Listuguj
MI'GMAQ GOVERNMENT

**Management Action Plan (MAP)**

**2014-2017**

**Presented to:**

**Aboriginal Affairs and Northern Development Canada**

**2014-09-16**

## INDEX

## 1. CONTEXT

### 1.1. OBJECTIVE OF THE PLAN

The Listuguj Mi'gmaq Government (LMG), in accordance with the Funding Agreement signed with Aboriginal Affairs and Northern Development Canada (AANDC), must maintain a balanced budget approach in order to guarantee the delivery of essential services to its members.

The objective of the present Management Action Plan (MAP) is to gather in one document, a range of activities put forward by the LMG to ensure a structured and cohesive realignment of its financial situation. The final objective of this plan is to meet the financial indicators threshold established by AANDC in its analysis of the LMG's financial situation. Proactive steps have been taken in the right direction but a long term plan is required to ensure a robust and sustainable operation continues.

### 1.2. CONTEXT OF THE INTERVENTION (WHY DO WE NEED A MAP)

Following the analysis of the LMG's 2012-2013 Audited Financial Statements, Aboriginal Affairs and Northern Development Canada has determined that the community's financial situation requires progression towards a more robust business model.

*"Listuguj Mi'gmaq Government financial situation, as of March 31, 2013 and for a second year in a row, is concerning as all the financial ratios, based on the Audited Financial Statement, are deemed unfavorable. The deterioration of your financial situation is mainly due to the significant amount of unexpended funds ($2.8M) from AANDC's Fixed Funding Programs.*

*The unexpended funds brings your Working Capital deficit to $6.2M (equivalent to 12.2% of your revenues), which is over AANDC's risk threshold. Plus, to this date, AANDC has not yet received the Band's reinvestment plan for those unexpended funds, as requested."*[1]

The Department has raised concerns about the default payment of some service providers by the Band Council. According to information received by the Department, the LMG owes over $630,000 to Centre Jeunesse Gaspesie/Les Iles for institutional placements. Significant amounts are also due to the Province of Quebec, Hydro Quebec and CSST.

Therefore, as prescribed under AANDC's Default and Prevention Management policy, the Department has requested from the Band Council the development of a MAP to address the situation. This MAP comes in response to this request.

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[1] Extract from AANDC's Results – 2012-2013 Funding Agreement letter to LMG's Chief and Councillors letter dated January 13, 2014.

## METHODOLOGY (HOW WAS THE MAP DEVELOPED)

The LMG acknowledges the importance of developing a stronger financial plan to use for the short, medium and long term direction of the organization. A dynamic plan such as this will provide a continued focus on accountability, budget maintenance and fiscal responsibility.

- A meeting between the LMG (Fred Vicaire and Robert Smith) and AANDC's representatives (Pascal Dubé, Anthony Chartier, Alain Girard) on January 21st to discuss preliminary results of the LMG's 2012-2013 Audited Financial Statements;
- A meeting between the LMG (Fred Vicaire and Robert Smith) and AANDC's representatives (Pascal Dubé, Alain Girard and Director of Education and Social Services Suzie Nepton) on May 14, 2014 to discuss measures to be reflected in the LMG's MAP. Mrs Nepton also met with Gail Metallic, Director of Education, and Social Services representatives during her visit in the community;
- A Conference call between the LMG (Fred Vicaire and Robert Smith) and AANDC's representatives (Pascal Dubé, Alain Girard, Marie-Pierre Bessette, Véronique Giguère and Jean-Simon Paradis-Charlebois) on May 28,2014 to answer some of the questions raised during the May 14 visit;
- Since that time, the LMG has provided reinvestment plans to AANDC in the form of letters. To date, AANDC as accepted about one million dollar in expenditures, reducing the unexpended funds to be reinvested. There is currently another $1.5 million of unexpended funds being worked on in area of Social Services;
- Draft MAP presented by Chief Scott Martin, Executive Director Paul Stanley, Director of Finance John Alexander and Financial Analyst Fred Vicaire to AANDC' Director of Funding Services Jacques Giroux, Infrastructure Manager Bruce Labrador, Accountant Stephane Villeneuve and Funding Agent Pascal Dubé on September 16th, 2014, for discussion. It was determined that, in order to achieved its objective, the MAP should focus on the LMG's Working Capital Deficit estimated at $4.625M (approximately $825,000 in current liabilities; $1.875M as the current portion of the long term debt; $1.925M in unexpended funds from AANDC's programs);
- Chief and Council has approved an OIC on September 8, 2014 to allow for recovery of $4.5 million from the Land Claims Settlement to be put back into operations, as seen in LMG's March 31, 2014 Audited Financial Statements. However, until this measure is implemented, the LMG's administration will identify other measures to be worked on in order to meet the MAP objective;
- Presentation and approval of the MAP by the Band Council on September 29, 2014.

