



Lubicon Lake Band Cree Development Corporation Forensic Analysis

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Background to Review

In 2013, the new Chief and Council, with the support of the Kee Tas Kee Now Tribal Council sought to understand current and historical operations, transactions, assets, and liabilities of Cree Development Corporation of Alberta (“CDC”).

CDC is a federally registered non-profit corporation that carries on economic development activities for the benefit of the Lubicon Lake Band (“LLB”) and community.

MNP has been advised that the CDC is constitutionally tied to the Lubicon Lake First Nation, and as such, Councillors and the Chief share responsibility for its oversight.

Directors

Corporate registry searches indicate that CDC was federally registered in 1982, and registered in Alberta in 2001. It appears that CDC was struck from the Alberta corporate registry for failing to file its annual returns from 2005 to 2009, and was reinstated May 14, 2009.

Margaret Whitehead is listed as primary attorney/administrator on Alberta Corporate Registry documents.

The following people are listed as Directors of CDC per the Alberta Corporate Registry and Federal Corporate Registry (all spellings are those from the Registries):

Alberta Corporate Registry (last updated April 2013)	Federal Corporate Registry
Bernard Ominayak	Bernard Omirayak
Bryan Laboucan	Bryan Lebauean
Alphonse Ominayak	Alphonse Ominayak
Walter Whitehead	Walter Whitehead

Scope of Engagement

MNP was advised that a February 2013 election by the Lubicon Lake Band membership resulted in a duly elected Chief and Council and that those election results were acknowledged by the Governments of both Canada and Alberta.

MNP was engaged to examine available financial and other information, and to prepare this report with respect to the operational transactions of CDC, as well as any identifiable assets and liabilities, and revenue sources.

The period to be examined was contingent upon accessible and available information and was anticipated to include the current financial year as well as historical financial years, up to a maximum of seven. MNP has been provided with historical financial transactions to examine, for the period of March 1, 2006 to February 28, 2012.

Scope of Engagement

Documentation provided to MNP was limited to certain:

- ✓ Bank statements
- ✓ Negotiated cheques
- ✓ Customer and vendor confirmations

MNP was not provided with, nor has it been made aware of, any other records or documents.

Scope of Engagement

MNP performed the following procedures to undertake its analysis of the documents provided to it by Chief and Council, and from the Royal Bank of Canada upon request from the Chief:

- ✓ Examination and analysis of over 4,700 cheques and over 8,000 bank account transactions
- ✓ Request, obtain, and review third-party confirmations regarding payments between 28 customers or vendors and CDC and LLB

MNP's findings are solely and strictly limited to an examination of the above-noted documents. The receipt of additional information may significantly influence our findings.

Summary of Findings

Volume and Magnitude of Transactions

Over the period of March 1, 2006 to February 28, 2012 there were 8,007 transactions conducted by CDC of which MNP was made aware. These transactions are summarized as follows:

Opening balance on March 1, 2006	72,742.08
Deposits	27,456,496.55
<hr/>	<hr/>
Total Funds Available	27,529,238.63
Withdrawals, payments and other outflows	27,529,238.63
<hr/>	<hr/>
Closing balance on February 28, 2012	-

The above transactions occurred in Royal Bank of Canada account 111-255-6 which was opened in the name of “Lubicon Lake Nation Cree Development Corporation”. This is the only account in the name of CDC of which we have been made aware.

Summary of Findings

Volume and Magnitude of Transactions

The documents provided to MNP show 6,875 payments by cheque and three payments by certified cheque made during the period of March 1, 2006 to February 28, 2012, summarized as follows:

Description	Amount
Known payees (74%)	20,324,929
Indeterminate payees (26%)	7,204,310
Total payments	27,529,239

“Indeterminate” indicates payments for which we can see the amount and timing on the bank statement but we have no information regarding the recipient.

