



June 16, 2004

Vancouver Coastal Regional Aboriginal Planning Committee
Response to the Internal audit report:

Summary of Recommendation Responses

*Report on Phase 1 of the Regional Aboriginal Planning Committees – Vancouver Coastal
Regional Aboriginal Planning Committee. Internal Audit & Advisory Services Office of the
Comptroller General Ministry of Finance, May 2004*

Ministry of Children and Family Development

COMMENTS AND RECOMMENDATIONS

Page 1. Recommended Trust and Disbursement Guides – We require that the Trust and Disbursement Guidelines be included in this section.

The Trust and Disbursement Guidelines

The trust and disbursement agency [the Committee identifies] will hold the grant funds until the payments are made. The Regional Aboriginal Transition Committee (RATC) will identify and approve individuals, organizations or companies that have the necessary expertise or supports required to assist in the work of the RATC.

The RATC will provide the trust and disbursement agency with the names of the approved experts and support agents along with a statement of deliverables signed by the RATC and the expert or support agent. Functioning as an agent of the RATC, the trust and disbursement agency will provide the experts or support agents with a letter of agreement informing the Committee of the funds approved for their services and the basis of payment. A copy of the statement of deliverables will accompany this letter the letter of agreement.

Issues of accountability, due diligence and matters that may result in a conflict of interest must be adequately addressed by the RATC when approving the experts and support agents and when approving payment.

Payment

The experts or support agents will invoice the Trust and disbursement agency for the services they have agreed to deliver. The trust and disbursement agency will obtain confirmation from the RATC that the deliverables have been received and are satisfactory. Upon the receipt of the confirmation, the trust and disbursement agency will pay the expert or support agent from the grant funds...

Administration Costs

The trust and disbursement agency may be reimbursed out of the grant funds for reasonable expenses incurred while acting on behalf of the RATC.

Reporting

The trust and disbursement agency will track expenditures made against the grant and provide MCFD and the RATC with periodic updates as needed.

1.2 Host Agency protocol Agreement and Processes

Recommendation 1:	Page 9
<p>Concur with Recommendation 1 <i>Note:</i> The Committee’s ability to implement these recommendations is dependant upon MCFD providing the Committee with clear direction and concise deliverables and maintaining a commitment to long range plans. The committee informed the host agency that the Committee’s bookkeeper would ensure payments were in accordance with committee policies regarding travel and expense claims. The Committee also informed the host agency that approvals for deliverables would be the responsibility of the Committee. Several issues regarding the legal relationship between the Host Agency and the Committee were brought up regarding the legal ability of the Committee to enter into agreements and hire experts. It was the opinion of the Host Agency that the Host Agency could not enter in legally binding agreements due to liability issues with a non-legal entity such as the Committee, thus protocol agreements could not be signed. The need for a clear contract with MCFD was also identified in Chair and Committee discussions as part of the dialogue to address contracted accountability among MCFD, the Host Agency, the Committee and support agents.</p> <p>The report states “it appears that... an appropriate host agency representative did not formally adopt the guidelines.” It should be noted that there was no appropriate host agency representative and that any agreement would had to have been between the host agency’s duly elected council and MCFD which did not occur.</p>	

Recommendation 2:	Page 9
<p>Concur with Recommendation 2 <i>Note:</i> This is not a requirement of the recommended Trust and disbursement Guidelines. The Committee developed a ‘protocol agreement’ in the summer of 2003 between MCFD and the VCRAPC but the agreement was not signed off by MCFD. The Committee would recommend that a protocol be entered into between MCFD and the Committee.</p>	

1.2 Expenditure Approvals

Recommendation 3:	Page 10
<p>Concur with Recommendation 3 <i>Note:</i> The approval signing process was not continued due to the Chair’s lack of availability to sign requisition forms. This system failure was reviewed by the Committee in February 2004 and the contractor proposed a revised procedure which has since been augmented requiring two independent signatures and monthly Committee approval of expenditures. In addition, effective April 1, 2004, MCFD reviews all expenditures through a review of all invoices and supporting documentation.</p>	

