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October 1, 2025

FSIN FACT SHEET IN RESPONSE TO KPMG'S SUMMARY REPORT OF FINDINGS AND RECOMMENDATIONS

On March 15, 2024, FSIN was informed that ISC retained the services of KPMG to conduct a forensic audit on ISC funding to the FSIN.

FSIN forwarded the letter to FSIN's Treasury Board for transparency and accountability, as the Treasury Board – composed of Chiefs appointed from their respective Tribal Councils - is responsible for implementation of FSIN's Financial Management Act and policies and for approving all major purchases and financial commitments made by FSIN.

FSIN then reached out to ISC to request that the process begin immediately and requested a list of information required. FSIN was responsive and cooperative throughout the audit. Finance staff worked days, nights and weekends to pull all documents from cold storage in advance of KPMG attending on site to scan all documents required for their audit. KPMG noted that FSIN Finance had excellent record keeping.

Over the next 16 months, FSIN responded to requests for further information as they were received. There was little communication during this time and the nature of the allegations were not shared making it difficult to ascertain what they required. The requests for more information were broad and few until a presentation of draft results on June 19th, 2025 where ISC stated that we had 10 business days to respond to a list of specific information that would be sent to us in the coming days. Approximately half of the requests were received on June 20th, 2025 and the other half on June 27th, 2025. There were 717 questions and data items requested.

While ISC stated that they had requested this information previously, the requests to date were broad. The lists provided on June 20th and June 27th included an additional column and specific questions that made all the difference in clarifying the documentation required.

FSIN staff and management worked diligently until the final hour of the deadline compiling responses from documents going back 5 years and ensuring every single question was addressed.

ISC then responded that the meeting for the final report is delayed as a result of the additional level of effort required by KPMG upon receipt of the documentation provided after the fact-validation exercise. They required an additional 10 weeks to review the information that they provided FSIN 10 days to gather.

ISC presented a summary of their findings on September 11, 2025. FSIN invited FSIN Treasury Board members to the presentation. Unfortunately, the presentation did not include all the details for response. ISC cut the meeting short due to having to check out of a hotel room in the middle of FSIN was providing a response.

On September 24, 2025, ISC referred FSIN to the ISC website where the audit findings were published and did not provide FSIN with a meaningful opportunity to review nor address any inaccuracies and further documentation requirements.

It was disappointing to see that the findings appear not to have changed despite FSIN sending responses and documentation including receipts and/or invoices for every single item. While it appears KPMG chose not to include the documentation in their review, FSIN remains optimistic and confident that ISC will find that all expenditures are, in fact, eligible based on the thorough and substantial documentation provided.

<u>Allegation #1 – COVID 19 Expenditures:</u>

In response to the COVID-19 Pandemic, First Nations, Tribal Councils and the FSIN held regular meetings with ISC and others to coordinate a response to the pandemic. In these meetings, First Nations requested that ISC supply First Nations with Personal Protective Equipment (PPE) to reduce the transmission of the virus and ultimately, prevent deaths due to the virus.

Several First Nations took the lead to seek out PPE during a time when entire countries were having difficulty securing PPE. ISC agreed to fund their proposals but would not agree to send the funding directly to the First Nations; rather, ISC insisted that the funding flow through the FSIN.

Many proposals included PPE for both their First Nation and other First Nations and some asked that FSIN coordinate the distribution. As the PPE was urgently needed to prevent the transmission of COVID-19 and would allow schools to stay open, FSIN agreed and set up warehouses to receive, repackage and distribute PPE to First Nations based on a population model. FSIN hired casual workers, drivers and rented trucks to distribute the PPE. FSIN staff also volunteered to assist at the warehouses to ensure the PPE was shipped to those that needed it as quickly as possible. This quick deployment of PPE reduced infections and saved lives.

FACT: Contrary to the allegations, FSIN provided receipts and/or invoices for every COVID-19 expenditure. When purchases are made, the purchaser is provided with either a receipt, an invoice or both as proof of purchase. FSIN maintained a spreadsheet to fulfil the shipments to First Nations and this was provided to KPMG along with a report that outlined the shipments including pictures of many of the deliveries being received by First Nations. FSIN also provided a line by line accounting of expenditures linking them to the funding sources despite KPMG's claim.

FACT: The item identified as unsupported in the amount of $1050.00 was to pay a driver to deliver PPE for 3 days. KPMG was provided with information that the name was misspelled and corrected so they could connect it back to the original documentation provided. It appears this was overlooked.

