

Wasagamack First Nation Centralization

BDO Canada LLP Aboriginal Financial Services
August 15, 2017



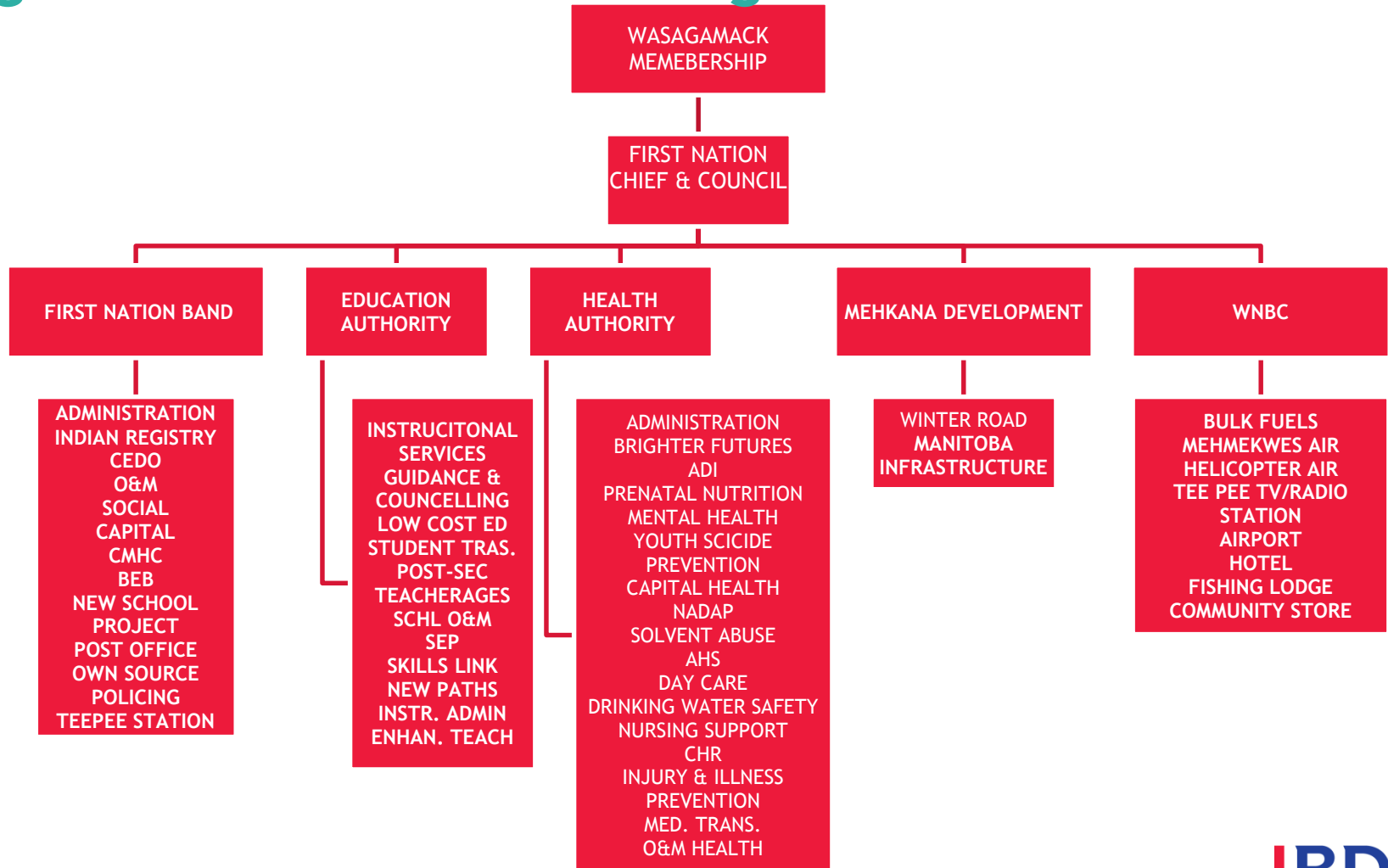
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- Wasagamack Organizational Chart of Programs
- BDO AFS Organizational Chart
- BDO Consulting
- Objectives and Deliverables
- Reasons to Centralize and Consolidate Finances
- Actions to Centralize and Consolidate Finances
- Why choose Sage ERP 300 (AccPac) instead of another software
- Prior year results (Reasons for change of financial protocols)
- Recap, Questions and Answers