1.3 dbappleton Retainer Processes

Recommendation 4:	Page 11
<p>Concur with recommendation 4 - The retainer arrangement has been discontinued and we have reviewed the retainer fund activity and acknowledge all retainer payments were in accordance with the Committee’s directions and all retainer monies are accounted for.</p> <p><i>Note:</i> As the committee requested that dbappleton establish a retainer for committee expenses, this is a committee retainer process and not a dbappleton retainer process. There is no restriction on the use of retainers by the Host Agency or support agents in the Trust and Disbursement Guidelines. dbappleton advised the Committee on April 16, 2003 in writing that they did not have adequate staff or resources to provide detailed financial management of the Committee’s expenses. As a result, the Committee issued a RFP for bookkeeping services and retained the services of a bookkeeper to manage the Committee payment and expense process.</p>	

1.4 Financial Recording, Monitoring and Reporting

Recommendation 5:	Page 12
<p>Concur with Recommendation 5 - The Committee implemented a new system on April 1, 2004 that requires a monthly review and approval (in the form of motions) of the financial reports to be submitted to the Committee. This was implemented at the suggestion of the auditor and MCFD to improve the financial control process.</p> <p><i>Note:</i> The Host Agency provided the project general ledger to the Committee and the Committee’s bookkeeper monthly and/or at such times as requested by the committee. The committee has always been able to communicate directly with the committee bookkeeper, the Host Agency and support agents for financial updates. The posting mistakes have been rectified by the host agency and would have been addressed prior to the year end, during the host agencies preparations for their yearly audit in February and March 2004. Chairs have confirmed with the auditors that they were provided with regular financial briefings from the Host Agency and the Contractor. The Committee acknowledges that the spokesperson was provided with regular financial reports but those reports may not have been adequately relayed to the Committee members. The Committee acknowledges that the Committee must ensure that financial reporting is directly to the Committee as a whole and clearly documented in the minutes.</p>	

Recommendation 6:	Page 12
<p>Concur with Recommendation 6 - The Committee implemented a new system on April 1, 2004 that requires a detailed breakdown of expenses in all financial reporting.</p> <p><i>Note:</i> There are no specific guidelines in the Trust and disbursement guideline requiring financial reporting on a monthly basis. The Committee did not over expend its funding the total grant commitment from MCFD was \$920,000.00 for the fiscal year. In October the first installment of \$500,000.00 was expended. Neither the Host Agency nor the Committee had any reason to believe that the next installment would not be coming, as MCFD did not advise the host agency or the committee that the initial grant would not be honored. The Chairs were advised in October 2003 by MCFD that the next grant installment payment would be forthcoming to all regions upon receipt of detailed financial reports to the satisfaction of MCFD. The Host Agency provided bridge funding to the Committee upon the advice of MCFD until the next installment funds were received.</p>	

Recommendation 7:	Page 12
<p>Concur with Recommendation 7 – MCFD provides a final independent check before releasing any funds to the Committee. This new system was mandated for all 5 Regional Planning Committees effective February 1, 2004. The Committee’s bookkeeper, the Committee and dbappleton have corrected all errors.</p>	

1.4 Financial Recording, Monitoring and Reporting (cont)

Recommendation 8:	Page 13
<p>Concur with Recommendation 8 – There are no restrictions or specific requirements regarding retainers or the GST in the Trust and disbursement Guidelines. The retainer arrangement has been discontinued and all funds are accounted for. The Host Agency and dbappleton are addressing the GST calculations based on the recommendations of this audit and will adjust all necessary reporting.</p> <p><i>Note:</i> The Committee and dbappleton retained an independent accounting firm in January 2004 to review the financial relationship between the Committee and the Contractor. The accounting firm advised the Committee and dbappleton that GST must be charged on the full value of the retainer. The accountant’s report and advice was provided to the auditors.</p>	

