

Listuguj Mi'gmaq Government



FORENSIC INVESTIGATION REPORT

STRICTLY CONFIDENTIAL

Submitted to:

Chief Scott Martin
Council of Listuguj Mi'gmaq Government

<p>Warning: We warn the readers of this report that the comments advanced in our report are only based on the documentation we received and on the informations that we received concerning those documents.</p>

*Kenneth Hilt & Associates Ltd P
Conseil*

Ab Facto Cabinet

Truth - Justice - Equity

Consultation – Forensic Investigation

LISTUGUJ MI'GMAQ GOVERNMENT

FORENSIC INVESTIGATION REPORT

PAGINATION ET PARAGRAPHES À REVISER

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Table of Contents

<u>Part</u>		<u>Page</u>
1	Assignment	3
	Events Leading to our Appointment	4
	Mandate	4
	Priority Investigation List	6
	Questions Raised Concerning Expenditures & Management	6
2	Restrictions and Qualifications	7
3	Background	9
	Listuguj Mi'gmaq Government	10
	LMG's Relationship with its auditors	13
	LMG's Financial Statements	13
4	Scope of our Investigation	14
5	Summary of Finding / Conclusions	17
	Auditors' Reports / Financial Statements	18
	Audit Recommendations	18
	Fisheries – Marshall Monies	18
	Ministerial Guarantees	19
	A.R.C. and Consultant Fees	19
	Infrastructure Incomplete – Building expense	20
	Personal Settlements	20
	Travel Claims – Expense Accounts	20
	General Comments	21
6	Investigation	22
	Auditors' Reports / Financial Statements	23
	Audit Recommendations	30
	Fisheries – Marshall Monies	36
	Two Fishing Vessel Survey Reports	49
	LMG Snow Crab Processing Plant	52
	Ministerial Guarantees	53
	A.R.C. and Consultant Fees	54
	Indian Lake Project	55
	Infrastructure Incomplete – Building expense	56
	Personal Settlements	57
	Travel Claims – Expense Accounts	57
7	Recommendations	58
8	Appendices	62

As discussed and requested by Chief Scott Martin we are submitting only one copy of the appendices and this copy will be available at the LMG

PART I

ASSIGNMENT

Part 1 Assignment

Events Leading to our Appointment

- 1.1 Following confidential allegations, some troubling rumours surfaced to the effect that administrators may have been spending money through mismanagement, misspending and no accountability principally concerning the Marshall monies received from the Department of Fisheries and Oceans Canada (DFO) and concerning the general administration of the LMG. These troubling rumours also allege a possibility of fraud or the utilization of false documents.

Mandate

- 1.2 On July 5, 2004, *Ab Facto Cabinet Conseil* and *Kenneth Hilt and Associates Ltd* obtained a mandate from the Listuguj Mi'gmaq Government (LMG) to conduct, among other things, a forensic investigation as to the financial management of the LMG that represent and act on behalf of the members of the Listuguj Mi'gmaq First Nation (LMFN).
- 1.3 This mandate was confirmed by the Listuguj Mi'gmaq Government Order-In-Council, no: 1509 passed July 8, 2004, signed by the Chief Scott Martin and seven Councillors.
- (Appendix 1)**

- 6.27 The exact wording of the Order-In-Council ("OIC") is :

WHEREAS The Listuguj Mi'gmaq Government (LMG) is a democratically elected government that represent and act on behalf of the members of the Listuguj Mi'gmaq First Nation (LMFN).

WHEREAS On behalf of its membership, the LMG is responsible for administering the financial resources of the Listuguj Mi'gmaq First Nation in a manner that is transparent and accountable to the members of the LMFN.

WHEREAS The need for responsible and accountable management of the financial resources of the LMFN is vital considering the multi-million dollar deficit the LMG is currently operating under.

WHEREAS In order to ensure responsible management of the LMFN's financial resources during their current mandate, the newly elected Chief and Council wish to ensure that the financial resources of the LMNF where administered in an accountable and transparent manner prior to their current mandate.

WHEREAS Chief and Council have mandated Kenneth Hilt and Associates Ltd and Ab Facto, as represented by Mr. Kenneth Hilt and Mr Claude Baron, with the task of conducting a forensic investigation as to the financial management of the LMG in the aforementioned time period.

WHEREAS The aforementioned individuals will require full access to various documents and other sources of information pertaining to the LMG and all sectors of its operations, including, but not limited to, the commercial fisheries, forestry and its audits, and may require copies of such documents and other information.

THEREFORE BE IT RESOLVED

That the Chief and Council of the Listuguj Mi'gmaq Government do hereby grant Kenneth Hilt and Associates Ltd. And Ab Facto full access to all documents and other information pertaining to the LMG and all sectors of its operations, for the purposes of determining the nature of the financial management of the Listuguj Mi'gmaq First Nation's resources prior to their current mandate.

BE IT ALSO RESOLVED

That the Chief and Council of the LMG, do hereby request that all companies, agencies, individuals and other organizations that have had dealings with the LMG, provide Kenneth Hilt and Associates Ltd. and Ab Facto, as represented by Mr. Kenneth Hilt and Mr. Claude Baron, access to and copies of all documents and information pertaining to the LMG and its operations, within the confines of their own privacy policies and/or practices.

Priority Investigation List

- 1.5 The Listuguj Mi'gmaq Government made, but not limited to, a priority investigation list, as follows: (**Appendix 2**)

PRIORITY INVESTIGATION LIST

- Fisheries – Marshall Monies
- Ministerial Guarantees
- A.R.C. (Aboriginal Resources Consultants) and Consultant Fees
- Infrastructure Incomplete – Building Expense
- Personal Settlements
- Travel Claims – Expense Accounts

Questions Raised Concerning Expenditures & Management

- 1.6 The primary issue of concern was the expenditures that the precedent administration authorized or incurred during the last 4 years. The expenses increased **from \$19 million** (for the year ended March 31, 1999) **to \$37.9 million** (for the year ended March 31, 2003).
- 1.7 Also of concern was the deficit reported by the auditors in the financial statements. The deficit increased **from \$1.7 million** (for the year ended March 31, 1999) **to \$3.9 million** (for the year ended March, 31, 2003).
- 6.27 Following various confidential allegations, some troubling rumours surfaced to the effect that administrators may had been spending money through mismanagement, misspending and no accountability concerning the Marshall monies received from the Department of Fisheries and Oceans Canada (DFO).

PART 2

RESTRICTIONS AND QUALIFICATIONS

Part 2 Restrictions and Qualifications

- 2.1 We warn the readers of this report that the comments advanced in our report are only based on the documentation we received and on the informations that we received concerning those documents. We reserve the right to make revisions to our report and conclusions in light of any new information existing at the report date which comes to our attention after this date.

- 2.2 We understand that this report may be used solely in connection with potential civil or criminal proceedings. The release of our report to any party not connected with these specific matters will require our prior written consent. We do not assume any responsibility or liability incurred by the Listuguj Mi'gmaq Government, the members of the Council (Chief and Concoillors), LMG's employees or other parties as a result of the circulation, publication, reproduction or use of this report contrary to provisions of this paragraph.
- 2.3 Our forensic investigation does not constitute an audit, as defined by Canadian generally accepted auditing standards. The primary sources of information reviewed and relied upon are referred to the Scope of Our Investigation section of this report. Unless otherwise noted in this report, we have not sought external verification of the information and documentation obtained by us.
- 2.4 We make no representation regarding questions of legal interpretation.
- 2.5 The principal author of this report is Mr. Claude Baron. He is president of *Ab Facto Cabinet Conseil Inc.* and president of *Sercopro Inc.*: those two companies are specialised in consultation, private investigation and forensic accounting and investigation. He is qualified as a Certified Fraud Examiner and has many years of experience in investigating white collar crime and governments administrations. His personal résumé is provided in **(Appendix 3)**

With his lengthy experience as a consultant, Mr. Kenneth Hilt provided active assistance in this forensic investigation and translation. He is president of *Kenneth Hilt and Associates Ltd* and has numerous experiences with First Nations communities. His personal résumé is provided in **(Appendix 4)**

PART 3

BACKGROUND

Part 3 Background

Our understanding of the background facts is set out in the following sections.

