission's cheque signing and cheque management processes, we performed a walkthrough of the purchasing process, including expense reports, account payable process, and bank reconciliation processes.
55. Given the Commission's relative size in terms of the number of employees, and the amount of its annual financing, there appeared to be sufficient controls in place over its bank accounts. Cheques required two signatures, however to the extent that the signatories to the account included a member of the Board of Directors who lived in Williams Lake, approximately 250 kilometres from the Commission offices, it was not practical for her to be readily available to sign cheques. Accordingly, she pre-signed a number of blank cheques which in the normal course would be a serious breach of internal controls. However, we understand that the pre-signed cheques were secured in a locked filing cabinet within the finance office, which also had a locked door.
56. Negotiable cheques were created by the Finance Officer upon instruction from the Chief Executive Officer only, after sufficient supporting documentation and/or other authorization has been provided. In creating the cheque, the Finance Officer used the Adagio accounting system directly, such that a bookkeeping entry was made as the cheques were prepared. The Chief Executive Officer only then provided the second signature necessary for the cheque to be negotiated. Apart from a forgery of the Chief Executive Officer's signature, or other malfeasance on her part, in our view, there would be little if any other risk associated with this practice vis-à-vis unauthorized payments.
57. We reviewed several years of bank statements and noted that there were no handwritten cheques issued at the Commission. Accordingly, for each cheque issued (and in some cases voided), there was an entry in the bookkeeping records of the Commission.
58. We also reviewed several years of monthly bank reconciliations at the Commission. This is a monthly internal control process that provides confirmation that both deposits and cheque details were recorded within the Commission's accounting system. From an accounting perspective, when performing the bank reconciliation, the bank balance per the monthly bank statement is compared to the balance per the general ledger of the accounting records. Where there are differences between the actual and reported balance, the Finance Officer must identify both cheques issued but outstanding (not negotiated by the payee), other unrecorded withdrawals such items as for bank fees, and recorded deposits not recognized on the bank statement.
59. Discrepancies identified through this process are intended to be investigated to either correct the deficiency, which may be either a bank error or a bookkeeping error, or the result of improper financial management. In conducting our review of the bank reconciliations, we noted that there were various periods prior to the current Finance Officer's employment where the actual bank balance did not reconcile with the recorded balance, albeit that generally the differences were of nominal amounts (less than \$1,000).

Of some mild concern was that non-reconciled differences were evident in a series of successive months. Of equal concern was that it was apparent that bank reconciliations were not conducted in a timely manner, that is, within two to three weeks following the receipt of the bank account statement. Nevertheless, we attribute these control weaknesses to be evidence that the prior Finance Officers<sup>s.22</sup> and did not appreciate the importance that the bank reconciliation process provides as an internal control mechanism.

60. Likely due it was also apparent that the current Finance Officer the underlying accounting principles required for fund accounting within a Not-for-Profit organization. For example, during our review we noted (as described elsewhere) that:
- a. The deferred revenue was still not being recognised on a quarterly basis, but in all likelihood was adjusted by the auditors at the year end;
  - b. The reasons behind some of the auditor's journal entries proposed in Fiscal 2012 have not been questioned;
  - c. The current year surplus reported on the Profit and Loss statement does not agree to the surplus reported on the Balance Sheet. The reason for this is unknown.

From an accounting perspective, these issues are obvious as they were included on the face of quarterly financial statements. However, they were never identified/questioned by the Finance Officer and further investigated.

61. We also noted that there was a debit balance of \$19,010 VISA Payable reported on the 2012 quarterly reports to the Ministry. We learned that this arose from specific adjusting journal entries proposed by the auditors. In the normal course of accounting, liabilities for outstanding VISA charges are not debits, but rather credits. The entry implied that \$19,010 was paid against the VISA account where charges had yet to be made. This entry was not amended by the Finance Officer and remained on the Commission's Balance Sheet throughout fiscal 2013, being included as such on each quarterly report to the Ministry. In our view, this one line-item highlighted that neither the Chief Executive Officer nor Board members properly reviewed and questioned the Finance Officer regarding a highly irregular accounting entry on the quarterly reports.
62. To clarify the shortcoming, the adjusting entry that set up this VISA debit balance came about due to an inaccurate year-end cut-off by the previous Finance Officer. The auditor's adjustment was appropriate. However, the entry should have been reversed in April 2012 when the charges on the VISA statement were validated as expenses in fiscal 2013. In our view, this circumstance highlights three points, including the apparent<sup>s.22</sup> Finance Officer of the day, the over-riding reliance of the Chief



Executive Officer on the auditors to “make everything right”, and the lack of sufficient business acumen at the Board of Director’s level.

#### Follow-up on Auditor’s Internal Control Recommendations

63. During our review of the financial affairs at the Commission, we noted what we considered to be an extraordinary high number of adjusting journal entries proposed by the external accountants in the preparation of the annual Notice to Reader financial statements. The norm would possibly range from 3 to 5 adjusting entries, as the external accountants “pick up” some missed accruals (such as deferred revenue, accrued vacation, etc.) during their year-end procedures. A count and dollar value of the year-end adjusting journal entries for fiscal 2010 to 2012 inclusive were:

Fiscal Year Ended March 31	2010	2011	2012
# of Adjusting Journal Entries	46	33	28
\$ Value of Adjusting Journal Entries	\$151,390	\$1,276,730	\$590,988

64. The number (compared to 3 to 5) and magnitude of the adjusting journal entries imply that there are serious errors in the bookkeeping of the Commission’s affairs during the course of each fiscal year. There are several implications from this, the least of which is that the auditor’s fees would likely be significantly more than needed as they capture the errors. More importantly however is the notion that the data in the quarterly reports to the Ministry would be seriously inaccurate, and therefore the funding party to this Not-for-Profit should not bear any confidence that the past reports have any merit.
65. We noted elsewhere that the Commission’s current Finance Officer has a business degree<sup>s.22</sup>. It was also apparent from discussions with him that while he had some understanding of underlying accounting concepts,<sup>s.22</sup> of certain accounting concepts particularly in respect of Not-for-Profit organizations with external funding sources, and more so accrual accounting. Nevertheless, he was keen to learn and understand our issues specifically related to the differences in the quarterly reporting to the Ministry and differences that would arise subsequent to the completion of the annual audit where there were the number and magnitude of adjusting journal entries required for the audited statements. In our view, Mr. Ho presented as a “vast improvement” over past Finance Officers. We would encourage him, and encourage Ms. Canada to support him, in relying upon the Commission’s auditors, and the experience and knowledge of Ms. Neumann, to discuss ongoing accounting, budgeting, and finance issues.
66. During our limited scope review, we examined the Management Letters for the years ended March 2011 and March 2012 issued by the Commission auditors Stone and Company following their year-end audit procedures. These Management Letters would generally be delivered as the final audited statements are released. Below, we included some of the points raised in these Management Letters:

