
**DEPARTMENT OF PUBLIC
SAFETY CANADA**

**Report on the Forensic Audit of
Funding Under Contribution
Agreements with the Mohawk
Council of Kanesatake during
the Period April 1, 2003 to
March 31, 2005**

April 28, 2008

DEPARTMENT OF PUBLIC SAFETY CANADA

Report on the Forensic Audit of Funding Under Contribution Agreements with the Mohawk Council of Kanesatake during the Period April 1, 2003 to March 31, 2005

CONTENTS

1.0	INTRODUCTION.....	1
1.1	Retainer of Navigant Consulting.....	1
1.2	Scope of this Report & Restriction on Its Use	2
1.3	Statement of Qualifications	2
1.4	Terms & Acronyms.....	2
2.0	BACKGROUND	3
2.1	Contribution Agreements.....	3
2.2	The Parties.....	4
2.3	Selected Events Relevant to Our Review.....	10
3.0	SUMMARY OF FINDINGS.....	14
3.1	Public Safety and Related INAC Decision-making Process.....	14
3.2	Eligibility of Expenditures Under the Agreements	17
3.3	Accounting of KMP Weapons.....	18
3.4	Accounting of KMP Vehicles	18
3.5	The Mohawk Coalition.....	19
3.6	Expenses Outside of Policing Budgets, But Related to Events of January 2004	20

3.7	Policing Program Compliance	20
4.0	SCOPE OF REVIEW	21
4.1	Information Relied Upon.....	21
4.2	Scope Limitation.....	22
5.0	CONTRIBUTION AGREEMENTS.....	23
5.1	2003/2004 Tripartite Agreement.....	23
5.2	2004/2008 Tripartite Agreement.....	24
5.3	Extraordinary Funding Bilateral Agreement #1.....	24
5.4	Extraordinary Funding Bilateral Agreement #2.....	25
5.5	Extraordinary Funding Bilateral Agreement #3.....	26
5.6	Extraordinary Funding Bilateral Agreement #4.....	27
5.7	Advance of Funds by INAC	27
6.0	PUBLIC SAFETY AND INAC DECISION-MAKING PROCESS	29
6.1	Extension of the Tripartite Agreement to March 31, 2004.....	30
6.2	Provision of Extraordinary Funding in November 2003.....	31
6.3	Decisions Made Leading up to the Events of January 12, 2004.....	34
6.4	Decisions Made Regarding Funding Between Agreements	36
6.5	Decisions Made Regarding Size of Kanesatake Mohawk Police Force	37
6.6	Decisions Made Regarding Maintaining the Kanesatake Mohawk Police Force	40

7.0	KMP FUNDING & RELATED PROCESSES AND SYSTEMS	42
7.1	Financial Background.....	42
7.2	Public Safety Funding Sent Directly to MCK.....	43
7.3	Public Safety Funding Paid to Third Party Manager.....	43
7.4	Repayments and De-Commitments Between INAC and Public Safety	44
7.5	Deposit & Accounting of Funding by Third Party Manager	46
8.0	KMP EXPENDITURES	47
8.1	Authorization of Expenditures – Basic Policing Services.....	47
8.2	Authorization of Expenditures – Special Operation and KMP Outside of Territory	48
8.3	Processes and Systems of the Third Party Manager.....	52
8.4	Accounting of Expenditures by TPM.....	52
8.5	Definitions of Allowable Expenses.....	53
8.6	Overall Findings from Review of Expenses.....	55
8.7	Analysis of Compensation Related Expenditures.....	57
9.0	OTHER ITEMS.....	66
9.1	Accounting of KMP Weapons.....	66
9.2	Accounting of KMP Vehicles	70
9.3	The Mohawk Coalition.....	75
10.0	EXPENSES OUTSIDE OF POLICING BUDGETS, BUT RELATED TO EVENTS OF JANUARY 2004	81
10.1	Legal Fees	81
10.2	Public Relations Fees	83

10.3	Travel Allowances	84
11.0	POLICING PROGRAM COMPLIANCE.....	87
11.1	2003/2004 Tripartite Agreement.....	87
11.2	2004/2005 Tripartite Agreement.....	88
11.3	Extraordinary Funding Bilateral Agreement #1	90
11.4	Extraordinary Funding Bilateral Agreement #2	90
11.5	Extraordinary Funding Bilateral Agreement #3	91
11.6	Extraordinary Funding Bilateral Agreement #4	92

APPENDICES

Terminology & Document References

A. Terms & Acronyms

Chronology

B. Chronology of Selected Events Related to Our Review

DEPARTMENT OF PUBLIC SAFETY CANADA

Report on the Forensic Audit of Funding Under Contribution Agreements with the Mohawk Council of Kanesatake during the Period April 1, 2003 to March 31, 2005

1.0 INTRODUCTION

1.1 Retainer of Navigant Consulting

Commencing in December 1996, Public Safety Canada (“Public Safety”), provided funding for the operation of a Mohawk Police force on the Kanesatake territory.

In 2005, at the request of Public Safety, a financial audit of the contribution agreements for policing services was undertaken by Samson & Associates (“Samson”). No final audit report has been issued as Samson could not provide an opinion related to the financial transactions regarding the contribution agreements funding received by the Mohawk Council of Kanesatake (“MCK”).

As a result, Public Safety requested that a forensic audit and investigative work be performed in the following areas:

- Decision-making process of the stakeholders – including Public Safety and INAC,
- Compliance with the terms and conditions of the agreements,
- Eligibility of expenditures under the agreements,
- Accounting systems and controls, and
- Operational issues.

Navigant Consulting was retained on March 6, 2007 by Public Safety to undertake a forensic audit and investigation of funding under contribution agreements with the MCK, covering the period April 1, 2003 to March 31, 2005. Indian and Northern Affairs Canada agreed to fully participate with the forensic audit and investigation.

1.2 Scope of this Report & Restriction on Its Use

This report has been prepared for the purposes of providing the findings of our forensic audit to Public Safety and INAC.

This report is not intended for general circulation or publication. It is not intended to be reproduced or used for any purpose, other than that outlined above, without our written permission in each specific instance. We do not assume any responsibility or liability for losses occasioned to any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

This report is based on our review of the documents available to date as described in Section 4.0 of this report. In the event that further documents or other information become available that could impact our findings, we reserve the right to review such records and reconsider and amend the findings set out in this report.

1.3 Statement of Qualifications

Navigant Consulting is a firm of forensic accountants, litigation consultants and business consultants, with approximately 100 professionals in Canada. Internationally, Navigant Consulting has approximately 850 consultants dedicated to dispute resolution and investigation.

1.4 Terms & Acronyms

Certain terms and acronyms used in this report and appendices are defined in Appendix A.

2.0 BACKGROUND

2.1 Contribution Agreements

The multi-year Tripartite Agreement signed in 1999 between the MCK, Public Safety and the Government of Quebec provided for an annual funding of \$1.3 million. The agreement was extended for the period April 1, 2002 to March 31, 2003 and further extended for the period April 1, 2003 to March 31, 2004. A new tripartite agreement was put in place effective April 1, 2004 at the same funding level.

In addition to the Tripartite Agreement, four (4) bilateral contribution agreements were signed between the MCK and Public Safety during the period of our review. These agreements provided an additional \$3.8 million in “one-time extraordinary provided funding”, resulting in total funding of \$6.45 million for the 2003/2004 to 2004/2005 period.

The following table provides a summary of these agreements:

SUMMARY OF CONTRIBUTION AGREEMENTS, 2003/2004 & 2004/2005		
Agreement	Agreement Amount	% Funded by Public Safety
2003/2004 Tripartite agreement	\$1,300,000	52%
2004/2005 Tripartite agreement	1,300,000	52%
Extraordinary Funding Bilateral Agreement #1	900,000	100%
Extraordinary Funding Bilateral Agreement #2	1,800,000	100%
Extraordinary Funding Bilateral Agreement #3	598,000	100%
Extraordinary Funding Bilateral Agreement #4	550,000	100%
	<u>\$6,448,000</u>	

Of the \$6.45 million in approved funding, \$6.1 million was paid, either directly to the MCK (\$169,000) or via the Third Party Manager (“TPM”) appointed by INAC (\$5.9 million).

A detailed discussion of the agreements can be found at Section 5 of this report.

2.2 The Parties

2.2.1 *Mohawk Community of Kanesatake*

INAC's website¹ indicates the following regarding the Mohawk Community in Kanesatake:

The Mohawk community of Kanesatake is located on the north shore of the lac des Deux Montagnes, where it meets the Ottawa River, 53 km west of Montreal. The lands set aside for the Mohawks do not constitute a reserve, and are interwoven with lands belonging to non-aboriginal people of the village and parish of Oka. The surface area of Kanesatake is 1,142 hectares. The community also has access to the Doncaster Reserve, an uninhabited territory of 7,900 hectares located 14 km north of Sainte-Agathe-des-Monts, north-west of Lac-des-Îles. The Doncaster Reserve is shared with the Mohawks of Kahnawake.