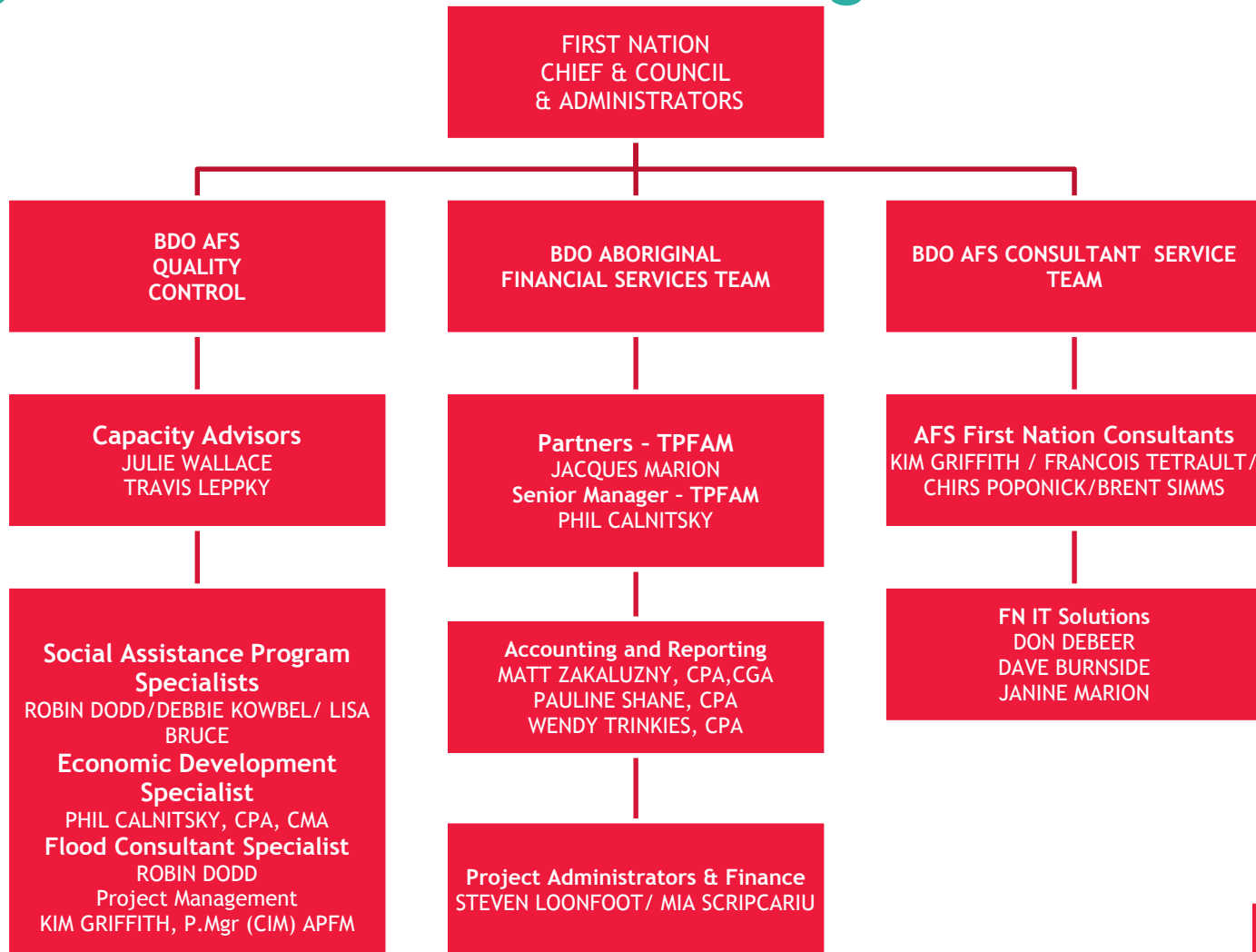
Wasagamack First Nation

Organizational Chart of Programs



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Aboriginal Financial Services Organizational Chart



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Aboriginal Financial Services

The BDO Advantage:

- a broad range of valuable experience acquired through previously working with First Nations through difficult financial times as advisors, both on a short-term emergency basis and on longer-term debt retirement and de-escalation processes
- a thorough understanding and sensitivity to First Nations, INAC, FNIH (HC/SC), ESDC, CFS, and CMHC policies and regulations and associated programs and services delivered to First Nations in Canada (and First Nation businesses)
- an ability to communicate and follow up effectively with Chief and Council and/or Band Administrators during all aspects of the administration including difficult discussions; and subsequent implementation of accounting and reporting systems and training for a cohesive delivery by service teams
- highly developed standardized accounting, budgeting and reporting systems tailored to the variety of programs, projects and funding streams encountered by first nations;
- a track record of working with first nations to consistently meet and exceed financial targets, providing first nations more flexibility to retire debt and/or enhance programs by developing new economic development revenue streams
- a well established methodology used to produce financial management action plans, exit strategies, program budgets and cash flow projections for first nations that are key to the future progress in the development of first nations longer term planning

Wasagamack First Nation

Centralization and Consolidation

Why was BDO hired by WFN Chief and Council?