Year Fiscal 2012	Year Fiscal 2011
<ul style="list-style-type: none"> <li>• Easypay YTD information for employees should reconcile with the GL. Individual staff YTD totals to be verified before T4 is issued. Payroll to be verified before cheque is issued;</li> <li>• Bank accounts to be reconciled individually.</li> </ul>	<ul style="list-style-type: none"> <li>• Recoveries and admin expenses should reflect actual expenses rather than desired budget results;</li> <li>• Bank accounts to be reconciled individually;</li> <li>• Original invoices to be attached to payments;</li> <li>• Expense and revenues should be reported in the period in which they occurred. Paid expenses spanning two years should be set up as prepaid. Revenue already received should be deferred when the program has not been completed within the fiscal period and when approval by the funding partner and management allows for the revenue to be transferred and reported in the subsequent period to correspond with the program final expenses;</li> <li>• Establish a tracking system for accounts receivable. Request for travel or expense reimbursement from sponsor or funding partner need to be documented to ensure follow-up record keeping;</li> <li>• Payroll checklist to be established to ensure proper employee deductions, benefits and WCB are set up and recorded in Easypay;</li> <li>• Sick time taken and allowed to be tracked;</li> <li>• BOD to be expanded to include an accountant.</li> </ul>

67. The external accountant's comments for 2011 indicated the improper accounting treatment of receipts as revenues versus their proper recognition as deferred revenues until expenses were incurred. Essentially, in fiscal 2011, revenue was still fully recognized in the period when funds were received (cash basis of accounting) and did not reflect the percentage of service completed. The unused portion of the receipts was then recognized in the process of preparing the annual financial statements (again, well after

reporting to the Ministry was completed) as deferred revenues on the Balance Sheet. That is, the deferred portion of the revenue, if any, was only recognised well-after the year-end based on the adjustments proposed by the external accountants, rather than presented properly on a quarterly basis and reported to the Ministry as such during the fiscal year.

68. The Management Letter of 2011 also included a recommendation that the Board composition be amended to include a member with strong accounting skills and experience. That experience would also be valuable to the Commission in terms of setting accounting policies, and mentoring the current Finance Officer.
69. In our discussions with the Finance Officer, we were told that the Commission had either remediated or was in the process of remediating the deficiencies identified by the auditors, with exception of the issues discussed below:
  - Recognition of deferred revenue. As described above, and in the 2011 Management Letter, revenue was still fully recognised on a cash basis in the period it was received and did not reflect the percentage of service completed; the deferred portion of the revenue was only recognised at the year-end based on the adjustments proposed by the auditors, rather than presented properly on a quarterly basis and reported to the Ministry as such;
  - The composition of the Board of Directors composition did not include a professional accountant to provide financial guidance to the overall Board, to establish accounting policies and practices, and to mentor the Finance Officer.
70. In our discussions with the Board members we interviewed, we discussed its composition and apparent lack of a member with professional accounting qualifications. Board members generally, and Ms. Neumann specifically, responded that (a) she had lengthy experience in financial management capacities during her career, (b) was diligent in a monthly review of the accounting and financial statements generated monthly from the Adagio system, (c) was diligent in reviewing the quarterly reports to the Ministry, and (d) available to the current Finance Officer to support him with accounting and finance issues. However, in discussions with the Finance Officer specifically about (b), (c), and (d), he did not respond in like manner. That is, he did not recall specific discussions with Ms. Neumann or other Board members on a regular monthly basis regarding the financial statements, nor quarterly basis with respect to the reports to the Ministry.
71. Accordingly, it was not apparent that all of the recommendations in the Management Letters were complied with. Despite the fact that the Board has at least one member with some financial management experience, we agree with the auditor's recommendation to include a member on the Board who was a professional accountant. This Board member with those professional qualifications could also act as an "Audit Committee" of the Board.



**The Acceptability of the Commission' Accounting Practices and Financial Safeguards**

72. Our previous comments highlight what clearly have been difficulties with the historical accounting practices at the Commission. While the Board defer to Ms. Canada's experience to manage its financial affairs, by her own admission, she implied that she relied upon the various Finance Officers, and ultimately the year-end financial statement preparation process for the accounting to be eventually corrected. However, we would place little if any reliance on the historical quarterly reports as being representative of financial affairs within those respective periods. However, overall, the year-end financial statements would in our view, subject to the limitations put on them by the auditors, provide a fair representation of the annual surplus/deficit over the course of the fiscal year, as well as a fair representation of the assets and liabilities as at their year end.
73. In our view, the cash management procedures currently in place provide reasonable controls, given the logistics of those authorized to sign cheques on behalf of the Commission. As noted, while the pre-signing of cheques presents a considerable risk, to the extent that they are kept under "double lock and key" until utilized, and the second signature is purportedly added only upon provision of sufficient supporting documents and their independent review by Ms. Canada, the risk is somewhat mitigated.
74. In terms of contractual agreements, in our view, greater controls need to be put into place. Citing the example of the janitorial contract, albeit modest at \$250 biweekly, it is not apparent that a transparent, open process was in effect when s.22 was provided the opportunity, particularly given the s.22. As noted, while the Finance Officer is purportedly assigned to monitor his performance independently of Ms. Canada, in our view there is a perceived conflict of interest, if not a real conflict of interest. We would encourage the Board to instruct the Chief Executive Officer and Finance Officer to post a tender for bids, possibly for a 2-year contract.
75. Respectfully, in terms of Ms. Canada's remuneration and benefits, in our view, the Board should independently reassess the terms. That is not to suggest that she does not provide substantial benefits to the Commission. Rather, we recommend this as the history of changes to her remuneration and benefits over the years was apparently considered and documented by random email transmissions where some Board members were excluded from the decision while Ms. Canada held some influence.
76. An overriding recommendation is for the Ministry to continue working with the Commission. However, the Board, Chief Executive Officer, and Finance Officer should immediately prepare a "zero-base budget" for Ministry review and approval. A "zero-base budget" essentially is a planning document that identifies the best-case and minimum-case for the operations of the Commission to continue. This is an opportunity for the leaders of the Commission to express their minimum service levels and "wish-lists" for funding. With a "zero-base budget", the leaders would identify the minimum and optimum service levels, and the respective costs to justify the expenditures. From the perspective of the funder, this will provide the Ministry with sufficient information

and data that supports the proposed funding levels going forward. Given the weaknesses of the historical quarterly and annual reporting (from a financial perspective), the production of a new “zero-base budget” provides a “clean slate” and level of confidence that can be appreciated and substantiated by the Ministry as “funding agency” and by the Commission as a “Not-for-Profit” organization. Following the production of the “zero-based budget”, the Ministry should perform quarterly reviews of contract deliverables and spending as against the new budget.

