



**PRIVILEGED AND CONFIDENTIAL**

**GOVERNMENT OF SASKATCHEWAN**

**SUMMARY REPORT PREPARED FOR  
MINISTRY OF HEALTH  
RE: ATHABASCA HEALTH AUTHORITY**

**JULY 26, 2012**

**Prepared by KPMG Forensic Inc.**

This document has been redacted pursuant to Sections 22, 24 and 29 of *The Freedom of Information and Protection of Privacy Act*, and confidential legal records.

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### SCHEDULES

- 1 [REDACTED] TIMELINE OF EVENTS
- 2 BOARD MEMBER EXPENSE CLAIMS & TRAVEL POLICIES
- 3 GOVERNANCE OBSERVATIONS AND RECOMMENDATIONS

### APPENDICES

- 1 SCOPE OF DOCUMENTS REVIEWED



## 1 Executive Summary

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KPMG Forensic ("KPMG") was retained by the Saskatchewan Ministry of Health ("SaskHealth") on November 15, 2011. You have asked that we prepare a summary of our report issued in May 2012 addressing our findings in respect of our review of the events and circumstances leading to the dismissal on October 19, 2011 of [REDACTED] of Athabasca Health Authority ("AHA"). You have also asked that we provide our observations from our review of certain Board expenses and potential governance and internal control enhancements we identified.

### 1.1 Key Events Leading to [REDACTED] Dismissal

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We were able to identify most of the key events that led to [REDACTED] being terminated on October 19, 2011 with cause by AHA. Our detailed findings are outlined in this report. Some of the key events that we identified are:

- In December 2009 the Board of Directors (the "Board") learned from an employee that [REDACTED] had been charging personal expenses/advances to an AHA VISA Credit Card ("AHA VISA"). The Board responded by taking away [REDACTED] AHA VISA and instituting a policy of advances to members of the senior management team to pay AHA expenses. [REDACTED] authorized payroll deductions to repay amounts [REDACTED] owed AHA and some deductions were made between January to March 2010. However, it appears that a balance owing to AHA remained.
- Sometime after December 2009, [REDACTED] obtained a replacement AHA VISA, without the apparent knowledge and authorization of the Board. In June 2010, personal charges again were made on the new AHA VISA card and in August 2010 further cash advances occurred. An AHA finance employee tracked [REDACTED] charges and accounting entries and payroll deductions were made but these repayments did not fully pay for the continued charges, resulting in the balance [REDACTED] [REDACTED] owed increasing over time.
- In May 2011, [REDACTED] caused [REDACTED] salary to be increased without the approval and knowledge of the Board.
- At the end of August 2011, [REDACTED] unauthorized possession and use of the AHA VISA and the salary increase were brought to the attention of the Board Chair and Vice Chair. Following a



series of events, [REDACTED] unauthorized salary increase was reduced retroactive to April 1, 2011 to reflect a lesser payroll increase over the prior year.

- At a special Board meeting on September 1, 2011, it was resolved that AHA would recover through payroll deductions from [REDACTED] the funds [REDACTED] owed AHA, the AHA VISA would be cancelled and a note would be placed in [REDACTED] personnel file.
- We understand that just prior to an October 18, 2011 Board meeting, a former employee identified what they believed to be a forged signature on one of [REDACTED] expense reports. On October 18, 2011, the Board voted to terminate [REDACTED] with cause and [REDACTED] last official day with AHA was October 19, 2011.

## 1.2 Governance Review

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Our review identified a number of areas where AHA should consider making enhancements and improvements to its controls and governance processes, the most prominent of which are:

- **Complaint Reporting and Handling Process** ("Whistleblower Process"): AHA should consider improving its process to allow employees and possibly others to report their ethical concerns confidentially or anonymously. The process should address the tracking, handling, investigating and reporting of complaints to the Board and to management. The Whistleblower Process should be communicated to all employees and possibly others.
- **Reconciliation of Board Member Expenses**: AHA has a policy of providing advance payments to employees for travel and accommodation costs associated with AHA business. We identified no process that reconciles the amounts advanced to actual costs incurred.
- **Maintaining Board Meeting Minutes**: We had difficulties obtaining copies of the approved Board Minutes and noticed inconsistencies in their content and referencing. The processes around timely preparation, review, approval finalization and safekeeping of Board Meeting minutes should be improved.

This report sets out our findings in respect of the events surrounding [REDACTED] departure and our governance and control recommendations to April 30, 2012.

## 2 Background

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AHA is located in northwestern Saskatchewan and provides health care services to five communities including the two First Nations Communities of Black Lake, and Fond Du Lac, as well as Stony Rapids, Uranium City, and Camsell Portage. SaskHealth provides funding of \$6.4 million annually to AHA and further funding is provided to AHA by Health Canada. Board member representatives come from each of these communities.

In the fall of 2011, SaskHealth became aware of certain allegations involving [REDACTED] and retained us to review the events and circumstances leading to [REDACTED] dismissal and provide our observations regarding governance and internal control enhancements.

### 3 Scope of Review

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#### 3.1 Individuals Interviewed

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During the course of our assignment we have interviewed or otherwise spoken to the following individuals:

- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED]; and
- [REDACTED].

#### 3.2 Documents Reviewed

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We have reviewed and relied upon the documentation and information outlined in **Appendix 1** for this report.

#### 3.3 Scope Limitations

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We have not spoken to a number of individuals, including former employees of AHA, who will have knowledge of matters outlined in this report, to obtain their understanding and possible explanations. The more prominent of these individuals are:

- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED];

- [REDACTED] and
- Present and recent past Board members not listed in Section 3.1.