FACT: KPMG questioned the purchase of air purifiers in relation to COVID-19. FSIN provided the explanation that a First Nation was under evacuation due to wildfires. If you have a group of evacuees stuck together during a pandemic, it is common sense that a strategy to get them home as soon as possible is a good pandemic mitigation strategy. Evacuees were able to return to their homes after the wildfire passed but required air purifiers to return home due to the presence of heavy smoke. Note that returning evacuees home sooner also provided cost-savings to ISC as they were sheltering and feeding the evacuees until they returned home.

FACT: Every expenditure was made in accordance to the letter of COVID-19 funding agreements which broadly stated the funding requirements as, for example, "FSIN shall carry out activities reasonably necessary to prepare for and respond to the COVID-19 pandemic as set out in FSIN's proposal approved by Canada on 12/14/2020."

FACT: Every purchase followed FSIN's policies and was vetted through FSIN's Treasury Board or Financial Audit Committee as per thresholds.

FSIN looks forward to receiving the specific transactions KPMG and ISC are referencing so FSIN can demonstrate that the documentation was submitted to both KPMG and ISC.

Allegation #2 – Travel Expenditures

FACT: All travel by FSIN Executive and employees are subject to FSIN policies and procedures. Every travel expense claim is audited against FSIN policies prior to processing and ineligible expenses, if any, are deducted from the payment.

FACT: Contrary to the allegations, the Vice Chief travel occurred before and immediately after the unpaid leave of absence. This information was provided to KPMG and ISC to demonstrated that policies were followed despite the fact that ISC funds were not used for these transactions. Without the detailed report, we are unable to respond further to KPMG and ISC's claims; however, FSIN provided the travel purpose for every single transaction to KPMG and ISC despite their claims in the findings. Employee travel requires prior authorization and includes approval of the purpose and employee travel expenses must be submitted to receive reimbursement that includes a brief meeting report. FSIN finance will not process payments without submission of these forms.

FACT: A clerical error resulted in a duplicate payment to FSIN's travel agency for accommodations and KPMG was advised of this. The expense was paid back in that fiscal year. No further information was requested by KPMG.

Allegation #3 – FSIN Executive Raises

FACT: Contrary to the allegation, FSIN officials confirmed that, in addition to the motion stating the budget is available effective April 1st for the raises, which demonstrates the intent, that the discussion by Treasury Board members also included the intent of the raises being retroactive.

Allegation #4 – Fleet Vehicles

FACT: FSIN has a Corporate Vehicle Policy that governs the use of FSIN fleet vehicles. Both FSIN Executive and employees incur significant travel in engaging First Nations across Saskatchewan on various issues and solutions. Fleet vehicles help reduce wear and tear on personal vehicles and is the least expensive option when compared to renting vehicles.

First Nations are not adequately funded for roads nor road maintenance and some roads to First Nations are in extreme disrepair. It is a shame that First Nations must endure such conditions that can cause their vehicles to require regular, expensive repairs and that they sometimes actually fall apart as did one of FSIN's Executive fleets.

FACT: As part of their information request sent on June 20, 2025, KPMG requested the "(r)ationale for replacement of executive fleet in October 2023 following original purchase in March 2022." FSIN responded that "(d)ue to the extreme conditions the vehicles encounter (particularly driving on northern roads) and the extraordinary number of kilometers per year, the average vehicle driven by the Executive has a life expectancy of less than two years. The extended warranty also was set to expire at 200,000km, and the vehicles were approaching that number." FSIN replied with this information by the 10 day deadline and at no point in the following 10 weeks did KPMG clarify they wanted evidence of the mileage. Simple math shows that 200,000 km over the period of 577 days is an average of 485km per day if averaged over weekdays only; however, First Nations can attest that FSIN Executive regularly travel to their Nations on weekends as well.

FACT: As stated in the audit findings, the FSIN disposed of 9 vehicles to employees. KPMG and ISC were provided with information that the FSIN held an auction of vehicles needing replacement due to mileage and significant wear and tear making them unreliable and unsafe for business travel. Reserve prices were set using online resources for depreciation rates. The auction was a silent auction that included updates on the highest bids every 20 minutes to ensure accountability in that bidders could see if their bid was the highest and also encourage competition resulting in the highest bid possible. Approval was received from the Finance Audit Committee prior to proceeding.

The methodology used by KPMG in determining the loss on disposal is questionable as the amounts are very high for the mileage and condition of the vehicles. Furthermore, no loss can be attributable as the vehicles were sold at auction.