## Recommendations

### General

77. Currently the annual budget for the Commission is prepared by the Chief Executive Officer once the Ministry identifies and communicates to the Commission the funding available for the year. We understand that the budget is prepared by the Chief Executive Officer without involving operational staff and obtaining their input in to the process.

In our view, the current budgeting process does not provide best value/services for funding of the Commission. It also does not allow the lowering of costs by avoiding unnecessary/blanket increases or decreases to a prior period's budget.

It is recommended that the Ministry continues to provide funding to the Commission as agreed in Fiscal March 2014. However, in October 2013, the Commission should be required to provide a budget for the next fiscal year ended March 2015. The new budget should be prepared using a zero-based budgeting concept which requires that all expenses are justified in greater level of details for each new period. It starts from a "zero base" and every function within the Commission will have to be analyzed for its needs and costs in detail. Budgets will then be built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one.

A new "zero-base" budgeting process will allow top-level strategic goals of the Commission to be implemented into the budgeting process by tying them to specific functional areas. Costs can be first grouped, then measured against previous results and current expectations.

Upon submission, the Ministry will have to perform a thorough review and challenge every type of expense included in the budget before it is approved. Budget to actual analysis submitted to the Ministry on a quarterly basis should also be reviewed and any deviations should be followed up with the Commission immediately.

*Timing of recommendation: October 1, 2013*

78. Once recommendations included in this report are communicated to the Commission together with other recommendations identified by the Ministry, <sup>s.13</sup>

*Timing of implementation: To be discussed with Management*

79. The issue of succession planning for senior management at the Commission and White Buffalo needs to be addressed.

*Timing of implementation: October 1, 2013*

80. In accordance with their Constitution, the Board should be expanded to include representatives from the Federal and Provincial Governments.

The Board should also include a member who is a professional accountant to provide financial guidance to the Board, to establish policies and mentor the Finance Officers.

*Timing of implementation: August 1, 2013*

81. To improve the quality of accounting transactions recording practice and reporting, management should consider enrolling the Finance Officer into an appropriate accounting program. In addition, it is suggested that the Finance Officer relies upon the external auditor and Ms. Neumann of the Board for some guidance and support during the period and especially at the quarter end when financial reports are generated for the Ministry.

To assess the accuracy and completeness of the current financial reporting and bookkeeping practice at the Commission, it will be important for the management to review the results of the annual audit Fiscal 2013, including the amount of management letter points and adjusting journal entries.

*Timing of implementation: August 31, 2013*

82. Through the audit process, a significant surplus was identified. We would recommend that the Ministry and the Board meet to discuss how surplus accrued through Provincial funds will be addressed.

*Timing of implementation: Immediate*



## Restrictions and Limitations

83. This report was prepared for the Ministry of Children and Family Development relative to the Financial and Internal Control Review Services Agreement XLD211146. Grant Thornton LLP was engaged to conduct a review of the financial operations of the Métis Commission for Children and Families of BC.
84. This report is intended to assist the Ministry of Children and Family Development in assessing the Commission. This report is not to be used for any other purpose and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described in this paragraph. It should not be reproduced in whole or in part without our express written permission, other than as required by the Ministry of Children and Family Development in a manner consistent with the terms of our engagement. Readers are cautioned that this report may not be appropriate for their purposes.
85. The financial statements of the Commission are audited and as a consequence were relied upon. We took some comfort that the statements were prepared in accordance with GAAP as required in the Commission's agreements with the Ministry and other funding agencies. However, we did not perform an independent audit of the financial statements of the Commission pursuant to the professional standards of the Canadian Institute of Chartered Accountants, but rather a limited scope review, and do not provide an independent opinion related to the financial statements.
86. In the course of our inquiry, certain information was provided to us by various personnel of the Commission which we have relied upon without further verification, as specified in our report.
87. This report is based on the information in our possession as at this date. There may be other records, documents, and/or email transmissions that individuals referred to herein may have that we were not privy to, which might otherwise provide further explanation of events. We reserve the right, but will be under no obligation, to review and/or revise the contents of this report in light of information which becomes known to us after this date.

# Ministry of Children and Family Development

## Financial and Internal Control Review of White Buffalo Aboriginal and Métis Health Society

June 28, 2013



June 28, 2013

Mr. Michael Kennedy  
Manager, Delegation Negotiations and Implementation  
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Ministry of Children and Family Development  
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Dear Mr. Kennedy:

Further to our *Information Technology & Management Consulting Professional Services Agreement XLD211146* of April 12, 2013, we enclose this report on our findings from our limited scope review of financial operations and internal control systems and procedures at the “White Buffalo Aboriginal and Métis Health Society”.

We trust this is in order, and would be pleased to discuss our report at any time. We thank you for the opportunity to provide our Advisory Services to the Ministry of Children and Family Services.

Yours sincerely,  
**Grant Thornton LLP**



James Blatchford, BA, MBA, CMA, FCMA, CFE, CFI  
Principal

/aaw

encl.

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## Executive Summary

1. Pursuant to the *Information Technology & Management Consulting Professional Services Agreement XLD211146* of April 12, 2013, Grant Thornton LLP was engaged by the Ministry of Children and Family Development (“the Ministry”) to conduct a limited scope review of the financial operations and internal control systems and procedures of the “White Buffalo Aboriginal and Métis Health Society” (“White Buffalo”). Our primary contact at White Buffalo was its Executive Director, Ms. Deborah Canada, Manager of Operations, Ms. Jeanie Cardinal, and Finance Officer, Ms. Leslie Whitmore.
2. The Ministry is responsible to ensure proper accountability and appropriate use of public funds. Concerns and allegations were recently brought forward prompting the Ministry to initiate this limited scope review of White Buffalo. We were asked to review its financial records and internal control systems and processes. More specifically, our terms of reference are set out later herein.
3. We received full cooperation of the Board of Directors of White Buffalo, as well as from their Executive Director and other senior management. We generally had unrestricted access to financial, accounting, and banking records during the course of our review. Notwithstanding this cooperation, we were limited by the fact that the current Finance Officer at White Buffalo had only been employed for a short period, and therefore had limited personal knowledge of its business operations and transactions prior to 2012.
4. We found the condition of the accounting records and supporting documentation at White Buffalo to be generally satisfactory and sufficient within the immediate past fiscal year ending March 31, 2013 and into the current fiscal year. However, we considered the bookkeeping within their historical accounting records to be seriously deficient. This finding was primarily based on the commentary of their external accountants (who did not conduct an annual audit but rather provided a Review Engagement Report) in their Management Report at the conclusion of their work. There were also numerous year-end adjusting journal entries required to correct entry errors. Lastly, we did not find the supporting financial records to be organized and in sufficient in detail to support all of the historical bookkeeping entries.
5. Based on the number of year-end adjusting journal entries, and their dollar value, in our view, the quarterly financial reports submitted to the Ministry by White Buffalo prior to 2012 would have material inaccuracies. That is, the same reports if now generated from

their accounting system but reflecting the specific quarterly period previously reported on would have material differences in revenues, expenses, and the resultant surpluses and deficits as presented now versus reported then.