In addition, we were unable to obtain the following information regarding the items outlined in our report:

- September 9, 2010 letter from SaskHealth to AHA regarding the appropriate use of purchase cards;
- On April 25, 2012, following our fieldwork, [REDACTED] advised us that there were boxes at AHA onsite which may contain signed copies of the Board minutes.



## 4 Approach and Findings

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We have performed the following procedures in preparing this report.

- We conducted interviews of selected Board members and other representatives of AHA as set out in our Scope of Review to understand; the events surrounding [REDACTED] dismissal, certain governance and internal control practices at AHA, and the Board expense practices, policies and processes. Our observations and recommendations are discussed in **Schedule 1**.
- We reviewed selected documentation gathered from the records of AHA to assess the internal processes at AHA (See Appendix 1 for details of the documentation we reviewed). This included, for example, review of the following:
  - Finance regulations, expense reimbursement and personnel policies. We reviewed and discussed certain policies with staff to obtain their understanding of how the process was implemented and followed, if at all.
  - The expense reports of Board members. Further details are discussed in **Section 6.1.3**.
  - Vendor files related to Board member travel. We also reviewed selected billings from [REDACTED]. Our results are discussed in **Section 6.1.3**.
- We reviewed various documentation associated with [REDACTED] as set out in our scope of review. This included, for example, [REDACTED] payroll file and timesheets for the period after May 5, 2011 to understand [REDACTED] timesheet details, [REDACTED] salary and amounts deducted from [REDACTED] payroll. Our results are discussed in **Section 5** below.
- We reviewed Board meeting minutes provided to us by [REDACTED], [REDACTED] and those obtained during our fieldwork at AHA. Our results are discussed in **Section 6** below.



██████████ employment was terminated on October 19, 2011. We have summarized the key events leading to ██████████ dismissal. While we have gathered substantial information during interviews and from documentation, some gaps in our understanding remain. Interviewees were at times inconsistent in their recollection of events and the Board minutes lacked certain detail to establish or confirm events.

- In December 2009 the Board learned from ██████████ at AHA that ██████████ had been charging personal expenses/advances to an AHA Visa. ██████████ said that examples of personal expenses applied to that AHA VISA were pointed out to ██████████ and ██████████ explanation was that ██████████ had either lost the receipt or had not carefully reviewed the expense report that ██████████ had prepared for ██████████.
- The Board responded by taking away ██████████ AHA VISA, instituting a policy of employee advances for travel costs and reprimanding ██████████. ██████████ told us that the Board's disappointment in ██████████ was reflected in ██████████ annual performance review<sup>1</sup> and ██████████ was instructed by the Board to amend ██████████ contract in January 2010 to contractually require ██████████ to be more accountable for expense claims as well as ██████████ travel schedule and expenses, which also concerned the Board.
- At the time, it was estimated that ██████████ owed AHA \$4,552 for personal expenses that had been paid by AHA<sup>2</sup>. ██████████ authorized payroll deductions to repay amounts ██████████ owed AHA and some deductions were made between January to March 2010. However, it appears that a balance owing to AHA remained.
- In March 2010, ██████████ recommended that ██████████ who reported the AHA VISA issue be terminated to reduce an operating deficit and, in ██████████ place, ██████████ would personally oversee ██████████. The Board voted to eliminate ██████████ position.
- ██████████ obtained a replacement AHA VISA sometime after December 2009, without the apparent authorization and knowledge of the Board. In March 2010 further personal charges were

<sup>1</sup> We have not been provided with ██████████ performance review.

<sup>2</sup> We have not attempted to verify the accuracy or completeness of this amount. Also, we have not re-performed the analysis of ██████████ AHA VISA expenses prepared by AHA to determine its accuracy and completeness.

made on the new AHA VISA card and in August 2010 further cash advances on the new AHA VISA card occurred. [REDACTED], [REDACTED], would routinely track [REDACTED] [REDACTED] charges and set up an amount receivable from [REDACTED] in the books of AHA. Payroll deductions were made to repay the receivable from [REDACTED]. However the amounts deducted from [REDACTED] payroll did not fully pay the charges and therefore the balance owed by [REDACTED] increased over time.

- We found a reference<sup>4</sup> to a letter sent from SaskHealth<sup>5</sup> to AHA dated September 9, 2010 apparently addressing the “*appropriate use of purchase (credit) cards*”. This letter apparently said that purchase cards (such as the AHA VISA) should not be used for personal purposes even if those funds are later reimbursed<sup>6</sup>. In a letter to SaskHealth on October 4, 2011, [REDACTED] wrote that the Board had not seen this letter. [REDACTED] told us that [REDACTED] received the letter but did not share it with the Board.
- [REDACTED] and [REDACTED] told us that while the March 2011 financial statement audit was underway, the amounts owed by [REDACTED] to AHA were brought to the external financial auditor’s attention by [REDACTED] but they believe nothing resulted.
- In May 2011, [REDACTED] caused [REDACTED] salary to be increased from [REDACTED] to [REDACTED], retroactive to April 1, 2011. The Board did not approve, nor did they apparently know of the change in [REDACTED] salary. According to [REDACTED], [REDACTED] instructed<sup>7</sup> [REDACTED] [REDACTED], to increase [REDACTED] salary from [REDACTED] to [REDACTED], retroactive to April 1, 2011. We obtained a copy of a request form [REDACTED] provided to AHA Human Resources staff, dated May 5, 2011. [REDACTED] salary increase was processed in the next payroll cycle.