Summary of Findings

Volume and Magnitude of Transactions

Transactions in CDC's bank account are summarized by year and the amount of known versus indeterminate payments in the following table:

Year	Deposits	Total Payments	Known Payments		Indeterminate Payments	
	\$	\$	\$	%	\$	%
2006	3,590,078.20	3,723,342.80	1,047,488.77	28%	2,675,854.03	72%
2007	7,152,908.89	7,099,429.40	4,181,321.24	59%	2,918,108.16	41%
2008	12,084,390.77	12,076,465.08	11,167,207.00	92%	909,258.08	8%
2009	4,624,490.53	4,623,119.05	3,928,911.87	85%	694,207.18	15%
2010	1,500.00	3,045.92	-	0%	3,045.92	100%
2011	1,240.78	3,513.38	-	0%	3,513.38	100%
2012	1,887.38	323.00	-	0%	323.00	100%
Total	27,456,496.55	27,529,238.63	20,324,928.88		7,204,309.75	

An average of 95 cheques were issued each month over the 72 months of March 1, 2006 to February 28, 2012.

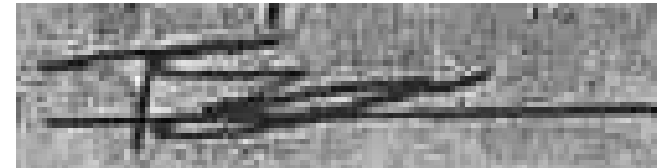
Summary of Findings

Volume and Magnitude of Transactions

The 4,738 cheques examined by MNP all contained two signatory lines. There were 49 instances where one signature line was blank. We reviewed the signatures on every cheque, which are summarized as follows:

Signatory	Count
Unknown	4,713
Walter Whitehead	3,489
Dwight Gladue	1,073
Larry Ominayak	152

“Unknown” represents the following signature:

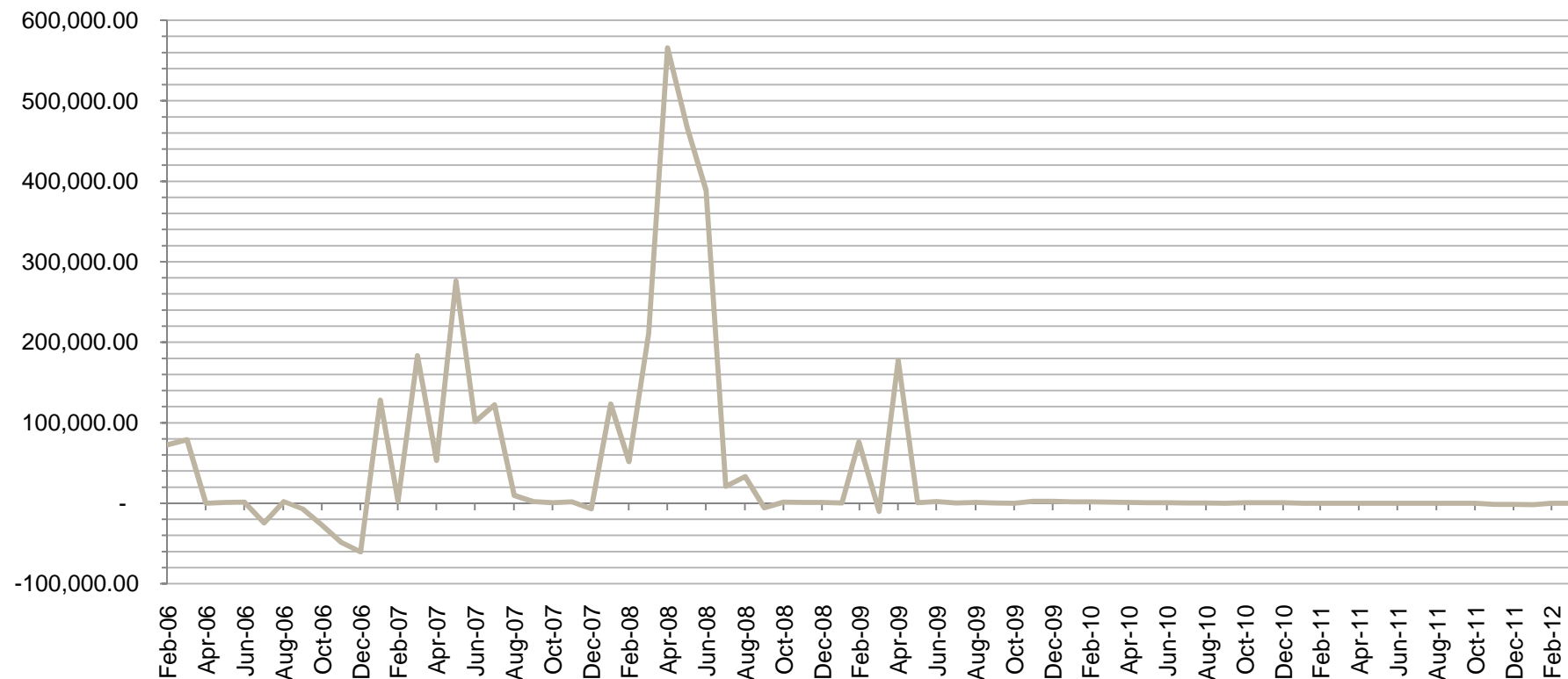


This table indicates the names that appear to have been signed; however, we have not directly verified the signatures with each individual.

Dwight Gladue and Larry Ominayak were not identified Directors of CDC during the period of review.

Summary of Findings

Graph of CDC Bank Balance over Time



The bulk of transactions occurred during the years 2006 to 2009. The account became effectively dormant around September 2009.

Summary of Findings

Analysis of CDC Bank Account Activity

The RBC bank account examined by MNP saw a great deal of activity over the years of 2006 to 2009. However, beginning in 2010, through to February 28, 2012, the bank account was largely inactive, with transactions during that period predominantly relating to loans and bank fees with very few cheques written. We have no information to indicate the purpose of the loan(s).

No documentation was provided to MNP to show whether the banking activities of CDC occurred through an alternative banking account during the period 2006 through 2014, accordingly MNP cannot provide any additional comments beyond those with respect to this one bank account.

Summary of Findings

Payments to Directors

MNP noted that certain payments from the RBC bank account appear to have been made to Directors of CDC and its stated Administrator during the period from 2006 through 2009. MNP was provided with no information with respect to the purpose of these payments, as the “Memo” line on each cheque written during this period was left blank.

A total of **\$2,776,565** was paid to individuals who served as Directors of CDC during the period of 2006 to 2009. The following table summarizes payments by calendar year:

Date	Alphonse Ominayak	Bernard Ominayak	Bryan Laboucan	Margaret Whitehead	Walter Whitehead	Grand Total
2006	-	106,156	-	126,437	-	232,593
2007	12,292	495,964	43,131	196,867	36,155	784,409
2008	31,365	662,425	112,808	384,670	106,316	1,297,584
2009	500	252,009	47,551	136,279	25,640	461,979
Grand Total	44,157	1,516,554	203,490	844,253	168,111	2,776,565

Summary of Findings

Payments to Directors

Payments to Directors could represent any of the following reasons for payments, or a combination thereof:

- Salaries or wages
- Directors fees
- Honourariums
- Reimbursement of business expenses
- Travel expenses
- Sale of assets to CDC
- Personal service contracts

Summary of Findings

Payments to Alphonse Ominayak by Month

- Alphonse Ominayak received 25 payments over the period May 2007 to April 2009.
- MNP has not interviewed Alphonse Ominayak.