### 1.3. DATE OF IMPLEMENTATION

This Management Action Plan comes into force following its adoption by the Band Council, as of October 2014.

### 1.4. LIFE OF THE PLAN

Corrective measures of this Management Action Plan are planned to be all implemented on or before March 31st, 2017.

## CORRECTIVE MEASURES – BAND ADMINISTRATION

### 2.1. ISSUE

LMG has been without a full-time Director of Finance for the past year and the position of Executive Director has been vacant for a number of years. LMG had a very centralized approach for the management of its finance, making it difficult for program directors to have full control over their budget.

The recent of inclusion of two key positions that being the Executive Director and Director of Finance also blending after the last election of a new a Chief and 4 new Councillors has enabled the LMG to initiate a model of engagement that differs from it past approach.

### 2.2. DESCRIPTION OF THE CORRECTIVE MEASURES (ACTIONS)

- Executive Director position filled in July 2014
- Director of Finance position filled in July 2014
- All programs must closely follow the stewardship of their Director and that the provision of the LMG Financial Administration By-law will be adhere to
- Directors responsible and accountable for their budget and reporting requirements on monthly basis

### 2.3. FINANCIAL/ADMINISTRATIVE IMPACTS OF THE CORRECTIVE(S) MEASURE(S)

- Budget and reporting objectives are achieved
- Discrepancies between budget objectives are explained and corrective measures (if required) are implemented
- Increased accountability to Directors of monthly budgets and results
- Comprehensive approaches to allowable program funding and spending

### 2.4. PERFORMANCE INDICATORS / EXPECTED RESULTS

- Key administrative positions are filled and directors are held accountable for the administration of the program under their responsibilities
- Monthly variance analysis performed by the Director of Finance to ensure proper review of results is being benchmarked against budget. See Appendix 1

### 2.5. IMPLEMENTATION-KEY CONTACT PERSON

- The LMG's Director of Finance and the Executive Director will monitor the implementation and results achieved
- Directors responsible and accountable for results on monthly basis
- Weekly Director Meetings are being held to ensure increased communication across departments and any immediate concerns are being addressed in a timely manner.

## CORRECTIVE MEASURES – SOCIAL SERVICES

### 2.1. ISSUE

AANDC's analysis of the LMG's Audited Financial Statements shows a total of unexpended funds of $1,473,533 ($597,836 from fiscal year 2012-2013 + $875,697 as of March 31, 2013) in the Child and Family Services programs. To this, the Department added another $437,307 of unexpended funds for other Social Services programs, for a total of $1,910,840 that the LMG has to reinvest by March 31st, 2014. AANDC's position is that unexpended funds from Fixed Contribution Programs need to be recorded as a current liability. This is currently being addressed and thus far $500,000 has been identified, with further work in 2014-15

### 2.2. DESCRIPTION OF THE CORRECTIVE MEASURES (ACTIONS)

- Reinvestment plans submitted to AANDC in July 2014
- Sending letters to AANDC stating the LMG's position on the unexpended funds
- Initially implement administration fee to reflect the real cost of administration for each program
- Ensure proper allocations of salaries spent in these programs are correctly expensed
- All programs must closely follow the stewardship of their Director and that the provision of the LMG Financial Administration By-law will be adhere to
- Weekly Director Meetings are being held to ensure increased communication across departments and any immediate concerns are being addressed in a timely manner.

