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February 27, 2002

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**Department of the Solicitor General of Canada
Report on the Audit of the
Louis Bull Tripartite Agreement on Policing**

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1. INTRODUCTION

An audit relative to the Tripartite Agreement dated March 14, 1995, as amended March 24, 1999, July 13, 1999, September 28, 1999, December 21, 1999, March 31, 2000, June 21, 2000, September 15, 2000, December 22, 2000 and March 30, 2001 between the Department of the Solicitor General of Canada (Department), the Minister of Justice and Attorney General (Alberta) and the Louis Bull Tribe (Recipient) was conducted on behalf of the Department's Aboriginal Policing Directorate. The audit was undertaken in January 2002.

The subject of this audit was the contribution of up to \$236,250 (Department - \$122,850, Alberta - \$113,400) awarded to the Louis Bull Tribe to recognize and provide for the Louis Bull Police Service and the establishment of the Louis Bull Police Commission, who are responsible for maintaining peace, order and public security; for providing the residents on the Reserve with a sense of security and safety from crime; for preventing crimes and other offences; and for apprehending offenders and bringing them to justice.

The period covered by the agreement and amendments is April 1, 1994 to September 30, 2001. The period covered by the audit is April 1, 2000 to March 31, 2001.

2. AUDIT OBJECTIVES

2.1 The general objectives of the audit were:

- 1.1.1 to ensure that reported expenditures have been incurred by the Recipient and are in accordance with the contribution agreement and departmental and central agency guidelines;
- 2.1.2 to verify and report on the costs incurred and claimed and indicate the concurrence, or otherwise, of the Recipient with the audit findings; and
- 2.1.3 to bring to the attention of the Department any matters considered to be of significance or requiring management action.

2.2 Specific objectives included determining that:

- 2.2.1 the Recipient is meeting both the financial and non-financial terms of the contribution agreement;
- 2.2.2 as they relate to the contribution agreement that:
 - financial operations were conducted properly;
 - financial statements were presented fairly;
 - financial reports contained accurate and reliable information; and

-
- 2.2.3 the Recipient had an adequate internal control system to account for and manage the contribution received.

3. AUDIT SCOPE

- 3.1 The audit scope was limited to the verification of the Recipient's financial records, supporting documentation, and reported amounts/claims for the period April 1, 2000 to March 31, 2001 for which the contribution was received and included:
- an examination and assessment of the quality, propriety and accuracy of the Recipient's financial records, accounting procedures and internal controls as they relate to the costs charged under the terms of the agreement; and
 - an assessment of the reasonableness and eligibility of the expenditures incurred or charged in accordance with generally accepted accounting principles and with the terms of the agreement.
- 1.1 The audit was conducted in accordance with generally accepted auditing standards, and in accordance with the Office of the Comptroller General's Guide on the Audit of Federal Contributions.

4. AUDIT APPROACH

Our approach was based on the recognition of the need to focus on the key issue, which is the compliance by the Recipient with the terms and conditions of the contribution agreements, and primarily to ensure that the reported expenditures have been incurred, and the Recipient is meeting the financial and non-financial terms of the agreements.

The audit was undertaken in three phases:

- planning;
- field work and analysis; and
- reporting.

The planning phase included an orientation/familiarization with the mandate, obtaining information and documentation from the Department, developing the detailed audit program, and arranging the on-site visit with the Recipient.

The field work and analysis consisted mainly of undertaking the detailed audit program to gather evidence to support our audit opinion, findings, and conclusions. The principal audit activities included interviews with the Recipient's representatives, an examination and evaluation of accounting systems, controls, and the results of the tests conducted on the books and records and supporting documentation of the Recipient as they relate to this contribution, and obtaining the Recipient's response to the audit findings.

The reporting phase involved an analysis of our findings, and the formulation of an opinion on the information obtained from the Recipient, for inclusion in the audit report. In addition, we have debriefed the representatives from the Louis Bull Policing Service, the Department's Management Review Division and Aboriginal Policing Directorate on the results of the audit.

5. CONCLUSION

Our review indicated that the activities undertaken relating to the provision of policing services to the community, as overseen by the Louis Bull Police Service, appeared to be consistent with the stated objectives of the contribution agreement.

Based on our examination, the expenditures were made in accordance with the contribution agreement requirement to be solely for the delivery of policing services to the Member Nation. The financial statements, as adjusted, adequately reflect the results of the operation of the Police Service subject to our qualifications 1 to 4 as outlined in Schedule 4. Generally, the Louis Bull Police Service did maintain adequate controls over expenditures funded by the contributions received from the Department and Alberta subject to our comments 5 to 9 in Schedule 4.

Our review revealed that the Louis Bull Police Service has met the financial and non-financial terms of the agreement with the exception of the items outlined in Notes 5 to 9 on Schedule 4.