Date	Amount
2007	
May	800.00
Jul	1,500.00
Aug	1,760.15
Sep	514.65
Oct	800.00
Nov	3,087.08
Dec	3,829.80
2007 Total	12,291.68
2008	
Jan	2,312.20
Feb	200.00
Mar	16,468.88
Apr	7,026.30
May	3,577.60
Jun	200.00
Jul	1,000.00
Nov	580.05
2008 Total	31,365.03
2009	
Apr	500.00
2009 Total	500.00
Grand Total	44,156.71

Summary of Findings

Payments to Bernard Ominayak by Month

- Bernard Ominayak received 99 payments over the period April 2006 to June 2009.
- On May 16, 2008, Bernard Ominayak was issued cheque 773 in the amount of \$200,000. This was the largest single payment identified as being made to a CDC Director from the CDC bank account.
- MNP has not interviewed Bernard Ominayak.

Date	Amount
2006	
Apr	5,200.00
May	1,608.79
Jul	4,300.00
Aug	10,869.10
Sep	4,121.56
Oct	29,915.29
Nov	8,447.64
Dec	41,693.38
2006 Total	106,155.76
2007	
Jan	58,126.45
Feb	15,497.60
Mar	67,426.40
Apr	24,000.00
May	59,068.45
Jun	32,500.00
Jul	38,999.20
Aug	52,300.00
Sep	23,373.20
Oct	65,872.40
Nov	21,373.20
Dec	37,426.72
2007 Total	495,963.62

Date	Amount
2008	
Jan	79,518.91
Feb	44,954.50
Mar	57,149.12
Apr	44,991.70
May	236,000.00
Sep	46,403.10
Oct	63,000.00
Nov	65,907.70
Dec	24,500.00
2008 Total	662,425.03
2009	
Jan	61,841.01
Feb	73,918.35
Mar	50,000.00
Apr	57,950.00
Jun	8,300.00
2009 Total	252,009.36
Grand Total	1,516,553.77

Summary of Findings

Payments to Bryan Laboucan by Month

- Bryan Laboucan received 110 payments over the period April 2007 to June 2009.
- MNP has not interviewed Bryan Laboucan.

Date	Amount
2007	
Apr	1,000.00
May	1,200.00
Jul	8,502.17
Aug	6,112.78
Sep	10,059.80
Oct	3,435.45
Nov	7,057.30
Dec	5,763.60
2007 Total	43,131.10
2008	
Jan	6,531.40
Feb	9,073.53
Mar	22,193.34
Apr	7,777.66
May	5,671.67
Jun	8,016.09
Jul	7,986.95
Aug	6,729.07
Sep	7,752.77
Oct	11,697.35
Nov	4,948.96
Dec	14,428.73
2008 Total	112,807.52

Date	Amount
2009	
Jan	2,868.34
Feb	9,914.66
Mar	15,237.23
Apr	9,549.31
May	4,812.60
Jun	5,169.21
2009 Total	47,551.35
Grand Total	203,489.97

Summary of Findings

Payments to Margaret Whitehead by Month

- Margaret Whitehead received 363 payments over the period March 2006 to June 2009.
- These payments occurred over a period of 693 days, representing an average of one cheque every two days.
- MNP has not interviewed Margaret Whitehead.

Date	Amount
2006	
Mar	1,438.50
Apr	8,317.10
May	6,873.86
Jun	10,120.28
Jul	20,318.19
Aug	14,354.83
Sep	8,750.94
Oct	14,579.88
Nov	23,867.23
Dec	17,816.37
2006 Total	126,437.18
2007	
Jan	25,260.14
Feb	21,414.56
Mar	24,839.52
Apr	11,386.40
May	11,915.10
Jun	19,612.14
Jul	14,485.29
Aug	9,292.80
Sep	12,452.98
Oct	13,345.22
Nov	15,538.23
Dec	17,324.25
2007 Total	196,866.63

Date	Amount
2008	
Jan	14,801.41
Feb	31,929.77
Mar	41,866.86
Apr	27,910.35
May	32,606.24
Jun	40,321.50
Jul	43,663.07
Aug	30,016.87
Sep	27,826.42
Oct	35,412.90
Nov	29,348.10
Dec	28,966.90
2008 Total	384,670.39
2009	
Jan	26,066.96
Feb	16,661.46
Mar	40,546.65
Apr	33,521.78
May	13,215.05
Jun	6,267.27
2009 Total	136,279.17
Grand Total	844,253.37

Summary of Findings

Payments to Walter Whitehead by Month

- Walter Whitehead received 69 payments over the period March 2006 to November 2006.
- MNP has not interviewed Walter Whitehead.