### 2.3. FINANCIAL/ADMINISTRATIVE IMPACTS OF THE CORRECTIVE(S) MEASURE(S)

- Reduce the unexpended funds in AANDC's program for previous years by $1.5M
- Achieved balanced budget in Social Services in the first year of the MAP. Budget to be adjusted in following years according to unexpended funds to be reinvested in the specific programs
- Increased accountability to Directors of monthly budgets and results
- Comprehensive approaches to allowable program funding and spending

### 2.4. PERFORMANCE INDICATORS / EXPECTED RESULTS

- Amount of Unexpended Funds are properly identified and a reinvestment plan is submitted.
- Maintain financial ratios within suggested limits
- Results will be reflected in financial statements
- Quarterly variance analysis performed by the Director of Finance to ensure proper review of results is being benchmarked against budget. See Appendix 1

### 2.5. IMPLEMENTATION-KEY CONTACT PERSON

- Social Services Directors is responsible and accountable for results on monthly basis
- The LMG's Director of Finance and the Executive Director will monitor the implementation and results achieved
- Band Council to adopt LMG's initial and adjusted budget

## 2. CORRECTIVE MEASURES – EDUCATION

### 2.1. ISSUE

AANDC's analysis of the LMG's Audited Financial Statements shows a total of unexpended funds of $761,544 in the Education programs. AANDC's position is that unexpended funds from Fixed Contribution Programs need to be recorded as a current liability.

### 2.2. DESCRIPTION OF THE CORRECTIVE MEASURES (ACTIONS)

- Reinvestment plans submitted to AANDC in July 2014
- Initially implement administration fee to reflect the real cost of administration for each program
- Ensure proper allocations of salaries spent in these programs are correctly expensed
- Create savings of $100k per year in Education programs that will be used against the objectives of the MAP
- All programs must closely follow the stewardship of their Director and that the provision of the LMG Financial Administration By-law will be adhere to
- Weekly Director Meetings are being held to ensure increased communication across departments and any immediate concerns are being addressed in a timely manner.

### 2.3. FINANCIAL/ADMINISTRATIVE IMPACTS OF THE CORRECTIVE(S) MEASURE(S)

- Reduce the unexpended funds in AANDC's program for previous years by $750k
- Achieve savings of $100k per year in Education programs to be used against the objectives of the MAP
- Increased accountability to Directors of monthly budgets and results
- Comprehensive approaches to allowable program funding and spending

### 2.4. PERFORMANCE INDICATORS / EXPECTED RESULTS

- Amount of Unexpended Funds are properly identified and reinvest in the MAP
- Maintain financial ratios within suggested limits
- Results will be reflected in financial statements
- Quarterly variance analysis performed by the Director of Finance to ensure proper review of results is being benchmarked against budget. See Appendix 1

### 2.5. IMPLEMENTATION-KEY CONTACT PERSON

- Education Directors is responsible and accountable for results on monthly basis
- The LMG's Director of Finance and the Executive Director will monitor the implementation and results achieved
- Band Council to adopt LMG's initial and adjusted budget

## 2. CORRECTIVE MEASURES – GOVERNANCE AND INSTITUTIONS OF GOVERNMENT

### 2.1. ISSUE

AANDC's analysis of the LMG's Audited Financial Statements shows a total of unexpended funds of $13,633 in the Governance and Institution of Government programs. AANDC's position is that unexpended funds from Fixed Contribution Programs need to be recorded as a current liability. This has been corrected.