There are nearly 2,018 people in Kanesatake, with approximately 1,341 residents on the territory.

The MCK governs the affairs of the Mohawk community of Kanesatake. It has one elected Grand Chief and six elected Chiefs.

2.2.2 *Kanesatake Mohawk Police Force*

The Kanesatake Mohawk Police Force ("KMP") was created upon the signing, in December 1996, of a tripartite agreement, described as follows on INAC's website²:

An Interim Tripartite Policing Agreement is reached by the Mohawk Council of Kanesatake, the Government of Québec and the Government of Canada. It establishes the authority for

¹ http://www.ainc-inac.gc.ca/nr/prs/m-a2000/00146_fsa_e.html

² Ibid

the Police of Kanesatake to maintain peace, order and public security within the Kanesatake territory. The police force is established in response to recommendations made after the Oka Crisis. They provide Kanesatake with professional policing services adapted to the culture of the community.

2.2.3 Kanesatake Mohawk Police Commission

The Kanesatake Mohawk Police Commission (“KMPC”) was created at the same time as the KMP to act as an oversight body to the KMP. According to the tripartite agreement signed on August 19, 1999, the responsibilities of the KMPC are as follows:

- “a) consult with and advise the Mohawk Council of Kanesatake on policing and related matters,
- b) establish, in consultation with the Mohawk Council of Kanesatake, the goals, objectives and priorities of the Kanesatake Mohawk Police Force and ensure their implementation,
- c) bring concerns regarding the policing of the community of Kanesatake to the attention of the Chief of police and the Mohawk Council of Kanesatake,
- d) assist in the identification and implementation of community policing initiatives,
- e) ensure that Kanesatake Mohawk Police Force objectives, to protect life and property, enforce the law and implement preventative policing services, are met in an efficient, effective and professional manner,
- f) establish policies and standards for the effective management and administration of the Kanesatake Mohawk Police Force, including performance standards for the Chief of police,
- g) establish a Code of Discipline and ensure that the Kanesatake Mohawk Police Force has mechanisms for the impartial and independent appeal of grievances and redress on matters related to discipline and dismissal,

- h) monitor the use of the Budget set out in subsection 9.1 of this Agreement for the Kanesatake Mohawk Police Force and provide ongoing financial and administrative advice concerning the Kanesatake Mohawk Police Force,
- i) provide an annual report to the Mohawk Council of Kanesatake with regard to the operation and administration of the Kanesatake Mohawk Police force,
- j) ensure that the Kanesatake Mohawk Police Force maintains a complete and up-to-date occurrence reporting system and provides such reports as may be required,
- k) develop and conduct programs of public information and education relating to the Kanesatake Mohawk Police Commission's roles and responsibilities,
- l) select a Chair from among its members, and
- m) meet not less than quarterly."

Further, it is also stated that:

"The Kanesatake Mohawk Police Commission is responsible for establishing and maintaining the objectives and priorities of the Kanesatake Mohawk Police Force. Such responsibilities shall include all decisions relating to hiring and dismissal of members of the police force, as well as ultimate responsibility for disciplinary measures against members of the police force."

Effect of the New Agreement in April 2004

The new tripartite agreement which came into effect on April 1, 2004 replaced the KMPC with the Kanesatake Mohawk Public Safety Commission ("KMPSC"). The KMPSC was never functional.

2.2.4 Department of Public Safety Canada

The following is a quote from Public Safety's website³ regarding their Aboriginal Police Directorate ("APD"):

Public Safety Canada works with Aboriginal communities, provincial/territorial governments and other law enforcement partners to implement the First Nations Policing Policy (FNPP). The Policy was developed in 1991 to provide Aboriginal communities with policing arrangements that respect their cultures and ways of life.

There are now 405 Aboriginal communities in Canada with dedicated police services employing 1,217 police officers, most of whom are of Aboriginal descent. There are single community services, such as at Six Nations where there is a population of 10,000. There are multi-community agreements, such as in Nishnawbe-Aski, which serves 44 communities. Some of the services are self-administered, while others are managed through the RCMP.

The APD was formerly part of the Solicitor General Office ("SolGen") and then Public Safety and Emergency Preparedness Canada ("PSEPC"). For the purpose of this report, we have used "Public Safety" to refer to either of SolGen, PSEPC or Public Safety Canada.

2.2.5 Department of Indian and Northern Affairs Canada

The following is a quote from INAC's website⁴ regarding their overall roles and responsibilities:

In general, INAC has primary, but not exclusive, responsibility for meeting the federal government's constitutional, treaty, political and

³ <http://www.publicsafety.gc.ca/prg/le/ap/1index-en.asp>

⁴ <http://www.ainc-inac.gc.ca/ai/mrr-eng.asp>

legal responsibilities to First Nations, Inuit and Northerners. To fulfill this mandate, INAC must work collaboratively with First Nations, Inuit and Northerners, as well as with other federal departments and agencies, provinces and territories. Increasingly, INAC's role has become one of facilitating change and bringing together the partners and interests needed to implement *Gathering Strength — Canada's Aboriginal Action Plan*.

As part of their mandate, INAC oversees the negotiation process between Canada and the Mohawk community of Kanesatake. This includes negotiations on Land Base and Seigneurie, Police and Justice, Social Development and Economic Development.

Mr. Eric Maldoff, of the firm Heenan Blaikie, was appointed Chief Federal Negotiator ("CFN") with the Mohawks of Kanesatake in August 1995 and remained in this position up to June 2006.

The Police and Justice negotiations included provisions for a Mohawk police on the territory, as described and funded in the previous paragraphs.

2.2.6 Third Party Manager

In May 2003, a TPM, Pricewaterhouse Coopers ("PWC") was appointed by INAC as noted below⁵:

"May 2003: Indian and Northern Affairs Canada appoints Pricewaterhouse Coopers as Third-Party Manager for an interim period to ensure the delivery of programs and services to Kanesatake's community members"

⁵ http://www.ainc-inac.gc.ca/nr/prs/m-a2000/00146_fsa_e.html

The services of the TPM were extended by way of a Memorandum of Understanding between INAC and Public Safety to include Public Safety's contribution agreements with the MCK in or around June 2003.

The appointment of the TPM lasted until April 2006, at which time INAC changed its level of intervention from third-party management to co-management.

2.2.7 *Ministère de la sécurité publique du Québec*

The *Ministère de la sécurité publique du Québec* ("MSPQ") is the provincial counterpart to Public Safety. The MSPQ funded 48% of the tripartite police funding agreements with the MCK.

2.2.8 *Royal Canadian Mounted Police*

The following is a quote from the Royal Canadian Mounted Police ("RCMP") website⁶ regarding their overall roles and responsibilities:

"The Royal Canadian Mounted Police is the Canadian national police service and an agency of the Ministry of Public Safety Canada.

The RCMP is unique in the world since it is a national, federal, provincial and municipal policing body. We provide a total federal policing service to all Canadians and policing services under contract to the three territories, eight provinces (except Ontario and Quebec), more than 190 municipalities, 184 Aboriginal communities and three international airports."

⁶ http://www.rcmp.ca/about/index_e.htm

2.2.9 Sureté du Québec

According to their website, the *Sureté du Québec* ("SQ") provides services throughout the Province of Quebec related to the maintenance of peace and public order, protection of life, safety, maintenance of individuals' fundamental rights and protection of their property. The SQ also supports community policing, coordinates large-scale police operations, contributes to the integrity of state institutions and ensures the security and safety on Quebec's roads.

2.3 Selected Events Relevant to Our Review

The following paragraphs outline certain events related to the Public Safety contribution agreements and associated policing program. A more detailed chronology of events is located at Appendix B to this report.

2001 Enhanced Policing Funding

In the Fall of 2001, following a series of events, representatives from the MCK asked the federal and provincial governments to provide additional financial resources to address the identified problems. Both the federal and provincial governments agreed to fund the extraordinary resources on a cost-share basis (52% federal and 48% provincial). The federal portion of the funding was provided to the MCK under a bilateral agreement. Quebec also provided their portion of the funding to the MCK. The number of police officers was temporarily increased in order to deal with the identified problems.

2001-2002 Governance Issues

In December 2001, Grand Chief James Gabriel was removed from office based on a vote of non-confidence held during a public meeting. In January 2002, James Gabriel initiated a proceeding in Federal Court for an injunction or an order to reinstate himself as Grand Chief. In April 2002, James Gabriel was granted the injunction and was later reinstated as Grand Chief.

2002 Non-Renewal of Contracts and Dismissal of Commissioners

In March 2002, the contract for the then Chief of Police was not renewed by representatives of the MCK. In May 2002, two commissioners were informed that their tenure as members of the KMPC had been terminated. Both commissioners initiated a judicial review in Federal Court challenging the decision to terminate their tenure as members of the KMPC.

2003 Extension of the Tripartite Agreement

In March 2003, the tripartite agreement which provided basic police funding was extended for the 2003/2004 fiscal year by way of an amendment to the existing agreement. James Gabriel was the sole signatory to the amendment on behalf of the MCK. At the time there were only six chiefs in Kanestate as the seventh, Crawford Gabriel, had passed away in October 2002 and had not yet been replaced. The MCK was effectively in a deadlock situation.