6. In our view, the significant inaccuracies arose from the lack of qualified personnel previously fulfilling the Finance Officer role. We understand that historically, with one exception, none of the past Finance Officers held appropriate professional accounting designations or business degree qualifications.
7. However, currently, White Buffalo's current Finance Officer has professional accounting qualifications, and is well suited to fulfill the role. It was equally apparent that she was competent with their "Simply Accounting" software, the data as recorded, and its reporting capabilities. She was thoroughly cognizant of proper and sufficient internal control processes to safeguard White Buffalo's finances. It was also apparent that she understood the underlying accounting principles required for fund accounting within a Not-for-Profit organization.
8. White Buffalo switched to the Simply Accounting software in 2012, replacing Adagio. The historical data was preserved on a spare computer hard-drive. However, there were access issues such that we could not directly review the general ledger data for the prior fiscal years, but rather had to rely on hard-copy printouts provided by White Buffalo's external accountants. We understand from the White Buffalo Finance Officer that the organization was so thinly financed that maintaining a contract with an external Adagio consultant was not possible, and presently there was little if any need apart from external reviews such as our current procedures that would justify the expense to convert the Adagio data into the Simply Accounting software.
9. Given White Buffalo's relative size in terms of the number of employees and the amount of its annual financing, there appeared to be sufficient controls in place over its bank accounts. Cheques required two signatures, however, to the extent that the signatories to the account include a member of the Board of Directors who lived in Clearwater, it was not practical for her to be readily available to sign cheques. Accordingly, we understand that she pre-signed a number of blank cheques which in the normal course would be a serious breach of internal controls. However, we understand that the pre-signed cheques were secured in a locked cabinet within the finance office, which also had a locked door.
10. We reviewed several years of bank statements and noted that there were no handwritten cheques issued at White Buffalo. Cheques were generated through the accounting software such that a bookkeeping entry was coincidentally made to record the transaction.
11. We also reviewed several years of monthly bank reconciliations at White Buffalo. In conducting our review, we noted that there were various periods prior to the current Finance Officer's employment where the actual bank balance did not reconcile with the recorded balance, albeit that generally the differences were of nominal amounts (less than



\$1,000). Of some mild concern was that non-reconciled differences were evident in a series of successive months. Of equal concern was that it was apparent that bank reconciliations were not conducted in a timely manner, that is, within two to three weeks following the receipt of the bank account statement. Nevertheless, we attribute these control weaknesses to be evidence that but for the one exception the Finance Officers lacked proper accounting credentials.

12. An overriding recommendation is for the Ministry to continue working with White Buffalo. However, the Board, Executive Director, Operations Manager, and Finance Officer should prepare a “zero-base budget” for Ministry review and approval. A “zero-base budget” essentially is a planning document that identifies the best-case and minimum-case for the operations of White Buffalo to continue. This is an opportunity for the leaders of White Buffalo to express their minimum service levels and “wish-lists” for funding. With a “zero-base budget”, the leaders would identify the minimum and optimum service levels, and the respective costs to justify the expenditures. From the perspective of the funder, this will provide the Ministry with sufficient information and data that supports the proposed funding levels going forward. Given the weaknesses of the historical quarterly and annual reporting (from a financial perspective), the production of a new “zero-base budget” provides a “clean slate” and level of confidence that can be appreciated and substantiated by the Ministry as “funding agency” and by White Buffalo as a “Not-for-Profit” organization. Following the production of the “zero-based budget”, the Ministry should perform quarterly reviews of contract deliverables and spending as against the new budget.

## Scope and Approach

13. We were asked to review the financial records, as well as the internal control system and processes, of White Buffalo for the period April 2009 to the present.
14. We were asked to focus on the following concerns:
  - a. Recording and management of deferred revenue and other allegations of financial misconduct as documented in an anonymous letter received by the Ministry, and through conversation with a lawyer who was providing counsel to current/former employees of White Buffalo;
  - b. The reasonableness of salary/compensation levels, expenses and reimbursements for staff and the Board of the organization, and a comparison with contractual limits for administrative expenses;
  - c. The validity and appropriateness of the contracting practices of White Buffalo;
  - d. The accounting and financial control practices being used by and in place at White Buffalo, including their cheque signing and cheque management processes;
  - e. A follow up on internal control recommendations previously issued by the White Buffalo's accounting firm, Stone and Company;
  - f. The acceptability of White Buffalo's accounting practices and financing safeguards, and
  - g. White Buffalo's adherence to its contract with the Ministry and potential conflicts of interest between White Buffalo and another agency, the Métis Commission for Children and Families of BC, arising from the sharing of a Executive Director.

15. We were asked to consider whether any problems identified in these areas, in our view, represented operational deficiencies or were the result of other causes.
16. Our approach included:
  - a. interviews with the following individuals at the White Buffalo:
    - i. Aruna Gore - member of the Board of Directors;
    - ii. Verna Billy Minnabarriett - member of the Board of Directors;
    - iii. Rose McArthur - President of the Board of Directors;
    - iv. Deborah Canada – Executive Director;
    - v. s.22 Manager of Operations;
    - vi. – Finance Officer;
    - vii. Program Officer
  - b. obtaining and reviewing certain of White Buffalo's financial records and performing various limited review procedures (with limited sampling in some instances), including:
    - i. reconciling and tracing the G/L deferred revenues and surplus to the annual financial statements and to the quarterly reports submitted to the Ministry;
    - ii. reviewing the payroll records, identifying any large or unusual payments and obtaining satisfactory explanations for any red flags identified;
    - iii. reviewing bank statements and bank reconciliations and identifying any unusual transactions and balances that were not reconciled, and/or other concerns;
    - iv. reviewing the expense reports for any unusual payments and obtaining satisfactory explanations for any red flags identified, and/or other concerns;
    - v. reviewing master vendor list and identifying any related parties paid;
    - vi. reviewing, to the extent available, Board of Directors minutes and assessing the level of governance at White Buffalo;

- vii. following up on the external accountant's management letters and identifying any recommendations that have not been implemented;
  - viii. reviewing General Ledgers and Trial Balances and the list of year-end adjusting journal entries proposed by the external accountants;
- c. performing additional investigation and analysis of White Buffalo's financial records, relative to the issues identified.