<sup>3</sup> We understand that [REDACTED] is married to a cousin of [REDACTED].

<sup>4</sup> Letter from Mr. Dan Florizone, Deputy Minister to [REDACTED] and [REDACTED] dated September 23, 2011

<sup>5</sup> We also understand that Section 3154 of the Financial Administration Manual (“FAM”) states that, unless otherwise approved by Provincial Comptroller, a Corporate Credit card cannot be used for personal purchases or cash advances. SaskHealth advised us that AHA is not bound by FAM but expressed a view that these are common rules that should be implemented for all Provincial Corporate Credit Card Programs.

<sup>6</sup> Although we did not review the September 9, 2010 letter from SaskHealth, Deputy Minister’s Florizone’s letter to [REDACTED] paraphrased the contents on the SaskHealth letter.

<sup>7</sup> A form was completed by [REDACTED].



- At the end of August 2011, [REDACTED] unauthorized use of the AHA VISA and the salary increase were brought to the attention of [REDACTED] by [REDACTED]. The Board Chair and Vice Chair were notified and a special Board meeting was held on September 1, 2011 and an internal investigation was commenced by the Board.

[REDACTED] told us that “HR and finance staff were looking for a Board motion to support the increase and when there was none, spoke to me about it”. [REDACTED] said [REDACTED] alerted [REDACTED] to [REDACTED] further use of an AHA VISA for personal charges/advances after [REDACTED] unauthorized payroll increase was identified. However, we found no mention of [REDACTED] unauthorized payroll increase in the special Board meeting minutes of September 1, 2011. We were provided with undated but (apparently) carried Board Resolutions addressing [REDACTED] unauthorized payroll increase but we find no mention of the Resolutions or the [REDACTED] payroll increase in the AHA special Board meeting minutes of September 1, 2011 or in subsequent Board meetings. At a special Board meeting on September 1, 2011, it was resolved that:

- AHA would recover through payroll deductions from [REDACTED] the funds [REDACTED] owed AHA (according to Board minutes, the amount was \$5,590.14);
- A notice would be placed in [REDACTED] personnel file indicating that [REDACTED] had misused the AHA VISA a second time; and
- The AHA VISA would be cancelled and a new one issued with [REDACTED] as the only authorized user.

A Board member told us that the Board had a conference call with [REDACTED]<sup>8</sup> during which [REDACTED] stated that [REDACTED]. [REDACTED] later wrote to Mr. Florizone, the Deputy Minister at SaskHealth on October 4, 2011, and advised that “The Board met with the [REDACTED] to discuss their disappointment and their plan moving forward. In addition to restitution and tighter controls, the Board expected the [REDACTED] to attend for [REDACTED]. [REDACTED]. The debt is being recovered at a rate of [REDACTED] per pay period and will be completely recovered before the end of December, 2011.”

<sup>8</sup> The Board member stated that “We sat down with [REDACTED] on a conference call and said how we felt and thought what [REDACTED] was doing was wrong”. Based on known dates that the Board held meetings, we believe this to have taken place on September 1, 2011.

██████████ said the Board knew that ██████████ employment contract would end on January 6, 2012 and they had decided not to renew ██████ contract. ██████ told us that the Board's decision to not terminate ██████████ immediately was so they could recover the various amounts ██████ owed AHA through deductions applied to ██████ pay.

- Beginning with the September 11, 2011 pay cycle, ██████████ salary was reduced to ██████████, however the reduction was retroactive to April 1, 2011.
- ██████████ time sheets reflect that ██████ went on ██████ annual leave on September 28, 2011. It appears that after October 10, 2011, ██████████ was on unpaid leave as ██████ was not paid after that date.
- We understand that just prior to an October 18, 2011 Board meeting, ██████████ identified an unusual signature on one of ██████████ expense reports. The Board Chair subsequently confirmed that it was not ██████ signature.
- On October 18, 2011, the Board voted to terminate ██████████ with cause and ██████ last official day with AHA was October 19, 2011.
- AHA appears to have recovered the unauthorized card charges and cash advances to ██████████ but it appears that AHA is still owed approximately \$6,500<sup>9</sup> in unauthorized salary increases and may be owed other travel advances paid to ██████████.

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<sup>9</sup> We have yet to complete our verification of this amount.



## 6 Governance Review

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We have a number of other observations and recommendations related to AHA's governance and broad internal control practices, policies and procedures that we have identified during the course of our work. Our review, while providing useful insight and information, was not designed to allow us to express any opinion on the design, implementation and operating effectiveness of AHA's internal controls and Governance practices and as such, no opinion is provided.

Further observations are outlined in **Schedule 3**. Recommendations have been outlined for consideration by SaskHealth. Certain observations from our review are set out in the sections that follow.

### 6.1.1 AHA's Whistleblower Policy

We were told that AHA employees can fill out incident reports which go to the Board if they have concerns but that these are not anonymous. AHA should consider improving their process to allow employees and possibly others to report their ethical concerns confidentially or anonymously. The process could be improved to increase the likelihood that ethical exceptions will come to the attention of the Board. The process should incorporate the tracking, handling, investigating and reporting of complaints to the Board and to management.