The announcement of the signing of this agreement resulted in protests in the community, including the establishment of road blockades.

2003 Request for Additional Funding

In October 2003, James Gabriel requested additional funding for extraordinary and enhanced police assistance under the terms of the tripartite agreement due to the “severity of the criminal activity in the community”. Requests were sent to Public Safety, INAC, the CFN and the MSPQ representatives. A bilateral agreement between Public Safety and the MCK was signed in November 2003 for the provision of \$900,000 in extraordinary and enhanced police funding.

January 2004 Special Operation

A group of approximately sixty-five (65) aboriginal police officers led by Mr. Terry Isaac, Chief of Police in Listuguj First

Nation, entered the Kanesatake territory on January 12, 2004. Mr. Terry Isaac assisted in Kanesatake in 2001 when enhanced funding was provided. This group of police officers was confronted by a number of individuals and remained in the Kanesatake police station until January 14, 2004. During this time period Grand Chief James Gabriel's house was burned down. Mohawk Peacekeepers from Kahnawake and Akwasasne assisted in a de-escalation of the situation and escorted the group of police officers out of the territory.

Police Operations from January 14 to March 31, 2004

From January 14 to March 31, 2004, Peacekeepers from Kahnawake provided policing services and patrolling on the Kanesatake territory with help from a few remaining officers that were members of the KMP prior to the special operation. The Peacekeepers left the territory on March 31, 2004, at the end of their agreement with the Quebec government.

The majority of the group of approximately 65 officers who participated in the special operation of January 12 to 14, 2004 returned to their territories. A small group of officers moved into hotels in the lower Laurentians and in Laval. Their role was to provide security services to James Gabriel and to form an investigative team to examine issues surrounding the events of January 12, 2004. In addition, talks were initiated with the RCMP and the SQ to plan a return to Kanesatake by the KMP.

Police Operations from April 1 to July 31, 2004

Starting in April 2004, the KMP was increased in number to over 60 officers. The officers stayed in a Laval hotel while working for the KMP. Patrolling was performed outside of the Kanesatake territory. The police officers would travel from the command post and "patrol" up to the village of Oka and around the perimeter of the Kanesatake territory. Planning was performed by the KMP jointly with the RCMP and the SQ to enter the Kanesatake territory and re-start the on-territory

patrolling. On a few occasions police officers attempted to enter the Kanestate territory but, as we understand it, they were effectively chased out of the territory by individuals in the community.

Elections were originally planned for the summer of 2004, but were postponed a number of times.

Police Operations from August 1, 2004 to March 31, 2005

Starting in August 2004, the KMP was reduced to 12 officers. The officers were still staying in a Laval hotel while working for the KMP. The “patrols” outside of the Kanestate territory continued. The joint planning with the RCMP and the SQ also continued. The elections planned for the summer of 2004 kept getting delayed and were finally held in June 2005.

Suspension of Police Funding by Public Safety

On November 1, 2005, Public Safety suspended payment of policing funding under the existing tripartite agreement.

Samson & Associates Engagement

In 2005, at the request of Public Safety, a financial audit of the contribution agreements that provided funding of the policing services was undertaken by Samson. A draft report was distributed to various parties in November 2006. No final audit report has been issued as Samson could not provide an opinion related to the financial transactions regarding the contribution agreement funding received by the MCK, including funding under tripartite and bilateral agreements.

3.0 SUMMARY OF FINDINGS

3.1 Public Safety and Related INAC Decision-making Process

In conducting our review of the management decision making process, we examined the following decisions:

- The extension of the Tripartite Policing Agreement to March 31, 2004,
- The provision of extraordinary funding in November 2003,
- Decisions made in the days leading up to the events of January 12, 2004,
- Decisions made regarding funding when agreements were not in place,
- Decisions made regarding size of the Kanesatake Mohawk Police Force, and
- Decisions made regarding maintaining the Kanesatake Mohawk Police Force.

Extension of the Tripartite Policing Agreement to March 31, 2004

In respect to the decision to extend the tripartite policing agreement for the period April 1, 2003 to March 31, 2004, based solely on the signature of the Grand Chief, we note that:

- a) The Indian Act indicates that *“a power conferred on the council of a band shall be deemed not to be exercised unless it is exercised pursuant to the consent of a majority of councilors of the band present at a meeting of the council duly convened”*.
- b) Public Safety indicated that they believed it to be the only means under which they could continue funding the KMP, and

- c) Public Safety could not provide us with the basis under which the Grand Chief could bind the MCK and create a valid agreement.

Provision of Extraordinary Funding in November 2003

Public Safety made the decision to provide \$900,000 in additional funding to enhance policing in the community without clear support from Quebec. Quebec had operational responsibility for policing within the Province of Quebec. In addition, Public Safety made the decision without consulting with the RCMP to ensure that the RCMP were in support and that the initiative would not negatively impact on ongoing RCMP activities dealing with organized crime and marijuana grow operations. At the time it was understood that there were links between criminality in the community and organized crime.

Decisions Made in the Days Leading Up to the Events of January 12, 2004

During the week leading up to January 12, 2004, the day of the 60+ person police force entered the territory, a number of events took place which created a level of community unrest. During this same period, Public Safety was informed that the SQ would not participate in the planned policing activity in the community.

In spite of the apparent community unrest, the withdrawal of the SQ, and a recognition that *“any attempt by local police officers to face more actively these criminals and their organizations will trigger significant reaction”*, Public Safety did little to address the situation whereby the party with operational responsibility for policing in the Province of Quebec would no longer be involved. Public Safety did not confirm directly with the RCMP regarding whether the police operation should proceed, whether risks had been adequately addressed and/or whether the RCMP could participate in the operation without the support of the SQ. Public Safety did ask an INAC

representative to confirm the RCMP's involvement in the planned initiative.

Decisions Made Regarding Funding When Agreements Were Not in Place

During 2004, INAC provided loans/advances to pay for policing costs during periods when Public Safety did not have agreements in place to provide policing funding. We sought to determine if the lending/advance of funds by INAC was in accordance with Treasury Board ("TB") and Federal Government Regulations and Policies. TB representatives did not provide us with an opinion in this regard. However, they did note that under exceptional circumstances such funding mechanisms may be considered appropriate. They also indicated that TB was not approached regarding the acceptability of the funding approach.

Decisions Made Regarding Size of the KMP

Our review indicates that in May to July 2004, in spite of recommendations by the SQ and the RCMP that the size of the KMP should be reduced to 12 officers and Quebec's position that they would only pay for 12 KMP officers, Public Safety continued to pay for 25 or more officers. We understand that operational responsibility for the KMP was held by Quebec. Public Safety was persuaded to fund above the 12 officers level by INAC and PCO. It is our understanding that this was done as a sign of support for the majority of the MCK and to reinforce with the community Canada's commitment to strong policing for the community.

Decisions Made Regarding Maintaining the KMP

In October 2004, there was consideration given to suspending the operation of the KMP. It was recognized that the KMP was not providing policing on the territory. Public Safety, in conjunction with INAC and PCO, chose to continue funding the KMP while awaiting for elections in the community, as a sign of

support to the community, the Grand Chief and his supporting members of the MCK.

3.2 Eligibility of Expenditures Under the Agreements

We have reviewed the following funding and associated expenditures associated with the KMP operation for 2003/2004 and 2004/2005, as summarized in the following table:

SUMMARY OF KMP FUNDING AND EXPENDITURES, 2003/2004 & 2004/2005				
Description	2003/2004		2004/2005	TOTAL
	Direct with MCK	Under Third Party Mgmt	Under Third Party Mgmt	
Funding received from Public Safety	\$169 000	\$1 407 000	\$3 272 000	\$4 848 000
Funding received from MSPQ		624 000	624 000	1 248 000
Total funding received	169 000	2 031 000	3 896 000	6 096 000
Expenditures	245 495	1 977 716	3 949 602	6 172 813
Surplus (Deficit)	(\$76 495)	\$53 284	(\$53 602)	(\$76 813)

The significant expenses of the KMP were related to the following:

- Salaries - \$4,009,960 (67.7% of total expenses),
- Facility rental - \$712,367 (12.0% of total expenses), and
- Specialized material - \$310,819 (5.2% of total expenses).

Allowability of Expenses

The contribution agreements were vague in their definition of allowable expenses. This lack of clarity makes it unclear as to which expenses, if any, are to be deemed ineligible. In addition, Public Safety has reviewed and approved the expenditures prior to their payments.

For the expenses that we have tested and reviewed under the scope of our mandate, we have not identified any factors or indicators that would have us believe that the reported

transactions did not represent valid, supportable transactions, except as noted below for compensation-related issues. We have not performed a value for money assessment. We also confirm that our review focused on significant transactions and our process would not necessarily have detected a situation of small illegitimate expenses.

