



# WUSKWI SIPIHK FIRST NATION

July 10, 2012

Sylvie Lecompte  
Director  
Assessment and Investigation Services Branch  
Aboriginal and Northern Development Canada

**RE: Wuskwi Sipiik First Nation Forensic Audit Report**

Dear Ms. Lecompte:

We are in receipt of your report on the forensic audit that Wuskwi Sipiik First Nation Chief and Council requested your department complete in November of 2010.

Let us start with how deeply saddened, disgusted and disappointed we are in your findings and the lack of initiative you and your department have taken in resolving these issues and assisting our community in seeking justice for the people involved in this issue.

Why was KPMG requested to **only** review the spending for multi-plex and the economic development programs?

We provided you with a copy of the cheque in the amount of \$ 429,000.00 that the former Chief Michael "Joseph" Flett gave to his cousin Deewatt Delaronde who left and disappeared.

We provided you with forged BCR's and BCR's that did not have the required signatures to make quorum thus making the document not illegal.

We provided you with receipts for the purchase of a 2009 Chevy 4x4 ½ ton truck by the First Nation, that was later sold by Chief Flett at election time October 2012 the money and truck disappeared not accounted for and he did not win another term.

We provided you with documentation on the TD Visa card that the Chief Flett got in the First Nation's name, the limit was \$ 5000.00 per month which Chief Flett maxed out every month in addition to his honoraria and travel from the First Nation.

We provided you with a contract for Greaton Consulting where this person was paid \$ 38,000.00 to write a proposal. The contract was signed by the Chief only, no quorum. Pretty pricey for a proposal, (we are all in the wrong business I guess).

We provided you with a contract for MSF Consulting where two amounts were given, one for \$ 8,500.00 the other for \$15,000.00 again no work done and a contract signed only by the Chief no quorum. The economic development contact person at the WPG AANDC office also made comments at the obscene price for this proposal.

We provided you with documentation showing where the former Chief requested a cheque from the finance department for \$ 10,000.00 to be made out to Powell Motors in Swan River for the deposit on a purchase of a cargo van that the First Nation does not own and never owned, further investigation into this matter resulted in the findings that the Chief Flett walked in and put this money on his own personal account at the dealership, **what will happen with this?**

We provided you with contracts that the community is now being sued for, these contracts again did not have the quorum of signatures to make it legal.

We provided you with information on another contractor Mr. Gary Torfason who was paid out a total of \$ 85,001.08 without a contract who "supposedly" did the work on the multi-plex that Mr. Delaronde had already been paid for, how did this factor in to multi-plex spending? Is this added to the cost overrun?

We provided you with copies of BCR's that were completed and acted on that had two signatures instead of the quorum of three which is required.

We provided you with entire invoices for a seven unit multi-plex housing project, as well as the eight unit project and many invoices that were not signed on delivery by anyone, these included power tools that any credible contractor would already own.

We provided you with copies of the proposals that were completed; the money was received by the First Nation from your department and spent on what? No one knows and now we are told it will be clawed back, \$ 55,000.00 for the storage shed at the highway that we already owned??? And the

\$ 38,250.00 for Steeprock Lake development that never occurred.

In total the money missing and mismanaged is easily one million dollars yet no one in your department seems to care, your “management” letter tells us nothing that we didn’t already tell your department and KPMG when we requested a forensic audit be done 18 months ago.

Your department sure came down hard on Chief Glen Hudson for his salary of “more than what the Prime Minister receives”, we have quadruple that amount that is gone and yet you have no interest. We are sure the Canadian tax payers have an interest in this.

### **General Findings**

Your letter discusses “various control weaknesses”, we have controls in place but when a Chief comes in and tells a staff member to do something they do it. The poor segregation of signing authorities, lack of policies, limited internal controls and the general breakdown of governance you discuss, we are all aware of which is why we reported it. We are all aware that the former Chief intimidated the staff and fired many without just cause or a letter; he just walked in and said you, you and you are gone. It is the current Chief and Council who had to sort out all of the Labour Board cases in the mess he left behind. We had to settle out of court in these cases or we would have paid a lot more money, again our negotiations assisted us with this area, but we did end up paying regardless.

**Your department offers no solution or support only reiterates what we have already reported to you. How is this helpful? How can we ensure this will not happen again and why is your department not pursuing criminal charges against these people for theft at the very least?**

### **Findings Specific to Housing Program: Elder’s Complex**

Again your response is vague and tells us what we already knew, which is why we requested an audit.