# Findings

## Background

17. The White Buffalo Aboriginal and Métis Health Society (defined earlier as “White Buffalo”) was so named in 2009 after re-organization from its initial incorporation in 2003. White Buffalo aims to support and enhance the development and implementation of culturally appropriate programs and services for Aboriginal people and their families, particularly of Métis culture. Many of White Buffalo’s clients are under the supervision of the Courts. The main focus of White Buffalo is to assist these Aboriginal clients in regaining the self-determination and healthy life-styles that will restore them to their rightful role as mentors and leaders. Funding for the programs offered by White Buffalo is received primarily from the Ministry of Children and Family Development of the Province of British Columbia (defined earlier as the “Ministry”).
18. White Buffalo shares the same Executive Director, Ms. Deborah Canada, as the Métis Commission for Children and Families of BC, although each organization has independent Boards of Directors, mandates, accounting systems, internal control processes, and operations.
19. Recently, concerns and allegations have been brought forward to the Ministry. The issues included White Buffalo’s accounting and record-keeping practices, its internal and financial controls, and the possible misuse of funds. Also, the Ministry has additional concerns regarding White Buffalo’s financial reporting, its capacity to effectively manage its allotted funding, and its contracting practices. This prompted the Ministry to initiate a special purpose audit, with a limited scope, of White Buffalo.

## General

20. We received full cooperation of the Board of Directors of White Buffalo, as well as from their Executive Director, other senior management, and staff. We generally had unrestricted access to the available accounting, banking, and other financial records and supporting documentation during the course of our review. (Note, for certainty, we did not seek nor were we provided with any information in respect of White Buffalo clients.)
21. Notwithstanding this cooperation, we were limited by the fact that the current internal Finance Officer at White Buffalo had only been contracted for a relatively short period,

and therefore had limited personal knowledge of their respective business operations and transactions prior to 2012.

**Deferred Revenue and Other Allegations of Financial Misconduct**

22. Deferred revenues arise as the result of funding received by White Buffalo for services which have yet to be delivered. According to the revenue recognition principle pursuant to generally accepted accounting principles, receipts in advance of services should be recorded as a “deferred revenue” liability until services are provided, at which time the “deferred revenue” is converted into “revenue”.
23. In an accounting context, deferred revenue is recognized on the Balance Sheet within an organization’s annual financial statements. Generally its quantum would approximately be equal to the cash on hand, also a Balance Sheet item. Readers of financial statements would quickly appreciate that the outstanding liability is matched by funding on hand.
24. Alternatively, revenue is recognized on the Income Statement (also called the Statement of Receipts, Disbursements, and Surplus/Deficit), along with expenses. As expenses are incurred and paid, the cash balance is reduced on the Balance Sheet. At the same time then, the deferred revenue liability should be reduced, as it is converted into revenues reported on the Income Statement. According to the generally accepted accounting principle of matching revenues with expenses then, in circumstances where funding is “thin”, there is little expectation of surpluses or deficits. That is, through the budgeting process for Not-for-Profit organizations such as White Buffalo, there is little excess funds available, and generally no deficits as there is little if any “room” for over-spending the budget.
25. Historically, it was apparent that White Buffalo had been internally accounting for government funding receipts on a “cash basis”, that is, recognizing revenue in the period when funding was received instead of recognizing revenue on an “accrual basis” when the services were provided. When the external accountants attended to their year-end procedures with respect of the annual financial results, the unused portion of the revenue for services yet to be provided was only then adjusted to recognise the “deferred revenue” liability on the Balance Sheet as at the fiscal year-end. That is, the annual unaudited Review Engagement Report financial statements were prepared on an accrual basis.
26. Accordingly, for purposes of the quarterly reports to the Ministry (and/or other funding providers), this would have meant that no appropriate cut off was applied to the revenue (and expenses) reported therein at each quarter end. Even at the fiscal year-end, the report to the Ministry was delivered relatively well in advance (6 to 8 months) of the release of the annual financial statements. Thus, in our view, Ministry officials would have been receiving inaccurate quarterly reports, which had essentially been devoid of the year-end adjusting entries ultimately recommended by the external accountants. We understand that this historical practice changed at White Buffalo for its 2012 year-end once the Society hired a professional qualified accountant as its Finance Officer.

27. We intended, on a test basis, to compare the details in these historical reports to what would be generated now, after the year-end adjusting entries were recorded. However, our testing was limited as access to the historical accounting data in White Buffalo's former Adagio system was not available due to access issues. Following its switch to Simply Accounting software, White Buffalo did not have "extra funds" on hand to have an Adagio consultant maintain the bookkeeping data in accessible form, except in emergency circumstances.
28. Theoretically however, given the number of year-end adjusting entries proposed by the external accountants, and their relative magnitude in dollars, in our view, the reports if generated now for the historical quarters would be different. That is, in our view, there would be variances between:
- the surplus/deficit as then reported by White Buffalo to the Ministry on a quarterly basis with the surplus/deficit currently recorded in the Adagio system for the same period;
  - the surplus/deficit reported by White Buffalo to the Ministry at the fiscal year end with the surplus/deficit reported in the annual audited financial statements.
29. In our view, while small variances could potentially be explained due to a short cut off period for Ministry reporting after which additional expenses are posted to the White Buffalo's accounting system after that report is submitted, larger variances do not withstand this explanation but rather indicate poor management and accounting practices. However, we discussed this with the new Finance Officer, and she clearly understood this theoretical assessment. Given her professional accounting qualifications, the quarterly reporting to the Ministry during the current fiscal year should be relatively accurate.
30. We discussed the issue of how the year end adjusting journal entries would make material changes to the original quarterly reports submitted to the Ministry with the Executive Director. Respectfully, given her lack of business qualifications, she concurred that these circumstances were not in the best interests of either White Buffalo or the Ministry, in terms of accountability and transparency. She cited the difficulty in finding qualified accountants to take employment with White Buffalo when funding constraints limited the number of potential candidates for the position of Finance Officer. She also concurred that some minimal level of an understanding of financial controls, financial statements, and accounting generally by herself and members of the Board of Directors would be a benefit in the future. This latter comment was endorsed by the members of the Board when discussed with them.