### 2.2. DESCRIPTION OF THE CORRECTIVE MEASURES (ACTIONS)

- Reinvestment plans submitted to AANDC in July 2014
- Sending letters to AANDC stating the LMG's position on the unexpended funds
- Initially implement administration fee to reflect the real cost of administration for each program
- Ensure proper allocations of salaries spent in these programs are correctly expensed
- All programs must closely follow the stewardship of their Director and that the provision of the LMG Financial Administration By-law will be adhere to
- Completed in July 2014

### 2.3 FINANCIAL/ADMINISTRATIVE IMPACTS OF THE CORRECTIVE(S) MEASURE(S)

- Reduce the unexpended funds in AANDC's program for previous years by $13k
- Increased accountability to Directors of monthly budgets and results
- Comprehensive approaches to allowable program funding and spending

### 2.4 PERFORMANCE INDICATORS / EXPECTED RESULTS

- Amount of Unexpended Funds are properly identified and reinvest in the MAP
- Maintain financial ratios within suggested limits
- Results will be reflected in financial statements
- Quarterly variance analysis performed by the Director of Finance to ensure proper review of results is being benchmarked against budget. See Appendix 1

### 2.5 IMPLEMENTATION-KEY CONTACT PERSON

- The LMG's Director of Finance and the Executive Director will monitor the implementation and results achieved
- Band Council to adopt LMG's initial and adjusted budgets

## 2. CORRECTIVE MEASURES – COMMUNITY INFRASTRUCTURE

### 2.1. ISSUE

AANDC's analysis of the LMG's Audited Financial Statements shows a total of unexpended funds of $194,302 in the Community Infrastructure programs. AANDC's position is that unexpended funds from Fixed Contribution Programs need to be recorded as a current liability. This has been addressed in July 2014

### 2.2. DESCRIPTION OF THE CORRECTIVE MEASURES (ACTIONS)

- Reinvestment plans submitted to AANDC in July 2014
- Sending letters to AANDC stating the LMG's position on the unexpended funds
- Initially implement administration fee to reflect the real cost of administration for each program
- Ensure proper allocations of salaries spent in these programs are correctly expensed
- All programs must closely follow the stewardship of their Director and that the provision of the LMG Financial Administration By-law will be adhere to
- Weekly Director Meetings are being held to ensure increased communications across departments and any immediate concerns are being addressed in a timely manner.

### 2.3 FINANCIAL/ADMINISTRATIVE IMPACTS OF THE CORRECTIVE(S) MEASURE(S)

- Reduce the unexpended funds in AANDC's program for previous years by $190k
- Increased accountability to Directors of monthly budgets and results
- Comprehensive approaches to allowable program funding and spending

### 2.4 PERFORMANCE INDICATORS / EXPECTED RESULTS

- Amount of Unexpended Funds are properly identified and reinvest in the MAP.
- Maintain financial ratios within suggested limits.
- Results will be reflected in financial statements.
- Quarterly variance analysis performed by the Director of Finance to ensure proper review of results is being benchmarked against budget. See Appendix 1.

### 2.5 IMPLEMENTATION KEY CONTACT PERSON

- Capital Infrastructure Director is responsible and accountable for results on monthly basis.
- The LMG's Director of Finance and the Executive Director will monitor the implementation and results achieved.
- Band Council to adopt LMG's initial and adjusted budgets.

## FINANCIAL RESULTS

### 3.1. FINANCIAL RESULTS (MOST RECENT RESULTS)

In accordance with the Directive on Financial Assessment, the department of Aboriginal Affairs and Northern Development Canada has to assess the financial situation of every Funding Agreement recipients by using financial indicators measuring Liquidity, Sustainability and the Working Capital to Revenue. The LMG will present Audited Financial Statements on time during the reporting cycle, with attention to detail that ratios are within acceptable levels. The current emphasis over attentions to budgets, accountability to director's departments, benchmarking actual results and cash flow management will lead to a sustainable and fiscally responsible organization.