Listugug Mi'gmaq Government

3.1 Geographic Location

The community of Listuguj is located in the south-east corner of the province of Quebec along the border it shares with the province of New Brunswick. North of the residential section of the community, is Highway 132, the main access route to Listuguj. The surface area of the reserve is 3,663.22 hectares. More than 600 houses are to be found within the territory.

3.2 Population Statistics

In June 2004, the registred population was **3 170** persons.

Registered ON-Reserve: **1 893** (967 men - 926 women)

Registered OFF-Reserve: **1 277** (547 men - 730 women)

3.3 Politics

The Chief and the Councillors are democratically elected for a two years' term in accordance with the Indian Act (R.S. 1985; CI-5). The elections are held at the end of May and the term starts in June.

It is important for the purpose of this investigation to clarify the identity of the Chiefs and Councillors for the past 7 years.

1999-2000 (election)

Chief:	Ronald Jacques	Ronald Jacques Allison Metallic
Councillors:	Debbie Barnaby Terry Isaac Sr Paul Jacques Rodney Jacques Roland Jacques Patricia Martin Rene Martin Scott Martin	Calvin Barnaby Debbie Barnaby Terry Isaac Sr Paul Jacques Rodney Jacques Roland Jacques Troy Jerome Patricia Martin

Allison **Metallic**
Wendell **Metallic**
Kenneth **Mitchell**
Wilfred **Wysote**

Rene **Martin**
Scott **Martin**
Allison **Metallic**
Wendell **Metallic**
Kenneth **Mitchell**
Wilfred **Wysote**

2001-2002 (election)

Chief:	Allison Metallic	Allison Metallic
Councillors:	Calvin Barnaby Timmy Barnaby Richard Gray Brian Isaac Paul Jacques Troy Jerome Patricia Martin Elias Metallic Raymond E. Metallic Wendell Metallic Kenneth Mitchell Wilfred Wysote	Calvin Barnaby Timmy Barnaby Richard Gray Brian Isaac Terry Isaac Sr. Paul Jacques Rodney Jacques Roland Jacques Troy Jerome Patricia Martin Renee Martin Scott Martin Elias Metallic Raymond E. Metallic Wendell Metallic Kenneth Mitchell Wilfred Wysote

2003-2004 (election)

Chief:	Allison Metallic	Allison Metallic
Councillors:	Calvin Barnaby Timmy Barnaby Richard Gray Brian Isaac Joshua Isaac Paul Jacques	Calvin Barnaby Timmy Barnaby Richard Gray Brian Isaac Joshua Isaac Paul Jacques

Troy Jerome
Elaias Metallic
Raymond E Metallic
Wendell Metallic
Kenneth Mitchell
Wilfred Wysote

Troy Jerome
Patricia Martin
Elias Metallic
Raymond E Metallic
Wendell Metallic
Kenneth Mitchell
Wilfred Wysote

New council as of June 2004

Chief: **Scott Martin**

Councillors: **Calvin Barnaby**
Derek Barnaby
Gordon Isaac Jr
Paul Jacques
Roland Jacques
Cathy Martin
Patricia Martin
Rene Martin
Elias Metallic
Wendell Metallic
Kenneth Mitchell
Jerry Wysote

3.4 **Finance**

Since 1998, the Council of LMG had delegated the responsibility for the finance department service to the following persons:

1998-1999: **Darlene Pollock**
1999-2000: **Darlene Pollock - Robert Smith**
2000-2001: **Darlene Pollock - Clyde Jacques**

- 2001-2002: Clyde Jacques - Kevin MacIntosh - Andy Flanagan
- 2002-2003: Andy Flanagan
- 2003-2004: Andy Flanagan - Allen Paquet & Arseneau
Grant Thornton (Ludger Savoie since October 2003)
- 2004-2005: Grant Thornton (Ludger Savoie)

3.5 Operations

During the 2001-2002 political terms, Councillor Troy Jerome became Director of Operations for the LMG. Perhaps due to his political involvement with the previous Council, his mandate as Director of Operations was not renewed by the newly elected Council and he resigned in July 2004.

LMG's Relationship with its auditors

- 3.6 During all those years, 1998 to 2004, Allen, Paquet & Arseneau LLP, chartered accountants, was the same firm who had produced the auditors' reports for the Listuguj Mi'gmaq Government. Throughout the years, the chartered accountants firm had developed very good business relations and had to be on good terms with the preceding councils and the LMG's administrative staff.

LMG's Financial Statements

- 3.7 The expenses increased **from \$19 million** (for the year ended March, 31, 1999) **to \$37.9 million** (for the year ended March 31, 2003).

The deficit increased **from \$1.7 million** (for the year ended March 31, 1999) **to \$3.9 million** (for the year ended March 31, 2003).

PART 4

SCOPE OF OUR INVESTIGATION

Part 4 Scope of our investigation

- 4.1 Initial steps included a review of the financial statements produced by the chartered accountants firm Allen, Paquet & Arseneau LLP for the **year ended March 31, 1999** up to the **year ended March 31, 2004**.

- 4.2 The review of the Audit Recommendations submitted in July, 2001 – July, 2002 and July, 2003 to the LMG at the attention of Chief Allison Metallic and Troy Jerome (as Director of Operations) indicated mismanagement and/or administrative problems.
- 4.3 During the course of gathering information we met many people including councillors, staff employees, accountants, lawyers, officials of Fisheries and Oceans Canada and other persons whom it would not be fitting to mention by name to preserve the confidentiality of their information. We also started with some unofficial interviews.
- 4.4 We were not able to obtain the complete financial data that we needed for all the years that we needed to investigate either due to the new system or the setup of the software.
- 4.5 Based upon an initial review of documentation and consideration as to the availability of evidence in specific files, the following files were selected to focus on in our subsequent analysis :
- Auditor's Annual Reports / Financial Statements
 - Audit Recommendations
 - Fisheries – Marshall Monies
 - Ministerial Guarantees
 - A.R.C. (Aboriginal Resources Consultants) and Consultant Fees
 - Infrastructure Incomplete – Building Expense
 - Personal Settlements
 - Travel Claims – Expense Accounts
- 4.6 In addition, in order to obtain information or copies of documentation and in the course of their respective mandates, we attended the offices of Allen, Paquet & Arseneau at Campbellton Paterson Palmer Law at Moncton ; Fisheries and Oceans Canada at Quebec City and E. Gagnon & Fils Ltée at Ste-Thérèse de Gaspé.
- 4.7 Based on the possibility of future proceedings, we have reviewed and relied upon primary sources of documentation in completing this report:
- LMG's audit recommendations in (**Appendices 5 to 8**);
 - LMG's financial statements and auditor's reports over its fiscal years 1999 through 2004, as attached in (**Appendices 9 to 18**);

- Marshall Fisheries Agreement and Financial Statements for years 2001 to year ended March 31, 2004, as attached in (**Appendices 19 to 26**);
- Documentation received from Patterson Palmer law firm concerning legal proceedings against Canadian Ocean Products Ltd and Roméo Cormier. Also, two Fishing Vessel Survey Reports for the two vessels acquired by LMG from Friolet Services Maritimes Ltd, as attached in (**Appendices 27 to 29**);
- Snow Crab Processing Feasibility Study & LMG Snow Crab Processing Plant Business Plan received from Bernard Lacroix of the E. Gagnon & Fils Ltée on August 22, 2004, as attached at (**Appendix 30**);
- Article “Listuguj has a surplus” of the local paper Wednesday, August 11th, 2004, as attached in (**Appendix 31**).