#### **Reasonableness of Salary/Compensation Levels, Expenses, and Reimbursements**

31. During our special purpose audit, we reviewed the Executive Director's remuneration and expense claims at White Buffalo.



32. With respect to White Buffalo, we observed that there were no clear terms of employment for the Executive Director. Evidence of changes to the terms of her employment, including remuneration and benefits, were not always properly documented in the employment contracts, addendums to the contract, or Board minutes.

33. s.22

Often, such discussions were difficult to track, as there were gaps in the “email chains” in many instances. Furthermore, there was little evidence of discussion between members of the Board independent of the presence or input of the Executive Director.

34. On the basis of information gleaned from T-4 records, paystubs, payroll records within the accounting system, and other correspondence, we estimated that over the last four calendar years, the Executive Director’s direct remuneration was approximately as follows:

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$57,000	\$60,000	\$59,000	\$60,000

35. We also understand from some email correspondence that Ms. Canada was to work one day per week for White Buffalo, as she was employed 4 days per week at the Métis Commission of Children and Families of BC. She was purportedly to receive s.22 of holidays per year at White Buffalo.

36. We noted email exchanges between the Executive Director and two Board members whereby Ms. Canada sought and was ultimately authorized to have the Finance Officer issue payments to her from White Buffalo for purported unused vacation as follows:

s.22

37. However, in our view, it was apparent that White Buffalo’s Finance Officer at that time made a calculation error and paid the Executive Director for s.22 of purportedly unused vacation on April 24, 2008, and a further s.22 of purportedly unused vacation in the intervening period of 16 months to August 24, 2009. That is, although the Executive Director was only working 1 day per week for White Buffalo, or 52 days per year, s.22 was interpreted by the then-Finance Officer to be s.22 of vacation per year s.22

38. We examined individual bi-weekly payroll records at White Buffalo between May 2008 and August 2009 and established that the Executive Director’s pay had already been



grossed up for vacation within her regular biweekly paycheque. For this reason, the Executive Director was s.22

39. We found that there was a process in place that requires every staff member at White Buffalo to track their time in respective timesheets. However, it was apparent that in recent years, this procedure was not followed by the Executive Director, as we found no evidence that she submitted timesheets on a weekly basis at White Buffalo. There was for example no means to determine if she had in fact not taken any vacation from April 2007 through August 2009, a period of 28 months, s.22
40. According to details in a piece of correspondence that we found between the Executive Director and the Board of Directors of White Buffalo, the Executive Director as noted was to work 1 day a week (or 14 hours biweekly) on its business. She was employed for the other 4 days each week on the Métis Commission's business. It was not apparent as to which organization was responsible for her statutory holidays.
41. However, we observed that over the last several years, in addition to her 7 hours per week per her employment contract, the Executive Director invoiced White Buffalo for additional hours of service as well at an agreed hourly rate. Total hours invoiced by the Executive Director by-weekly over the last several years varied from being 20 hours, then 34 hours, and more recently 28 hours.
42. We appreciate that it remains within the purview of the Board of Directors of White Buffalo to agree to the compensation and benefits of their Executive Director. However, in our experience, those at an Executive level are generally compensated on the basis of salary, irrespective of the number of hours that the individual performs in their responsibilities in that capacity. Given her executive role, the additional amounts paid to the Executive Director of White Buffalo for hours over and above 7 hours per day for "additional consulting" per invoices she submitted would be considered excessive in many other organizations. Furthermore, as the Executive Director did not provide specifics to account for the additional hours for which she was paid to "consult", there was no evidence that she worked for White Buffalo over and above the 1 day per week.
43. Nevertheless, we discussed the Executive Director's annual total remuneration, including with individual Board members. One Board member stated to us that she was fully aware of the amount of annual salary Ms. Canada earned for working one day per week for White Buffalo. However, it was apparent that another Board member had no knowledge at all as to what her annual remuneration was, or was to be. A third Board member appeared to be "caught unawares" of the magnitude of the Executive Director's annual remuneration as noted above

The different responses highlighted an apparent lack of full knowledge by all Board members as to what Ms. Canada's employment contract terms were.

44. During our review of the Board of Directors minutes of White Buffalo, we noted that on October 29, 2011, the Executive Director accepted the position on the Board of Directors, assuming the position of the President. Ms. Cardinal was appointed the Executive Director, for a 3-year term. However, although Board members were not to receive remuneration, Ms. Canada continued to invoice White Buffalo for 34 hours of work bi-weekly. We also noted that on January 25, 2012, the Executive Director resigned from the Board of Directors, thus removing herself from the President's Chair, and returned to her role as Executive Director.
45. We generally examined on a test basis the expense reports submitted by all staff, including the Executive Director. Generally, it appeared that other staff submitted expense reports with sufficient details that then were reviewed, historically by the Executive Director and more recently by the Operations Manager, as an internal control process for authorization of reimbursement. However, not all of the expense reports filed by the Executive Director had the same detail, or authorization by a Board Member.
46. In particular, we noted that from January 2009 until July 2010, a period of 18 months, the Executive Director received \$1,000 per month to cover local travel expenses. This was in addition to standard mileage reimbursement for "out of town" travel (e.g. to Merritt, Cache Creek, etc.) which was submitted for reimbursement separately.
47. This "local travel" stipend was approved by a former Board member. Again, there was little document evidence available, other than copies of emails, to establish if the Board of Directors held any independent discussion at the time to debate the merits of this benefit. In discussing this point with the Board members, two were apparently aware of this stipend while one had little if any specific knowledge.
48. Applying a standard government mileage rate of approximately \$0.50 per kilometre, the Executive Director was compensated each month for the equivalent of approximately 2,000 kilometres of local travel. Given her employment of one day per week, in our view, this would appear to be excessive, albeit that it would be the Board's purview to provide such a benefit.
49. There are no honoraria paid to the Board of Directors of White Buffalo. However, we noted that one Board member, Ms. Aruna Gore, was contracted with the organization due to her unique professional qualifications in Social Work. In our view, this did not pose an issue due to the needs of the clients being paramount.

#### **Validity and Appropriateness of Contracting Practices**

50. In the course of our examination, we reviewed White Buffalo vendor lists and traced some of the expenditures to the vendors' contracts and other supporting documents. While we found that the contracting practice at White Buffalo generally appropriate, we noted that <sup>s.22</sup> <sub>i.22</sub>

51. Furthermore, we noted that the <sup>s.22</sup> <sup>s.22</sup>
52. We found no evidence that the janitorial or floor restoration service were put out for tender, nor did we find any other evidence that services providers were given an opportunity to bid on supplying the service.
53. <sup>s.16</sup>
54. <sup>s.16</sup>
- 55.
- 56.
- 57.