The following table indicates the calculation results of the three indicators for the last fiscal years. Assessment results (C) are based on the comparison between the calculation results (A) and the threshold for each ratio (B).

| Financial Indicators | Calculation Results (A) | | Threshold (B) | Assessment Results (C)* |
|---|---|---|---|---|
| | 2012/2013 | 2011/2012 | | |
| A – Liquidity Ratio | 0.68 | 0.73 | 0.90 or higher | Unfavorable |
| B – Sustainability Ratio | 0.43 | 0.44 | 0.5 or higher | Unfavorable |
| C – Working Capital to Revenue Ratio | -12.20 % | -12.25 % | 0.00% or higher | Unfavorable |

* Results can be: Favourable, Unfavourable or Warning / possibility of problem.

LMG 2013/2014 ratios are based on the Audited Financial Statements and have been provided to AANDC. See appendix 2 for determination of ratios.

LMG Financial ratios for March 31, 2014 are as follows:

| Financial Indicators | Calculation Results (A) | Threshold (B) | Assessment Results (C) |
|---|---|---|---|
| | 2013/2014 | | |
| A – Liquidity Ratio | 0.74 | 0.90 or higher | Unfavorable |
| B – Sustainability Ratio | .47 | 0.5 or higher | Unfavorable |
| C – Working Capital to Revenue Ratio | -9.92% | 0.00% or higher | Unfavorable |

As per Treasury Board Directive on Transfer Payment, the LMG had until March 31st, 2014 to reinvest the unexpended funds. Adjustments to this Management Action Plan could be deemed necessary based on the results of the 2013-2014 Audited Financial Statements. Please refer to section 6 of this document for amendment provision.
After much effort in the July period of 2014, unexpended funds have been reduced by $1.0 million and work continues on another $1.5 million of unexpended funds and will be reported on as the current 2014-15 fiscal year continues.

### 3.2. DETAILED AND SUMMARY FINANCIAL FORECAST

It is the objective of the LMG to increase working capital through work on unexpended funds, which has resulted in 1.0 million in reduction and work on another 1.5 continuing in 2014/2015

At the beginning of each year, the Band Council will revise its financial objectives for each program and for each of the quarter of the MAP.

### 3.3. EXPLANATORY NOTES

The members of Listuguj will be asked to vote by referendum on a Land Claim Settlement proposal in the fall of 2014. A portion of the $64.5M offered by the Federal Government in the settlement could be used to deal with payables and long term debt arrangements. When a positive ratification vote occurs, it will affect the LMG's financial ratios and the need to pursue this Management Action Plan may have to be reviewed at that time.

### 3.4. FORECASTED BALANCED SHEET

As per section 5.1 – MAP quarterly reports, the Band Council is committed to provide Aboriginal Affairs and Northern Development Canada, with each quarterly report, an unaudited balanced sheet. The balanced sheet will present program results by quarter in comparison with its objective.

### 3.5. DEBT MANAGEMENT PLAN

The LMG will be concluding negotiations on final agreements with the following creditors:

- Centre Jeunesse
- Hydro Québec
- CSST
- Province of Quebec – Sales taxes

Band Council is also in negotiation with Centre Jeunesse for the payment of the past due balance (detail the amount that is litigious) – current invoices are being processed; postdated cheques of $175,000 have been provided to Centre Jeunesse to pay down the current outstanding debt.

A meeting was held on September 17, 2014 between the LMG and Revenue Quebec to discuss proactive solutions to the outstanding liability. In addition, we are working with Revenue Quebec with a commitment to find a common pathway and agreement points far shorter than what many were expecting (approximately 6 weeks). We view this as a process of working collaboratively with Revenue Quebec, understanding the problem, and the solutions, for resolution. The Director of Finance will review the audit Revenue Quebec performed over the LMG's operations and continuing open dialogue is ongoing over ways to address the sales taxes owning in a fair robust manner.

Meetings have been held in the past with Hydro Quebec to come to agreement over the existing transmission lines that are on reserve land and the current outstanding liability recorded on LMG's balance sheets. Hydro Quebec is willing to pay fair value for a special permit that will allow this access on Listuguj land. Continued negotiations are being held within the next 10 weeks to come to a reasonable settlement.

The Director of Finance and the Executive Director have arranged meetings with CSST during the month of October to initiate dialogue over proactive ways to approach the outstanding liability.