- Because finances affect delivery of executed agreements Nation to Nation for “essential services” for INAC, FNIH, ESDC, etc ... an external agent can be appointed by Chief and Council to ensure delivery as outlined in the agreements signed between Canada and the First Nation as reflected in the existing default prevention policy
- Essential services include education, O&M infrastructure water and wastewater services, income assistance, housing, health services etc... provided to members of the community through program delivery agreements between the Nations (as represented by Chief and Council) and Canada providing and promoting health and safety of the members
- Any “Accounting Firm” or “Responsible Practitioner” chosen by WFN to remedy the current financial state (one that is supportable by current funding and operations) would be required to implement the same metrics to monitor and measure performance of all consolidated programs for informed decisions to be made by leadership
- Consolidated resources will be required to provide “essential services” to all members of WFN based on each segment’s contractual ability to do so (all programs will need to put their resources together to accomplish this task collectively where applicable)
- Centralization of operations with support from an experienced firm is a means to implement changes of this nature in program and entities curbing the spending behaviour to ensure to avoid increased intervention

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Centralization and Consolidation

Objectives and Deliverables:

1. Work in Cooperation with Chief & Council and Administrators (Directors)
 - To form an effective financial advisory and accounting support for all programs and service teams
 - To ensure program criteria in delivery requirements are met
2. Instil a system of Accountability
 - implementing a purchase protocol for all expenditures/disbursements
 - centralized accounting department implemented, trained & supported
3. Create a process of Transparency
 - where financial statements are prepared quarterly and made available to all community members without cost
 - F/S's are accurate, timely and in a consistent format
4. Development of Program/Department/Entity Budgets
 - Cash flow projections for the year or remainder of the year
 - Balanced program/department budgets put in place
5. Address Management System Internal Control Weaknesses
 - Recommendations to address most recent Auditor Management letter(s)
6. Support and Training of Finance Staff
 - Daily transactions and month end procedures
 - Preparation of accurate F/S's

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Centralization and Consolidation

Why Centralize Finance for Wasagamack First Nation (WFN)?

- A Centralized organization structure has many advantages that can be beneficial to program management. When program reporting is consolidated it can give an organization the ability to achieve financial performance.
- Accounting processes are consistent throughout, procedures are standardized following one financial policy adhering to General Accepted Accounting Principles (GAAP)
- Consolidation reporting limits information gathering and uses time more productively on information analytics that provide value to the sharing of this information
- Centralization of finances eliminates the duplication of work, mitigates errors and the communication between departments and provides more efficient delivery to members as a team in one centralized location working together in a more coordinated effort.
- The Centralization and Consolidation of programs will give the leadership and management of WFN the transparency of all bank balances, to determine short term liquidity needs through A/P or A/R, long-term cash forecasts, allowing for target balances and managerial decision making, planning while mitigating risk.
- Eliminate the debt and return all of the program resources (education, health, etc) to benefit children and all member services

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Centralization and Consolidation

How are we “together” going to accomplish this ?

- By Centralizing the Finance operations to one location (WFN Band Office)
- By using the existing authorities in place (Directors in charge of each program or business) that are / and will be responsible to approve each transaction through a “purchase protocol” (PO’s) that will be linked to the accounting management system to ensure the activity is supported (funds remaining to spend as not to cause a deficit in each program following budgets approved)
- All PO’s will be produced through locally only if there is availability to do so (room left for the expenses in the approved budget line for this activity)
- By implementing budgets for all programs from each ministry (or business) in a zero balanced manner, which means that all funds provided by agency (or revenues generated by businesses) are used as intended in each agreement (or business mission statement) in place with WFN without spending more than what is received (cash flow) or supportable according to current revenues
- By implementing a purchase protocol for all programs whereby each activity line requires planning and approvals by each of the Directors of each program knowing in advance when their programs are requesting the goods or services to ensure that no activity exceeds the approved line budget (no exceptions)

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Centralization and Consolidation

How are we “together” going to accomplish this ?

- By producing on a quarterly basis “unaudited for discussion purposes only” consolidated financial statements that identify all WFN operational areas that are not operating within the funded (or revenue / profitability) parameters included in the approved budgets and causing deficits that can not be supported (cash flow) putting at risk essential service delivery to members and increasing the risk for intervention by agencies
- By reviewing with each Administrator / Director their operation and formulating with each detailed budgets that meet the program objectives to stop unfunded or unsupportable activities including labour and workforce modification (as applicable) by program or segment that will be approved by each Director, Executive Director and Chief and Council
- By centralizing the approval process for each Director who will retain control of the program or entity approvals ensuring to manage future deficits that were not supported or financed from existing resources
- Accounts Receivable will be produced by agreement and for businesses revenues recorded on a regular basis to generate “profit & loss” income statements that are relevant to the operation and bring value measuring and monitoring results

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Centralization and Consolidation

How are we “together” going to accomplish this ?