#### **The Accounting and Financial Control Practices**

58. In the course of our review of the control practices, including the White Buffalo's cheque signing and cheque management processes, we performed a walkthrough of the purchasing process, including expense reports, account payable process, and bank reconciliation processes.



59. Given White Buffalo's relative size in terms of the number of employees, and the amount of its annual financing, there appeared to be sufficient controls in place over its bank accounts. Cheques required two signatures, however to the extent that the signatories to the account include a member of the Board of Directors who lives in Clearwater, approximately 100 kilometres from the Commission offices, it was not practical for her to be readily available to sign cheques. Accordingly, she pre-signed a number of blank cheques which in the normal course would be a serious breach of internal controls. However, we understand that the pre-signed cheques were secured in a locked filing cabinet within the finance office, which also had a locked door.
60. Negotiable cheques were created by the Finance Officer upon instruction from the Operations Manager only, after sufficient supporting documentation and/or other authorization had been provided. In creating the cheque, they were produced from the Simply Accounting bookkeeping software such that an entry was made as the cheques were prepared. The Operations Manager only then provided the second signature. Apart from a forgery of a signature, or other malfeasance on part, there was little if any other risk associated with this practice vis-à-vis unauthorized payments.
61. We reviewed several years of bank statements and noted that there were no handwritten cheques issued at White Buffalo. Accordingly, for each cheque issued (and in some cases voided), there was an entry in the accounting records. [Note, as the Adagio database was non-accessible, we could not specifically perform any validation testing, but it was evident in the past and present fiscal year data recorded in Simply Accounting].
62. We also reviewed several years of monthly bank reconciliations at White Buffalo. This is a monthly internal control process that provides confirmation that both deposits and cheque details are recorded within White Buffalo's accounting system. From an accounting perspective, when performing the bank reconciliation, the bank balance per the monthly bank statement is compared to the balance per the general ledger of the accounting records. Where there are differences between the actual and reported balance, the Finance Officer must identify both cheques issued but outstanding (not negotiated by the payee), other unrecorded withdrawals such items as for bank fees, and recorded deposits not recognized on the bank statement.
63. Discrepancies identified through this process are intended to be investigated to either correct the deficiency, which may be either a bank error or a bookkeeping error, or the result of improper financial management. In conducting our review of the bank reconciliations, we noted that there were various periods prior to the current Finance Officer's employment where the actual bank balance did not reconcile with the recorded balance, albeit that generally the differences were of nominal amounts (less than \$1,000). Of some mild concern was that non-reconciled differences were evident in a series of months. Of equal concern was that it was apparent that bank reconciliations were not conducted in a timely manner, that is, within two to three weeks following the receipt of the bank account statement. Nevertheless, we attribute these control weaknesses to be evidence that, but for the one exception, the Finance Officers lacked proper credentials



lacked proper credentials, and did not appreciate the importance that the bank reconciliation process provides as an internal control mechanism.

64. During our review of the GL for the year 2011, we noticed that at some point White Buffalo continuously experienced Non-Sufficient Funds on its bank accounts as issued cheques were not cleared due to the lack of funds. s.22
65. We inquired of the Executive Director and learned that the Finance Officer of the day was trying to time the clearance of cheques against expected receipts of funding from the Ministry. When funding was delayed, and the cheques already issued, there was the resultant returns of issued cheques due to Non-Sufficient Funds. Ms. Canada stated that as a result of her concerns, she called the external accountants in to do a review of the circumstances. They purportedly found no improper financial misconduct, but rather that the signed cheques had been issued ahead of the funding receipts. Again, we would question s.22 -Finance Officer due to these circumstances.
66. While some of the members of the Board of Directors could recall s.22 to White Buffalo, other Board members had no recollection of such an event.

#### Follow up on Auditor's Internal Control Recommendations

67. During our review of the financial affairs at White Buffalo, we noted what we considered to be an extraordinary high number of adjusting journal entries proposed by the external accountants in the preparation of the annual Notice to Reader financial statements. The norm would possibly range from 3 to 5 adjusting entries, as the external accountants "pick up" some missed accruals (such as deferred revenue, accrued vacation, etc.) during their year-end procedures. A count and dollar value of the year-end adjusting journal entries for fiscal 2010 to 2012 inclusive were:

<b>Fiscal Year Ended March 31</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
# of Adjusting Journal Entries	49	23	3
\$ Value of Adjusting Journal Entries	\$372,467	\$204,309	\$10,457

68. We noted elsewhere that White Buffalo's current Finance Officer has professional accounting qualifications, and is well suited to fulfill the role. It was equally apparent that she was competent with their "Simply Accounting" software, the data as recorded, and its reporting capabilities. She was thoroughly cognizant of proper and sufficient internal control processes to safeguard White Buffalo's finances. In our view, this explained the significant decrease in correcting journal entries proposed by the external accountants from 49 in 2010 to just 3 in 2012.

69. Notably, there was not a Management Letter issued by the external accountants in the year 2012. Based on our discussions with the current Finance Officer, we would expect that the number of adjusting entries and Management Letter points raised by the external accountants will stay low (or zero) in fiscal 2013 at White Buffalo.
70. During our review we examined the Management Letter for the year ended March 2011 which would generally be issued as the financial statements are released. Below we included some of 2011 Management Letter points:

Year Fiscal 2011
<ul style="list-style-type: none"> <li>• The Society should hold regular board meetings. Attempt to have board members with areas of expertise in business and/or finance;</li> <li>• GL transactions regarding recoveries should reflect actual expense allocation rather than desired budget results;</li> <li>• The account for other income and recoveries should not be used to record monthly estimates of expenses. Rather the actual expenses should be allocated to the project the expense was incurred for when the expense is recorded; this will allow to have a much clear picture of where its funds are actually being spent;</li> <li>• Receipts must be kept for all expenses;</li> <li>• Invoices should be entered Paid or AP in the month in which they occurred;</li> <li>• Vacation payable as per GL should agree to pay stubs;</li> <li>• Correct information should be used to prepare T4, payroll deductions, records of employment.</li> </ul>

71. In our view, the lack of significant points in 2012 versus that in 2011 is a direct reflection of the competency of the current Finance Officer at White Buffalo. From discussions with her, she commented upon the number of errors that she encountered and corrected prior to submitting the year-end working papers to KPMG after her arrival in fiscal 2012. Conversely, the points raised by the external accountants in 2011 accentuated <sup>s.22</sup> and highlight the inaccuracies of what would have been submitted as quarterly reports to the Ministry.
72. The external accountant's comments for 2011 indicated the improper accounting treatment of receipts as revenues versus their proper recognition as deferred revenues until expenses were incurred. Essentially, in fiscal 2011, revenue was still fully recognized in the period when funds were received (cash basis of accounting) and did not reflect the

percentage of service completed. The unused portion of the receipts was then recognized in the process of preparing the annual financial statements (again, well after reporting to the Ministry was completed) as deferred revenues on the Balance Sheet. That is, the deferred portion of the revenue, if any, was only recognised well-after the year-end based on the adjustments proposed by the external accountants, rather than presented properly on a quarterly basis and reported to the Ministry as such during the fiscal year.