Review of Compensation Related Expenditures

Based on a review of the 11 individuals who received the highest compensation related amounts, we note instances of the following:

- Inconsistencies in overtime payments,
- Unexplained adjustments,
- Differences between what was approved by Public Safety and what was paid by the Third Party Manager,
- Multiple payments for the same expenses,
- Payments for informants made via payments made to two senior members of the KMP,
- Errors gone uncorrected, and
- Questionable expense claims.

In total, these issues would not represent a significant portion of the total expenditures paid with Public Safety funds.

3.3 Accounting of KMP Weapons

Based on our review, we accounted for 102 of the 107 weapons identified as belonging to or having belonged to the KMP. Five (5) Tasers could not be accounted for.

3.4 Accounting of KMP Vehicles

We reviewed the transactions for all known or recorded KMP vehicles. The whereabouts of 6 vehicles purchased by the KMP prior to April 1, 2003 could not be confirmed, but are presumed

to have been destroyed or stolen based on information received during the course of our review. The whereabouts of 10 vehicles purchased by the KMP between April 1, 2003 and March 31, 2005 was confirmed.

In reviewing vehicles, we have identified a number of transactions associated with members of the KMP. While we have described the details of these transactions in section 9.2 of our report, the scope of our review did not include a value for money assessment of these transactions.

3.5 The Mohawk Coalition

Allegations were raised to us regarding the Mohawk Coalition, as follows:

- A Quebec entity was registered with new directors,
- Secret funding was funneled through the Mohawk Coalition for the benefit of former Grand Chief James Gabriel and other Chiefs associated to him, and
- The Mohawk Coalition was used to purchase equipment, vehicles and weapons.

Based on the following, the allegations do not appear to be founded:

- It appears that the use of the “Mohawk Coalition” was due to administrative problems with the Province of Quebec,
- We have not identified any payments to the Mohawk Coalition or receipt/transfer of funds in favor of the Mohawk Coalition, and
- It does not appear that the Mohawk Coalition was used to purchase equipment, vehicles and weapons, other than for registration of vehicles with the Province of Quebec due to administrative problems.

3.6 Expenses Outside of Policing Budgets, But Related to Events of January 2004 Legal Fees, public relations fees and travel allowances were paid from INAC's negotiation funding. These expenses were approved by INAC based on Cabinet decisions and approvals from TB.

3.7 Policing Program Compliance We have reviewed the contribution agreements and have identified and assessed the underlying reporting requirements. Based on our review, we have not identified any issues of concern regarding compliance to the reporting requirements. For situations where the requirements were not complied with, it appears that Public Safety had enough other available information.

From a delivery of services perspective, it should be noted that one of the basic requirement of the tripartite agreements was that policing services were to be delivered in the community of Kanesatake by the KMP. From January 14, 2004 to the suspension of funding on November 1, 2005 this requirement was not being met. Public Safety was aware of this and supported the off-territory KMP.

4.0 SCOPE OF REVIEW

4.1 Information Relied Upon

The findings presented in this report are based on our reliance upon the following information sources:

1. Documents obtained from Public Safety,
2. Documents obtained from INAC,
3. Documents obtained from the Third Party Manager,
4. Documents obtained from the *Ministère de la sécurité publique du Québec*,
5. Documents obtained from the *Sûreté du Québec*,
6. Documents obtained from current and previous Grand Chiefs and Chiefs of the MCK,
7. Discussions with and documents from a number of Native Bands,
8. Documents obtained from a number of individuals, and
9. Interviews conducted with a number of individuals.

As part of the documentation examined, we were provided with a copy of the working papers for the November 2006 Samson draft report, as well as additional information compiled by Samson from November 2006 to March 2007.

It should be noted that we have not audited the affairs of the Mohawk Council of Kanesatake or those of the government-appointed TPM. Our forensic audit was limited to the six (6) contribution agreements for policing services for the period of April 1, 2003 to March 31, 2005, as well as other associated expenses as outlined in this report.

4.2 Scope Limitation

Our findings and comments included in this report have been restricted due to the following limitations in our scope.

Cabinet Confidence

Public Safety and INAC were unable to provide us with documents identified as “Cabinet confidences”. As such, this restricts our ability to review and comment on some of the decision-making process related to the administration of the contribution agreements with the MCK.

Third Party Manager

We have sent a list of questions to the Third Party Manager to obtain additional information and documentation regarding their mandate. As of the date of this report, the Third Party Manager has not provided a response to our questions. We understand they are not willing to do so without receiving payment for previous time spent on issues related to Kanesatake after the completion of their mandate, and an agreement that they will be paid for their time spent answering our questions.

Police Operational Issues

It is our understanding that Public Safety is not responsible for operational issues related to the KMP. Rather, the responsibilities reside with the Province of Quebec. As such, we have not reviewed or discussed operational issues as they are outside of our mandate. This includes any review of work done by Quebec in ensuring that KMP officers were appropriately qualified.

5.0 CONTRIBUTION AGREEMENTS

Outlined in the following sections of the report are our findings and comments in respect to the various funding arrangements put in place to fund “police” costs during the period April 1, 2003 to March 31, 2005. We provide our comments with respect to management decision making related to these funding arrangements in Section 6 of this report. The following table provides a summary of the various contribution agreements:

SUMMARY OF CONTRIBUTION AGREEMENTS, 2003/2004 & 2004/2005		
Agreement	Agreement Amount	% Funded by Public Safety
2003/2004 Tripartite agreement	\$1,300,000	52%
2004/2005 Tripartite agreement	1,300,000	52%
Extraordinary Funding Bilateral Agreement #1	900,000	100%
Extraordinary Funding Bilateral Agreement #2	1,800,000	100%
Extraordinary Funding Bilateral Agreement #3	598,000	100%
Extraordinary Funding Bilateral Agreement #4	550,000	100%
	\$6,448,000	

5.1 2003/2004 Tripartite Agreement

The 2003/2004 agreement, covering the period April 1, 2003 to March 31, 2004, is an amendment to the multi-year tripartite agreement originally signed in August 1999 that had been previously extended to March 31, 2003.

The agreement provided for \$1,300,000 in funding for the KMP funded by Public Safety (52%) and MSPQ (48%). Public Safety’s portion of the yearly funding (\$676,000) was paid by quarterly installments of \$169,000.

At the time of the amendment, there were only six chiefs in Kanesatake as the seventh, Crawford Gabriel, had passed away in October 2002 and had not yet been replaced. Documentation reviewed indicates that at the time of renewal of the agreement the MCK was in a deadlock situation and a quorum of the chiefs was apparently not possible. As a result James Gabriel

was the sole signatory on behalf of the MCK of the amendment for 2003/2004, at a time when he did not have quorum or control of the council.

The announcement of the signing of this agreement resulted in protests in the community including the establishment of road blockades.

**5.2 2004/2008
Tripartite
Agreement**

The agreement entered into in March 2004 effective April 1, 2004 was a new multi-year tripartite agreement signed to replace the previous tripartite agreement which expired on March 31, 2004. The agreement covered the period from April 1, 2004 to March 31, 2008.

The financial terms of the agreement established yearly funding of \$1,300,000 to be provided (same level as per the previous tripartite agreement), funded by Public Safety (52%) and MSPQ (48%).

As we understand it, the agreement attempted to resolve some issues that existed in the previous agreement, including the hiring and roles of the police chief and officers and the role of the Council and the Kanesatake Mohawk Public Security Commission, which replaced the Kanesatake Mohawk Police Commission from the previous tripartite agreement.

The agreement provided for Public Safety's portion of the yearly funding (\$676,000) to be paid by quarterly installments of \$169,000. Following the events of January 12-14, 2004, and an increase in the number of officers working for the KMP, Public Safety's payments under this agreement were accelerated and their entire portion of the funding was paid by May 13, 2004 (43 days into the agreement).

**5.3 Extraordinary
Funding Bilateral
Agreement #1**

The Solicitor General of Canada entered into a \$900,000 contribution agreement for the provision of extraordinary and enhanced police assistance for the period of November 12, 2003 to March 31, 2004.

The agreement required monthly detailed financial reports outlining the expenses related to the extraordinary and enhanced police assistance. The agreement makes no specific reference to the nature of allowable expenditures, beyond indicating they are to be related to *“costs associated with extraordinary and enhanced police assistance (including minor equipment).”*

We have been told by Public Safety management that at the time of entering into the agreement, the intention and expectations of how the funding would be used was similar to what occurred when an agreement was put in place in 2001 for enhanced police funding. In a memorandum to the Deputy Solicitor General, dated November 14, 2003, in describing the November 12, 2003 agreement, the memo indicates that the wording of the agreement will mirror the wording of a 2001 agreement. The same document notes that the 2001 agreement was put in place based on a request from the MCK for additional resources to address the problem of rising criminality linked to organized crime and the production and distribution of illegal drugs.

The November 14, 2003 Memorandum also indicates that the approach to providing the enhanced funding had been confirmed with the Privy Council Office (“PCO”) and with TB.

