



Affaires indiennes
et du Nord Canada

Indian and Northern
Affairs Canada

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EXECUTIVE SUMMARY

ON

TUITION AGREEMENTS

OF THE

INDIAN & INUIT AFFAIRS PROGRAM

DEPARTMENTAL AUDIT BRANCH - PROJECT NO. 79/128

Direction de la verification du Ministère		Departmental Audit Branch
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March 1981

EXECUTIVE SUMMARY

INTRODUCTION

A tuition agreement is a service contract whereby an education authority agrees to provide education to Indian children.

The purchasers of the service are DIAND, usually with the written concurrence of the Indian people, or an Indian Band. The education authorities involved are provincial departments of education or individual school boards.

In his report of 1979/80, the Auditor General of Canada was concerned with the appropriateness of certain payments made under tuition agreements. Partly as a result of these concerns, the Assistant Deputy Minister, Indian and Inuit Affairs requested that the Departmental Audit Branch carry out an audit of tuition agreements within DIAND.

The following is a summary of the findings and recommendations of this audit. Those wishing further information can refer to the audit report for which references have been provided herein.

OBJECTIVES

The objective of the audit was to review the administration of tuition agreements and related procedures within the Indian and Inuit Affairs Program in the following areas:

- (a) Communications - including the reporting relationships among Headquarters, Regional and District Offices and the appropriateness of, and adherence to, relevant policies and guidelines;
- (b) Contents of agreements - including responsibilities, eligibility and information requirements to facilitate DIAND verification, the rates and costs, and information to support planning, budgeting and monitoring performance;
- (c) Negotiations - including the delegation of authority, the appropriateness of any guidelines and terms of reference given to departmental officers, and practices of involving Indians and school boards;
- (d) Perspectives of others - including school boards and Department of Education representatives and their specific concerns;
- (e) Payment verification procedures - including the reperformance on a test basis of procedures to verify the number of students, eligibility of students and rates charged; and
- (f) Timing of payments - including the accuracy of information at the fiscal year end.

EXCLUSIONS

The audit was not designed to give consideration to a number of matters including:

- (a) The quality of Indian education and the effectiveness of the program;
- (b) The system for measuring and reporting the effectiveness of the program; and
- (c) The decisions to enter into tuition agreements rather than provide Indian education directly in federally operated or band operated schools.

This audit focuses on detailed administrative matters and comments on systems without attempting to demonstrate the relationship of these systems to the quality of education that results.

Item (a) above is considered to be a potential Program Evaluation Branch project, however items (b) and (c) are considered to be potential related audit projects. The Departmental Audit Branch (DAB) is prepared to discuss these potential audit projects.

FIELD VISITS

The audit included field visits to seven Regions covering the jurisdictional area of the Indian and Inuit Affairs Program. This enabled us to consider the various types of tuition agreements under different Provincial educational systems. The field work was performed at the following locations:

<u>REGION</u>	<u>CITY</u>	<u>LEVEL OF OFFICE</u>
B.C.	Vancouver	Regional
Alberta	Edmonton	Regional
Saskatchewan	Regina	Regional
	Fort Qu'Appelle	District
	Saskatoon	District
Manitoba	Winnipeg	Regional
Ontario	Toronto	Regional
	Fort Francis	District
	London	District
Quebec	Quebec City	Regional
Atlantic	Halifax	District

COMMUNICATIONS

(paragraphs 2.1 to 2.10)

The education activity is highly decentralized, as are many activities within the Department. During the audit, we have noted that there are many inconsistencies in the content and terms of tuition agreements. Examples of inconsistencies include the method of determining the eligibility of Indians; terms of payment; information required in support of invoices and verification procedures for these invoices. These inconsistencies are partly attributable to the differing histories and conditions in each region which have resulted from provinces having responsibility for the education of most Canadians. However, there is also a lack of effective central direction and general principles to govern the program's administration.

Recommendations:

To correct this weakness and reduce the number of inconsistencies, the Department should:

- (a) establish and communicate the principles and preferred practices involved in administering the agreements;
- (b) develop a program to ensure that advantage is taken of every opportunity to establish these principles and preferred practices in each region; and
- (c) establish procedures to ensure that departures from the principles and preferred practices are monitored centrally.

The preferred practice that will be identified should be viewed as goals or targets and not as requirements for every tuition agreement. The Department must keep in view the fact that tuition agreements involve a negotiation process with various educational bodies as well as the Indian people. This will mean that the preferred practices will have to be accepted by these groups before their inclusion in the agreements.

CONTENTS OF THE AGREEMENTS

a) Limiting the Department's liability (paragraphs 3.1 to 3.14)

Our audit revealed certain instances where the Department has signed tuition agreements with a school board as well as entering into a contribution arrangement with the band. In these cases the Department distributes the funds to the band who in turn pays the school board. Should there be a problem with this payment from the band to the school board, the Department would be liable for the tuition fees.

Recommendation:

In cases where tuition fees are paid by way of contribution arrangements with bands, the Department should attempt to limit its liability to the school boards involved.

b) Monitoring the costs of special eligibility provisions
(paragraphs 3.15 to 3.20)

Those eligible under tuition agreements vary among the regions. The principal variations in the wording of the agreement are as follows:

- (a) B.C./Manitoba/Quebec - require that -
 - a child be an Indian as defined by the Indian Act and living on a Reserve or Crown land;
- (b) Alberta/Ontario/Atlantic - have the same requirement as in (a), an additional inclusion for -
 - non-Indian children living with Indian parents on a Reserve or Crown land; and
- (c) Saskatchewan - requires the same as (b) above, plus a further inclusive for -
 - non-Indian children of non-Indian parents living on a Reserve or Crown land working for the band or the Department.