You say DWD Construction was the project manager (owner Deewatt Delaronde-former Chief’s cousin whom the \$ 429,000.00 cheque was given to) well wouldn’t this person need a signed contract by the band to make this legal? There is no signed contract for this project, the project was not completed and we had to hire in more contractors to correct the deficiencies and we had to settle out a lawsuit by one of the electricians who failed to complete the work and was suing us. You mention that \$ 72,000 was advanced for the purchase of shovels, sledge hammers, saws and equipment that a contractor should already have. Once again, we know all this, what is the solution? Is the department going to allow this money to be used in this manner with no repercussions? What is that telling the future people who want to run for leadership and do this type of thing? It is telling them to do it, they will get away with it, because the department and the government do not care that the tax payers of Canada are flipping the bill and they are allowing this. It is telling the tax payers of Canada that although this current Chief and Council came forward to set the record straight and go after the people that stole and mismanaged

government money, that these people seeking justice wasted their time and the time of many others waiting for 18 month for a 5 page "management "letter to come in the mail with no resolutions or assistance to the community. How much of the tax payers money was used to pay for the management letter? Advise.

You admit to the cost overruns but fail to discuss the generator that the First Nation paid for (Deewatt Delaronde signature on invoice for pick-up), you fail to discuss that the First Nation paid for the repairs to the same generator, was charged rent by Delaronde for the use of the generator and then he left the community with the generator, this constitutes theft over \$ 5000.00 alone. You state no further work is required, so the First Nation just takes the fall from its programs to correct the theft and mismanagement of funds of the former Chief and Council? Are we correct on this? Is this accountability to the tax payers of Canada to you and your department?

**What is your department prepared to do about the above issues and concerns? Advise.**

#### **Findings Specific to Housing Program: Antler Corner-8 Unit Project**

What is being done about the Regional Director of Manitoba who sent the letter approving the ministerial loan guarantee on non-reserve land? What is her connection to this? Advise.

Another house was built here known as the John Birch house; he was hired without a contract and informed us that he was hired by Dennis Pashe. Mr. Birch put a lien on the property and sued us for \$63,000.00; we have settled with him out of court but will be paying him and legal fees. The First Nation proceeded to build at Antler Corner because they had approval from the RGD who had no authority to issue a ministerial loan guarantee to build on land that had no "reserve" status. How will the community be compensated? Advise.

**Who will assist the band with the legal fees and costs incurred for this?**

CMHC has completed their investigation into the \$ 429,000.00 cheque to Mr. Delaronde and have forwarded this on to the RCMP who have in turn forwarded on to the Crown Attorney's office. I would expect your department would know all this since you are involved but according to your letter, it appears no one from your office even bothered to get the details from CMHC.

We are aware of who the contractor was for this project, this man was given a contract for over one million dollars to build 8 homes in the community and the band was charged for the materials, security, machinery and every detail on the homes that are sitting and rotting at 40% complete, the majority of the advance \$ 429,000.00 was given to Delaronde who as we stated and your audit has confirmed had nothing to do with the project, once again, we already knew this. No one from CMHC came out to check on the build site although members reported directly to them that the houses were not being built on reserve land. When CMHC finally figured this out, the former Chief advised that they had changed the

site to the reserve land by the village of Novra, again no one from CMHC came and did a site check. They released the advance with no evidence of the proper build site, of that \$ 576,000.00 advance, \$ 429,000.00 was given to Deewatt Delaronde for what? No one knows and AANDC obviously does not care either. No houses stand at the Novra site, no evidence that this was ever to occur.

Max Kematch, the contractor for this project approached the current Chief and Council at the onset of their term requesting that the First Nation sponsor him to attend a carpentry course. Does this sound like a credible carpenter to you? We have third parties Flett, Delaronde and Kematch into the lawsuit for which the First Nation is being sued by the Minish Group (owners of Northern Specialties/Northern Rentals). Part of this lawsuit is in regards to a line of credit that the former Chief was the underwriter for Kematch in the amount of \$ 100,000.00. Why would a credible contractor require this? Secondly, what is your department prepared to do about this as the Chief did sign this alone without a quorum, so again this contract is not legal. This lawsuit before court costs is just over the \$300,000.00 mark. You encourage us in your letter that "proper controls are in place so that AANDC funds are not used to pay expenses relating to these lawsuits". This statement is totally ridiculous and contradicts everything that AANDC is supposed to be doing to assist First Nations in this country. Where do you think this money is going to come from? We are fighting this case and our hope is that the worst case scenario will be that whatever the judgement against the First Nation turns out to be will be split 4 ways. That is our only recourse other than making payments on materials, tools and supplies some of which the First Nation never received. Are you recommending that we pay in pieces until we are done and add on another \$100,000.00 in interest or that we proceed with the least amount of impact to the First Nation as possible? Either way, it is coming from AANDC funding, there is no other money.

You further discuss in your recommendations that "there was a significant co-mingling of funds in the WSFN general account", again we knew this and reported it to your department. You recommend an "appropriate accounting and reporting process be put in place". Well it always was in place until the former Chief & Council changed it and lumped all the accounts together to make it harder to trace where the dollars came from and where they were going to.

**What is your department's solution for this? You have not provided us with any helpful information and have only relayed back to us what we already knew and reported to you. Is this your idea of accountability?**

You further suggest that "WSFN develop written by-laws, policies and procedures on the management of its finances". We can develop one thousand policies but if a new Chief and Council come in they can change them all or not adhere to any of them. Again, how does this help our First Nation?