4.8 We examined and analysed many other documents (close to 5 000 pages) received from strictly confidential sources. Some of these confidential documents are placed in 17 volumes and will be kept in reference only for a police criminal investigation and legal advice will even be necessary before giving the police all the informations included in these volumes. (See following photos)

PART 5

SUMMARY OF FINDINGS / CONCLUSIONS

Part. 5 Summary of Finding / Conclusions

5.1 Based on the scope of our investigation and subject to the restrictions and qualifications of chapter 2 (page 8) set out in this report, our findings are summarized in the following paragraphs.

Auditor's Reports / Financial Statements

- 5.2 The actual deficit at the **year ended March 31, 2003** was not **\$3.9 million** but almost **\$6.5 million**.
- 5.3 We were surprised to see that Lise Boudreau from Allen, Paquet and Arseneau (auditors) answered questions from a reporter of a local newspaper in a political article in favour the previous Council. (Reference: Article “*Listuguj has a surplus*” of the local paper Wednesday, August 11th, 2004 – appendix 32). In our opinion, if auditors or private professionals received questions from reporters they should refer them to the Council. (See Investigation, page 23 and Recommendations page 57).

Audit Recommendations

- 5.4 The Audit Recommendations submitted on July, 2001 – July, 2002 and July, 2003 to the LMG at the attention of Chief Allison Metallic and Troy Jerome (as Director of Operations) indicated mismanagement, lack of control or administrative problems. The report of July 2003 specified that the overall financial position was not good considering the resources available and the auditors believe this is due to a lack of control being exercised by the office of the Chief and Council.

Fisheries – Marshall Monies

- 5.4 The Listuguj Mi’gmaq Government received from the Marshall Fisheries Agreement the amount of **\$22,895,426**. We received the confirmation of this amount when we went to Quebec City and had a meeting with DFO on August 17, 2004, and we received on January 12, 2005, the confirmation of this amount.
- 5.5. The financial statements from the auditors’ report Allen; Paquet & Arseneau indicate an amount of **\$24,535,426**. (See appendices 23 to 26)
- 5.6 The reason of the difference of **\$1,640,000** is that the auditor’s firm had to submit new audits because their audits for the years ended March 31, 2002 and 2004 (appendices 24 and 26) had errors and were refused by DFO. (See pages 44 and 47 of the present report for revised audits.)
- 5.7 During our investigation into the Fisheries Marshall Agreement Monies, we consider that the LMGFN may have been victim of fraud when buying two or three vessels. One thing

is positive: these vessels are not worth a fraction of what they were paid for. Our statement is based on a visual inspection as well as on a professional survey conducted. (See Investigation, page 49 and Recommendations, page 59)

Ministerial Guarantees

5.8 According only to the documentation and information we received, there is a possibility of:

- a) Conspiracy (art. 465.1-c, criminal code) ;
- b) Corruption (art. 119.1, c.c.) or Breach of trust by public officer (art. 122, c.c.);
- c) Forgery (art. 366.1, c.c.);
- d) Uttering forged document (art. 368.1, c.c.);
- d) Fraud (art. 380.1, c.c.).

(See Investigation, page 53 and Recommendations, page 59)

A.R.C. and Consultant Fees

5.9 For the Aboriginal Resource Consultants (A.R.C.) we scrutinized the file and we found 13 cheques issued for a total of **\$563,907.75**. We tried to retrace the original cheques after the bank compensation and, strangely, we found traces of only 3 of these cheques. We also found the copy of a Project Management Agreement made on August 2000 between the LMFN and ARC awarding five percent (5%) of the value of the various components of the fisheries agreement. We notice strange facts in this file. (See Investigation, page 54 and Recommendations, pages 59).

5.10 For the other consultant's fees, we had difficulties to obtain the computer data and the documentation (files – invoices – etc.) because of the new computer system. We did not receive clear and specific information concerning other consultant's fees.

Infrastructure Incomplete – Building expense

- 5.11 For this part of our investigation, we started to look closer at the **Indian Lake Habitat Enhancement Project** but we have not completed our analysis. As we can see, at first glance, this project was driven by Troy Jerome & David Paul (ARC) in accordance with the Fisheries Agreement. It is not normal, at first view, that it cost more than \$1.2 million only to lay building foundations. But more than 67% of the budget was allowed to Administration and Wages Benefits. (See Investigation, page 54-55)
- 5.12 Concerning the other projects (Training Centre, Police Station Construction, etc.) we did not, for the moment start any investigation except reading some preliminary papers. But we received information that in the case of the Police Station Construction two contractors could be involved in false invoices.

Personal Settlements

- 5.13 According to David Allen & Ludger Savoie, there were only about 4 or 5 cases of personal settlements and we had an interview with the two most important, money recipients. Nothing specific for our investigation came from those meetings. Labour Settlements came to **\$77,000** in 1999 and **\$815,453** in 2000.

Travel Claims – Expense Accounts

- 5.14 We went through all the expense accounts of the former Chief and councillors but three files were missing. Nothing suspicious was discovered at first view in these files. One Council member's traveling claims all balanced however there are no receipts of any nature whatsoever. There is still a missing computer and it was reported to the police.

We also analyzed travel claims and cheques from individuals of the Listuguj Police Department who have submitted travel claims from Listuguj to and from Kanesatake. The Police Director is supervising, through his own administration, the settlements with Price WaterHouse Cooper.

General Comments

5.15 Considering each of the foregoing conclusions, with the intention of saving additional expenses to the LMG, and as discussed with Chief Scott Martin and requested by him, we will halt our forensic investigation for now.. And we made recommendations to prepare three (3) files for the Police Chief of Listuguj Police Department (LPD) and present these files to the RCMP. The preparation of these files could also support legal claims.

PART 6

INVESTIGATION

Part. 6 Investigation

Auditor's Reports / Financial Statements

The following findings and highlights came from the examination of the financial statements for the year ending March 31, 1999 up to the year ending March 31, 2004.

6.1 Firstly, it illustrates a certain degree of confidence considering that for the following years the former Council mandated the same chartered accountant firm which prepared the financial statements.

6.2 Secondly, we must mention in this report the following incident:

Wednesday, August 11th, 2004, we received a copy of the local newspaper with the title *“Listuguj has surplus”*. We were surprised to see the following phrase in the article: *“According to Barnaby and Metallic, the band was given two weeks by the Department of Indian and Northern Affairs to review the year-end financial statements. The department was supposed to have received the statements by July 31, which, according to Lise Boudreau of Allen, Paquet and Arseneau were presented to the LMG on July 29.”*

We were asked to comment that article and we could only state that this is a political article probably coming from some members of the former council and that we were surprised to see that Lise Boudreau of Allen, Paquet and Arseneau was answering a reporter’s questions. Private professionals should never comment in public or talk with reporters on the affairs of their client unless they are asked to, and, in the present case, by the acting Council. If private professionals were to receive questions from a reporter, they should refer him to the Council. **(See appendix 31 for the article)**

This incident will be the object of a recommendation when, in the future, Council will mandate professionals. (See Recommendations, page 61)

6.3 The Financial Statements for the year ended March 31, 2004 were presented to the LMG on July 29, only 2 days before the deadline of July 31. But according to the Auditors’ Report (page 1 of the Financial Statements) they were ready since July 7, 2004. Why wait until only 2 days before the deadline of July 31?