Details of the audit findings are presented in the Auditors' Report, and supporting Schedules 1 to 5.

6. AUDITORS' REPORT

Director General
Aboriginal Policing Directorate
Department of the Solicitor General of Canada

Louis Bull Tripartite Agreement and amendments for the period April 1, 1994 to September 2001.
Period audited: April 1, 2000 to March 31, 2001

We have audited the accounts and records of the Louis Bull Police Service, relative to the above agreement. The preparation of the reported amounts/claims and compliance with the contribution agreement are the responsibility of the Recipient. Our responsibility is to express an opinion on the reported amounts based on our audit and the terms of the contribution agreement.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the reported amounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the claims. An audit also includes assessing the accounting principles used and significant estimates made by the Recipient.

In our opinion, Schedule 1 presents fairly, in all material respects, the eligible amounts allowable under the terms of the agreement subject to the audit qualifications and observations in Schedule 4. Supporting information and related comments are provided in Schedules 1 to 5.

The Chief of Police of the Louis Bull Police Service agrees with the audited amount.

WINNIPEG, MANITOBA

Louis Bull Police Service
Summary of Budgeted, Reported and Eligible Amounts
April 1, 2000 to March 31, 2001

	<u>Budgeted Amounts</u>	<u>Reported Amounts</u>	<u>Adjustments</u>	<u>Eligible Amounts</u>
<u>REVENUE</u>				
Total Revenue for Funding Purposes	\$ 330,000	\$ 276,024	\$ (39,774)	\$ 236,250
Other Revenue	\$ 269,364	\$ 300,418	\$ 3,750	\$ 304,168
Total Consolidated Revenue	<u>\$ 599,364</u>	<u>\$ 576,442</u>	<u>\$ (36,024)</u>	<u>\$ 540,418</u>
<u>EXPENDITURES</u>				
Expenditures for Funding Purposes				
Wages and Benefits	\$ 677,200	\$ 482,360	\$ -	\$ 482,360
Other Operating Costs	<u>149,000</u>	<u>251,655</u>	<u>-</u>	<u>251,655</u>
Total Expenditures for Funding Purposes	<u>\$ 826,200</u>	<u>\$ 734,015</u>	<u>\$ -</u>	<u>\$ 734,015</u>
Total Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (226,836)</u>	<u>\$ (157,573)</u>	<u>\$ (36,024)</u>	<u>\$ (193,597)</u>

Louis Bull Police Service
Budgeted, Reported and Eligible Amounts
April 1, 2000 to March 31, 2001

<u>CATEGORY</u>	<u>Budgeted Amounts</u>	<u>Reported Amounts</u>	<u>Adjustments</u>	<u>Eligible Amounts</u>
<u>REVENUE</u>				
Department	\$ 171,600	\$ 122,850	\$ -	\$ 122,850
Alberta	<u>158,400</u>	<u>153,174</u>	<u>(39,774)</u>	<u>113,400</u>
Total Revenue for Funding Purposes	<u>\$ 330,000</u>	<u>\$ 276,024</u>	<u>\$ (39,774)</u>	<u>\$ 236,250</u>
<u>Other Revenue</u>				
Capital Trust Fund	\$ 114,126	\$ 160,468	\$ -	\$ 160,468
Revenue Trust Fund	155,238	108,896	-	108,896
Fines	-	2,387	-	2,387
Prisoner income	-	7,500	3,750	11,250
Security and fee income	-	6,500	-	6,500
Interest	-	3,417	-	3,417
Other miscellaneous income	<u>-</u>	<u>11,250</u>	<u>-</u>	<u>11,250</u>
Total Other Revenue	<u>\$ 269,364</u>	<u>\$ 300,418</u>	<u>\$ 3,750</u>	<u>\$ 304,168</u>
Total Consolidated Revenue	<u><u>\$ 599,364</u></u>	<u><u>\$ 576,442</u></u>	<u><u>\$ (36,024)</u></u>	<u><u>\$ 540,418</u></u>
<u>EXPENDITURES</u>				
<u>Wages and Benefits</u>				
Wages and Benefits	<u>\$ 677,200</u>	<u>\$ 482,360</u>	<u>\$ -</u>	<u>\$ 482,360</u>
<u>Other Operating Costs</u>				
Equipment repairs and maintenance	\$ -	\$ 8,503	\$ -	\$ 8,503
Insurance	-	83	(83)	-
Office Expenses	20,000	22,045	-	22,045
Office furniture, equipment and supplies	16,000	10,453	-	10,453
Police Commission	13,500	43,393	-	43,393
Prisoner contract services	30,000	36,668	-	36,668
Major crimes investigation	-	3,651	-	3,651
Professional Fees	2,500	1,615	-	1,615
Public Relations	8,500	14,473	-	14,473
Telephone and Fax	10,000	21,260	-	21,260
Travel	2,500	16,627	-	16,627
Uniforms	16,000	4,573	-	4,573
Vehicle Expenses	25,000	65,953	83	66,036
Workshops	<u>5,000</u>	<u>2,358</u>	<u>-</u>	<u>2,358</u>
Total Other Operating Costs	<u>\$ 149,000</u>	<u>\$ 251,655</u>	<u>\$ -</u>	<u>\$ 251,655</u>
Total Consolidated Expenditures	<u><u>\$ 826,200</u></u>	<u><u>\$ 734,015</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 734,015</u></u>