### 6.1.2 Board Meeting Minutes

We requested that copies of the Board minutes be provided to us. We observed the following:

- Many of the motions provided with the minutes were not numbered nor were the briefing notes mentioned in the Board minutes.
- We never obtained signed copies of the minutes nor did we locate them during our onsite visit. Subsequent to our visit we were told they were likely onsite in a locked room.
- There were several instances where the printed copies of certain Board meeting minutes our staff had gathered at AHA or had received directly from [REDACTED] were inconsistent with the electronic minutes sent to us by [REDACTED]. We discussed these with [REDACTED] and were told that in some instances [REDACTED] had attempted to improve the quality and consistency of the minutes previously taken by [REDACTED].
- We understand that [REDACTED] assumed the responsibility of preparing the Board minutes in July 2011 and has been keeping a consistent log of the motions filed.

We recommend that Board minutes be prepared and maintained by someone with sufficient understanding of their relative importance in the governance process. AHA may want to consider the following enhancements to how Board minutes are handled, prepared and maintained:

- In advance of the meeting, proposed resolutions for anticipated actions should be drafted and circulated to the Board. A copy of these should be filed with the notes from the meeting.
- Minutes should be drafted and circulated to Board members soon after the meeting for their review and correction where necessary.
- Signed copies of the meeting minutes should be maintained in a secure location and changes should not be made after they are approved at the next meeting by the Board.

### **6.1.3 Board Member Expenses**

We reviewed the policies around Board Member Expenses. In the course of our work, we learned that:

- Board members live throughout the Athabasca Basin and are required to travel to Board meetings and other AHA events. [REDACTED]
- An AHA policy<sup>10</sup> addressing expense and travel claims (the “**Travel Policy**”) has been in place since at least September 2009. Certain changes were made in April 2010 and October 2011 and these changes are summarized in **Schedule 2**. The Travel Policy indicates that Board members are entitled to an approved honorarium and reimbursement for their expenses, as set out in the Policy, when travelling on AHA business.
- Prior to April 2010, we understand that Board members were reimbursed for their travel costs only after they attended an AHA meeting or event and completed a Travel Claim Form. On April 28, 2010 a Board motion was passed that permitted Board members to be advanced the price of a “full round trip air ticket” one week in advance<sup>11</sup> so they could pay for and make their own travel arrangements.
- We understand that the cost of a full round trip air ticket was obtained at some point by calling the airline to request pricing. No documentation appears to exist to support the rates used.

<sup>10</sup> “Expense Claims – Board Members” which is known as Finance Policy 141.

<sup>11</sup> We understand from SaskHealth that the practice of advancing funds for expenses is not unusual for RHAs.



- There is no process in place at AHA to determine whether the travel advances paid, where payment is based on actual costs, were greater or less than what the Board member actually incurred.
- We also understand that [REDACTED] is partially owned by the Fond Du Lac and Black Lake First Nations (the “Bands”) [REDACTED].

Each airline also has “seat sales” and special loyalty promotions tied to the volume of flights. We further understand that certain past and current Board members who are Council Members of the Bands are or were eligible to fly for a reduced rate of \$150 each way, before taxes on [REDACTED].

Thus, there appears to be the potential for substantial differences to develop between the amounts advanced to Board members and their actual costs.

- Board members are also reimbursed for accommodation expenses. Although the accommodation policy specified during certain periods that receipts were required, no accommodation receipts are attached to Board member expense reports submitted from October 2011 to January 12, 2012 as required.
- In the instances where Board members claimed accommodation allowances, they claimed \$150 in each instance and not their actual costs (as per the Travel Policy) or the \$35 allowance if they stayed in a private residence.
- There is no process in place to substantiate or reconcile the amounts paid for accommodation to what was incurred by the Board member.

We recommend that:

- A process should be established to reconcile actual travel costs and the amounts previously advanced to Board Members to determine the need for the recovery of advances. Receipts and supporting actual costs should be maintained at AHA.
- That support for the standard amounts advanced for air travel be maintained on file and updated on a periodic basis.

#### ***6.1.4 Expense Documentation and Authorization***

We reviewed selected invoices rendered and paid by AHA to affiliated community organizations. We observed some unusual delays between the date of the invoice and the eventual payment. We also observed instances in recent years where:

- Invoices were not sufficiently detailed and/or supported by documentation to allow someone to establish who had received the goods paid for by AHA and when they had received the goods.
- No documentation was attached to establish that delivery of the goods or services had actually occurred.

We recommend that:

- Acceptable levels of supporting documentation and evidence of authorization of invoices for payment should be maintained under AHA policy.
- Evidence of delivery of goods or services at a satisfactory level of detail should be maintained (e.g. signing and dating packing slips or service receipts) by AHA on file and should be reviewed by those authorizing payment at AHA. Responsibilities around these functions should be sufficiently segregated or, if not possible due to the size of the organization, an enhanced level of management oversight should be implemented.



## 7 Restrictions

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The information and comments in this report are based on information that has been made available to us to April 30, 2012. We have not carried out a financial statement audit, nor have we attempted to verify the accuracy of the underlying information and documentation used in our analysis, except where specifically noted in this report.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses incurred by you or your client as a result of circulation, publication, reproduction, use of or reliance upon our report contrary to the restrictions noted above. We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report.

Comments in our reports are not intended, nor should they be interpreted to be legal advice or opinion, as we are not qualified to provide such advice or give such an opinion.