6.4 The real deficit at the **year ended March 31, 2003** was not **\$3.9 million** but almost **\$6.5 million**.

The reason of this difference is because the auditors placed for almost **\$2.6 million** of Deferred Program Expenditures in the **Current Assets**.

The consequences resulting from these deferred expenditures were to reduce the deficit of year 2003 by **\$2.6 million** but it also had the effect of reducing the surplus of year 2004 by more than **\$1.6 million**.

Mr Ludger Savoie, chartered accountant, manager for Grand Thornton and Director of finance for the LMG since October 2003, said he was personally very surprised to see deferred program expenditures in the current assets and said that he was also surprised that the Government accepted such a situation. In his opinion it was a political decision.

Two more independent chartered accountants who were consulted had the same reserve about these deferred expenditures placed in the current assets.

For the lead investigator of this report, who was general manager for a municipality and had analysed many other financial statements, he does not recall having ever seen deferred expenditures placed in the current assets.

David Allen, from the auditors' firm Allen, Paquet & Arseneau, admits that this situation does not happen in regular business administration.

To defer expenditures to assets there must have a high degree of certitude that this will generate future revenue directly related. More questions should be asked to David Allen on the auditors' reports by the LMG.

6.5 In conclusion, we did not find for now, any professional misconduct from the auditor's firm and we are convinced that there was no collusion or other forms of irregularity in the financial statements. Had the auditors found fraud, they knew that they had the legal and professional obligation to denounce it.

This chartered accountant firm has numerous experiences with the LMG's administration and the different ministries.

6.6 **Year ended March 31, 1999** (rounded-off numbers – see appendix 9 for actual figures)

- The total budget went from \$20.6 million (1998) to \$23.1 million: an increase of \$2.5 million.

- The deficit, end of year 1998 was \$2.3 million and decreased to \$1.7 million for 1999 : a decrease of \$0.6 million

6.7 **Year ended March 31, 2000** : (rounded-off figures – see appendix 10 for actual figures)

- Increased Assets : _ \$1.5 million (page 2)
- Increased Liabilities : _ \$1.86 million (page 2)
- Increased Deficit, end of year : _ \$0.9 million (page 3)
- Increased Income : _ \$2.0 million (page 7)
- Increased Expenses : _ \$3.6 million (page 8)
- Community Capital Facilities _ \$1.1 million (page 8)
- Indian Band Government _ \$1.1 million (page 8)
- Other Agreements _ \$1.8 million (page 8)
- Housing Construction Deficit _ \$394,983 (page 24)
- Band Support Grant Deficit _ \$651,134 (page 25)
- Labour Settlements : \$77,000 (1999) to \$815,433 = _ \$738,433 (page 25)
- Professional Fees : \$55,685 (1999) to \$178,943 = _ \$123, 258 (page 25)
- Decreased Liquid Assets _ \$511,024 (page 48)
- Travel, Honorarium & Salary \$858,496 (page 61)

6.8 **Year ended March 31, 2001** : (rounded-off figures – see appendix 11 for actual figures)

- Increased Assets : _ \$6.2 million (page 2)
- Increased Liabilities : _ \$3.4 million (page 2)

• Increased Deficit, end of year :	_ \$0.65 million	(page 3)
• Increased Income :	_ \$7.3 million	(page 7)
• Increased Income – DFO :	_ \$4.3 million	(page 7 & 40)
• Increased Expenses :	_ \$7 million	(page 8)
• Community Capital Facilities	_ \$0.4 million	(page 8)
• Indian Band Government	_ \$0.6 million	(page 8)
• Other Agreements	_ \$8.3 million	(page 8)
• Marshall Fisheries Agreement	\$6.0 million	(page 40)
• Restigouche River Complex	\$1.8 million	(page 40)
• Indian Lake Ecotourism	\$717,494	(page 40)
• Boat Modification	\$395,209	(page 40)
• Administration Fees	\$437,841	(page 40)
• Housing Construction Deficit	_ \$704,680	(page 32)
• Band Support Grant Surplus	_ \$112,357	(page 34)
• Labour Settlements :	no inscription	(page 34)
• Professional Fees : \$192,653 (2001) to \$364,111 =	_ \$156, 242	(page 34)
• Increased Liquid Assets	_ \$361,820	(page 61)
• Travel, Honorarium & Salary	_ \$939,954	(page 75)

6.9 **Year ended March 31, 2002:** (rounded-off figures – see appendix 12 for actual figures)

• Increased Assets :	_ \$4.8 million	(page 2)
• Increased Liabilities :	_ \$2.3 million	(page 2)
• Deficit, end of year :	_ \$0.35 million	(page 3)

• Increased Income :	_ \$4 million	(page 6)
• Increased Income – DFO :	_ \$ 2.8 million	(page 6)
• Increased Expenses :	_ \$3.3 million	(page 7)
• Community Capital Facilities	_ \$98,000	(page 7)
• Indian Band Government	_ \$343,000	(page 7)
• Other Agreements	_ \$2.1 million	(page 7)
• Marshall Fish. Agreement # 1	\$2.3 million	(page 42)
• Restigouche River Complex	\$0.5 million	(page 42)
• Indian Lake Ecotourism	\$305,941	(page 42)
• Boat Modification	\$137,120	(page 42)
• Administration Fees	\$388,568	(page 42)
• Marshall Fish. Agreement # 2	\$5.3 million	(page 43)
• Training	\$1.0 million	(page 43)
• Vessel Modifications	\$498,458	(page 43)
• Vessels	\$2.4 million	(page 43)
• Housing Construction Deficit	_ \$42,631	(page 32)
• Band Support Grant Surplus	_ \$112,357	(page 34)
• Labour Settlements : no inscription	\$0.0	(page 34)
• Professional Fees : \$192,653 (2001) to \$364,111 =	_ \$171,458	(page 34)
• Decreased Liquid Assets	_ \$1,3 million	(page 64)
• Travel, Honorarium & Salary	_ \$1,011,782	(page 78)

6.9 **Year ended March 31, 2003** : (rounded-off figures – see appendix 13 for actual figures)

• Increased Assets :	_ \$5.2 million	(page 2)
• Increased Liabilities :	_ \$5.9 million	(page 2)
• Deficit, end of year :	_ \$0.15 million	(page 3)
• Deficit, end of year :	\$3,9 million	(page 3)
• Real Deficit (+Expenditures)	\$6.5 million	(page 3)