Louis Bull Police Service
Schedule of Audit Adjustments
April 1, 2000 to March 31, 2001

1. Revenue:Tripartite Funding:

a) To delete mis-posting of year end accrual on Alberta monies due, calculated as \$37,050 and should be \$3,750.	\$ (33,300)
b) To correct accruals at year end and reconcile account for Alberta monies due under the agreement.	(2,724)
c) To reallocate monies from Alberta funding under the Tripartite Agreement to Prisoner income.	<u>(3,750)</u>
	\$ (39,744)

Other Income:

d) To reallocate monies from Alberta funding under the Tripartite Agreement to Prisoner income.	<u>3,750</u>
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Total Revenue Adjustments	<u><u>\$ (36,024)</u></u>
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2. Expenditures:

a) To delete costs incorrectly charged as insurance	\$ (83)
b) To reclassify costs as vehicle expenses	<u>83</u>

Total Expenditure Adjustments	<u><u>\$ Nil</u></u>
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Louis Bull Police Service
Audit Qualifications and Observations
April 1, 2000 to March 31, 2001

Audit Qualifications:

1. Accounting System

The accounting system used by the Police Service is cash based and not in accordance with generally accepted accounting principles. At the year-end, the auditors prepared accrual adjustments to reconcile revenues, but no such adjustments were made to any of the expenditure categories. This has been a continuing practice of the Police Service year over year.

Consequently, there are expenditure amounts included in the fiscal year 2000/01 that, although paid in this fiscal year, actually relate to expenditures incurred in the previous period. Conversely, no accruals have been made for expenditures occurring in 2000/01 that were paid after March 31, 2001.

The amounts reported by the Police Service therefore relate only to those items paid in the year and do not necessarily resemble the period in which the costs may have been incurred. Neither the Police Service nor the auditors performed any year end cut-off procedures to establish opening or closing accruals, which would be required if the financial statements were audited and conformed to generally accepted accounting practices.

Although we were not able to accurately establish the opening or closing accruals, the probability of a material misstatement is considered to be minor as the procedure is consistent for every year.

2. Police Commission

Schedule B to the Tripartite Agreement outlines the recognition, establishment and administration of the Police Commission. Section 5.04 of Schedule B states that the Council may provide for the payment of reasonable remuneration or allowance to members of the Commission.

During the period under review, we noted that a per diem remuneration was paid to any person who attended the Commission meetings and was not restricted to members of the Commission. In particular, the Chief of Police and the recorder of the minutes were both paid per diems remuneration to attend the meetings, amounts of \$2,700 and \$2,300 respectively. We have been informed that the Chief established the attendance remuneration and Council of the Louis Bull Tribe and the Police Service have been operating in accordance with these guidelines.

It should further be noted that the annual expenses for the Police Commission are abnormally high by comparison to budget or prior year's expenditures. The annual charge for 1999/00 was \$9,246, the budgeted

amount for 2000/01 was \$13,500, and the actual expenditures incurred for the fiscal year under review were \$43,393.

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Louis Bull Police Service
Audit Qualifications and Observations
April 1, 2000 to March 31, 2001

Audit Qualifications: (cont'd)

3. Wages and Salaries

The processing of payroll is largely performed by the Louis Bull Tribe administration who use the input data of persons employed and time summaries prepared by the Police Service to process the payroll. The Tribe makes the individual payments on behalf of the Police Service, and is responsible for remitting all source deductions and employer contributions to the appropriate authority. At the year end, the external auditors reconcile these amounts and make the appropriate adjustments in the accounting records of both the Louis Bull Tribe and the Police Service, concurrently effecting entries for contributions to the Police Service from the Tribe for activities during the year.

The amounts charged to the Police Service and reflected in the financial statements for wages and salaries costs relate only to the gross amount of the pay for each period during the year. The audit adjustment at the year-end for benefits amounted to \$2,459 and is grossly underestimated.

For each pay period, the Police Service contributes its share of the Canada Pension Plan and employer's insurance premiums, and in addition makes contributions to an outside organisation for health benefits and pension plans on behalf of the employees. In the current fiscal year 2001/02, the cumulative amount of these contributions approximate \$3,200 per pay period, or \$83,000 per annum.

