

August 12, 2016

Chief and Council  
Montreal Lake Cree Nation  
Box 106  
Montreal Lake, Saskatchewan  
S0J 1Y0

Dear Chief and Council:

## **2016 MANAGEMENT LETTER**

During the course of our audit of Montreal Lake Cree Nation for the year ended March 31, 2016 we identified matters that may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly, an audit would not usually identify all such matters. We would like to note that significant improvements were made by the finance staff staying current on their bank reconciliations for the year.

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

### **Number of bank accounts**

At March 31, 2016 the Cree Nation utilizes 22 bank accounts for conducting its operations. It is difficult for management to effectively oversee this many accounts and monitor the transactions within each. Additionally it is a difficult task for the finance staff to reconcile the transactions of each of these accounts as well as reconcile the transactions between these accounts.

Additionally, employing this many account increases the banking fees because some accounts would be overdrawn and incurring interest charges while others have a positive balance and are not incurring any fees.

**We recommend that the Cree Nation review which bank accounts are necessary and eliminate the remainder.**

### **Miscellaneous general ledger receivable and payable accounts**

There are a number of accounts in the general ledger that have minimal activity which should be examined by management to determine what transactions represent their balances and if the balances are still receivable or payable. Some of these accounts have balances carried forward from four years ago with minimal changes since then. The challenge management will have is to determine what makes up these balances before being able to assess collectability and obligations.

### **Band Council Resolutions**

During our review of the BCRs we could not determine whether all were accounted for.

**We recommend that a BCR log be kept and that all BCRs are labeled sequentially in order to help ensure all BCRs are retained on file by the Cree Nation.**

### **Payroll withholdings**

During our work we noted that the payroll withholding liability accounts were not reconciling to the actual amounts owing. For example the pension liability account indicated an amount owing at March 31, 2016 of \$82,000 when the actual liability was \$49,000.

The manner in which the SIEF loans are recorded should be reconciled by management. The accounting records indicate that MLCN has over paid the employee loans by approximately \$38,000. Management should ensure that the remittances are accurate and that the employee deductions are being properly captured to this GL account #ML-2055.

**We recommend that the GL payroll withholding liability accounts be reconciled to actual amounts calculated as owing. Differences should be examined to determine why there is a difference between the general ledger and what is determined to be owing.**

### **Accounts payable listing**

We observed that the accounts payable aging contains a number of individuals showing amount owing. The majority of the individuals noted on the listing have minimal amounts owing and all are over 90 days. We suggest that management review the accounts payable listing and determine whether amounts are in fact owed to the individuals or whether they are reported in error.

We note that the manner in which a cheque is voided may cause the cheque to be “set up” as an account payable rather than being cancelled from the system. This may be the cause of the problem.

Additionally during our testing of the accounts payable listing we noted a significant number of invoices which were noted as being outstanding. Upon further review many of these invoices had in fact been paid. Before adjustments, we estimate that the accounts payable were overstated by approximately \$300,000.

**As part of the regular monthly routine, the accounts payable listing should be reviewed for accuracy and adjustments made at that time.**

### **Accounts receivable from 2013**

We note there are amounts still recorded as being receivable from PAGC from 2013. The programs and amounts in question are:

- CEDO \$103,183
- RMO 21,488

**We recommend management contact PAGC to determine why these amounts have not been released to MLCN.**

### **Documentation for Disbursements**

Improvements can be made in documenting disbursements made for member assistance. Recognizing that it is difficult to obtain invoices and other such documentation for these types of payments, it is advisable to obtain adequate details for the cheque requisition as to who the beneficiary is and nature of assistance.

### **Housing Rent**

The Cree Nation is not collecting rent from all working tenants. The Cree Nation cannot afford to allow tenants to not pay rent. The CMHC program requires uncollected rent to be paid by the Cree Nation to the CMHC program.

**We recommend that all tenants pay rent in order to generate cash for the CMHC program to operate effectively and begin to replenish its depleted reserve accounts.**

### **Transfers – corrected in 2016 fiscal**

We note that transfers between MLCN, WCH, LRR and LRH do not net to zero. The transfers were out of balance by \$394,000.

**We recommend that the transfer accounts be examined regularly to ensure all transfers are recorded to the transfer accounts and net to zero.**

### **Budgets, Cash Flow Analysis and Variance Reports**

Budgets and variance reports are currently not performed for all the programs of Montreal Lake Cree Nation. The budgets should represent the complete fiscal plan for the Cree Nation for each fiscal year. A consolidated budget would better enable management and Council to monitor the operations of the entire Cree Nation and address deviations from budget. Additionally, it is a requirement of your accounting standards for an annual consolidated budget to be both prepared and approved by Chief and Council for inclusion in the audited financial statements.

**We recommend that management prepare budgets for all significant programs and they be incorporated into the AccPac accounting software and ensure that the budgets are approved by Chief and Council with documentation in the meeting minutes.**

### **Other Payroll**

We noted in the current year and previous year that amounts paid to the Finance Manager on account of salary and benefits were in excess of her annual approved salary. Other additional payments for other duties were also noted as being paid to her.

**While these additional payments for other duties have been approved by the band manager and payments were signed by two members of Council, we recommend a review of the individual's job description to ensure that the work these extra payments relate to be included in the job descriptions and are included in her annual wage.**

If you have any comments, or if we can be of further assistance, please call Murray Zaleschuk at (306) 665-6766.

Yours very truly,

*MNP LLP*

Chartered Professional Accountants