## APPENDIX 1

### SCOPE OF DOCUMENTS

#### 1. Board Minutes

Provided by [REDACTED]

- *September 1, 2011* – Special Board Meeting, Convened by the Board Chair and Vice-Chair, Athabasca Health Authority, Board Room
- *Board Resolution* – undated. Relates to retroactive adjustment in [REDACTED] pay from [REDACTED] to [REDACTED]
- *Voluntary Assignment of Wages* – undated, unsigned. Relates to authorization by [REDACTED] to deduct installments from paycheques between September 1 and December 31, 2011
- *Board Resolution* – undated. Relates to [REDACTED] expressing desire to undertake an online executive MBA program through Athabasca University
- *October 18, 2011* – Briefing Note, Finance Regulations. Relates to options for decisions about [REDACTED] future with the organization
- *October 18, 2011* – Expense Advances. Relates to [REDACTED] expense advances and the creation of the Treasurer position
- *October 18, 2011* – Senior Management Expense Advances. Relates to Board decision to rescind Senior Management Team advances
- *October 18, 2011* – Abuse of Authority. Relates to request for Board to have [REDACTED] present written letter of apology to [REDACTED]
- *August 26 & 27, 2010* – Board of Directors Meeting, Stony Rapids, AHA Health Facility

Provided by [REDACTED]

- *March 17, 2010* – Special Meeting of the Board, convened by teleconference
- *August 26 & 27, 2010* – Board of Directors Meeting, Stony Rapids, AHA Health Facility
- *September 30, 2010* – Regular Board of Directors Meeting, Camsell Portage
- *November 15, 2010* – Regular Board of Directors Meeting, Chicken Indian reserve, Athabasca Health Facility
- *January 27, 2011* – Regular Board of Directors Meeting, Black Lake, Boardroom (cancelled due to weather)
- *February 15, 2011* – Regular Board of Directors Meeting, Black Lake, Band Office Boardroom

- March 28 & 29, 2011 – Regular Board of Directors Meeting, Fond du Lac, Health Clinic Boardroom
- April 27, 2011 – Regular Board of Directors Meeting, Louis Chicken Reserve #224, Athabasca Health Facility
- May 16, 2011 – Regular Board of Directors Meeting, Louis Chicken Reserve #224, Athabasca Health Facility
- July 13, 2011 – Board Meeting Minutes, Prince Albert, PA INN, Salon C
- August 30, 2011 – Regular Board of Directors Meeting, Camsell Portage
- October 18 & 19, 2011 – Regular Board of Directors Meeting, Chicken Indian Reserve, Main Boardroom
- November 18, 2011 – Regular Board of Directors Meeting, Chicken Indian Reserve, Main Boardroom
- December 14-17, 2011 – December 15, 2011. Board Retreat, Best Western Inn
- January 30 & 31, 2012 – Regular Board of Directors Meeting, Chicken Indian Reserve, Main Boardroom
- February 11, 2012 – Special Board of Directors Meeting, Prince Albert, Prince Albert Inn
- March 6 & 7, 2012 – Regular Board of Directors Meeting, FDLFN I.R., Fond du Lac Denusuline First Nation Health Clinic
- Motions listing for 2012 from 01-2012 to 28-2012

#### **Obtained at AHA**

- *June 29, 2009* – Athabasca Health Authority Inc., Fond du Lac
- *August 5, 2009* – Athabasca Health Facility, Main Boardroom
- *September 10 & 11, 2009* – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Athabasca Health Facility, Main Boardroom
- *October 22, 2009* – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Uranium City, Ben McIntyre Elementary School
- *November 25 & 26, 2009* – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Black Lake Denusuline Nation, Band Office
- *January 25 & 26, 2010* – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Athabasca Health Facility
- April 28, 2010 – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Athabasca Health Facility
- June 3, 2010 – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Prince Albert, Malboro Inn



- August 25, 2010 – Athabasca Health Authority Briefing Note re: Airline Transportation
- August 26 & 27, 2010 – Board of Directors Meeting, Stony Rapids AHA Health Facility
- August 27, 2010 – Board of Directors Meeting, Chicken Indian Reserve, AHA Health Facility
- September 30, 2010 – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Camsell Portage
- November 15, 2010 – Athabasca Health Authority Inc., Regular Board of Directors Meeting, Stony Rapids, Health Facility
- January 27, 2011 – Athabasca Teleconference
- February 15, 2011 – Regular Board of Directors Meetings, Black Lake, Band Office Boardroom
- March 28 & 29, 2011 – Regular Board of Directors Meetings, Fond du Lac, Health Clinic Boardroom
- April 27, 2011 – Regular Board of Directors Meetings, Louis Chicken reserve #224, Athabasca Health Facility
- May 16, 2011 – Regular Board of Directors Meeting, Louis Chicken Reserve #224, Athabasca Health Facility
- July 13, 2011 – Board of Directors Regular Meeting, Prince Albert, Prince Albert Inn, Salon C
- August 30, 2011 – Regular Board of Directors Meeting, Camsell Portage

## 2. Other Documentation

### a. Provided by [REDACTED]

- AHA Organizational Chart
- AHA Computer Use policy
- AHA Employee Oath of Confidentiality
- Employment Agreement – [REDACTED], Athabasca Health Authority, unsigned and dated “January \_\_, 2010”
- Athabasca Health Authority, Special Board Meeting Minutes, September 1, 2011
- Undated Board Resolution regarding [REDACTED] unauthorized salary increase, resolution to increase [REDACTED] salary and place a disciplinary note in [REDACTED] personnel file – motion carried
- Voluntary Assignment of Wages, undated, unsigned
- Undated Board Resolution regarding [REDACTED] request for financial assistance to cover the cost of the initial stages of a online executive MBA program – motion tabled