- By not spending above the funding provided by each program (or revenues and profitability generated by each entity) or spending more than what is included in the approved budgets signed by Directors, Executive Director and endorsed by Chief and Council
- All financial activity will be tracked accounted for and reported to the responsible parties as well as members of WFN providing accountability and transparency in operations to all stakeholders
- By Centralizing all organizations cash management though one banking institution (not necessarily on bank account as this depends on the agreements in place)

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Centralization and Consolidation

Why one Bank ?

- Operating through one banking institution optimizes banking relations, build trust and preferential treatment as well as a source of new revenues “interest on deposits”
- Convenience & Time, one contact for all accounts, all statements, balances, transactions and are downloadable to accounting program for automated bank reconciliation functions to take place
- Bank to bank payment increase the controllership over transactions, reducing interest and other fees (EFT's)
- All financial activity can be tracked for analytics and reporting purposes
- Lower Identity theft risk

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Centralization and Consolidation

Hardware / Band Office Renovations

- There are costs involved with both the move and the changes to the band office
- Renovations were conducted to the Finance room to include more workstations, costs covered through band based capital and O&M at a cost of \$46,000
- The existing hardware is greater than 5 years old and will be replaced at an estimated cost of \$35,000 not including consulting time for set up of new integrated systems
- The Band office wiring will be examined and reconfigured with a centralized approach. The plan would be to have the existing electrical room “house” the server, the network switch and the internet connections, while a secondary room between finance and Chief and Council chambers could contain a secondary network switch. The only cabling required would be between the electrical room and the new room.
- There has also been a conversation with Bell/MTS about the possibility of gaining higher speed internet into the band office, and possibly sharing that with adjacent buildings like the CFS building next door. Bell/MTS is currently looking into cost sharing of this application. Last estimated costs for Fibre Optic capable hook-up was \$57,000

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Centralization and Consolidation

Why choose Sage ERP 300 instead of Adagio, Simply or Quickbooks ?

- The “unaudited financial statements” being produced from the current accounting system fail to meet the current agreement reporting requirements by agencies and Directors in their design since none have been produced successfully by any program
- The lower level of automation within the software has caused delinquent payments for source deductions and “trust implied condition” remittances from employee payrolls which is a cause for concern to agencies and a trigger to increased intervention
- Quick books although a much more simple accounting software to use lacks the financial design capabilities to produce compliant reports that meet the reporting requirements for the various funding agencies
- It is not truly a networked software that is stable in a terminal server environment (rather desktop) for its use to provide a multiuser platform and has inherent security concerns with it as a result.
- PO modules are not integrated and not produced by the software manufacturer and not as easily automated (like external data base imports, banking imports etc.)

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Centralization and Consolidation

Why choose Sage ERP 300 (Acc Pac) instead of Adagio or Quickbooks ?

- All software alone does not provide the audit trail required to lead to an unqualified opinion the best opinion produced by an auditor, a clean financial statement report opinion, support documentation is required to avoid a disclaimer or qualified opinion (as was the case in own source/economic development revenues in the management letter produced by the auditor) but this software produces a legible trail to follow and generates documentation for this purpose
- Acc Pac Sage can be automated with many external software data bases to generate and formulate an accurate financial statement design that brings value to the users (Directors approving expenses, and Chief and Council approving budgets, and members reviewing operations of their First Nation)
- It is a stable remotely accessible networked platform for server environments, and is available through cloud services, need not purchase the expensive software or hardware required or pay for maintenance to maintain larger databases
- It is also able to provide and produce for all who use it an audit trail through the segmentation of the accounting tasks not developed or readily available from other software (built in)
- Purchase Order system can be integrated or used to sort eligible expenses at the program level (approvals by Directors)

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Centralization and Consolidation

March 31, 2017 Financial report card on Programs and Entities by segment;

	<u>Revenues</u>	<u>Expenses</u>	<u>Surplus/(Deficit)</u>
INAC-Band Admin	\$ 1,068,488	\$ 1,154,387	\$ (85,899)
INAC-Public Works	962,811	998,912	(36,101)
INAC-Education	8,123,150	6,477,796	1,645,354
INAC-Social	5,429,513	5,278,267	151,246
INAC-Economic Dev.	175,903	170,995	4,908
CMHC	293,476	367,548	(74,072)
Mehkana Development Corp.			
FNIH/other-Health Centre			
Local Revenues (OSR)			
Wasagamack Bulk Fuels	_____	_____	_____
TOTALS*	\$ _____	\$ _____	\$ _____

* Totals are undetermined without consolidation of all programs



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Question and Answer Session