

STRICTLY CONFIDENTIAL

Listuguj Mi'gmaq Government

FORENSIC INVESTIGATION

PRELIMINARY REPORT

Submitted to:

Chief Scott Martin
Council of Listuguj Mi'gmaq Government

Kenneth Hilt & Associates Ltd P

Ab Facto Cabinet Conseil

Truth - Justice - Equity

Consultation – Forensic Investigation

LISTUGUJ MI'GMAQ GOVERNMENT

FORENSIC INVESTIGATION

PRELIMINARY REPORT

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Note: Whereas those other documents, not yet analysed, will join the appendices all the appendices will be submitted with the final report

I Assignment

Mandate

1. 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).
2. 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)
3. 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

4. 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

5. 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).
6. Also of concern was the deficit reported by the auditors in the financial statements. The deficit increase **from \$1.7 million** (for the year ended March, 31, 1999) to **\$3.9 million** (for the year ended March, 31, 2003).
7. Following various confidential allegations, some troubling rumours surfaced saying that administrators may have been spending money through mismanagement, misspending and no accountability concerning the Marshall monies received from the Department of Fisheries and Oceans Canada (DFO).

II Restrictions and Qualifications

8. 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 Councillors), Lag's employees or other parties as a result of the circulation, publication, reproduction or use of this report contrary to provisions of this paragraph.

9. 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.
10. We make no representation regarding questions of legal interpretation.
11. 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 the date.
12. The principal author of this report is Mr. Claude Baron. He is president of *Ab Facto Cabinet Conseil Inc.* and president of *SCEcorp 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. 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**

III Background

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

Listuguj Mi'gmaq Government

14. 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.

15. Population Statistics

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

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

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

16. 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 know the identify of the Chiefs and Councillors for the past 7 years.

	<u>1998-1999</u>	<u>1999-2000</u> (election)
Chief :	Ronald Jacques	Ronald Jacques Allison Metallic
Councillors:	Debbie Barnaby Terry Isaac Sr	Calvin Barnaby Debbie Barnaby

Paul **Jacques**
Rodney **Jacques**
Roland **Jacques**
Patricia **Martin**
Rene **Martin**
Scott **Martin**
Allison **Metallic**
Wendell **Metallic**
Kenneth **Mitchell**
Wilfred **Wysote**

Terry **Isaac Sr**
Paul **Jacques**
Rodney **Jacques**
Roland **Jacques**
Troy **Jerome**
Patricia **Martin**
Rene **Martin**
Scott **Martin**
Allison **Metallic**
Wendell **Metallic**
Kenneth **Mitchell**
Wilfred **Wysote**

	<u>2000-2001</u>	<u>2001-2002</u> (election)
Chief:	Allison Metallic	Allison Metallic
Councillors:	Calvin Barnaby Timmy Barnaby Richard Gray Brian Isaac Terry Isaac Sr Paul Jacques Rodney Jacques Roland Jacques Troy Jerome Patricia Martin Rene Martin Scott Martin Elias Metallic Raymond E Metallic Wendell Metallic Kenneth Mitchell Wilfred Wysote	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

	<u>2002-2003</u>	<u>2003-2004</u> (election)
Chief:	Allison Metallic	Allison Metallic
Councillors:	Calvin Barnaby Timmy Barnaby	Calvin Barnaby Timmy Barnaby

Richard **Gray**
Brian **Isaac**
Joshua **Isaac**
Paul **Jacques**
Troy **Jerome**
Elias **Metallic**
Raymond E **Metallic**
Wendell **Metallic**
Kenneth **Mitchell**
Wilfred **Wysote**

Richard **Gray**
Brian **Isaac**
Joshua **Isaac**
Paul **Jacques**
Troy **Jerome**
Patricia **Martin**
Raymond E **Metallic**
Kenneth **Mitchell**
Wilfred **Wysote**

2004 (new council since 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

17. Finance

Since 1998, the Council of LMG had delegated the responsibility for the finance department 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)

18. Operations

During the 2001-2002 political term, 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

- 19. 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

- 20. 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).

Events Leading to our Appointment

21. As indicated previously in this report, On July 5, 2004, *Ab Facto Cabinet Conseil* and *Kenneth Hilt and Associates Ltd* were appointed by LMG's Council 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).
22. Following some confidential allegations, some troubling rumours surfaced saying that administrators may had 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.

IV Scope of our Investigation

23. 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 the **year ended March 31, 2004**.

When it became apparent that the real deficit for the **year ended March 31, 2003** was not **\$3.9 million**, but almost **\$6.5 million**, we pursued our investigation concerning this matter.

24. 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.
25. 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.
26. We were not able to obtain the complete financial data that we needed for all the years we wanted to investigate either due to the new system or the setup of the software.
27. 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:
- Auditors' 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

28. 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.

29. Based on the possibility of future proceedings, we have reviewed and relied upon primary sources of documentation in completing our preliminary 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**.
 - LMG's file documentation obtained during our gathering of information.
30. Others documents came from a strictly confidential source and are kept in reference until we are able to determine their pertinence for this forensic investigation. Legal advice could be necessary on this matter. For now, these confidential documents are placed in 17 volumes. (See following photos)

V Summary of Finding / Conclusions

31. Based on the scope of our investigation and subject to the restrictions and qualifications set out in this report, our findings are summarized in the following paragraphs.