We discussed this with the accounting department at the Louis Bull Tribe who informed us that in previous years, these costs were not tracked for the Police Service and consequently not charged. This has been corrected for 2001/02, but there remains an understatement of the expense category for 2000/01 that would approximate to \$75,000.

4. Conflict of Interest

Although not specifically prohibited in the agreement, one member of the Police Commission performs repairs and maintenance work for the Police Service and is paid on submission of approved invoices. During the year under review, the total payments to this individual for repairs and maintenance amounted to \$2,155.

Louis Bull Police Service
Audit Qualifications and Observations
April 1, 2000 to March 31, 2001

Audit Observations:

5. Annual Financial Statements

Condition 10.1(b) in part requires the Louis Bull Tribe to engage a duly qualified accountant to prepare annual audited financial statements on its operations under this agreement. The annual financial statements prepared to March 31, 2001 were audited only for the Louis Bull Tribe, and reported without opinion with all other operations under the administration of the Tribe receiving an Unaudited - Notice to Reader report. Consequently, the financial statements of the Louis Bull Police Service were not audited for the current fiscal year.

We recommend that the annual audited financial statements be prepared and submitted as stipulated in condition 10.1(b) of the contribution agreement.

6. Audit Report

The annual financial statements of the Louis Bull Tribe for the year ended March 31, 2001 were presented with the Auditor unable to express an opinion, primarily due to deficiencies in the accounting records, available documentation, and the system of internal controls. The auditors were unable to provide an opinion as a result of these circumstances.

Condition 11.2 of the agreement requires the Tribe in such circumstances to provide Canada and Alberta with a clear explanation of the causes of such deficiencies and may be required by Canada and/or Alberta to develop a remedial plan to address these problems. We were unable to determine if such actions had been taken, and no evidence was seen of any written explanation provided to account for the deficiencies.

We recommend that the Louis Bull Tribe submit to the Department and Alberta an explanation of the cause of the deficiencies that resulted in the Auditor being unable to express an opinion on the annual financial statements for the year ended March 31, 2001 as stipulated by condition 11.2 of the contribution agreement.

Louis Bull Police Service
Audit Qualifications and Observations
April 1, 2000 to March 31, 2001

Audit Observations: (cont'd)

7. Submission of Reports

Condition 10.1(c) in part requires the Louis Bull Tribe to submit to Canada and Alberta by June 30, 2001 following the end of each fiscal year a copy of the financial statements. The annual statements were signed on July 27, 2001 and submitted on September 14, 2001, both dates occurring outside of the reporting requirements as specified in the agreement.

We recommend that the Louis Bull Tribe be reminded to submit financial statements in accordance with the terms of the contribution agreement.

8. Police Building and Holding Cells

Condition 5.5 states in part that the Louis Bull Tribe shall provide an area for secure processing and holding of a person detained, arrested or imprisoned. This has not been provided and the Police Service has been using the facilities at either Hobbema or Wetaskiwin. During the year under review, the Louis Bull Police Service expended \$36,668 in prisoner contract costs that would not have been incurred if the Louis Bull Tribe had fulfilled their obligation under the agreement.

We recommend that the Louis Bull Tribe provide an area for the secure processing and holding of a person detained, arrested, or imprisoned as stipulated in condition 5.5 of the contribution agreement.

9. Cheque Signatories

During the planning and familiarisation stage of our audit, we were informed that the Police Service had opened a separate bank account distinct from the Louis Bull Tribe, and the authorized signatories on that account were the Chairman of the Police Commission and the Chief of the Louis Bull Tribe.

We noted that a separate bank account has been opened for the Police Service, but we were informed that the authorized signatories are more extensive than was originally anticipated. There are four accountants and seven Councillors who are authorized to sign cheques drawn on the bank account, and each cheque issued must bear the signature of two individuals. One of those signatories must be one of the four accountants, and the second signatory must be one of the seven Councillors.

**Louis Bull Police Service
Supplementary Information
April 1, 2000 to March 31, 2001**

A. Non-Financial Terms of the Agreement

1. Article 9 of Schedule B - Review Board

The agreement states that a Review Board should be established consisting of not more than three members appointed by the Commission. The main function of the Review Board is to hear appeals and inquiries particularly as they relate to the actions of the Chief of Police or officers. We were informed that the Board has not been formally established, as there were no issues requiring their attention or decision.

We recommend that a Review Board be established as stipulated in the contribution agreement under article 9 of schedule B.

2. Article 13 - Liability and Insurance

All insurance policies were reviewed and extracts of relevant pages obtained. The Louis Bull Tribe is in compliance with this section as the coverage obtained meets all the requirements.