Date	Amount
2007	
Apr	1,000.00
May	1,400.00
Jul	1,782.40
Aug	7,108.42
Sep	6,744.70
Oct	6,821.30
Nov	3,500.00
Dec	7,797.90
2007 Total	36,154.72
2008	
Jan	9,912.80
Feb	15,139.84
Mar	5,409.54
Apr	1,100.00
May	2,300.00
Jun	11,458.83
Jul	4,310.04
Aug	19,186.82
Sep	8,081.32
Oct	7,720.07
Nov	5,089.54
Dec	16,607.63
2008 Total	106,316.43

2009	
Feb	7,503.81
Mar	8,303.79
Apr	5,332.53
May	3,300.00
Jun	1,200.00
2009 Total	25,640.13
Grand Total	168,111.28

Summary of Findings

Credit Card Payments

- Included in payments from this bank account are payments on multiple credit cards. The following table summarizes these payments:

Credit Card	Payments
T.D Visa	263,166.24
Royal Bank Visa	121,469.73
CIBC Visa Gold	120,385.61
Amex Bank of Canada	146,421.80
GM Visa	98,795.46
Scotia Visa	84,255.36
MBNA M/C	64,900.70
Capital One M/C	78,019.05
Scotia Gold	48,308.62
Bank of Montreal MC	7,000.00
Scotia Classic	3,305.34
Sears MC	1,500.00
Total	1,037,527.91

Summary of Findings

Credit Card Payments

- MNP was not provided with the associated credit card statements to determine whose name(s) the cards were held in, who used these cards, nor the purpose of multiple credit cards.
- MNP was not provided with any information with respect to what policies or controls governed the use of these credit cards, nor was any information provided with respect to the purchases made with the credit cards.
- A total of at least \$1,037,527 was spent on credit cards for indeterminate purposes.

Summary of Findings

Payments to Other Parties

- Payments to all parties, who were not identified to MNP as Directors of CDC, total **\$17,548,364** paid to 477 different parties.
- **Appendix A** contains a detailed listing of these payees, including Councillors.
- Only negotiated cheques were available for review. Accounting and business records were not available to review to determine the purpose of these payments.

Summary of Findings

Payments by Category

- MNP summarized each payment into broad categories according to the primary business function of the recipient.
- 21 payment categories covering a broad spectrum of payees were identified for a total of **\$17,548,364** in payments.
- Payments to individuals comprised the largest component of the expenses with **\$5,819,123**.
- The table on the following slide shows all amounts by category.

Summary of Findings

Payments by Category

- “Unclassified” represents payees whose names we could not identify or determine the primary purpose.

Payment Category	Amount
Individuals	5,819,122.66
Contracting Services	4,056,910.44
Financial Institutions & Credit Card Compa	1,468,719.30
Automotive	1,179,179.50
Vendors	1,166,198.19
Transfers to Lubicon Accounts	892,568.66
Trucking	602,542.59
Agriculture	538,274.19
Government Programs & Departments	394,591.60
Consulting	317,068.00
Insurance	272,516.28
Unclassified	220,943.23
Safety & Medical	126,933.22
Petroleum & Gasoline	124,408.24
Communications & Telecommunications	96,588.05
Groceries	76,936.35
Utilities	73,447.16
Funeral Homes	55,009.00
Logging	47,753.25
Accounting	17,133.87
Numbered Companies	1,520.00
Total	17,548,363.78

Summary of Findings

Payments to Other Parties

Confirmation letters were sent to payees who may have sold assets to CDC, such as automotive dealerships.

Six parties responded to our requests for information, confirming \$208,007 in payments from CDC or LLB or Lubicon Lake Nation (“LLN”) were for insurance, parts, maintenance, and excavation.