Auditor's Reports / Financial Statements

32. As stated in paragraph 23, page 12, 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 of these deferred expenditures were to reduce the deficit of year 2003 of **\$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 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 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.

33. **To defer expenditures to assets there must have a high degree of certitude that this will generate future revenue directly related.** We still have more questions to ask David Allen on the auditors' reports and he assures us of his cooperation.
34. In conclusion, we do 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.

Audit Recommendations

35 As said in the Scope of our Investigation, 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).

Fisheries – Marshall Monies

36. 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.
37. The financial statements from the auditors' report Allen; Paquet & Arseneau indicate an amount of **\$24,535,426**.
38. The possible reason of the difference of **\$1,640,000** is that this portion of the money was administrated directly by the law firm Paterson Palmer from Moncton.
39. 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's.
40. We have not completed our analysis for that part of the investigation.
41. In October 2003, Legal Proceedings were commenced against Canadian Ocean Products Ltd and Roméo Cormier. (Appendix 27)
42. During our investigation into the Fisheries Marshall Agreement Monies, we consider that the LMG 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 Findings – page 29)

Ministerial Guarantees

43. According to David Allen, Lise Boudreau and Ludger Savoie there are not an important number of cases. For the moment we did not go further in this portion of our investigation unless we are asked to.

A.R.C. and Consultant Fees

44. 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 we found traces of only 3 of these cheques.

We notice strange facts in this file and feel we 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 requisitions form # 046637 with the same date, indicating: *Fisheries Construction on Commercial Fisheries.*
 - 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 , 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 requisitions form # 100290 with the same date, indicating: *As per contract \$20,793.00.*
45. For the other consultant's fees, we had difficulties to obtain the computer data and the documentation (files – invoices - etc.). (New system)

Infrastructure Incomplete – Building expense

46. 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.
47. Concerning the other projects (Training Centre, Police Station Construction, etc.) we did not, for the moment start any investigation except reading some preliminary papers.

Personal Settlements

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

Travel Claims – Expense Accounts

49. 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

50. Considering each of the foregoing conclusions we will pursue, if duly authorized, our investigation only in the cases of the **Purchases of Vessels, Aboriginal Resource Consultants (A.R.C.) and Indian Lake Project.**
51. Perhaps the Nova Scotia deal at \$3.05 per pound should be looked at more closely because rumours allude to the fact that other Mi'gmaq Governments are getting \$3.25 per pound.

VI Findings

Auditors' Reports / Financial Statements

52. 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:

a) First, it illustrates a certain degree of confidence considering that for the aforementioned years it was the same chartered accountant firm which prepared the financial statements.

b) Year ended March 31, 1999 : (rounded-off numbers)

- 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

c) Year ended March 31, 2000 : (rounded-off numbers)

- 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)

d) Year ended March 31, 2001 : (rounded-off numbers)

- 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)

e) Year ended March 31, 2002 : (rounded-off numbers)

- Increased Assets : _ \$4.8 million (page 2)

- Increased Liabilities : _ \$2.3 million (page 2)
- Deficit, end of year : _ \$3,3 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)

f) Year ended March 31, 2003 : (rounded-off numbers)

- Increased Assets : _ \$5.2 million (page 2)
- Increased Liabilities : _ \$5.9 million (page 2)

- 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)
- 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)

g) Year ended March 31, 2004 : (rounded-off numbers)

- 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

53. As noted previously in this report at Summary of Findings/Conclusions (p. 15, par. 35), the complete audit recommendations report of July 2003 is transferred to the next pages:

Two Fishing Vessel Survey Reports

54. As mentioned (page 16, paragraph 41), we received information from many sources that the LMG may have been a fraud victim when buying vessels. You will find hereafter:

- A resume of the survey reports completed November 4, 2002 for the vessels named ***GESIGEWEL GLOQOWEJ*** and ***LISTUGUJ GESITEITAGN*** ;
- 5 photos (taken 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

55 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.

56. 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 Vessels: **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.

57. 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.

Indian Lake Project

58. As noted previously in this preliminary report (pages 17 and 18); we should go further in this project. It is not normal that it cost more than \$1.2 million only to make the building foundations as shown in the two following photos.

Other Photos of Incomplete Infrastructures

Police Station Construction

Community Hall

LISTUGUJ MI'GMAQ GOVERNMENT
FORENSIC INVESTIGATION
PRELIMINARY REPORT

APPENDICES

1. Mandate - Order-In-Council, no: 1509

2. Priority Investigation List
3. Claude Baron - Résumé
4. Kenneth Hilt - Résumé
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 the year ended March 31, 2004
18. Fisheries Agreement - Index for the 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 LMG against Canadian Ocean Products & Roméo Cormier
28. GESIGWEI GLOQOWEJ - Fishing Vessel Survey Report
29. LISTUGUJ GESITEITAGN - Fishing Vessel Survey Report