This was the agreement that funded the special operation of January 12 to 14, 2004. Based on documentation reviewed and interviews with former and current Chiefs, only a portion of the MCK (4 of 7 Chiefs) was aware of the agreement at the time it was signed.

**5.4 Extraordinary
Funding Bilateral
Agreement #2**

The bilateral contribution agreement dated July 24, 2004 in the amount of \$1,800,000, indicates that the extraordinary contribution is *“to cover reimbursement and payment of allowable policing expenses and policing costs associated with First Nations*

policing assistance above the level of 12 KMPF officers after May 14, 2004 up to and including July 31, 2004”.

The agreement was done bilaterally as the Quebec Government was not prepared to provide funding beyond the standard tripartite agreement funding. We understand that Public Safety did not have, under its existing authorities at the time, the ability to enter into this agreement. Under the First Nations Policing Policy all policing agreements are to be cost shared. As a result, we further understand that prior to entering into the agreement Public Safety sought and received authority from outside the department. We are unable to comment on the actual authorities received as they are deemed by Public Safety to be Cabinet confidence documents.

The funding was used for the continued off-territory operation of the KMP.

**5.5 Extraordinary
Funding Bilateral
Agreement #3**

A contribution agreement in the amount of \$598,000 and dated January 24, 2005 provided funding for 52% of the extraordinary policing costs incurred by the KMP for the period of April 1 to May 14, 2004. Public Safety expected that the remaining 48% would be paid by Quebec. Public Safety believed that Quebec had agreed to fund enhanced policing during the period April 1, 2004 to May 14, 2004 (As discussed in further detail below, INAC effectively provided the funds to cover the 48% portion. INAC has not been repaid by either Quebec or Public Safety).

We understand that Public Safety did not have, under its existing authorities, the ability to enter into this agreement. As a result we further understand that prior to entering into the agreement Public Safety sought and received authority from outside the department. We are unable to comment on the actual authorities received as they are deemed by Public Safety to be Cabinet confidence documents.

A total of \$411,000 of the \$598,000 of funding was used for the continued off-territory operation of the KMP. The remaining \$187,000 available under this agreement was not flowed to the KMP by Public Safety and/or INAC.

**5.6 Extraordinary
Funding Bilateral
Agreement #4**

A contribution agreement in the amount of \$550,000, dated January 24, 2005, was funded 100% by Canada. The agreement provided funding for extraordinary policing costs incurred by the KMP for the period of August 1, 2004 to March 31, 2005.

The agreement was signed by the Deputy Minister of Public Safety, for Canada, and by the Grand Chief and the Chief Policing and Justice Portfolio, for the MCK.

We understand that Public Safety did not have, under its existing authorities, the ability to enter into this agreement. As a result we further understand that prior to entering into the agreement Public Safety sought and received authority from outside the department. We are unable to comment on the actual authorities received as they are deemed by Public Safety to be Cabinet confidence documents.

A total of \$385,000 of the \$550,000 of funding was used for the continued off-territory operation of the KMP. The remaining \$165,000 available under this agreement was not flowed to the KMP by Public Safety and/or INAC.

**5.7 Advance of
Funds by INAC**

During a portion of the 2004/2005 fiscal year, Public Safety did not have in place police funding agreements sufficient to match the cash flow requirements of the KMP. As a result, starting in April 2004, funds were advanced by INAC from their funding to the KMP. The advances were made to PWC, who was acting as TPM for the MCK on behalf of both INAC and Public Safety.

The funds were required by the police program to pay for the expenses associated with the off-territory operation of the KMP. Once the Public Safety agreements and underlying funding was flowed to the KMP, the advances from INAC were reimbursed.

The following table provides a summary of these advances:

SUMMARY OF ADVANCES FROM INAC, AND RELATED REPAYMENTS		
Description	Transaction Amount	Amount Outstanding
Advances from April 7 to 20, 2004	\$434,000	\$434,000
Advances from June 11, 2004	500,000	934,000
Repayment on September 20, 2004	(934,000)	0
Advances from January 24, 2005	115,000	115,000
Advances from February 2, 2005	85,000	200,000
Repayment on March 31, 2005	(200,000)	0

Refer to Section 6.4 of this report for a detailed discussion on these advances.

**6.0 PUBLIC SAFETY
AND INAC
DECISION-MAKING
PROCESS**

In the following sections of this report we discuss several of the important decisions that were made in relation to the Policing Agreements. While the agreements were issued and were to be administered by Public Safety, significant decisions in respect of the agreements were made with the participation of INAC, including the CFN as well as the Privy Council Office (“PCO”). As we have not had access to Cabinet confidence documents, we are unable to determine if input may also have come from outside these departments.

6.0.1 INAC’s Role

INAC’s role in decision making as it related to policing appears to result from a number of factors including:

- d) Under a Memorandum of Understanding, dated December 19, 1994, reached between Canada and the MCK, the Agenda and Process for Negotiations dated March 6, 1991 was accepted as a basis for the continuation of negotiations between Canada and the MCK. This Agenda included policing and peacekeeping as part of the process.
- e) Included in the mandate of the CFN was *“In cooperation and conjunction with the Solicitor General, the Chief Federal Negotiator is authorized to continue to negotiate a multi-year policing agreement, under the terms of the First Nations Policing Policy, with the MCK and the province”*.
- f) Based on documentation reviewed and interviews conducted, INAC and the CFN took the view that strong policing was critical for good governance and the negotiation process.
- g) INAC and the CFN were strong supporters of the then Grand Chief. There was a belief that the Grand Chief was a good negotiation partner and one that would honour previously negotiated agreements. INAC was in agreement

with the Grand Chief's wishes to do more concerning crime in Kanesatake.

6.0.2 Specific Decisions Reviewed

The decisions which we have identified and reviewed include:

- The extension of the Tripartite Policing Agreement to March 31, 2004,
- The provision of extraordinary funding in November 2003,
- Decisions made in the days leading up to the events of January 12, 2004,
- Decisions made regarding funding when agreements were not in place,
- Decisions made regarding size of the Kanesatake Mohawk Police Force, and
- Decisions made regarding maintaining the Kanesatake Mohawk Police Force.

6.1 Extension of the Tripartite Agreement to March 31, 2004

As previously noted, the extension of the Tripartite Agreement to cover the period April 1, 2003 to March 31, 2004 was signed only by the Grand Chief. This occurred because negotiations for a new agreement were not successful. As Public Safety believed that support of a quorum of the MCK was not possible, they chose to enter into an agreement signed solely by the Grand Chief rather than have the agreement expire. It is our understanding from discussions with Public Safety and INAC representatives that without taking this approach the agreement would have lapsed and Public Safety would not have been in a position to continue funding the KMP.

We have asked Public Safety to confirm the basis under which they believed that the Grand Chief had the authority to bind the MCK and therefore create a valid agreement with Public Safety.

Public Safety has not been able to provide us with such authority. The following section of the Indian Act would suggest that the Grand Chief could not bind the MCK:

“2.3) Unless the context otherwise requires or this Act otherwise provides,

(a) a power conferred on a band shall be deemed not to be exercised unless it is exercised pursuant to the consent of a majority of the electors of the band; and

(b) a power conferred on the council of a band shall be deemed not to be exercised unless it is exercised pursuant to the consent of a majority of the councilors of the band present at a meeting of the council duly convened.”

**6.2 Provision of
Extraordinary
Funding in
November 2003**

Our review indicates that members of the MCK commenced planning for the events that took place on January 12, 2004 in April of 2003. During this time Public Safety and INAC representatives attended meetings where the concept of enhancing policing and bringing in Terry Issac as the Chief of Police were discussed. Documentation maintained by Public Safety indicates that a possible scenario was the establishment of a First Nations police force of up to 50 officers to address criminality in the community.

In addition, documentation reviewed indicates that the RCMP had advised members of the MCK that the KMP needed to be strengthened, starting with the Chief of Police position.

The request for financial assistance to address criminality in the community started at the negotiating table on October 7, 2003 when the issue was raised by the Grand Chief with negotiators from both Public Safety and INAC as well as the Quebec Government. This was followed up by a letter to the three parties on October 23, 2003 whereby the Grand Chief indicated that resources outside of the Agreement were needed to enhance the capacity of the KMP. The Grand Chief followed this letter, with letters dated October 31, 2003, addressed to

Public Safety and the Quebec Government in which he indicated that the situation was one of *“force majeure”* requiring intervention by both Canada and Quebec. In addition on October 31, 2003 the Grand Chief also wrote to the CFN asking for assistance in obtaining additional resources.

On November 7, 2003, Public Safety wrote to Quebec indicating the intention of Public Safety to provide 100% of the funding requested by the Grand Chief with the expectation that Quebec would eventually pay their 48% share. At the time, Quebec had made no commitment to pay and/or support the initiative.

An agreement dated November 10, 2003, signed by Canada and representatives of the MCK on November 13, 2003, provided \$900,000 of additional funding.