• Deferred Program Expenditures	\$2.6 million	(page 3) (new item - ??)
• Increased Revenue :	_ \$5.3 million	(page 6)
• Increased Revenue – DFO :	_ \$ 0.6 million	(page 6)
• Increased Expenditures :	_ \$5.1 million	(page 7)
• Community Capital Facilities	_ \$1.5 million	(page 7)
• Indian Band Government	_ \$367,500	(page 7)
• Other Agreements	_ \$3.4 million	(page 7)
• Marshall Fish. Agreement # 1	(\$65,308)	(page 50)
• Restigouche River Complex	nothing	(page 50)
• Indian Lake Ecotourism	nothing	(page 50)
• Boat Modification	nothing	(page 50)
• Administration Fees	nothing	(page 50)
• Marshall Fish. Agreement # 2	\$7.6 million	(page 51)
• Training Facility Construction	\$2.5 million	(page 51)
• Training	\$1.0 million	(page 51)
• Vessel Modifications	\$428,816	(page 51)
• Vessels	\$1.8 million	(page 51)
• Housing Construction Deficit	(\$107,469)	(page 34)
• “ “ Deficit end year	\$2.0 million	(page 34)
• Band Support Grant Surplus	_ \$1.5 million	(page 40)
• Labour Settlements : no inscription	\$0.0	(page 40)
• Professional Fees : \$364,111 (2002) to \$153,464 =	_ \$210,647	(page 40)
• Increased Liquid Assets	_ \$107,722	(page 75)
• Travel, Honorarium & Salary	_ \$1,077,246	(page 90-91)

6.10 **Year ended March 31, 2004** : (rounded-off figures – see appendix 14 for actual figures)

• Increased Assets :	_ \$2.9 million	(page 2)
• Decreased Liabilities :	_ \$4.8 million	(page 2)
• Deficit, end of year :	_ \$2.0 million	(page 3)
• Real Deficit (+Expenditures)	\$3.0 million	(page 3) (??)
• Deferred Program Expenditures	_ \$1.0 million	(page 3)
• Decreased Revenue :	_ \$314,000	(page 6)
• Decreased Revenue – DFO :	_ \$ 3.5 million	(page 6)

• Decreased Expenditures :	_ \$2.8 million	(page 8)
• Community Capital Facilities	(\$328,563)	(page 11)
• Indian Band Government	(\$800,000)	(page 11)
• Other Agreements	_ \$2.5 million	(page 12)
• Marshall Fish. Agreement # 1	nothing	
• Marshall Fish. Agreement # 2	_ \$4.5 million	(page 54)
• Training Facility Construction	_ \$1.0 million	(page 54)
• Training	_ \$1.5 million	(page 54)
• Vessel Modifications	_ \$315,074	(page 54)
• Vessels	_ \$0.5 million	(page 54)
• Housing Construction Deficit	(\$238,440)	(page 35)
• “ “ Deficit end year	\$2.2 million	(page 35)
• Band Support Grant Surplus	_ \$730,510	(page 43)
• Bad Debts (new??)	\$629,079	(page 43)
• Labour Settlements : no inscription	\$0.0	(page 43)
• Professional Fees : \$153,464 (2003) to \$159,260 =	_ \$5,796	(page 43)
• Increased Liquid Assets	_ \$1.5 million	(page 81)
• Travel, Honorarium & Salary	_ \$990,003	(page 96-97)

Audit Recommendations

6.12 As mentioned in the Summary of Finding/Conclusion (page 18), the Audit Recommendations submitted on July, 2001 – July, 2002 and July, 2003 to the LMG at the attention of Chief Allison Metallic and Troy Jerome (as Director of Operations) indicated mismanagement, lack of control or administrative problems in the following areas :

- July, 2001 : Payroll - Record of Employee Change Forms - Purchases, Payables and Payments - Travel Advance Records - Balancing of General Ledger Accounts - Department of Finance.

- July, 2002 : Payroll - Minutes of Council Meetings not been transcribed - Accrual for C.S.S.T. Charges - Travel Advances - Balancing of General Ledger Accounts - Submitting Program Reports
- July, 2003 : Overall Financial Position - Payroll - Budget Documents and Other Agreements – Lease to Own Housing Receivables – Invoice Approval – Payroll Advances - Loans and Advances - Travel Advances - Control of Accounts - Outstanding Purchase Orders - Submitting Program Reports - Accounting Records
- The audit recommendations of July 2003 specify for the overall financial position of LMG as following :

“The overall financial position of Listuguj Mi’gmaq Government is not good in our opinion considering the resources available. We believe this is due to a lack of control being exercised by the office of the Chief and Council. The primary problem that can easily be identified is with excessive spending in capital projects due either to the fact that anticipated revenues have not been secured or there are excessive salaries and wages for the job carried out.”
(sic).

- The above mentioned complete audit recommendations report of July 2003 (appendix 7), is transferred to the five (5) following pages :

Fisheries / Marshall Monies

6.13 **History**

The Supreme Court of Canada released its decision in the Marshall case in the fall of 1999. In essence the court said that Treaties signed in 1760 and 1761 by Mi’gmaq and Maliseet communities include a communal right to hunt fish and gather in pursuit of a “moderate livelihood”. To address the Marshall decision, Fisheries and Oceans Canada set out to negotiate interim fishing agreements that would give First nations the opportunity to succeed in the commercial fishery. Agreements have been successfully negotiated with 31 of the 34 affected Aboriginal communities including the Listuguj Mi’gmaq Government.

The Listuguj Mi'gmaq Government has developed its commercial fisheries which resulted from the Supreme Court Decision on Marshall. The negotiations with the Department of Fisheries and Oceans (DFO) have allowed the Listuguj Mi'gmaq Government to gain access to the Snow Crab fishery, the Shrimp fishery and the Lobster fishery.

The community has also benefited from the Marshall decision by means of community infrastructure such as a new wharf and slipway, a mussel farm, a Natural Resource Building and the new Listuguj Mi'gmaq Training Facility at a cost of \$2.3 million. The community also acquired a fleet of eleven (11) fishing vessels necessary to fish each of its species. Other projects resulting from the Marshall decision include an annual training budget for the commercial fishers, improvements to the streams and Lake Environment, monies to implement science projects for improving the salmon stocks and its habitat.

(See the Fisheries Agreements at Appendices 19 to 22)

6.14 **Informations received from DFO**

The four (4) following pages indicated on tables the contributions funds made by DFO or DIAN, following the Supreme Court Decision on Marshall. These tables were compiled with information received from DFO

Table of payments made by DFO for the period ended August 31, 2001

Table of payments made by DFO in 2001-2002

Table of payments made by DFO in 2002-2003

Table of payments made by DFO in 2003-2004

6.15 **Information received from auditors Allen, Paquet & Arseneau**

The five (5) following pages indicated on tables the Summary of Revenue and Expenditures by Contributions. These tables were made from the financial statements of the Marshall Fisheries Agreement received from Allen, Paquet & Arseneau.

We learned that a new financial statement was submitted for the year ended March 31, 2002; so, the first and the revised financial statements will appear in the following pages for the year ended March 31, 2002.

We also learned on January 12, 2005 that a new financial statement was submitted for the year ended March 31, 2004; so, the first and the revised statements will appear in the following pages for the year ended March 31, 2004.