<u>Allegation #5 – Payments to Former Employee</u>

FACT: KPMG was provided with information that the former employee assigned part of their salary to their company. Precedent exists where employees assign their salary in various ways including voluntary settlement of debts, voluntary payments for child/spousal support, purchases of investment products and tithing to a church as it is their money.

A fair settlement agreement was negotiated based on a harassment matter. A clerical error resulted in the former employee being paid at 100% for the severance and did not deduct the percentage for the assigned amount resulting in an estimated overpayment of approximately $48,000. Without KPMG's detailed report, we cannot determine how they calculated the overpayment but it appears to be the amount of the former employees salary assigned to their company (which cannot be ineligible) plus the total of the severance which KPMG states is not allowed – a matter that FSIN disputes and is addressed under Allegation #6 – Procurement.

The FSIN had urgent and temporary need of the former employees services and consulted external legal counsel regarding contracting an employee after severance prior to proceeding.

Allegation #6 – Procurement:

Each of the expenditures reviewed was supported by appropriate rationale and documentation, consistent with FSIN's financial policies and oversight mechanisms. The salary payment identified by KPMG as ineligible was made under a court order. KPMG was unable to reference any agreement, policy, or legislation deeming this expenditure ineligible. FSIN maintains that court-ordered salary payments cannot reasonably be considered ineligible, as they are legal obligations of the organization. In fact, ISC acknowledged that they pay such settlements out of funds issued to ISC.

Nevertheless, KPMG's position that ISC can pay court ordered and/or negotiated human resource settlements out of funds allocated to ISC by Treasury Board of Canada for the but First Nations cannot is both unsupported and illegal according to Canada's Human Rights legislation and should be cause for concern for all First Nations and First Nations organizations across Canada.

Expenditures were categorized as questionable regarding nine vendors who used the same invoicing format. FSIN clarified that Elders and Knowledge Keepers are provided with invoice templates to assist them, as many do not have the capacity to create invoices on their own. This practice is intended to support inclusivity, transparency, and ease of processing, not to obscure deliverables. All deliverables and purposes for the expenditures were explained and supported.

While ISC funding was not used for this transaction, purchases for the TVs were to benefit our underprivileged children across the nations through donations to youth fundraisers.

ISC noted that 49 samples reviewed did not appear to have the appropriate approvals. FSIN emphasizes that approval were obtained in accordance with FSIN Treasury Board. Where clarifications were requested, FSIN provided supporting documentation.

FACT: FSIN provided all documentation for the 159 sampled procurement transactions that were selected. The rationale and supporting documentation were provided to KPMG and

ISC, and no agreement, policy, or legislation had been cited to establish ineligibility for the expenditures in question.

<u>Allegation #7 – Use of Administration Fees:</u>

Administrative fees are a standard feature of federal funding agreements and are intended to cover the indirect costs of program delivery. These costs include the shared infrastructure and organizational supports necessary for FSIN to administer projects on behalf of our 74 Frist Nations. Without administration fees, programs could not be delivered effectively or in compliance with funding requirements.

FSIN asserts that the use of administration fees are appropriate and within FSIN policy and procedures. The FSIN Contribution Funding Agreement Policy under Section 6.1 outlines expenses that the administrative fee "shall cover" and "shall not cover". "Shall not cover" lists should be interpreted to be exhaustive while "shall cover" lists should be interpreted with discretion as evidenced in the annual budget approved by Treasury Board where items listed above as "questionable" or "invalid" are approved.

FACT: FSIN Treasury Board approves the allocation of administration fees annually in FSIN's annual budget. ISC also received and approved the annual audits from FSIN that note where the administration fees are allocated year after year.

<u>Allegation #8 – FSIN New Office Building:</u>

No organization determines the cost of providing rental space by dividing the lease cost of the land and construction cost of the building and dividing that by the lease term. The methodology used by ISC to calculate actual costs does not reflect the standard practices of landlords or organizations responsible for long-term facilities management. Using that approach fails to account for actual costs associated with maintaining a building, financing, property management, and long-term sustainability.

ISC's calculation of basic rent charged to programs in excess of actual net building costs incurred by FSIN to be $482,796 underrepresents the actual utilization of space by non-ISC-funded departments. Based on FSIN's records, non-ISC-funded department usage equates to $253,064, which was not properly reflected in ISC's analysis.

With respect to government contributions, FSIN notes that ISC's expectation to reduce rent because of third-party funding such as the Canada Community Revitalization Fund is inconsistent with standard practice. Organizations routinely receive government capital support yet continue to charge ISC and other tenants market rent. FSIN should not be treated differently.