6.2.1 Decisions Made by Public Safety

In making the decision to provide the extra funding, Public Safety understood that policing in the Community had *“to face a very well structured criminality, linked to organized crime”*. In addition it was understood that *“any attempt by local police officers to face more actively these criminals and their organizations will trigger significant reaction”*. Public Safety also believed that they were dealing with *“Council that is quite amenable to our objectives”*. Public Safety management understood that Public Safety’s role was one of funding provider, while policing operations was the responsibility of Quebec. As a result, Public Safety took the position that they should not be aware of the specific activities that were to be undertaken with the additional funding. In deciding to fund, we understand that Public Safety believed that the funding was to be utilized in manner similar to what had occurred in 2001 when additional funding had previously been provided. The 2001 funding was apparently used to fight criminality associated with organized crime. The distinction or difference in November 2003 was the

fact that Quebec had not provided its support for the initiative as it had in 2001.

We note the following regarding Public Safety's decisions as they relate to the issuance of November 2003 extraordinary funding agreement.

- Based on information available to us, it is not clear that Public Safety conducted any risk assessment of the impact of Quebec not participating. It is also unclear as to who Public Safety believed would have operational responsibility for policing if Quebec was not involved. We note that Public Safety did confirm, via INAC, that the RCMP and the SQ were participating in the planning associated with the enhanced police activities that were to result from the November 2003 funding.
- It does not appear that Public Safety, as part of their due diligence associated with deciding whether to provide the funding, sought advice from the RCMP on the appropriateness of enhancing the capacity of the KMP. They did not speak to the RCMP regarding the operational impact of Quebec not supporting the extraordinary funding initiative. In addition, they did not consult with the RCMP to ensure that any extraordinary policing activity would not impede ongoing RCMP initiatives dealing with organized crime and the growing of marijuana.
- Public Safety apparently received approval from TB and PCO for the manner in which they intended to provide the extraordinary funding, a bilateral contract with an attempt to recover 48% of the costs from Quebec at a later date. We are unable to determine if any ministerial or cabinet authority was sought as such information would not be available to us in that it would be considered a Cabinet confidence.

6.2.2 Decisions Made by INAC

- Based on information obtained during the course of our review it appears that representative(s) from INAC were fully aware of the extent of the police operation that eventually took place on January 12, 2004. This knowledge included replacing the Police Chief and targeting individuals thought to be connected with organized crime. It is not clear that this information was fully provided to Public Safety. This information may have had an impact on the Public Safety decision whether to provide additional funding.

6.3 Decisions Made Leading up to the Events of January 12, 2004

In the week leading up to the events of January 12, 2004, a number of events took place which may have impacted on the outcome of the January 12, 2004 police operation. The events we have considered as part of our review include:

- On January 5, 2004, the Chief of Police and members of the KMPC inquire about the November 2003 agreement. Public Safety confirmed its existence.
- On January 7, 2004 the KMPC and three members of the MCK each issued a press release expressing concerns over the November 2003 agreement. The press release from the three members of the MCK indicates that there is *"a planned RCMP police operation within their territory scheduled for January 11, 2004 targeting their inherent right of inter-tribal trade with sister Mohawk communities and the native run tobacco industry."* This same press release further states *"Mohawks have set up 24-hour patrols within their territory and have gone on high alert against a looming assault"*.
- On January 8, 2004 a senior official of Public Safety was informed, by a representative from the Government of Quebec, that the SQ would not be participating in the police operation in Kanesatake.

- On January 8, 2004 a senior Public Safety representative confirmed with an INAC representative that the RCMP would still participate in the planned police action at Kanasatake.
- On January 10, 2004 a senior representative of Public Safety received notification that a “watch team” made up of community members had commenced patrols on the Kanasatake territory. There were concerns raised that the “watch team” was armed.
- On January 11, 2004 Public Safety received a Mohawk Council resolution dated January 2, 2004, confirming the appointment of a new Chief and Assistant Chief of Police.

6.3.1 Decisions Made By Public Safety

Given the events that took place on January 12, 2004, it is apparent that the community unrest and the withdrawal of the participation of the SQ, which occurred in the week preceding January 12, 2004, were significant. There are no indications that Public Safety spoke to the RCMP directly regarding the events that occurred in the week prior to January 12, 2004 in order to assess whether the operation should proceed. Public Safety apparently placed reliance on an INAC official who spoke to representatives of the RCMP detachment in St. Jerome, Quebec. In addition, Public Safety did not confirm with the RCMP that the RCMP could in fact participate in a police operation without the support of the SQ and/or the Government of Quebec.

While Public Safety believes that it did not have operational responsibility, rather it believed Quebec was operationally responsible, it is unclear as to who Public Safety believed was operationally responsible after the apparent withdrawal of the SQ. Public Safety did not raise the issue of operational responsibility with the RCMP to ensure that any risk was addressed.

While Public Safety understood that replacement of the Chief of Police was likely not in accordance with a previous Federal Court decision, Public Safety took no action in this regard.

**6.4 Decisions Made
Regarding
Funding Between
Agreements**

At certain times during 2004 policing costs were being incurred without Public Safety contribution agreements being in place. Funding under existing agreements had already been spent and authorities to enter into additional funding agreements had not been received by Public Safety. During these periods, such costs were paid with funds advanced/loaned by INAC on behalf of Public Safety (see Section 5.7 for a summary of the advances and repayments). We sought to determine if management decisions made concerning the funding mechanisms used were in accordance with Federal Government and/or TB Policies and Regulations.

We sought advice and an opinion from TB as to whether the funding approach utilized was allowable by Federal Government and/or TB Policies and Regulations. Based on discussions with TB representatives we have confirmed the following:

- a) The TB representatives did not give any opinion and did not identify any specific legislation, regulations or policies that would approve, disapprove or regulate the advance of funds by INAC to the third party manager on behalf of Public Safety, other than referring us to the Financial Administration Act,
- b) TB did not identify documents that would indicate they were involved in discussions surrounding the advances of funds by INAC,
- c) The TB representatives indicated that vehicles were in place for INAC to manage Public Safety funding, as is the case with a small component of the policing program, and

- d) The TB representatives indicated that such advances or loans could be acceptable in certain circumstances if they were deemed to be extraordinary and non-recurring in nature.

Based on our review, the management decisions made concerning the mechanisms used to fund the KMP were affected by apparent uncertainties regarding the funding requirements of the KMP after January 12, 2004. These uncertainties included: Quebec's unwillingness to provide funding, the fluctuations in the size of the police force, the amount of time the force was off the territory and delays in the timing of the election.

6.5 Decisions Made Regarding Size of Kanesatake Mohawk Police Force

The number of KMP officers paid varied significantly during the period from January 12, 2004 through to July 31, 2004. The number of persons reached a high of approximately 60 in the week of May 9, 2004 and a low of 17 in the week of March 28, 2004 (at this point the Kahnawake Peacekeepers were responsible for policing of the territory). Based on a review of available documentation and interviews conducted, the number of officers varied based primarily on two factors. The first factor was the intention of the KMP, whether it was the operation of January 12, 2004 or plans to re-enter the territory, while the second factor was the desire of certain parties to maintain the appearance of a strong KMP.

6.5.1 Specific Issues Identified

The following section of the report identifies a number of issues and events that reflected on decisions made by Public Safety management concerning the size of the KMP.

- a) At the time of approving funding for enhanced policing in November 2003, Public Safety had received a proposed budget for the operation which identified that funding was being sought for 59 officers from other native communities. This number did not include KMP officers that were being

paid under the terms of the existing tripartite agreement. Based on our discussion with Public Safety representatives, Public Safety understood that this number of officers would be required to have sufficient officers on shift at any given time. They did not expect that a force this size would enter the Territory *en masse*.

- b) After being escorted from the Kanesatake territory, the size of the KMP was reduced to approximately 20 officers on a weekly basis. Documentation reviewed indicates that Public Safety understood that while these officers would not be policing the Kanesatake territory, they were in place to provide security to the Grand Chief, to create an investigation team, to investigate potential charges in relation to community members involved in the events of January 12, 2004, and to create an investigation team to investigate possible unethical conduct of police officers in relation to the events of January 12, 2004.
- c) At Liaison Committee Meetings⁷ in April 2004, the Grand Chief indicated to Public Safety, INAC and Quebec the intention to increase the size of the KMP, in order to allow for an increased number of patrols within the Kanesatake territory. Notes from this same meeting indicated that the SQ's assessment was that a force of some 35 officers should be sufficient to retake the police station. The Grand Chief presented a budget which provided for a total of 60 officers. The notes from these meetings do not indicate an objection to the plan presented by the Grand Chief. The plan presented by the Grand Chief appears to be the basis on

⁷ Liaison Committee Meetings were attended by representatives of the KMP, the KMPC, the MCK, Public Safety and INAC to discuss matters related to the operations of the KMP.

which the number of officers rose to a high of 60 in the week of May 9, 2004.