- General ledger printout of account 001146200000 – Employee Exp Adv – [REDACTED] dated October 17, 2011 showing entries made during the period from May 31, 2009 to April 15, 2011.
- Debit and Credit Summary of [REDACTED] Unauthorized Expenses during the years 2009 to 2012
- Briefing Note on Finance Regulations dated October 18, 2011
- Briefing Note on Senior Management Expense Advances dated October 18, 2011
- Briefing Note on Abuse of Authority dated October 18, 2011
- Briefing Note on Expense Advances dated October 18, 2011
- [REDACTED] Staff Reimbursement Form dated April 20, 2011 signed by [REDACTED]
- [REDACTED] Staff Reimbursement Form dated May 14, 2010 signed by [REDACTED]
- [REDACTED] Staff Reimbursement Form dated January 28, 2011 signed by [REDACTED]
- Letter from Saskatchewan Health to [REDACTED] and [REDACTED], dated September 23, 2011
- Letter from [REDACTED] to Dan Florizone, Deputy Minister, Saskatchewan Health, dated October 4, 2011
- Electronic files related to general ledger financial information for fiscal years 2010-2011 and 2011-2012

**b. Provided by [REDACTED]**

- Electronic general ledger detail information for fiscal years 2010-2011 and 2011-2012
- Standard mileage distance between key cities as at October 1, 2011
- AHA Finance Policy #141: Expense Claims, Board Members, dated September 2009
- AHA Finance Policy #141: Expense Claims, Board Members, revised October 2011
- AHA Personnel Policy Manual, effective April 1, 2011
- Vendor files for CIBC Visa and [REDACTED]

**c. Provided by [REDACTED]**

- Employment Agreement – [REDACTED], Athabasca Health Authority, dated “January \_\_, 2010”, annotated with changes by [REDACTED]

**3. Bank Statements (reviewed at AHA)**

- October 1 – 31, 2010
- April 1 – 30, 2011

- August 1 – 31, 2011
- October 1 – 31, 2011
- November 1 – 31, 2011
- December 1 – 31, 2011
- January 1 – 31, 2012
- February 1 – 29, 2012

**4. Information Related to [REDACTED] located at AHA**

- Record of Employment for [REDACTED] for January 7, 2008 to October 23, 2011
- Excel Spreadsheet maintained by [REDACTED] showing quantifying cash advances, senior manager advances, unauthorized payroll increases and repayments for [REDACTED]
- ADP Statements of Earnings and Deductions for [REDACTED] from pay period ending April 9, 2009 to pay period ending October 14, 2011
- Timesheets submitted by [REDACTED] for the period from August 1, 2011 to October 9, 2011
- Revised [REDACTED] contract (provided via email by [REDACTED]) showing revisions to [REDACTED] contract in yellow
- Human Resources Department Wage Increase Form provided to [REDACTED] on May 5, 2011 indicating increase in pay
- Human Resources Department Wage Increase Form provided to [REDACTED], signed by [REDACTED] indicated increase in pay approved by the Board

**5. Expense Reimbursement Forms**

- Various expense forms for the following Board members from April 2010 to January 2012:

[REDACTED]

**6. Other Documentation**

- Letter from SaskHealth to [REDACTED] and [REDACTED] dated September 23, 2011 re: Personal Use of a Corporate Credit Card
- Letter from [REDACTED] to Dan Florizone dated October 4, 2011 re: Correspondence of September 23, 2011.

# Athabasca Health Authority – [REDACTED] Timeline of Events

## Schedule 1

January 7, 2008

Hired



December 2009  
Board learns about  
[REDACTED]  
AHA Visa misuse

March 17, 2010  
Board votes  
to dismiss  
[REDACTED]

August 31, 2011  
Chair & Vice Chair  
advised of [REDACTED]  
violations

September 1, 2011  
Special Board meeting  
called to discuss new  
[REDACTED] violations

September 21, 2011  
SaskHealth aware  
of concerns regarding  
[REDACTED]

October 18, 2011  
Board vote to  
terminate  
[REDACTED]

October 19, 2011  
[REDACTED]  
Terminated  
with Cause

December 2009  
Board learns about  
[REDACTED]  
AHA Visa misuse

June 2009  
[REDACTED] begins again  
using AHA Visa  
for personal use

September 9, 2010  
SaskHealth Policy  
Letter:  
No personal use  
of AHA Visa

September 21, 2011  
Associate Deputy Minister  
Max Hendricks contacts  
[REDACTED] – [REDACTED] denies knowledge

October 19, 2011  
[REDACTED]  
Terminated  
with Cause

*Inappropriate use  
of AHA Visa*



November  
2008

November 15, 2010  
[REDACTED] compensation  
discussed at  
Board meeting.  
Funding tabled.

May 5, 2011  
[REDACTED] instructs HR  
to increase [REDACTED] salary  
31.1% to [REDACTED]  
retroactive to April 1, 2011

September 1, 2011  
Board determines  
[REDACTED] will  
repay payroll  
overpayments

September 11, 2011  
Board approves  
[REDACTED] salary  
increase from  
[REDACTED] to [REDACTED]  
retroactive to April 1, 2011

October 19, 2011  
[REDACTED]  
Terminated  
with Cause

April 1, 2011

January 28, 2011  
Board Chair's signature  
allegedly forged on  
[REDACTED] expense claim

September 1, 2011

October 18, 2011

October 19, 2011  
[REDACTED]  
Terminated  
with Cause

Alleged forgery is discovered by [REDACTED] and  
brought to the attention of the Board

*Unauthorized  
Salary Increase*



*Alleged Forgery on  
Expense Report*



PRIVILEGED AND CONFIDENTIAL

THIS SCHEDULE IS TO BE READ IN CONJUNCTION WITH OUR REPORT DATED JULY 26, 2012.