The finance committee is meeting on a regular basis (bi-weekly) to discuss major financial decisions and their implications on the LMG's operations. It is also an opportunity to plan and strategise in a methodical manner developments for the LMG. Risk assessment and cash flow analysis are performed to assess the viability and return on investment on all projects to ensure that they operating at optimum levels.

The LMG is currently in a restructuring process to ensure that all departments are efficient and resources are being effectively utilized. The goal is to allow for a better model to be used going forward and allow for the reinvestment plan to be actioned in the timeframe set within this Management Action Plan. The organization as a whole is seeing this among other things, as an opportunity for positive change.

We anticipate that there will be various upfront costs in the 2014-15 year that will prevent a planned surplus being reached. This will be due to various accounting adjustments over the balance sheet and restructuring costs which will negatively impact the financial position. The debt management plan will be to incur these costs upfront with the expectation of surpluses being realized in 2015-16 and 2016-17 of $1 million and $2.5 million respectively to be reinvested. These goals will be accomplished through effectively using the commercial operations, including fisheries, forestry and the chipper operations, to provide a solid foundation of revenue and carefully monitoring all other operations to verify that spending is within the approved budgets. The LMG is also working on ways to diversify their revenues including the new Wind Mill project which will start providing revenues in the fiscal years upcoming.

## 4. CAPACITY DEVELOPMENT

### 4.1. TRAINING ACTIVITY DESCRIPTION

Ongoing training for managers and increased level of management expertise in the areas of accounting, budgeting and control is taking place at all levels of the organization. This reinforces the ideology of increased accountability to all directors and departments.

## 5. ACCOUNTABILITY

### 5.1. MAP QUARTERLY REPORTS

The Band Council will present to Aboriginal Affairs and Northern Development Canada quarterly reports that will present the progress made on its MAP. Reports will be presented based on this calendar:

- A quarterly report for the period of April 1st to June 30th, due no later than August 15 of the same year;
- A quarterly report for the period of July 1st to September 30th, due no later than November 15 of the same year;
- A quarterly report for the period of October 1st to December 31st, due no later than February 15 of the following year;
- A quarterly report for the period of January 1st to March 31st, due no later than May 15 of the same year.

### 5.2. A DESCRIPTION OF THE TOOLS USED TO SHARE THE RESULTS ACHIEVED TO MEMBERS, AANDC AND/OR OTHER DEPARTMENTS

The Band Council will make the MAP accessible to its members, to the Department of Aboriginal Affairs and Northern Development Canada, to other federal departments and to any other parties that it deemed relevant to do so.