- d) On April 29, 2004 Public Safety, concerned that the KMP was considering a plan to unilaterally enter the Kanesatake territory, informed the Grand Chief that Public Safety will not fund an initiative that is not jointly planned and executed by the RCMP, SQ and the KMP. At this time the RCMP and the SQ apparently had developed a plan which took a long-term approach based on community agreement. The KMP apparently contemplated a stronger plan involving a large number of officers. The apparent disconnect between the RCMP, SQ and the KMP likely contributed to additional officers being employed.
- e) On May 14, 2004 a representative of the Quebec Government indicated that Quebec would not pay for more than 12 officers. Documentation also reviewed indicates that the RCMP believed on May 14, 2004 that the size of the KMP should only be 12. On May 19, 2004, Public Safety instructed the KMP to reduce the force from 35 to 25 officers. At the time it appears that the RCMP had informed Public Safety that the actual number of KMP officers would have to be determined via operation planning which was ongoing. Based on Quebec's position Public Safety assumed responsibility for paying for officers above 12.
- f) On June 3, 2004 Public Safety was informed by the SQ that there were officers at the Laval Hilton with nothing to do. In addition on June 7, 2004 Public Safety understood there was confusion over what they were agreeing to fund when the instruction was provided to reduce the KMP to 25 officers (i.e. 25 officers in total or 25 officers on shift at any given time). As a result Public Safety was paying for more than 25 officers.

-
- g) On June 4, 2004 Public Safety was aware that both the RCMP and the SQ were advising that the size of the KMP should be 12 plus a police chief. The Grand Chief informed Public Safety that he required a force of at least 25.
 - h) Documentation indicates that in the week of June 7, 2004 INAC and PCO officials persuaded Public Safety to continue funding at a level of 25 officers (concerns were raised that any reduction would cause a mass resignation by the KMP followed by the Grand Chief and his supporters on the MCK). Based on interviews conducted, we have been advised that the Government of Canada, including INAC, PCO and Public Safety, chose to fund the KMP at this level to send a message to the community that they supported the majority of council, including the Grand Chief, and to show support for the need for safety and policing in the community.
 - i) On June 11, 2004, Quebec informed Public Safety that they may revoke the Tripartite Policing Agreement should the Federal Government decide to fund more than 12 officers by means of a bilateral agreement. In spite of this Public Safety continue to fund at a level of 25.
 - j) On July 13, 2004 the Grand Chief was instructed by Public Safety to reduce the size of the KMP to 12 Officers effective July 31, 2004.

6.6 Decisions Made Regarding Maintaining the Kanesatake Mohawk Police Force

In October 2004 Public Safety considered an option of suspending the operation of the KMP. At the time, Public Safety recognized that the KMP was effectively idle. It was also understood that the KMP was not policing. Based on our review it was agreed by Public Safety, PCO and INAC that the KMP would continue to be funded until March 31, 2005. Documentation reviewed indicates that there was a concern that terminating the KMP would have a negative impact on the MCK. We understand that the continued funding of the KMP

was seen as a sign of support for the Grand Chief and those on the council affiliated with the Grand Chief prior to community elections. Funding of the KMP was later extended due to delays in holding the community elections.

7.0 KMP FUNDING & RELATED PROCESSES AND SYSTEMS

7.1 Financial Background

For the period of our review, namely the 2003/2004 and 2004/2005 fiscal years, we have summarized the KMP funding and expenditures in the table below.

For the 2003/2004 fiscal year, we have presented separately the period where the police related funding was sent directly to the MCK and the period where it was administered by the third party manager.

SUMMARY OF KMP FUNDING AND EXPENDITURES, 2003/2004 & 2004/2005				
Description	2003/2004		2004/2005	TOTAL
	Direct with MCK	Under Third Party Mgmt	Under Third Party Mgmt	
Funding received from Public Safety	\$169 000	\$1 407 000	\$3 272 000	\$4 848 000
Funding received from MSPQ		624 000	624 000	1 248 000
Total funding received	169 000	2 031 000	3 896 000	6 096 000
Expenditures	245 495	1 977 716	3 949 602	6 172 813
Surplus (Deficit)	(\$76 495)	\$53 284	(\$53 602)	(\$76 813)

The amounts reported above are based on the audited financial statements of the KMP (except for the period "Direct with MCK", which is based on internal accounting information).

Based on the above, the MCK incurred a deficit of \$76,495 for the 70 day period of direct funding to the MCK on behalf of the KMP. For the period under third party management, a deficit of \$318 was accumulated.

**7.2 Public Safety
Funding Sent
Directly to MCK**

From April 1, 2003 to June 9, 2003 funding for the KMP was managed directly by the MCK.

During this period, only \$169,000 in funding was received (from Public Safety), and \$245,495 in expenditures were incurred, resulting in a deficit of \$76,495.

We have received from MCK representatives a detailed general ledger and payroll journal for this period. The level of expenditures for the period is consistent with the annual budget of \$1.3 million. We have reviewed the expenses at the general ledger and payroll journal level and have not identified any unusual transactions. It should be noted that 83% of the reported expenses are related to salaries of the police officers and associated benefits.

It should also be noted that, other than this report section and a few other places where it has been specifically otherwise mentioned, the discussions contained in the balance of our report relate to the funding period under third party management.

**7.3 Public Safety
Funding Paid to
Third Party
Manager**

From June 10, 2003 to March 31, 2005, funding for the KMP was funded to the INAC appointed Third Party Manager, rather than directly to the MCK.

During this period, \$5,927,000 in funding was received (\$4,679,000 from Public Safety and \$1,248,000 from MSPQ), and \$5,927,318 in expenditures were incurred, resulting in a deficit of \$318.

Accounting of KMP Funding

We were provided with detailed general ledgers by the Third Party Manager, relating to the financial transactions for our period of review.

Based on our review of the financial information provided to us, we reconciled all KMP funding issued by Public Safety/INAC with receipt of funds by the Third Party Manager in bank accounts dedicated to KMP funding and expenditures.

Release of Funding by INAC to the Third Party Manager

In order to retain the services of the Third Party Manager, Public Safety “piggybacked” on the existing agreement between INAC and the Third Party Manager. As such, KMP related funding was flowed from INAC to the Third Party Manager rather than from Public Safety to the Third Party Manager.

We have reviewed the INAC finance/payment files and have found supporting documentation for every release of funding by INAC to the Third Party Manager. The support on file would be by way of MOUs between Public Safety and INAC outlining an authorized payment schedule, or by way of communications between Public Safety and INAC for the instances where the payments would differ from the initial payment schedule.

7.4 Repayments and De-Commitments Between INAC and Public Safety

De-Commitment of Amounts Not Paid to KMP

Upon signing of contribution agreements between Public Safety and the MCK, financial commitments between Public Safety and INAC were set-up in order to enable the flow of funds to the third party manager.

For any specific agreement, the financial commitment originally set-up between Public Safety and INAC would be equal to the amount of the agreement. This provides INAC with a budget line from which it could draw from in order to pay the third party manager. If the full amount of the agreement was funded, no other intervention was required between Public Safety and INAC. But if the full amount of the agreement was

not funded, a “de-commitment” was required in order to return the available budget from INAC to Public Safety.

As previously mentioned in sections 5.5 and 5.6 of this report, two of the bilateral agreements were not fully funded to the KMP. From the bilateral agreement #3, an amount of \$187,000 was not flowed, and a further \$165,000 was not flowed related to the bilateral agreement #4, for a total of \$352,000.

As indicated by the financial records of Public Safety and INAC, both of these amounts were de-committed and returned to Public Safety’s budget.

Additional Amount Claimed by Public Safety from INAC

At the end of the 2004/2005 fiscal year, Public Safety set-up \$582,000 as an account receivable from INAC. Public Safety determined that INAC had received an amount of \$934,000 in error but had already returned \$352,000 to Public Safety (see amounts de-committed in previous section), leaving an amount due of \$582,000. After some discussions on the issue between the two government departments, INAC paid the invoice that Public Safety had issued.

The \$582,000 due to Public Safety was supported by their claim that the MSPQ did not fund their share of the bilateral agreement #2. The agreement was intended to be a tripartite agreement in the amount of \$1,150,000, with the MSPQ being responsible for 48% of the funding (\$552,000). The MSPQ never signed the tripartite agreement nor provided the \$552,000 in funding to the KMP.

The complexity of the situation existed due to the fact that INAC was flowing the KMP funding to the third party manager on behalf of Public Safety and INAC had also provided advances to the KMP from their own funding.

The end result is that INAC flowed \$4,679,000 to the third party manager on behalf of Public Safety based on signed contribution agreements, but received repayments of only

\$4,097,000 (by way of budget allocations from Public Safety) – the difference of \$582,000 having effectively been funded by INAC.

**7.5 Deposit &
Accounting of
Funding by Third
Party Manager**

Set-up of Bank Accounts

The third party manager maintained separate bank accounts for the police program. An account was opened upon Public Safety's commencement of the services of the third party manager. A second account was opened on January 12, 2004, in order to account for the "one-time extraordinary funding" and associated expenses.