THE LIMITATIONS NOTED IN SECTION 7 OF THAT REPORT APPLY TO THIS SCHEDULE.

PREPARED FOR THE GOVERNMENT OF SASKATCHEWAN



## AHA Board Member Expense Claims &amp; Travel Policy

Comparison of Policies Noted from September 2009 to Present

	(Note 1) September 2009 to April 27, 2010	(Note 2) April 28, 2010 to October 18, 2011	(Note 3) October 19, 2011 to present
Basis of expense claim reimbursement	Completed form		Signed Expense Claim
Approver	CEO or a Director		CEO or a Director
Responsible for booking travel	AHA	Board Member	
Expense Reimbursement Paid		One Week Before Meeting	
<b>Per Diem Rates</b>			
Per diem - Chairperson/meeting (\$)	300		300
Per diem - Chairperson/quarterly retainer (\$)	1,245		1,245
Per diem - Board Member/meeting (\$)	200	200	200
Per diem - Board Member/quarterly retainer (\$)	NIL		NIL
<b>Per Diem In-Province Travel Rates</b>			
Breakfast (\$)	8		8
Lunch (\$)	14		14
Supper (\$)	19		19
Total daily meal per diem (\$)	41		41
<b>Accommodation Allowance</b>			
Hotels/Motels	Actual receipt required		Actual receipt required
Private Residence	\$35	\$150	\$35 receipt required from host/hostess
<b>Travel Allowance</b>			
Private Vehicle Rates			
North of 54° Parallel - Rate (¢) per kilometer (or current public service rates)	41.87		41.87
South of 54° Parallel - Rate (¢) per kilometer (or current public service rates)	38.88		38.88
Public Transportation			
	Actual receipt required		Actual receipt required
Passenger of CVA	NIL		NIL

**Notes**

1. Source: AHA Finance Regulation 141, Dated September 2009
2. Source: AHA Board Minutes, April 28, 2010, Motion 064-2010
3. Source: AHA Finance Regulation 141, Revised/Reviewed October 2011



**SCHEDULE 3**  
**GOVERNANCE OBSERVATIONS AND RECOMMENDATIONS**

Possible Anti-fraud Programs and Controls - Objective	Information Gathered/Observations	Possible Concerns	KPMG Recommendations
<b>PREVENTION</b>			
<b>1. Codes of Conduct</b>  - Design  - Implementation  - Communication	<p>Ethical expectations for AHA employees and Board Members are set out in a number of policies. These include <i>The AHA Personnel Policy Manual</i> and are confirmed in various "Regulations".</p> <p>The rules are written in a manual and the Regulations are stored on the company network which certain employees have access to.</p> <p>A former employee told us there were concerns in terms of raising ethical lapses to the Board. They raised the issue of potential retaliation as a concern and cited the dismissal of [REDACTED] by the former [REDACTED] as an example.</p>	<p>Without a well designed and implemented set of ethical and integrity expectations and, employees and Board Members may not meet AHA's expectations and employees that observe or become aware of lapses, may not report violations in accordance with the Board's wishes.</p>	<p>AHA's policies currently set out ethical expectations which address many of the leading areas/topics.</p> <p>AHA may want to consider the following enhancements to <i>The AHA Personnel Policy Manual</i> when it is next updated.</p> <ul style="list-style-type: none"> <li>Clarify in writing in the AHA Personnel Policy Manual where / with whom employees can seek further advice on ethical dilemmas and policy matters.</li> <li>Outline how known or suspected ethical violations should be reported.</li> <li>Address that no retaliation against employees who raise concerns will be tolerated.</li> <li>Address who the code applies to (i.e., consultants, employees, contract employees, the Board).</li> <li>Clarify who is responsible for tracking and investigating reported violations.</li> </ul> <p>AHA may want to consider annual declarations by the CEO and Board Members that they have adhered to AHA's ethical expectations.</p>

**SCHEDULE 3**  
**GOVERNANCE OBSERVATIONS AND RECOMMENDATIONS**

Possible Anti-fraud Programs and Controls - Objective	Information Gathered/Observations	Possible Concerns	KPMG Recommendations
2. <b>Tone at the top</b>	<p>We identified a number of events involving the [REDACTED] and the Board that could have negatively impacted tone at the top from an ethics and integrity perspective:</p> <ul style="list-style-type: none"> <li>The former [REDACTED] apparently resumed [REDACTED] misuse the AHA Credit Card a few months after [REDACTED] was reprimanded by the Board and finance staff knew of this.</li> <li>To at least one individual, it appeared that [REDACTED] had been the victim of retaliation by the [REDACTED] with no response from the Board.</li> <li>In describing the [REDACTED] matter, staff expressed concern that anyone who challenged the authority of the [REDACTED] was dismissed without cause.</li> </ul>	A poor tone around ethics and integrity by management and the board can increase the likelihood that employees may engage in fraud and misconduct.	We recommend that the Board proactively monitor the tone set by management and review management's approach to setting a positive tone.
3. <b>Fraud and Misconduct Risk Assessment</b>	<p>It does not appear that any formal periodic risk assessment was performed or discussed by the Board.</p> <p>Fraud risks are considered and addressed on an ad hoc basis at the management and Board levels.</p>	As fraud risks develop and evolve affecting the AHA, they may not be identified and/or sufficiently mitigated on a timely basis.	<p>AHA may want to consider formally assessing their fraud risks and mitigation strategies/controls on a periodic basis.</p> <p>The Board should require management to report periodically on identified fraud and misconduct risks and management's strategies to mitigate these risks.</p>
4. <b>Assets are reasonably secured from loss</b>	<p><b>Accounting Records</b></p> <p>We understand that accounting records are stored in a room at AHA's facility in Stony Rapids. Although the room is locked, we were told that several people, outside of the accounting function have a copy of the key.</p> <p>While gathering files for our review, it was reported to us that several original files been removed. At the time, we</p>	A failure to properly secure assets can expose the organization to unforeseen losses.	We understand from [REDACTED] that AHA has recently re-keyed several offices and has moved the files into secure areas with limited access to only Finance staff.