73. The Management Letter of 2011 also included a recommendation that the Board composition be amended to include a member with strong accounting and finance skills and experience. That experience would also be valuable to White Buffalo in terms of setting accounting policies, and mentoring the Finance Officer.
74. In our discussions with the Board members we interviewed, we discussed its existing composition, and its continuing lack of a member with these qualifications. Board members generally responded that (a) they relied upon Ms. Canada's experience at managing the financial affairs of White Buffalo, (b) reviewed the quarterly reports and annual financial statements, if they were at the Board meetings and the information was presented, (c) were cognizant of the high turnover of staff in the Finance Officer position, albeit stating that the available remuneration was not sufficient to hire or at least retain qualified accountants in employment.
75. Furthermore, while we respectfully recognize that the Board members have other significant qualifications (more suited to the client matters), none of the Board members stated that they had sufficient qualifications and/or experience in finance and accounting. We found there was a general misunderstanding of what "budget" versus "financial results" terminology meant; that is, there was not a distinguished perception of the differences between "forward planning" versus "past actual results".
76. Accordingly, many of the items previously identified by the external accountants in 2011 were remedied by simply contracting a qualified accountant familiar with fund accounting for Not-for-Profit organizations. Her competency and understanding of accrual versus cash accounting, and the importance arising when reporting to the funding Ministry, alleviated the issues for 2012.

#### **The Acceptability of White Buffalo' Accounting Practices and Financial Safeguards**

77. Our previous comments highlight what clearly have been difficulties with the historical accounting practices at White Buffalo. While the Board defer to Ms. Canada's experience to manage its financial affairs, by her own admission, she implied that she relied upon the various Finance Officers, and ultimately the year-end financial statement preparation process for the accounting to be eventually corrected. However, we would place little if any reliance on the historical quarterly reports as being representative of financial affairs within those respective periods. However, overall, the year-end financial statements would in our view, subject to the limitations put on them by the external accountants, provide a fair representation of the annual surplus/deficit over the course



of the fiscal year, as well as a fair representation of the assets and liabilities of White Buffalo as at their year end.

78. In our view, the cash management procedures currently in place provide reasonable controls, given the logistics of those authorized to sign cheques on behalf of White Buffalo. As noted, while the pre-signing of cheques presents a considerable risk, to the extent that they are kept under “double lock and key” until utilized, and the second signature is purportedly added only upon provision of sufficient supporting documents and their independent review by the Operations Manager, the risk is somewhat mitigated.
79. <sup>s.16</sup>
- 80.
81. An overriding recommendation is for the Ministry to continue working with White Buffalo. However, the Board, Executive Director, Operations Manager, and Finance Officer should prepare a “zero-base budget” for Ministry review and approval. A “zero-base budget” essentially is a planning document that identifies the best-case and minimum-case for the operations of White Buffalo to continue. This is an opportunity for the leaders of White Buffalo to express their minimum service levels and “wish-lists” for funding. With a “zero-base budget”, the leaders would identify the minimum and optimum service levels, and the respective costs to justify the expenditures. From the perspective of the funder, this will provide the Ministry with sufficient information and data that supports the proposed funding levels going forward. Given the weaknesses of the historical quarterly and annual reporting (from a financial perspective), the production of a new “zero-base budget” provides a “clean slate” and level of confidence that can be appreciated and substantiated by the Ministry as “funding agency” and by White Buffalo as a “Not-for-Profit” organization. Following the production of the “zero-based budget”, the Ministry should perform quarterly reviews of contract deliverables and spending as against the new budget.



## Recommendations

### General

82. Currently the annual budget for both Societies is prepared by the Executive Director once the Ministry identifies and communicates to White Buffalo the funding available for the year. We understand that the budget is prepared without involving operational staff and obtaining their input into the process.

In our view, the current budgeting process does not provide best value/services for funding of White Buffalo. It also does not allow the lowering of costs by avoiding unnecessary/blanket increases or decreases to a prior period's budget.

It is recommended that the Ministry continues to provide funding to White Buffalo as agreed through the remainder of fiscal March 2014. **s.13**

A new “zero base” budgeting process will allow top-level strategic goals of White Buffalo to be implemented into the budgeting process by tying them to specific functional areas of the organization. Costs can be first grouped, then measured against previous results and current expectations.

**s.13**

83. Once recommendations included in this reports are communicated to White Buffalo together with other recommendations identified by the Ministry,<sup>s.13</sup>

s.13

*Timing of implementation: To be discussed with the Management*

84. <sup>s.13</sup>

## Restrictions and Limitations

85. This report was prepared for the Ministry of Children and Family Development relative to the Financial and Internal Control Review Services Agreement XLD211146. Grant Thornton LLP was engaged to conduct a limited scope review of the financial operations of the “White Buffalo Aboriginal and Métis Health Society”.
86. This report is intended to assist the Ministry of Children and Family Development in assessing White Buffalo. This report is not to be used for any other purpose and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described in this paragraph. It should not be reproduced in whole or in part without our express written permission, other than as required by the Ministry of Children and Family Development in a manner consistent with the terms of our engagement. Readers are cautioned that this report may not be appropriate for their purposes.
87. The financial statements of White Buffalo were to a Review Engagement Report standard. We took some comfort that the statements were prepared in accordance with GAAP as required in the Society’s agreements with the Ministry and other funding agencies. However, we did not perform an audit of the financial statements of White Buffalo pursuant to the professional standards of the Canadian Institute of Chartered Accountants, and do not provide an opinion related to the financial statements.
88. In the course of our inquiry, certain information was provided to us by various personnel of both Societies which we have relied upon without further verification or audit, as specified in our report.
89. This report is based on the information in our possession as at this date. There may be other records, documents, and/or email transmissions that individuals referred to herein may have that we were not privy to, which might otherwise provide further explanation of events. We reserve the right, but will be under no obligation, to review and/or revise the contents of this report in light of information which becomes known to us after this date.