Recommendations:

To avoid any possible inequities resulting from special eligibility provisions,

- (a) the reasons for these special provisions should be examined, documented and recorded at headquarters, and approved by departmental management.
- (b) the costs of these special provisions should be assembled and monitored at headquarters.

c) Basing rates on actual costs (paragraphs 3.21 to 3.29)

In most cases, rates are based on the actual costs of the school boards. The two exceptions to this are Quebec and B.C., where rates are fixed by the provincial departments of education. In both of these cases, the regional staff believe that savings are achieved by using the fixed rates. However, it would appear that these savings resulted from averaging operating costs for the entire province. The majority of Indian students in a region attend schools in northern and rural areas where costs are higher. This means that the average rate for the province is lower than the actual rates that would be paid to the rural school boards. Since there would be no averaging of operating costs within individual school boards, other regions could not expect savings by signing fixed rate agreements.

Recommendation:

The Department should continue to sign agreements which specify rates which are based on actual operating costs of the school boards.

d) Separate rates for separate categories of students
(paragraphs 3.30 to 3.36)

The Department has succeeded in certain regions in obtaining rates that differentiate between levels of education. Since the cost of primary education is lower than secondary education and since there are approximately 10,000 more students in the primary grades than in the

secondary grades, this practice could be beneficial in other regions. Assuming that a savings of \$200 could be obtained for 25% of these students, the total savings for the Department would be \$500,000.

Recommendation:

The Department should assess on a region or district basis the impact of paying for tuition fees using different rates for the four levels of education instead of a flat rate. It may result in a movement towards separate rates if it is determined that this method more equitably distributes costs and leads to savings for the Department.

e) Determining student enrollment as often as possible
(paragraphs 3.37 to 3.45)

The number of times Indian students are counted within a school board varies between once to three times per year. This count is done to determine the number of students for which DIAND must pay.

Recommendation:

To ensure equal treatment of all school boards, DIAND should:

- (a) attempt to have the enrollment taken as often as possible base payment of tuition fees on these enrollments; or
- (b) ensure that the role is struck as late as possible in the year or term.

f) Having agreements for special services (paragraphs 3.46 to 3.51)

"Special services" is a term used to encompass any service not usually included in the basic curriculum and thus not covered by the basic fee. These could include cultural classes, native language classes, remedial classes and para-professionals. There are a number of cases where the Department receives special services which are not covered by a separate agreement or specifically described in the basic tuition agreement. This could have an impact on both the quality of the services received and their cost.

Recommendation:

When the Department obtains a special service that is not included in the basic tuition rate, there should be an agreement that describes the service, the method of calculating its cost and any impact this has on the calculation of the basic tuition rate.

NEGOTIATIONS

- a) Tuition agreements in support of all payments for tuition fees
(paragraphs 4.1 to 4.6)

The Department is making payments to school boards where no tuition agreements have been signed. This may be justified where the number of pupils is very low or where there are significant difficulties in obtaining agreement among the signatories. However, we encountered instances where neither of these explanations was applicable.

Recommendation:

The Department should ensure that tuition agreements are in place for all cases where payments exceed a specified minimum.

- b) Introducing mandatory, periodic reviews (paragraphs 4.7 to 4.10)

Most tuition agreements in existence are five or six years old. There are a few negotiations presently in progress but these are basically renegotiations of existing clauses. Most of the present staff have not been involved in the negotiation of the present agreements. In some cases the education department was not familiar with the agreements and in one district, only one of three outstanding agreements could be found on file.

Recommendation:

A practice of periodic reviews, say every three years, should be enforced so that agreement terms are familiar to all those responsible for enforcement of the agreements.

- c) Involving a departmental finance officer in negotiations
(paragraphs 4.11 to 4.13)

A departmental finance officer should have input in negotiations as they have the qualifications desirable to ensure that payment terms are reasonable. This officer could be an addition to the education officers presently involved or could be a regional or headquarters finance officer with functional responsibility for performing or providing direction to others involved in this task.

TIMING OF PAYMENTS AND INVOICES

a) Enforcing negotiated payment terms (paragraphs 6.5 to 6.8)

The Auditor General has commented that certain payments made by the Department were inappropriate. Our verification indicates that the payments which are not in the same fiscal period as the services were received, do not have a significant impact on the Department reported expenditures. This is partly due to the efforts of education officers who ensure that the school boards final billings are received on a timely basis.

Recommendation:

The Department should continue placing emphasis on the enforcement of timing of invoicing as stated in the agreement.

b) Using a current year estimate as the basis for interim payments (paragraphs 6.9 and 6.10)

Interim payments are made on the basis of the previous year's actual rate or on an estimate rate for the current year. Audit evidence has revealed that current estimates better approximate current actual rate. This leads to better matching of the education costs with the period in which the service is received.

Recommendation:

The basis of interim payments should be an estimate of the current year's rate rather than the previous year's actual rate. Where the basis of interim payments is the previous year's actual, care should be exercised to ensure appropriate payables are set-up at year-end so that the current actual costs are reflected in the department's financial statements.

c) Incorporating a holdback clause (paragraphs 6.11 and 6.12)

Recommendation:

The Department could attempt to negotiate a holdback clause on interim payments where final payments have, in the past, been credits.

PARTICIPATION OF SCHOOL BOARDS

(paragraphs 7.1 to 7.9)

Based on meetings with them, we felt that the school boards and departments of education were content with the agreements and did not really wish to change anything. Most would also be willing to start negotiating the agreements with Indian bands instead of the Department, although, there are cases where this would not be acceptable.

A number of practices incorporated into the agreement were the same as those carried on for the Province. In these cases, the school boards are reluctant to adopt a different set of practices for DIAND as it would substantially increase their workload.