(See appendices 23 – 24 – 25 – 26 for details)

Marshall Fisheries Agreement – Financial Statements for the year ended August 31, 2001

LISTUGUJ MI'GMAQ FIRST NATION – MARSHALL FISHERIES AGREEMENT

SUMMARY OF REVENUE AND EXPENDITURES BY PROGRAM

FOR THE PERIOD ENDED AUGUST 31, 2001

	<u>Budget</u>	<u>Actual</u>
<u>Revenue</u>		

Marshall Fisheries Agreement	<u>\$ 8,269,000</u>	<u>\$ 8,269,000</u>
<u>Expenditures</u>		
Modifications to Mid-Shore Vessels, Crab and Safety Equipment.	600,000	620,572
Restigouche River Complex Feasibility Study	210,000	264,830
Warf Feasibility Study	140,000	244,567
Restigouche River Complex Construction	1,890,000	2,706,680
Warf and Slipway Construction	1,260,000	1,402,387
Environmental, Habitat Restoration & Aquaculture Studies	250,000	130,937
Mussel Farm Development	1,000,000	473,530
Fisheries Navigation and Aquaculture Training	550,000	506,297
Five Year Operationnal & Fisheries Development Plan	300,000	330,895
Training and Studies Coordination	60,000	69,112
Indian Lake Ecotourism Projet Study	75,000	81,422
Restigouche River Ecotourism Complex Study	75,000	74,311
Indian Lake Complex Construction	1,225,000	1,133,085
Tour and Recreational Boat Purchase	425,000	157,475
Ecotourism & Sports Fisheries / Manufacturing Training	150,000	55,510
Monitoring	37,000	42,014
Additional Training	<u>22,000</u>	<u>23,282</u>
	<u>8,269,000</u>	<u>8,316,906</u>
<u>Deficit for the Period</u>	\$ <u>-</u>	\$ <u>(47,906)</u>

Marshall Fisheries Agreement – Financial Statements for the year ended March, 31 2002

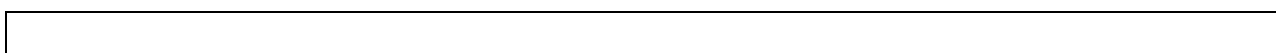
LISTUGUJ MI'GMAQ GOVERNMENT – FISHERIES AGREEMENT		
SUMMARY OF REVENUE AND EXPENDITURES BY CONTRIBUTION		
<u>FOR THE YEAR ENDED MARCH 31, 2002</u>		
	<u>Budget</u>	<u>Actual</u>
<u>Revenue</u>		

Fisheries Agreement	\$ 5,305,926	\$ 5,305,926
Sales Revenue	-	9,885
	<u>5,305,926</u>	<u>5,315,811</u>
<u>Expenditures</u>		
Fall Fishery	133,285	193,333
Scientific Project	11,000	9,000
Trucks, Boats & Radio Communication System	197,641	191,591
Vessels	2,370,000	2,370,000
Gear and Safety Equipment	350,000	253,990
Vessel Modifications	500,000	555,957
Feasibility for Training Facility	160,000	94,651
Training	1,032,000	1,083,472
Salmon Fishery – Shoreline Activity	195,000	214,154
Coordination Costs for Fishery	220,000	231,483
Equipment and Furniture for Fishery	<u>137,000</u>	<u>162,100</u>
	<u>5,305,926</u>	<u>5,359,731</u>
<u>Deficit for the Period</u>	\$ -	\$ (43,920)

Marshall Fisheries Agreement – Revised Financial Statements for the year ended March 31, 2002

(Revised in September 2004 and document received by fax from Ludger Savoie on November 30, 2004)

Important Note: According to DFO (Daniel Gagnon) on January 12, 2005, item **Vessels** at expenditures should not appear in this audit. So if the reader of this report takes the first line of revenue (**\$5,485,926**) less item Vessel (**\$2,370,000**) the real Fisheries Agreement Revenue will be **\$3,115,926**. This amount is the same as reported by DFO. (See page 38 of this Report).



LISTUGUJ MI'GMAQ GOVERNMENT – FISHERIES AGREEMENT

SUMMARY OF REVENUE AND EXPENDITURES BY CONTRIBUTION

FOR THE YEAR ENDED MARCH 31, 2002

	<u>Budget</u>	<u>Actual</u>	
<u>Revenue</u>			
Fisheries Agreement	(Revised) \$ 5, 485, 926	\$ 5, 485, 926	
Sales Revenue	-	-	9,885
	(Revised) <u>5,485,926</u>	<u>5,495,811</u>	
<u>Expenditures</u>			
Fall Fishery	133, 285	193, 333	
Scientific Project	11, 000	9, 000	
Trucks, Boats & Radio Communication System	197, 641	191, 591	
Vessels	2, 370, 000	2, 370, 000	
Gear and Safety Equipment	350, 000	253, 990	
Vessel Modifications	500, 000	555, 957	
Feasibility for Training Facility	160, 000	94, 651	
Training	(Revised) 1, 212, 000	1, 263, 472	
Salmon Fishery – Shoreline Activity	195, 000	214, 154	
Coordination Costs for Fishery	220, 000	231, 483	
Equipment and Furniture for Fishery	<u>137, 000</u>	<u>162, 100</u>	
	(Revised) <u>5, 485, 926</u>	<u>5, 539, 731</u>	
<u>Deficit for the Period</u>	\$ -	\$ (<u>43, 920</u>)	

Marshall Fisheries Agreement – Financial Statements for the year ended March. 31 2003

LISTUGUJ MI'GMAQ GOVERNMENT – FISHERIES AGREEMENT

SUMMARY OF REVENUE AND EXPENDITURES BY CONTRIBUTION

FOR THE YEAR ENDED MARCH 31, 2003

	<u>Budget</u>	<u>Actual</u>
<u>Revenue</u>		
Fisheries Agreement	\$ 7,038,000	\$ 7,038,000
	-	46,590
	<u>7,038,000</u>	<u>7,084,590</u>
<u>Expenditures</u>		
Fishing Vessels	1,450,000	1,448,139
Gear and Equipment	450,000	480,000
Vessel Modifications	500,000	495,222
Training Facility Construction	2,405,000	2,443,532
Breakwater Feasibility Study	40,000	19,658
Training	1,270,000	1,185,521
Lake and Fish Habitation Enhancement	200,000	232,370
Salmon Fishery – Shoreline Activity	535,000	674,581
Coordination Costs for Fishery	165,000	201,265
Equipment and Furniture for Fishery Complex	<u>23,000</u>	<u>146,743</u>
	<u>7,038,000</u>	<u>7,327,675</u>
<u>Deficit for the Period</u>	\$ -	\$ (243,920)

Marshall Fisheries Agreement – Financial Statements for the year ended March. 31 2004

LISTUGUJ MI’GMAQ GOVERNMENT – FISHERIES AGREEMENT

SUMMARY OF REVENUE AND EXPENDITURES BY CONTRIBUTION

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>
<u>Revenue</u>		
Fisheries Agreement	\$ 3,922,500	\$ 7,038,000
Other Income	<u>17,000</u>	<u>161,535</u>
	3,939,500	4,084,035
<u>Less: Deferred Revenue Current Year</u>	<u>-</u>	<u>1,045,941</u>
	<u>3,939,500</u>	<u>3,038,094</u>
<u>Expenditures</u>		
Fishing Vessels	-	7,402
Vessel Modifications	400,000	221,883
Training Facility Construction	1,200,000	545,715
Training	1,550,000	1,375,496
Salmon Fishery – Shoreline Activity	312,000	306,507
Coordination Costs for Fishery	285,000	286,952
Mussel Farm Aquaculture	<u>192,500</u>	<u>192,500</u>
	<u>3,939,500</u>	<u>2,936,455</u>
<u>Surplus for the Period</u>	\$ -	\$ (<u>101,639</u>)

Marshall Fisheries Agreement- Revised Financial Statements for the year ended March 31 2004

(Document received by fax from DFO (Daniel Gagnon) on January 12, 2005)

LISTUGUJ MI'GMAQ GOVERNMENT – FISHERIES AGREEMENT		
SUMMARY OF REVENUE AND EXPENDITURES BY CONTRIBUTION		
<u>FOR THE YEAR ENDED MARCH 31, 2004</u>		
	<u>Budget</u>	<u>Actual</u>
<u>Revenue</u>		
Fisheries Agreement (revised)	\$ 4,472,500	\$4,472,500
<u>Expenditures</u>		