**SCHEDULE 3**  
**GOVERNANCE OBSERVATIONS AND RECOMMENDATIONS**

Possible Anti-fraud Programs and Controls - Objective	Information Gathered/Observations	Possible Concerns	KPMG Recommendations
	<p>understand the missing documents were discussed with the accounting staff, [REDACTED] and the [REDACTED]. We were told, but did not independently confirm, that this matter was reported to the RCMP.</p> <p>[REDACTED] later told us that the files had been removed by accounting staff and were subsequently found.</p> <p><b>Termination Policies</b></p> <p>There did not appear to be a sufficient process in place to remove access to AHA assets at the time the former [REDACTED] position was terminated as follows:</p> <ul style="list-style-type: none"> <li>• We were told that [REDACTED] was asked to return [REDACTED] AHA keys when terminated. The October 18, 2011 Finance Regulations Briefing Notes confirm this.</li> <li>• The October 18, 2011 Finance Regulations Briefing Note also state that despite the fact that [REDACTED] email account was supposed to be suspended, [REDACTED] was using it to email HR.</li> </ul>		<p>AHA may want to consider implementing a checklist of actions to be taken on termination of an employee.</p>



### SCHEDULE 3 GOVERNANCE OBSERVATIONS AND RECOMMENDATIONS

Possible Anti-fraud Programs and Controls - Objective	Information Gathered/Observations	Possible Concerns	KPMG Recommendations
<b>DETECTION</b>			
<p>1. <b>Complaint Reporting and Handling Process ("Whistleblower Process")</b></p> <ul style="list-style-type: none"> <li>- design (various considerations)</li> <li>- communication at hiring and periodically thereafter</li> <li>- defined process around handling, investigating and reporting on complaints</li> </ul>	<p><b>Complaint Handling/Whistleblower Process</b></p> <p>AHA does not have a formal Whistleblower Process for employees or any defined process around the tracking, handling, investigating and reporting of complaints and ethical breaches.</p> <p>We understand that there is a complaint handling process for health care clients.</p> <p>██████████ also told us that employees can fill out incident reports which go to the Board if they have concerns. These reports are not anonymous. ██████████ also suggested that employees have the ability to "leap frog" to high authority if necessary.</p> <p>██████████, a Board member seemed to agree the process could be improved when ██████████ stated that "employees can't come to us; I feel sorry for the staff" if issues arise.</p> <p>It appears that employees knew about ethical and policy lapses by the former ██████████ but did not report them.</p>	<ul style="list-style-type: none"> <li>Concerns / issues of potential fraud and misconduct may not be brought to the attention of the Board, Management, HR and Legal Counsel in a timely fashion.</li> <li>Complaints that are made may be handled inconsistently and/or inadequately without the involvement and/or knowledge of relevant individuals.</li> </ul> <p>This results in an increased risk to the AHA.</p>	<p>AHA should implement a written Whistleblower policy to supplement the current approaches. This will increase the likelihood that serious wrongdoing will be reported. Examples of leading design considerations that AHA might wish to incorporate include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>A secure, confidential, anonymous and clearly communicated internal reporting process for employees and management should they become aware of concerns regarding fraud and misconduct.</li> <li>The process should provide a route around management and the Board should be apprised of complaints and their status on a periodic basis.</li> <li>A defined and communicated route for third parties to report (not health care clients)</li> <li>Clearly defined roles and responsibilities (i.e., tracking, reporting, reviewing, etc.)</li> </ul>

**SCHEDULE 3**  
**GOVERNANCE OBSERVATIONS AND RECOMMENDATIONS**

Possible Anti-fraud Programs and Controls - Objective	Information Gathered/Observations	Possible Concerns	KPMG Recommendations
<b>RESPONSE</b>			
<p>2. <b>Internal Investigation Protocols</b></p> <ul style="list-style-type: none"> <li>- who is responsible</li> <li>- procedures</li> <li>- reporting of outcomes</li> </ul>	<p>It appears that roles and responsibilities around internal investigations for employee matters are currently undefined and dealt with on an ad hoc basis.</p>	<p>Investigations may not be performed in a timely and appropriate fashion and senior management and the Board may not be aware of investigations undertaken.</p> <p>Internal investigations may taint the quality of evidence and could limit opportunities for recovery.</p>	<p>Management may want to consider developing a written policy or guidelines around the handing of investigations.</p> <p>Such a plan should document responsibilities in terms of conducting the investigation and reporting responsibilities (e.g., AHA Board, Legal Counsel, Human Resources and senior management notification).</p>