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Acting Chief Henderson
Sagkeeng First Nation Housing Authority
119 A – 388 Donald Street
Winnipeg MB R3B 2J4

Dear Chief Henderson,

Please find enclosed a draft copy of the Operational Review conducted by Manitoba Housing into the management of the Sagkeeng First Nation Housing Authority (SFNHA). The Review was conducted in October and November of 2014. As you may recall, Manitoba Housing undertook this review at your request, following Sagkeeng First Nation community members raising serious allegations about the Board and property management functions.

As outlined in the Review, the allegations made by community members were largely found to be unsubstantiated. However, Manitoba Housing identified that financial controls within the SFNHA are lacking, putting both the SFNHA and Manitoba Housing at risk of financial loss.

Since the completion of the Review, we have found that SFNHA operations have declined and I am no longer confident that the tenants or the assets are being properly protected. For example, Manitoba Housing is receiving regular calls from tenants who have not been able to reach SFNHA staff and a plumbing contractor has advised of invoices exceeding 200 days unpaid. Also, recent requests for financial assistance by SFNHA staff are not substantiated by the available financial documentation.

Per the terms of the Sponsor Managed Agreement, Manitoba Housing hereby gives notice of our intention to terminate that Agreement with cause and take back control and management of the projects known as 25 Gaylene Place and 2339-2369 Pembina Highway effective February 16, 2015. It should be noted that Manitoba Housing also took temporary control in both 2012 and 2013.

In recognition of the spirit of the original Declaration of Intent signed by the Province and the Sagkeeng First Nation, we would like to re initiate discussions to determine how Manitoba Housing can best meet the housing needs of Sagkeeng First Nation members.

Yours truly,

Carolyn Ryan

Enclosure



Housing and Community Development

Portfolio Management Branch

Operational Review Report for

Sagkeeng First Nation Housing Authority Inc.

Conducted on Oct 6 to 10, and Oct 20 & 21, 2014

Executive Summary

The 2014 Operational Review of the SFNHA identifies significant issues with board governance and financial reporting. As a result of these issues, the SFNHA is in breach of its Project Operating Agreement. The information in the Executive Summary focuses on these two critical areas, while the following detailed report considers a broader range of issues. Allegations made by community members were found to be largely unsubstantiated, except where noted within the Operational Review detailed report.

There are several outstanding issues related to board governance. First, the by-laws governing the SFNHA have not been finalized and the most current unsigned copy provided includes clauses that are not acceptable to Manitoba Housing. As well, the role of the Chief and Council of the Sagkeeng First Nation in appointing or removing board members is unclear. Some board meetings and training sessions have occurred with no signed minutes and the board members claim a substantial amount of out-of-pocket expenses without the required documentation.

Additionally, subsequent to the commencement of this operational review, the Chief and Council of the Sagkeeng First Nation dismissed the SFNHA board and indicated it would be naming replacements in the near future. The board members in place at that time have advised that they do not believe the Chief and Council have the authority to dismiss them. It is imperative that this dispute is resolved quickly and that the process to appoint board members is clearly articulated and understood by tenants, residents and community members of the Sagkeeng First Nation, Chief and Council, and Manitoba Housing.

With regard to financial reporting, Manitoba Housing reviewers noted that the board delegates authority on these matters to the Manager. There is no evidence of financial monitoring or short- or long-term planning to ensure that budgets are not exceeded. Financial details are not being recorded monthly, therefore the required quarterly financial reporting to Manitoba Housing is not occurring at all. The board is not demonstrating the knowledge required to effectively monitor and sustain the operation.

Key Recommendations

1. Manitoba Housing recommends that the Board engage the services of an accredited professional property management company to manage the SFNHA's housing operation, including maintenance, tenancing functions, administrative and financial controls and reporting. Having an accredited professional property manager in place will allow the board to focus on developing and maintaining strong board governance practices.
2. In consultation with Manitoba Housing, the by-laws of the SFNHA must be revised to meet all of Manitoba Housing's criteria and to clearly define the role of Chief and Council in appointing and removing board members. These revisions must include a clearly detailed process for claiming out-of-pocket expenses claimed by board members for attending meetings.
3. The SFNHA board must enhance their role in the areas of planning and monitoring of the operation. This includes gaining strict control over spending. The Board must also ensure that the budget approved by Manitoba Housing is not exceeded without prior approval.