Recommendation 9:	Page 13
<p>Concur with Recommendation 9 – The Committee’s bookkeeper, the Committee and dbappleton have reviewed the retainer errors and all retainer funds are accounted for and repayments or credits have been issued or are in process where appropriate.</p>	

1.5 Contract Management Processes

Recommendation 10:	Page 14
<p>Concur with Recommendation 10 – The Committee will develop comprehensive contracting managing policies and procedures based on MCFD guidelines.</p> <p><i>Note:</i> There are no specific guidelines in the Trust and Disbursement Guidelines regarding Contract Management beyond “<i>The committee will provide the trust and disbursement agency with the names of the approved experts and support agents along with a statement of deliverables signed by the Committee and the expert or support agent.</i>” The Committee informed the Host Agency that all approvals of contract deliverables and payments would be authorized by the Committee prior to invoicing being submitted to the Host Agency which varied from the recommended Trust and Disbursement Guidelines. The Host Agency was informed verbally of the contractors involved in the process.</p> <p>dbappleton’s contracts with the Committee and the ACC were submitted to MCFD (Assistant Deputy Minister) in October 2003 at MCFD’s request. MCFD did not communicate any concerns with the contracts to the Committee. The Committee acknowledges that the conflict on the committee created fragmented authority resulting in contractors being given conflicting directives. The Committee also acknowledges that the delegation of authority to dbappleton for managing subcontracts was regularly undermined as a result of the Committee’s internal conflict.</p>	

Recommendation 11:	Text
<p>Concur with Recommendation 11 – The Committee has adopted an additional standing monthly agenda item to the Committee Charter - contract management and review. In addition the new Treasurer, the Host Agency and MCFD receive a detailed bi-monthly statement of contractor activities for review and approval prior to discharging contract fees (effective April 1, 2004.) The Committee also requires that all sub-contractor contracts contain clear evaluation criteria and performance review periods.</p>	

1.5.1 Timely Contract Negotiation and Renewals

Recommendation 12:	Page 15
Concur with Recommendation 12	
<p><i>Note:</i> The Committee has always had the opportunity to discuss contract terms and conditions through in-camera discussion and has actively used this mechanism throughout the process. Further, as detailed in the Committee’s Charter, contracts require a formal motion and must be voted upon. This has been, and continues to be, the practice for contract approval. The contract with dbappleton went through three iterations before the final version was approved by the committee.</p>	

1.5.2 Contract Amendments

Recommendation 13:	Page 16
Concur with Recommendation 13 – The Committee will ensure that contracts are signed and in place prior to work commencing whenever possible. However, MCFD must provide adequate notice of funding and budget decisions along with clear direction to allow the Committee to function and plan appropriately.	
<p><i>Note:</i> The Committee acknowledges that the conflict among the caucus’ of the committee resulted in unreasonable delays in finalizing contract terms with contractors. The Committee relied on verbal instruction and confirmation with contractors.</p>	

1.5.3 Contract Rate Structure

Recommendation 14:	Page 17
Concur with Recommendation 14	
<p><i>Note:</i> There are no restrictions or specific rate structures for contractors within the Trust and Disbursement Guidelines and MCFD’s decision to not appoint the Committee as a legal authority made it impossible for the Committee to retain staff. The use of contractors in a contractor/staff role is not the preferred operating model, but was perceived to be a short-term solution until such time as legal authority was granted to the planning committees by MCFD.</p> <p>The Committee and the ACC do not accept that a partners’ daily rate was intentionally exceeded as the rate was for 8 hours of service and the long days were at the direct request of the ACC and Committee Chairs. The ACC and Committee Chairs fully endorse the additional costs that resulted from ACC requests of dbappleton. We acknowledge that the language of the contract could have been written in a more flexible manner to accommodate the “surges” of activity requested by the ACC and Committee Chairs and will ensure future contracts have greater flexibility and the ability to bill hourly. The Committee also notes that dbappleton handled over 9,800 emails and phone calls for the ACC and JCC during this period and future contracts will have to incorporate a billing process to account for this type of service response level.</p>	

1.5.4 Competitive Process for Contractor Selection

Recommendation 15:	Page 18
Concur with Recommendation 15 - This is not inconsistent with the Committee’s practices, nor is it a requirement of the Trust and Disbursement Guidelines.	