It is standard practice to bill tenants for occupancy costs, reconcile variances, and carry forward surpluses to future years to offset increases particularly for Grant in Lieu of Taxes and inflation on service cost. Importantly, occupancy costs are not duplicated under administration fees and are properly billable to programs alongside rent. While ISC noted that occupancy cost credits were not yet applied against costs in past financial statements, FSIN confirms that these balances are tracked and will be reconciled to actual costs in subsequent years as cost factors associated with a new build are stabilized and consistent with standard accounting practices.

FACT: FSIN's rent and occupancy charges are consistent with market practice and transparently applied across all tenants, including FSIN itself. KPMG's expectation that FSIN apply non-market rent is inconsistent with how ISC itself engages with universities and other institutions. FSIN presented examples where ISC rents from organizations or institutions at market value rent, received capital grants from Canada and bills ISC administration fees. A degree of separation does not alter the fact that ISC program dollars support both administration fees and market value rent. The rationale appears to be that If ISC pays the market value rent directly for the purpose of some program, it is allowable but if the same program dollars are flowed to an organization that charges market value rent is not. This is differential treatment and is illegal under Canadian Human Rights legislation.

<u>Allegation #9 – Internal Charges and Cost Allocations:</u>

Cancelled cheques/Stale dated cheques - Cancelled cheques not reissued within the fiscal year are recorded as Other Income until they are either reissued or credited back to the originating department. While some transactions have already been resolved, FSIN continues to work through a backlog to determine which remain payable.

FACT: FSIN had a backlog of recoding of cancelled cheques during COVID. Cancelled cheques for 2024–25 have been addressed and coded back to originating departments and is working on coding back the revenue for prior audited fiscal years as is FSIN's practice.

Fleet Vehicle Usage Charges - FSIN acknowledges the variance identified in fleet usage charges; however, these amounts do not represent ineligible costs under agreement, policy, nor legislation. Fleet usage charges in excess of expenditures create a surplus that is deferred to the following fiscal year, ensuring funds remain allocated to vehicle operations. It is also important to note that certain capital purchases and deferred revenues were not included in ISC's comparison, such as the $336,537 in tangible capital assets purchased in 2020–21 and the $349,124 in 2022–23, offset by amortization.

FACT: When these factors are considered, the fleet usage charges align with actual costs over time, particularly on high-use/high-depreciation assets and the balances in question reflect timing differences rather than questionable expenditures.

Photocopy Charges – FSIN entered into a new lease agreement that reduced the price per page costs and overlooked updating the price per page in the formula. This is an administrative error and the correction will be reflected in the 2024-2025 audit.

FACT: The FSIN will credit the overage against the 2024-2025 fiscal year and therefore should not be deemed ineligible.

Meeting Room Usage – These fees were applied as part of standard cost-recovery practices to ensure equitable distribution of shared space expenses across all program areas.

FACT: ISC has classified these charges as ineligible on the basis that overhead is included in administration funding. FSIN maintains that the charges are not duplicative but intended to allocate actual usage costs fairly among departments.

<u>Final Notes:</u>

FSIN has a robust system of transparency and accountability developed and refined over decades of support from experts and auditors. This system of control limits authority over departmental spending to FSIN management and staff who must ensure that expenditures align with FSIN mandates, policies and procedures as well as contribution agreement requirements. Executive are limited to authority over their own political budgets as approved by FSIN Treasury Board each fiscal year.

FSIN has excellent capacity and record keeping as noted by KPMG. Unfortunately, due to underfunding, many First Nations and First Nations organizations do not have the level of capacity to respond to such audits – especially with their process of holding back extensive specifics of information requests until the final 10 business days. This process seems intended to set them up for failure. Systemic change is required as transparency and accountability should be a partnership that helps First Nations build capacity – not a series of hoops they must jump through that keep moving and shrinking. In 1997, the FSIN Chiefs-in-Assembly have called for a First Nations Auditor General and have repeatedly called on the federal government to support this office. A First Nations Auditor General would take a capacity-building approach to transparency and accountability ensuring the best value for every dollar invested in addressing First Nations programming and governance.

FSIN is thankful to the management and staff that spent thousands of hours collectively, including weekends and evenings, to review tens of thousands of line items and documents in order to address the 717 specific questions and data items within the 10 business days provided; to all management and staff for their dedication and support to First Nations in Saskatchewan while ensuring full compliance with FSIN policies and procedures – especially in their response to crisis after crisis such as the COVID-19 pandemic; and to the FSIN Treasury Board for establishing model policies and contributing your expertise in leading the FSIN in financial management.