Rec'd
February 25/15

**Sagkeeng First Nation Housing Authority
SUMMARY OF RECOMMENDATION
AS at October 2014**

Number	Recommendation	Section
Key Recommendations		
1	Manitoba Housing recommends that the Board engage the services of an accredited property management company to manage the SFNHA's housing operation, including maintenance, tenancing functions, administrative and financial controls and reporting. Having an accredited professional property manager in place will allow the Board to focus on developing and maintaining strong board governance practices.	Executive Summary
2	In consultation with Manitoba Housing, the by-laws of the SFNHA must be revised to meet all of Manitoba Housing's criteria and to clearly define the role of Chief and Council in appointing and removing board members. These revisions must include a clearly detailed process for claiming out-of-pocket expenses claimed by board members for attending meetings.	Executive Summary
3	The SFNHA board must enhance their role in the areas of planning and monitoring of the operation. This includes gaining strict control over spending. The Board must also ensure that the budget approved by Manitoba Housing is not exceeded without prior approval.	Executive Summary
Operational Review Specific Recommendations		
1	Implement Best Practices - Board Governance. Provide all missing minutes to Manitoba Housing for review, including agendas for all training initiatives/seminars that occurred.	Board Governance - Meetings and Minutes
2	The current practice involving a standard amount of \$200 to Board Members for each meeting must cease immediately. The process for all board claims for out-of-pocket expenses must be described in detail and clearly outlined in the SFNHA by-laws.	Board Governance - Meetings and Minutes
3	The by-laws must be revised as per the template provided by Manitoba Housing to private non-profit organizations responsible for sponsor managing Manitoba Housing properties. The template (attached) should be reviewed and completed by the SFNHA, executed by the board and returned to Manitoba Housing for review and approval. The by-laws should include the following clauses: -Manitoba Housing must formally approve all revisions to the By-Laws. -All meeting places must be within Manitoba. Manitoba Housing is also willing to assist SFNHA in determining a board governance model that includes a role for Chief and Council of the Sagkeeng First Nation, consistent with the Declaration of Intent entered into the Province and the Sagkeeng First Nation.	Board Governance -By-Laws
4	Board should establish and ratify policies and procedures as well as undertake an annual (at minimum) review to ensure continued relevance and understanding. The Board is encouraged to consider the applicability of policies outlined in Manitoba Housing's Sponsor Handbook and to adapt them as required. The following policies (attached) are also being made available for the board's review and possible adaptation: - <i>Purchasing and spending</i>	Board Governance - Policy and Procedures

	<ul style="list-style-type: none"> - <i>Conflict of Interest and Confidentiality policy to be signed by all new staff and Board Members and all new staff and Board Members on an annual basis ; and</i> - <i>Tenant selection procedures (Point Rating System)</i> 	
5	Manitoba Housing recommends that the Board engage the services of an accredited property management company to manage the SFNHA's housing operation, including maintenance, tenanting functions, administrative and financial controls and reporting. Having an accredited professional property manager in place will allow the Board to focus on developing and maintaining strong board governance practices.	Board Governance - Human Resources/Management
6	It is recommended that the board provide a copy of the insurance policy to Manitoba Housing for our review and approval. It should be noted that the office lease and related insurance will be discontinued in the event that SFNHA obtains a property management firm. (see Recommendation # 5)	Insurance
7	It is recommended that the SFNHA implement Manitoba Housing's Best Practice for Applications and Tenanting, including the completion of a Standard Tenancy Agreement for a new resident and a Rent Calculation form annually for existing tenants.	Applications and Tenanting
8	All new and existing tenants must provide the Certified copy of assessment ("Option C") and current proof of income.	Applications and Tenanting Rent Calculation
9	The board should incorporate a discussion about arrears into their regular meetings and review and sign the WVAT report prior to it being forwarded to Manitoba Housing.	Applications and Tenanting- Rent Collection
10	Manitoba Housing recommends that the SFNHA implement Manitoba Housing's Best Practice for Tenant Relations Policies and Procedures	Applications and Tenanting - Tenant Relations Policy and Procedure
11	Manitoba Housing recommends that the SFNHA implement Manitoba Housing's Best Practice for maintaining a Waiting List.	Applications and Tenanting - Wait List
12	Manitoba Housing recommends that the SFNHA implement Manitoba Housing's Best Practice for maintaining Tenant Files.	Applications and Tenanting - Tenant Files
13	Manitoba Housing recommends that the SFNHA implement Manitoba Housing's Best Practice for Vacancies/Suite Turnovers	Applications and Tenanting - Vacancies / Suite Turnovers
14	<p>To remedy the items noted in the report, the following items should be addressed immediately:</p> <ul style="list-style-type: none"> - Fire pits are prohibited and must be removed immediately. -Units should be cleaned, repaired, and made ready for the next occupant within a month, unless major repairs are required. -Unit inspections should be performed on an annual basis, usually at the same time each year to facilitate budget planning for future maintenance the coming fiscal year. -That the SFNHA introduce either a No Pet Policy or amend the existing Pet Policy to include a size and weight restriction. -An inspection of all outlets in the parking lot should be completed and broken outlets should be repaired. This should be done annually in September/October. -Implement Manitoba Housing's Best Practice for Preventative Maintenance. 	Maintenance Policy and Procedure
15	That the Board provide all details involving the use of Bear Paw Security to Manitoba Housing for review and approval.	Maintenance Policy and Procedure - Maintenance Contracts