1.5.5 Contract Deliverables

Recommendation 16:	Page 18
Concur with Recommendation 16 – The Committee will take steps to comply in timely manner	
<p><i>Note:</i> The committee now reviews monthly invoices against a monthly statement of deliverables for all contractors prior to approving payment. The Committee requested that contractors have broad deliverables as the devolution of child and family services from a government to Aboriginal Authorities has never been undertaken. It was the Committee’s desire to have maximum flexibility in directing contractors to address issues as they arose.</p>	

1.5.6 Contract Monitoring

Recommendation 17:	Page 20
<p>Concur with Recommendation 17 - The Committee has already adopted a requirement that all contractors provide a monthly statement of deliverables supported by detailed invoicing that is reviewed and accepted by the Committee. dbappleton has always provided a detailed billing for ACC activities and expenses that were submitted monthly to all five regions for review and approval. The Committee further notes that the contract management responsibility for the ACC was not at the regional level, but at the ACC level.</p> <p><i>Note:</i> The alleged over-billing for one of the Aboriginal Chairs Caucus service providers is a transcription error between the dbappleton Request For Proposal response and the final contract. The RFP response stated \$80,000 for 46 weeks and the contract was drafted for 52 weeks failing to amend the contract amount. The ACC, including the Committee Chairs, has reviewed this matter on two occasions and confirmed that the total amount billed is in keeping with their expectations.</p>	

Recommendation 18:	Page 20
<p>Concur with Recommendation 18</p> <p><i>Note:</i> the Committee has already adopted a requirement that all contractors provide a monthly statement of deliverables supported by detailed invoicing that is reviewed by the new Treasurer, Host Agency and MCFD prior to payment.</p>	

Recommendation 19:	Page 20
<p>Concur with Recommendation 19</p> <p><i>Note:</i> the Committee has already adopted a requirement that all contractors provide a monthly statement of deliverables supported by detailed invoicing that is reviewed by the new Treasurer, Host Agency and MCFD prior to payment.</p>	

Recommendation 20:	Page 20
<p>Concur with Recommendation 20</p> <p><i>Note:</i> the Committee has already adopted a requirement that all contractors provide a monthly statement of deliverables supported by detailed invoicing that is reviewed by the new Treasurer, Host Agency and MCFD prior to payment.</p>	

1.5.7 Contract Fee Structure for Other Costs

Recommendation 21:	Page 21
<p>Concur with Recommendation 21</p> <p><i>Note:</i> There are no restrictions regarding travel cost models in contracts in the Trust and Disbursement Guidelines. The travel expenditure was for 4-5 different individuals. The travel allowance provided for in the contract with dbappleton was approved by the Committee as an intended cost saving measure to cap local travel expenses. The Committee concurs that a review of actual travel needs will be undertaken and in the future, contract terms will provide for reimbursement of actual mileage. The Committee also notes that not all meetings were held at dbappleton and that the vast majority of sub-committee community consultations, regional MCFD meetings, inter-regional meetings and service partner meetings were held off site throughout Greater Vancouver.</p>	

2.1 Travel and Honorarium

Recommendation 22:	Page 23
<p>Concur with Recommendation 22</p> <p><i>Note:</i> MCFD conducted a review of the Committee's stipend and remuneration levels in July 2003 and no recommendations or comments were provided to the Committee. There are no guidelines or restrictions in the Trust and Disbursement Guidelines regarding Honorariums to committee members. The Committee agreed to stay within the Board Resourcing rates of \$350 per day for the spokesperson chair, \$250 per day for the 2 other chairs and \$175 per day for all other committee members. The only requirement of the committee was that days beyond the minimum days be documented. The demands of the planning often required the chairs to attend meetings well beyond the maximum number of days of the honorarium. The Committee has already implemented an independent review of all Committee member stipend and travel claims prior to the release of the draft audit. Those approvals are then further reviewed by MCFD to ensure their consistency with government policy and guidelines.</p>	