MNP was unable to confirm the existence of current assets or liabilities of CDC via direct confirmation or public information sources.

In the absence of business, operational, or accounting records to review, we cannot provide further clarity on the purpose of payments detailed on **Appendix A**.

Summary of Findings

Confirmations of Revenue

- MNP sent letters to 8 potential CDC customers to confirm the amount of payments they made to LLB, LLN, or CDC. These payments would represent revenues for LLB, LLN, and CDC.
- Letters were sent to the following companies:
 - ATCO Group
 - Clean Harbors Environmental Services, Inc.
 - Harvest Operations Corp.
 - Mancal Energy Inc.
 - Penn West Exploration
 - Plains Midstream Canada
 - Shell Canada Limited
 - Storm Resources Ltd.

Summary of Findings

Confirmations of Revenue

Responses were received from 5 of the companies who confirmed the following payments:

Customer	Payments to CDC	Payments to LLB	Payments to LLN	Total Payments
ATCO Group	-	-	-	-
Clean Harbors	-	206,165	-	206,165
Harvest Operations	1,751,272	1,000	2,375,403	4,127,675
Mancal Energy	1,937,704	8,350	-	1,946,054
Storm Resources	-	-	-	-
Total	3,688,976	215,515	2,375,403	6,279,894

Summary of Findings

Confirmations of Revenue

- Payments confirmed by the companies occurred over the period January 2000 to February 2014. The years 2000-2006 and 2013-2014 were not captured in our analysis of bank transactions. Payments in those timeframes have not been reconciled with transactions in the bank account.
- **\$2,090,634** in payments from customers MNP contacted were matched to deposits in CDC's bank account. The remaining **\$4,189,260** were not be matched to deposits to this account, and could represent additional sources of funds for CDC – over and above known deposits - because:
 - deposits to the bank accounts could have been commingled with other deposits on the same day; and/or
 - amounts were deposited to an account not included in MNP's analysis, such as an account in the name of LLB or LLN; and/or
 - The deposit took place outside of the time frame of our analysis.
- MNP was not provided with a copy of the CDC deposit book.

Summary of Findings

Loan Transactions

- The following table summarizes transactions that appear to have related to loans:

Transaction Description	Funds In	Funds Out	Net Funds In (Out)
Loan Credit	2,850,000.00	(27,500.00)	2,822,500.00
Loan Payment	-	(2,778,941.75)	(2,778,941.75)
Total	2,850,000.00	(2,806,441.75)	43,558.25

- MNP was not provided with any information related to the acquisition of any loans, the associated terms and conditions, or the purpose of the loan(s).
- Based on the transactions captured in the period of review, the net activity results in \$43,558 of loan proceeds that do not appear to have been repaid as of February 28, 2012. Interest payments have not been contemplated here as the terms of the loan are unknown.

Next Steps

To understand further CDC's operational and financial history, the following steps should be undertaken:

- Interviews of current and former Directors and employees of CDC
- Examination of CDC's deposit book for RBC Account 111-255-6 from 2006 to 2012
- Examination of banking transactions of other CDC accounts, if any, during the period 2006 to 2012
- Review of accounting records of CDC, if they exist, and discussions with former/current accountants and bookkeepers
- Examination of operational and business records of CDC, if they exist and can be located from discussions with employees and Directors

Recommendations

Financial Reporting

- More thorough and organized accounting record keeping should be developed to assist in the audit of annual financial statements.
- Biannual reports on the financial and operational activities of CDC should be provided to the membership of Lubicon Lake Band.
- There should be division between the Board of Directors for CDC and the Chief and Council of Lubicon Lake Band. This results in a distinct Board that is responsible to the Chief and Council but does not allow the same individuals to have a position or management and/or oversight in both entities.

Restrictions and Limitations

- This Report was prepared for Roddick Law Office on behalf of the Lubicon Lake Band in relation to a review of Cree Development Corporation's financial activities for the years 2006 to 2012.
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