You discuss the forged BCR's that were located later on in the audit and encourage us to speak to the RCMP, your department and KPMG are aware that we went straight to the police in the beginning and were told by them that they had to get instructions by your department to proceed, now you are telling us that we have this power? Well which is it? Advise.

Your last recommendation is the biggest disappointment of all, “it is recommended that WSFN ensure that qualified contractors are retained to perform work on any capitol projects. Poor quality workmanship can result in delays and serious cost overruns”. **Once again, we know this, we reported it to you! WHAT IS TO PREVENT THIS FROM HAPPENING AGAIN?**

The reason that the former Chief stayed in as Chief was because of your legislation on Election Appeals, two people came forward with sworn affidavits advising your department that the Chief at that time had purchased their mail in ballots from them, this was sent to your department whose legislation instructs your staff to write a letter to all of the people who ran in the election and disclose the names of the complainants to all who ran in the election. These two people shared with us that they and their children’s lives were threatened and so by the time the investigator started their investigation they had to change their story based on the fear and intimidation for themselves and their families. Had your departments legislation protected the identities at least until the interviews were completed, this man would have been forced out of office and a re-election would have commenced. Why is it that the legislation allows for mail out ballots for members who reside 2 kilometers away from the reserve but have a mail box in the town 20 minutes away? This is not the policy for provincial and federal elections and this policy allows for members who have substance abuse and poverty issues to sell their mail pout ballots to the highest bidder. Has anyone in your department thought about this and the impact it has on First Nations?

To summarize, AANDC legislation regarding mail out ballots in election and your lack of controls on election appeals are the reason that this Chief was allowed to remain in office even after witnesses came forward.

A new Chief and Council gets elected and all of this theft and mismanagement is brought to their attention, they immediately act on it, inform the department, RCMP and demand a forensic audit be completed. We were also encouraged to do so by your representative Ms. Chantal Dunn who we hoped would have been assigned this file but was not. The new Chief and Council have settled out 7 lawsuits against the band, have laid off staff and cut back on travel and every other area that could be cut to help the band come out of this mess, and your response is a surface letter telling us everything we already knew with no resolutions or support to the First Nation? Really? Is this what we can expect from your department? Then what is your department for exactly? Give us our annual allotment, burn the Indian Act, lay yourselves off and we will govern ourselves, then when a Chief gets in and destroys a community, it can go bankrupt like any other business in this country! What kind of sick joke is this?

Finally, you write the Regional Director and suggest that “you may wish to take steps to review the financial situation and the governance at the First Nation with a view to assessing the risk to program funding and to provide support to the First Nation in their implementation of management controls”. **Half of our money issues are a direct result of the Regional Director’s letter to the former Chief giving**


him authorization to build on land that they had no authority to build on as it is not reserve land!  
What is being done about this?

What we want is for AANDC to assist us financially and forgive some of the money that we "owe" the department in the form of proposals that were never followed through by the former leadership. One of these proposals was for \$38, 250.00 that was approved for work at the Steeprock Lake land site that was never completed; the other is \$ 55,000.00 for the storage shed that we already owned. They submitted the proposals, received the money and spent it without doing any of the work they promised to do, go after these people individually and sue them civilly, why do we and the tax payers have to pay for this, why do the children and families have to pay? Why are you allowing the corruption of others to take food from the mouths of our children? This former Chief is not from our community, he is not a band member yet he can run for office, buying votes and the bureaucracy of your department allows this to happen and even when it is reported does nothing about it? Something is very wrong in the way this is running, people go to jail for less theft charges than this but yet your department is doing nothing! Is this accountability?

Our legal advisor has explained to us that a forensic audit should provide the detail/background of who took what, how and when. The auditor's job should be to sift through the cheques, bank statements, invoices and other records and verify to the extent possible and reasonable what in fact transpired. It is on this basis that the RCMP can choose whether or not criminal conduct has occurred and whether or not to pursue charges. The RCMP are not equipped to investigate nor to draw inferences from the financial and factual information garnered from the audit. If the forensic audit does not answer those questions, then what was the purpose of the audit? Why is it even called an audit? We demand a copy of the full forensic audit that KPMG completed for our First Nation immediately!

What we want is for your department to do something to assist us with pursuing these lawsuits and defending our community. What we want is for AANDC to seek the justice that we are seeking for our community, our people, our future and the tax payers of Canada! We have done everything that is right to correct this situation and based on your response without any support from your department and this government!

Seeking justice;

  
Chief Derek Audy

  
Councillor Nathan Kematch

  
Councillor Francis Stevens

  
Councillor Lori O'Neill

Quorum 3

Xc: Grand Chief Shawn Atleo, Assembly of First Nations  
Grand Chief Derek Nepinak, Assembly of Manitoba Chiefs  
Grand Chief David Harper, Manitoba Keewatinowi Okimakinak  
Grand Chief Michael Constant, Swampy Cree Tribal Council  
Prime Minister Stephen Harper  
Minister John Duncan  
Her Majesty The Queen Elizabeth II  
Collin Craig, Canadian Tax Payers Federation