Recommendation 23:	Page 23
Concur with Recommendation 23	
<p><i>Note:</i> There are no specific or required guidelines in the Trust and Disbursement Guidelines regarding payments for travel and honoraria. The Committee is revising its policy guidebook and will incorporate a revised payment and activity authorization system. The Committee would take this recommendation one step further and recommend that the Committee members be required to sign a statement acknowledging receipt of the policy and confirming that they have read and understand the policies.</p>	

Recommendation 24:	Page 23
Concur with Recommendation 24	
<p><i>Note:</i> There are no restrictions or specific guidelines in the Trust and Disbursement Guidelines regarding support documentation for payments. The Committee will undertake a review of all additional payments made to Committee members and ensure that the payments are appropriate and supported with the necessary documentation. The committee further concurs that contractors should not be directed to make payments for contract or additional payments to committee members.</p>	

2.2 Meeting Costs

Recommendation 25:	Page 24
Concur with Recommendation 25 – There are no restrictions or specific guidelines in the Trust and Disbursement Guidelines regarding meeting costs. The provision of food at meetings and gatherings is a cultural and traditional practice and the committee requested that meals be provided at most meetings. The examples cited are inter-regional expenses and the Committee only paid 10% to 20% of the stated costs which are well within MCFD guidelines. The Committee was not advised to record the names of all meeting participants at sub-committee and planning meetings. MCFD guidelines have been adopted as of April 1, 2004.	

2.3 Capital Purchases

Recommendation 26:	Page 25
Concur with Recommendation 26 – The Committee will take steps to comply in timely manner.	
<p><i>Note:</i> There are no restrictions or specific guidelines in the Trust and Disbursement Guidelines regarding capital purchases. Nor was the host agency informed of any restrictions regarding capital purchases. The purchase of a projector was requested by the Committee due to the inconvenience of tracking down equipment and the potential unavailability. The intent is to transfer the asset to the Regional Authority once it is established or further instruction from auditors is received.</p>	

Recommendation 27:	Page 25
Concur with Recommendation 27 – The Committee will take steps to comply in a timely manner.	

3.1 Administration Fee of Tseil Waututh Nation

Recommendation 28:	Page 26
Concur with Recommendation 28	
<p><i>Note:</i> The Trust and Disbursement Guidelines state “The Trust and Disbursement Agency may be reimbursed out of the grant funds for reasonable expenses incurred while acting on the behalf of the RATC.” The committee proposed a fee of 3% as being reasonable taking into account that the Host Agency would be receiving a small amount of interest and that the normal administration fee charged is 5%. I should be noted that this is a lesser fee than had been paid to the previous host agency and that the host agency agreed to the fee. There is no requirement in the Trust and Disbursement Guidelines for a detailed breakdown of associated costs by the Host Agency.</p> <p>A new protocol agreement will be secured upon completion of the audit process and the fee will be adjusted to reflect the anticipated volume of work.</p>	

3.2 Administration Cost Charged by dbappleton

Recommendation 29:

Page 27

Concur with Recommendation 29 – The retainer process has been eliminated.

Note: There are no restrictions regarding issuing retainers to contractors or sub-contractors in the Trust and disbursement Guidelines. dbappleton did not charge bookkeeping fees to the Committee – bookkeeping services were provided by a subcontractor who was retained by the committee through a bid process and dbappleton simply passed on the invoices from the subcontractor to the Committee for payment. While the number of transactions may be low, the bookkeeper was required to deal with Committee members requesting payment of expenses, tracking of cheques, confirmation of payments, copying expense claims and working with the Host agency. The Committee will confirm that members were regularly in contact with the host agency staff and dbappleton seeking updates and status reports on Committee member payments.