Fishing Vessels (revised)	550,000	550,000
Vessel Modifications (revised)	400,000	315,047
Training Facility Construction (revised)	1,200,000	1,252,506
Training (revised)	1,550,000	1,575,496
Salmon Fishery – Shoreline Activity (revised)	300,000	290,122
Coordination Costs for Fishery (revised)	280,000	296,802
Mussel Farm Aquaculture	<u>192,500</u>	<u>192,500</u>
(Revised)	<u>4,472,500</u>	<u>4,472,500</u>
<u>Surplus for the Period</u> (revised)	\$ <u> -</u>	\$ <u> -</u>

- 6.16 The Listuguj Mi'gmaq Government had received from the Marshall Fisheries Agreement the amount of **\$22,895,426**. We received the confirmation of this amount when we went to Quebec City and had a meeting with DFO on August 17, 2004 and again on January 12, 2005.
- 6.17 The Financial statements from the auditor's report Allen, Paquet & Arseneau indicate an amount of **\$24,535,426**. (See appendices 23 to 26).
- 6.18 The reason of the difference of **\$1,640,000** is that the auditor's firm had to submit New audits because their audits for the years ended March 31, 2002 and 2004 (Appendices 24 and 26) had errors and were refused by DFO. (See pages 44 and 47 of the present report for revised audits).
- 6.19 According to DFO official Daniel Gagnon, Director Operations Branch and Acting Director Aboriginal Fisheries, the purchase of vessels and permits, DFO invested approximately **\$49.5 million** for the Fisheries. However these millions do not appear in the financial statements because they were managed by DFO.
- 6.20 In October 2003, Legal Proceedings were initiated against Canadian Ocean Products Ltd and Roméo Cormier. (Appendix 27)
- 6.21 During our investigation into the Fisheries Marshall Agreement Monies, we consider that the LMGFN may have been a fraud victim when buying two or three vessels. We will

present this preliminary report before going further in this part of our investigation. One thing is positive: these vessels are not worth a fraction of what they were paid for. Our statement is based on a visual inspection as well as on a professional survey conducted. (See page 19, paragraph 5.7 and Recommendations)

Two Fishing Vessel Survey Reports

6.22 As mentioned (page 19, paragraph 5.7); we received information from many sources that the LMGFN may have been a fraud victim when buying vessels. You will find hereafter:

- A resume of the survey reports done November 4, 2002 for the vessels named ***GESIGWEI GLOQOWEJ and LISTUGUJ GESITEITAGN*** ;
- 5 photos (taken out from a video) during a visual inspection at Newport on August 26, 2004 by the author of this report.

THE ***GESIGEWEL GLOQOWEJ*** AND THE ***LISTUGUJ GESITEITAGN***
HAVE BEEN PUT AWAY AND GROUNDED AT NEWPORT

6.23 On August 26, 2004 we took videos of the two vessels and it illustrates that the wood hulls sagged and we could see the shell through the fibreglass. (See following photos)

According to people met at Newport the LMFN was “screwed” with the purchase of these two old vessels.

6.24 Vessel: ***GESIGEWEL GLOQOWEJ***

Built: **1960**

Surveyors: Captain G. GLOVER, Marine Surveyor Admiral Marine
Lt. Cmdr. Alastair EVANS, Marine Surveyor E.N.E.

Person on board: Mr M. LANTIGUE Listuguj Mi’gmaq First Nation
Mr. G. DOIRON Listuguj Mi’gmaq First Nation
Mr. Syliss SWASSON Listuguj Mi’gmaq First Nation

Condition Assessment: Excellent - Very Good - Good - Fair - Poor

Hull Condition: **Poor** Apparent Condition of Vessel : **Poor**

“Note: Although a value has been assessed, we felt that the condition of encapsulated wood hull is such that the slightest damage breaking the fibreglass would be a disaster. **It appears that the only material holding the vessel together is the fibreglass.**”

The vessel was found to have severe dry and wet rot throughout her wood work. The surveyors mentioned in their report that it would take several years for timber to dry rot, and for that matter, even this degree of wet rot does not occur over night or two years.

6.25 Vessel ***LISTUGUJ GESITEITAGN***

Built: **1959** Re-Built : **1982**

Surveyors: Captain G. GLOVER, Marine Surveyor Admiral Marine
Lt. Cmdr. Alastair EVANS, Marine Surveyor E.N.E.

Person on board: Mr. M. LANTIGUE Listuguj Mi'gmaq First Nation
Mr. G. DOIRON Listuguj Mi'gmaq First Nation
Mr. Syliss SWASSON Listuguj Mi'gmaq First Nation

Condition Assessment: Excellent - Very Good - Good - Fair - Poor

Hull Condition: **Poor** Apparent Condition of Vessel: **Poor**

“Note: Although a value has been assessed, we felt that the condition of encapsulated wood hull is such that the slightest damage breaking the fibreglass would be a disaster. **It appears that the only material holding the vessel together is the fibreglass**, therefore posing a danger to life...”

The vessel was found to have severe dry and wet rot throughout her wood work. The surveyors mentioned in their report that it would take several years for timber to dry rot, and for that matter, even this degree of wet rot does not occur over night or two years.

LMG Snow Crab Processing Plant

As mentioned (page 15 – paragraph 4.6) in order to obtain more informations or copies of documentation we attended the office of E. Gagnon & Fils Ltée at Ste-Thérèse de Gaspé where we met the general manager Mr. Bernard Lacroix.

6.26 According to Bernard Lacroix, on April 2004 the LMG Council, represented by Richard Gray and Sherri Morrisson, negotiated with him for the processing plant at Grand Riviere and, they had an agreement for \$2.50 / pound during the fishing season plus \$0.50 additional in September. But, on June 2004, the new elected LMG Council, represented by Elias Metallic ordered all the fishing vessels to go to Shippagan and he would say, to those who asked why, to call his boss Henry Mitchell. Bernard Lacroix explained that the problem following the LMG decision is that where they are fishing now the snow crab is bigger and is presently paid \$3.25 to other fishermen and that the price will remain at \$3.05 for the LMG fishermen.

6.27 Bernard Lacroix admits that this is a political and economic decision from the new LMG Council and that he will try to convince the council to do business again with him. He gave us a copy of the LMG Snow Crab Processing Plan for 2003.
(See appendix 30)

Ministerial Guarantees

6.28 According to David Allen, Lise Boudreau and Ludger Savoie there are not an important number of cases in the past four years.

6.29 We received and analysed more documentation during the months of October and November, 2004 and the reader of this report will find in the following paragraphs The possibility of criminal offences; but we cannot give names here, because we did not go further in this part of the investigation and we did not conduct any interviews concerning these documents. We feel that we should go further only in this portion of an investigation.