## 6. AMENDING PROVISION

### 6.1. MAP MODIFICATIONS

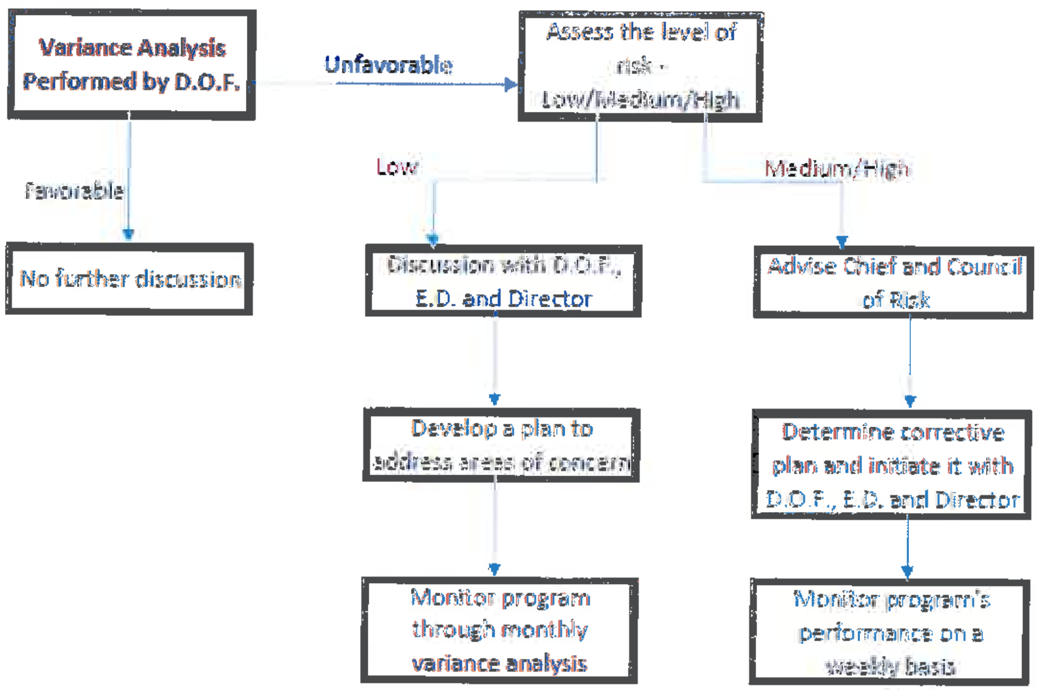
This Management Action Plan can be the object of modifications, with respect to new circumstances. The Band Council have the responsibility to share the changes it intends to make to the MAP with the appropriate department, agency and/or concerned parties.

## 7. APPROVALS

### 7.1. Approval by the Listuguj Mi'gmaq Government Band Council

This Management Action Plan will be approved through the way of a Band Council Resolution in October, 2014.

Appendix 1


Variance Analysis Performed by D.O.F.
Unfavorable
Assess the level of risk - Low/Medium/High
Favorable
Low
Medium/High
No further discussion
Discussion with D.O.F., E.D. and Director
Advise Chief and Council of Risk
Develop a plan to address areas of concern
Determine corrective plan and initiate it with D.O.F., E.D. and Director
Monitor program through monthly variance analysis
Monitor program's performance on a weekly basis

## Appendix 2

**Purpose**: To provide AANDC with a better understanding of how the LMG currently views their financial indicators.

| Financial Indicators | Calculation of Results 2013/2014 | Threshold | Results |
|---|---|---|---|
| Liquidity Ratio | 0.74 | .9 or higher | Unfavorable |
| Sustainability Ratio | 0.47 | .5 or higher | Unfavorable |
| Working Capital | -4,625,104 | Negative | Unfavorable |
| Working Capital to Revenue | -9.92% | 0.00% or higher | Unfavorable |

**Liquidity Ratio : Current Assets/Current Liabilities**
**Sustainability Ratio: Financial Assets/Total Liabilities**
**Working Capital: Current Assets - Current Liabilities**
**Working Capital to Revenue: Working Capital/Total Revenue**

| | **Audited FS** |
|---|---|
| *Current Assets* | |
| Cash | 633,207 |
| Accounts Receivable | 13,326,953 |
| *Total Current Assets* | 13,960,160 |
| *Long Term Assets* | |
| Long Term Receivables | 2,665,444 |
| Replacement Reserve Funds | 100,000 |
| Investments | 100 |
| *Total Long Term Assets* | 2,765,544 |
| **Total Financial Assets** | **16,725,704** |

| | |
|---|---|
| *Current Liabilities* | |
| Bank Overdraft | 1,599,918 |
| Line of Credit | 2,292,500 |
| Accounts Payable | 10,360,986 |
| AANDC Payable | 2,407,076 |
| Deferred Revenue | 51,499 |
| Current Portion of Long Term Debt | 1,873,285 |
| *Total Current Liabilities* | 18,585,264 |
| *Long Term Liabilities* | |
| Deferred Revenue - Econ Dev. | 219,938 |
| Reserve for future funding | 69,576 |
| Long Term Debt | 16,880,728 |
| *Total Long Term Liabilities* | 17,170,242 |
| **Total Liabilities** | **35,755,506** |
| **Net Debt** | (19,029,802) |
| Total Revenue | 46,639,006 |