<p>16</p>	<p>In order to address the numerous weaknesses and lack of financial control, it is recommended that the selected professional property management company focus on processing and managing all financial transactions and work with the SFNHA Board to establish the Board's monitoring role in the following ways:</p>	<p>Financial Policy and Procedure</p>
	<p>1) Adequate segregation of duties for specified activities in the business cycle.</p>	
	<p>2) Board and Manager review and reconciliation of transactions monthly to bank statements</p>	
	<p>3) Request 100% GST rebate from the CRA. If they are unable to obtain municipal status, Manitoba Housing has developed a procedure where Sagkeeng would invoice Manitoba Housing and then Manitoba Housing would apply for the GST Rebate. Further detailed instructions can be provided by Manitoba Housing in this area.</p>	
	<p>4) Signing authorities need to be current, ratified by a board resolution and recorded in the minutes annually or as required.</p>	
	<p>5) A petty Cash Fund should be established. Procedures for using and replenishing the Petty Cash Fund should be approved by the Board.</p>	
	<p>6) The SFNHA should develop formal policy and procedures for Receipt and Deposit Management to ensure appropriate controls in the recording and depositing of cash receipts, including the following:</p> <ul style="list-style-type: none"> - Only pre-numbered Receipt Books should be used. - Bank deposit slips should identify the receipt number of all receipts that make up each deposit - Issued receipts should be filed numerically or be self-contained within a Receipt Book. - All funds received should be deposited within one business day - The accounting records should be updated within two days of receiving cash receipts - All bank accounts should be reconciled monthly - Whenever possible, mail should be opened by two persons - Bank deposits should be made by someone other than the individual who receives rent payment. 	
	<p>7) Staff handling funds must be properly trained and reviewed annually; records of such training must be kept on site, and available for audit purposes.</p>	
	<p>8) The board should review the Aged Accounts Receivable Report monthly and prepare a board resolution accepting the report. This review should include approval of any write-off of bad debts.</p>	
	<p>9) The board must review the revenue and expense (actual to budget) statement monthly to ensure that the Manager is working within the approved budget. Budget overages need to be approved by Manitoba Housing in advance. Reports must be submitted</p>	
	<p>10) The board must direct that pre-signing cheques is not allowed as it severely compromises the internal control structure.</p>	

	<p>11) Going forward the board must become more involved in reviewing and approving expenditures (through board resolution) including signing cheques. As it may not be practical for the board to review all expenditures, a written policy should be established that clearly defines spending thresholds and authority limits for the board to follow when approving expenditures. These limits should be discussed and approved by Manitoba Housing.</p> <p>12) Two board signatures are required on all cheques written to the Manager. The Manager should never be a signatory and a payee.</p> <p>13) The Paid Invoice files should be reorganized by fiscal year, vendor, and cheque number. The General Ledger detail should reference the cheque number.</p> <p>14) Cheques written to staff and to Board Members should have the invoice/supporting documentation attached and filed by individual (each person should be setup as a vendor with a separate file) and stored with the other paid invoices/vendor files. For example, if a Board Member or staff is submitting a mileage claim they should complete a form with the kilometers driven, date, business purpose, and the rate per kilometer.</p> <p>15) The Manager should ensure that each invoice has the appropriate supporting documentation, the cheque number, the amount of the cheque, account distribution, and initials of person authorizing the payment on the invoice being paid.</p> <p>16) A written policy and related practice should be established to ensure all voided cheques are marked "void" and explanations are provided as to why the cheque was voided.</p> <p>17)The Board should obtain Manitoba Housing’s approval for any unusual expenditures, for example, training that includes travel/hotel accommodations, developing databases, and/or staff bonuses. This is a requirement of the Project Operating Agreement</p> <p>18) Invoices, timesheets and other supporting documents must receive payment approval by the Board prior to the cheque being issued.</p> <p>19)All payments must have supporting documentation.</p> <p>20) Bank reconciliations should be completed monthly by the assigned staff and reviewed/approved by the Board or Treasurer. This would include the reviewer initialing the bank reconciliation to indicate approval.</p>	
17	<p>The arrangement with the tenant should be discontinued immediately with a formal request from the Board to return all information to the SFNHA office. Another company should be engaged to back up the information safely and securely.</p> <p>-The SFNHA should implement Manitoba Housing's Best Practice for a Business Recovery Plan</p>	Business Recovery Plan