6.30 **Considering only** the documentation and information we received, there is a possibility of:

- a) Conspiracy (art. 465.1-c, criminal code)
- b) Corruption (art. 119.1, c.c.) or breach of trust by public officer (art 122, c.c.);
- c) Forgery (art. 366.1, c.c.);
- d) Fraud (art. 380.1, c.c)

(See Recommendations, page 58)

A.R.C. and Consultant Fees

6.31 For the Aboriginal Resource Consultants (A.R.C.) we scrutinized the file and we found 13 cheques issued for a total of **\$563,907.75**. We tried to retrace the original cheques

after the bank compensation and, strangely, we found traces of only 3 of these cheques. We also found the copy a Project Management Agreement made on August 2000 between the LMFN and ARC awarding five percent (5%) of the value of the various components of the fisheries agreement. (See Recommendations, page 58)

We noted strange facts in this file and feel the investigation should go further on it for the following reasons:

- No invoice numbers ;
- No details on invoices (are there other files?);
- Cheque # 050565 of \$27,000.00 (original not found) issued March 15, 2000 - **no invoice** – only a requisitions form # 046637 with the same date and indicating: *Fisheries Construction on Commercial Fisheries. Is it possible that this invoice was paid twice*, because when we look at Patterson Palmer statements, they made a cheque of \$27,000.00 to ARC for the same amount on May 25, 2000 ?
- Cheque # 052432 of \$1,362.75 (original not found) issued June 20, 2000 – **no invoice** – only a requisition form # 03503 with the date of June 19, 2000 and indicating; *3 Registration fee at unit price 454.25 – ARC mtg in Fredericton \$395. + HST. - Total : 1362.75 ;*
- Cheque # 054109 of \$20,793.00 (original not found) issued August 14, 2000 – **no invoice** – only a requisition form # 100290 with the same date and indicating: *As per contract \$20,793.00.*

6.32 For the other consultant's fees, we had difficulties to obtain the computer data and the documentation (files – invoices - etc.) because of the new computer system. We did not receive clear and specific information concerning other consultant's fees and we will not go further unless we are asked to.

Indian Lake Project

6.33 For this part of our investigation, we started to look closer at the **Indian Lake Habitat Enhancement Project** but we have not completed our analysis. As we can see, at first

glance, this project was driven by Troy Jerome & David Paul (ARC) in accordance with the Fisheries Agreement.

6.34 As noted previously in the preliminary report, it is not normal, at first view, that it cost more than \$1.2 million only to lay a building foundation as shown in the two following photos:

As noted in the financial statements for **the Period ended August 31, 2001** (reference appendix 23) there is the two following budgetary items at page 2 in Expenditures:

- Indian Lake Ecotourism Study (page 8) \$ 81,422
- Indian Lake Complex Construction (page 9) \$1,133,085

6.35 Still referring to the financial statements for the **Period ended August 31, 2001** (appendix 23), the expenditures for the Indian Lake Complex Construction (**page 9**) were as following:

• Administration	180,011
• Consulting Fees	2,320
• Equipment Rental	150,180
• Materials and Supplies	189,725
• Miscellaneous	21,327
• Professional Fees	4,180
• Travel	4,254
• Wages and Benefits	581,088
	<u>1,133,085</u>

6.36 As the reader of this report could see more than 67% of the budget was allowed to Administration and Wages and Benefits.

Infrastructure Incomplete – Building expense

50. Concerning the other projects (Training Centre, Police Station Construction, etc.) we did not, for the moment start any investigation except reading some preliminary papers. But

we received information that in the case of the Police Station Construction two contractors could be involved in false invoices.

Other Incomplete Infrastructures

Police Station Construction

Community Hall

PART 7

RECOMMENDATIONS

PART 7 Recommendations

As discussed with Chief Scott Martin , and requested by him, when presenting the preliminary report on October 5, 2004 and with the spirit of saving extra expenses to the LMG we wake the

following recommendations on the Priority Investigation List and on the General Management of the LMG:

PRIORITY INVESTIGATION LIST

7.1 Fisheries-Marshall Monies

- a) We recommend that the Legal Proceedings commenced against Canadian Ocean Products Ltd. and Romeo Cormier be pursued unless there is an agreement to Recover the money due to LMG which could represent more than \$400,000 with interest on the loss of revenue.

- b) We recommend, considering that the LMGFN may have been a victim of fraud when buying two or three vessels, that we prepared the file for the Chief of the Listuguj Police Department (LPD) and to support the claim mentioned by Patterson Palmer. We will assist the LPD to present this file to the RCMP. The LMG has a chance to recover a lot of money in this case.

7.2 Ministerial Guarantees

We recommend that we prepare the file for the Chief of the Listuguj Police Department (LPD) and assist the LPD to present this file to the RCMP.

7.3 A.R.C. and Consultant Fees

Considering that going further will be long and very expensive with investigations and interviews, we recommend closing this portion of the forensic investigation at our level because the chances to recover any money appear very slim. However, we recommend that this file should be also sent to the RCMP because of the facts related in the investigation section.

7.4 Infrastructure incomplete – Building expense

Considering that going further will be long and very expensive with investigations and interviews, we recommend closing this portion of the forensic investigation.

7.5 **Personal Settlements**

We recommend closing this portion of the forensic investigation.

7.6 **Travel Claims – Expense Accounts**

We recommend closing this portion of the forensic investigation.

7.7 **Auditors & Professionals**

We recommend for the future, that all contracts or mandates with auditors and /or professionals should have a confidential clause that specifies that they don't have the right to comment in public or take a political position concerning their mandate unless they are asked to do so by council. That clause should even be mentioned in all OIC's Which gives mandates to professionals?

7.8 **Fisheries**

We recommend to the LMG the implementation of a Special Committee for Fishing and the development of the LMG Snow Crab fishing strategy. The LMG should have a long term vision for the good of its own community. It would be the responsibility of this special committee to make recommendations on its choices of partners.

7.9 **Administration**

We strongly recommend the implementation of a Strategic Planning Committee whose mandate would provide for:

- a) a rational utilisation of resources already in place;
- b) the determination of general objectives and policies;
- c) the future orientation in terms of management;
- d) the preparation of future budgets in terms of efficiency.

We could be of assistance for the implementation of this Strategic Planning Committee.

FORENSIC INVESTIGATION

APPENDICES

1. Mandate – Order-in-Council, no: 1509

2. Priority Investigation List
3. Claude Baron – Resume
4. Kenneth Hilt - Resume
5. Audit Recommendations – July 19, 2001
6. Audit Recommendations – July 17, 2002
7. Audit Recommendations – July 10, 2003
8. Audit Recommendations – July 7, 2004
9. Financial Statements – year ended March 31, 1999
10. Financial Statements – year ended March 31, 2000
11. Financial Statements – year ended March 31, 2001
12. Financial Statements – year ended March 31, 2002
13. Financial Statements – year ended March 31, 2003
14. Financial Statements – year ended March 31, 2004
15. Section 95 Housing Operating Agreement – Index for the year ended March 31, 2004
16. Child Care Services Initiative – Index for the year ended March 31, 2004
17. Health Services Transfer Program – Index for year ended March 31, 2004
18. Fisheries Agreement - Index for year ended March 31, 2004
19. The Fisheries Agreement – Signed March 15, 2002
20. The Fisheries Agreement Amendment No. 1
21. The Fisheries Agreement Amendment No. 2
22. The Fisheries Agreement Amendment No. 3
23. Marshall Fisheries Agreement – Financial Statement – period ended August 31, 2001
24. Marshall Fisheries Agreement – Financial Statement – year ended March 31, 2002
25. Marshall Fisheries Agreement – Financial Statement – year ended March 31, 2003
26. Marshall Fisheries Agreement – Financial Statement – year ended March 31, 2004
27. Legal Proceedings by the LMG against Canadian Ocean Products & Romeo Cormier
28. GESIGWEI GLOQOWEJ – Fishing Vessel Survey Report
29. LISTUGUJ GESITEITAGN – Fishing Vessel Survey Report
30. LMG Snow Crab Processing Plant – Business Plan
31. Article of the local paper Wednesday, August 11, 2004