Deposit of Public Safety Funding

The third party manager received Public Safety's funding from INAC. In several instances, Public Safety's funding was paid to the third party manager as part of larger payments from INAC which would include amounts paid in relation to various INAC funding programs. These "lump sum" payments were deposited in the primary bank account utilized for the INAC program funding, and then the portion related to Public Safety funding would be transferred to the police program bank account.

We have reviewed all payments issued by INAC on behalf of Public Safety. All payments were traced to bank deposit documents from the third party manager as well as general ledgers for the police related funding. The information provided by the third party manager supported the deposit of all funds paid by INAC on behalf of Public Safety.

8.0 KMP EXPENDITURES

The following table summarizes the expenses of the KMP for the 2003/2004 and 2004/2005 fiscal years.

EXPENSES INCURRED BY KMP FOR 2003/2004 AND 2004/2005 FISCAL YEARS				
Category of Expense	Amount for 2003/2004 [1]	Amount for 2004/2005	TOTAL	
			\$	%
Salaries and benefits	\$1,469,356	\$2,540,604	\$4,009,960	67.7%
Facility rental	155,849	556,518	712,367	12.0%
Specialized material	9,251	301,568	310,819	5.2%
Maintenance of equipment	72,067	102,638	174,705	2.9%
Legal Fees	33,425	131,998	165,423	2.8%
Vehicle expenses	25,197	138,416	163,613	2.8%
Telecommunications	21,119	68,188	89,307	1.5%
Third party manager fees	0	69,110	69,110	1.2%
Capital assets	63,678	0	63,678	1.1%
All other expenses	127,774	40,562	168,336	2.8%
Total	\$1,977,716	\$3,949,602	\$5,927,318	100.0%

Note: [1] 2003/2004 excludes expenses incurred prior to appointment of third party manager.

8.1 Authorization of Expenditures – Basic Policing Services

The basic policing services were funded by the \$1.3 million in the tripartite agreements. Prior to the appointment of the third party manager, the management of this funding was performed by the KMP Chief of Police, although the funds were deposited in an account under the supervision of the MCK.

An approval from the KMP Chief of Police was required for payment of the expenses. The MCK would process the approved invoices and issue the cheques. Payroll expenses, representing the largest expense under the police budget (over 80% of total expenses), were set-up through an external payroll provider and officers were paid based on their annual salaries plus any extra amounts for overtime.

Former KMP Chief of Police Tracy Cross has indicated to us that he wanted the control of the police funding to reside directly with the KMP. Mr. Cross wanted to transfer the KMP

bank account so that the MCK would no longer be responsible for the issuance of cheques. He indicated this would be preferable so that police funding could not be transferred or commingle with funds for other programs.

Upon the appointment of Third Party Manager, meetings were held between the KMP Chief of Police and the Third Party Manager to discuss budgets. Once the budget was established, the day-to-day management of these expenses resided with the KMP Chief of Police – he had to keep the expenses within the budgeted amounts. The Third Party Manager were not the ones purchasing goods and services, as this was done by the Chief of Police. The Third Party Manager’s role was to oversee the level of expenditures.

8.2 Authorization of Expenditures – Special Operation and KMP Outside of Territory

The process for the authorization of expenditures for the special operation with the KMP residing outside of the Kanesatake Territory was managed in a different manner.

The Third Party Manager has indicated that starting on January 12, 2004, the situation changed and that they were no longer in a position to oversee the level of expenditures. Their role was to act as a “payment centre”.

8.2.1 Authorization of Expenditures by KMP

The KMP Chiefs of Police (Terry Isaac/Ed Thomson) were responsible for the approval of expenses and to ensure that the expenses were required under the circumstances. Generally, the expenses would also be approved with a signature from the Grand Chief or one of the Chiefs who supported the Grand Chief.

No discussions were held between the KMP and the Third Party Manager prior to an expenditure being committed, an asset being purchased, or services being contracted. The KMP would proceed with the expenditure and the invoices approved

by the KMP Chief of Police and/or MCK Chief(s) would be sent to the third party manager for payment.

Payroll for the police officers was done manually based on timesheets completed by the various police officers working for the KMP, and approved by the KMP Chief of Police. Terry Isaac has indicated that adjustments were sometimes made to timesheets prior to sending them to the third party manager – usually a deduction in the number of hours being claimed by police officers.

8.2.2 Change to the Mandate of the Third Party Manager

As previously mentioned, the Third Party Manager has indicated that their mandate changed on January 12, 2004 to being a “payment centre” – they were no longer actively overseeing the level of expenditures of the KMP.

A letter dated April 16, 2004 sent to the TPM and signed by both the DG APD and the acting ADM for MSPQ indicated the following:

“In response to your letter of April 13, 2004, this confirms our agreement to proceed with the payments under the *Tripartite Agreement concerning the Kanesatake Mohawk Police Force* for extraordinary and enhanced policing assistance.

Specifically, Grand Chief Gabriel is authorized to approve expenses on a weekly basis, including hotel rooms, rental of vehicles, salaries, meals and travel expenses and equipment for police personnel of the Kanesatake Mohawk Police. All invoices are to be reviewed by the Chief of Police, the Band Council and subsequently forwarded to the Liaison Committee (Ministère de la Sécurité Publique and Public Safety and Emergency Preparedness Canada) for approval for payment. All invoices must be accompanied by receipts and include the following information: dates, names of personnel, amounts and specific details related to any procurement.”

Further, a July 22, 2004 Public Safety internal email provides additional information regarding changes to the mandate of the Third Party Manager:

“As discussed yesterday, I contacted Mr. Gilles Gagnon, PWC this morning to address the issue of the legitimacy of some expenditures incurred by the KMP. A dialogue on the same issue was held internally to the APD following my conversation with Mr. Gagnon. A summary of the discussions follows.

For the period prior to January 12, 2004 PWC, as third party manager, would receive the invoices for expenditures incurred approved by the KMP chief of police, as sworn official. PWC would then provide PSEPC and MSPQ with a summary of expenditures for approval and, once the summary approved by both parties, would proceed to pay the invoices. It was not PWC’s responsibility to ensure the legitimacy of the invoices.

Since after January 12, PWC has not, nor has it been directed to, manage otherwise.

Certain suppliers have informed Mr. Gagnon that, given the value of the unpaid invoices, they are seriously considering no longer offer their services to the KMP. This could happen within days.

PWC is not in a position to assist us in determining the legitimacy of expenditures as, like APD, it does not have access to information that would support making such decisions (e.g. number of officers on duty, collective agreement, actual duties performed);

It seems that, given the current circumstances, Chief of Police Ed Thompson is the only one in a position of addressing concerns surrounding the validity of certain invoices.”

We have sent a list of questions to the Third Party Manager to obtain additional information and documentation regarding their mandate. As of the date of this report, the Third Party Manager has not provided a response to our questions. We understand they are not willing to do so without receiving

payment for previous time spent on issues related to Kanesatake after the completion of their mandate, and an agreement that they will be paid for their time spent answering our questions.

8.2.3 Authorization of Expenditures by Public Safety

Public Safety would receive from the MCK, usually from the justice portfolio holder, (or from the Third Party Manager if the expenses were initially forwarded to them) the batch of invoices to be paid. The invoices were reviewed by a number of individuals from Public Safety:

- APD staff for first verification,
- Then to the officer responsible for the Kanesatake file,
- Then to an APD Finance Administration individual,
- And lastly to the Director General APD (“DG APD”).

Public Safety indicated that they were careful in trying to identify any double billing and other similar problems. The DG APD would review the entire batch of invoices and sign off on it and indicate any changes or amounts disallowed. The DG APD has indicated this was an exceptional arrangement, as most First Nations police services would not undergo this level of scrutiny.

The batch of invoices would then be sent to the MSPQ who would also sign off prior to the invoices being forwarded to the third party manager. The DG APD indicated Public Safety’s role was to ensure a financial review while MSPQ was responsible for any operational standards associated with these expenses. In July 2004, the MSPQ stopped signing off on the KMP invoices, but Public Safety continued to send them a copy of the invoices for informational purposes.

Any problem with specific purchases were discussed or identified in conference calls. Employee accreditation related problems or issues would be the responsibility of the MSPQ.

8.3 Processes and Systems of the Third Party Manager

The third party manager would receive from Public Safety the batch of invoices for payments, including a notification on any changes or amounts disallowed. These invoices would already have the approval from the KMP Chief of Police and/or MCK Chief(s) as well as Public Safety.

The third party manager would process the invoices approved for payments, assuming that funds were available for the payment of the invoices. On several occasions, the Third Party Manager did not have the necessary funds available and payment of the invoices was delayed while the third party manager discussed the situation with Public Safety and INAC. The Third Party Manager would send a notification to Public Safety that it was facing a lack of funds for the police program. It is during these occasions that INAC advanced funds to the police funding as described in more detail at Sections 5.7 and 6.4 of this report.

8.4 Accounting of Expenditures by TPM

The third party manager recorded the KMP expenses in three separate general ledgers:

- The “Police 1” general ledger includes transactions associated with the 2003/2004 tripartite agreement funding and expenditures,
- The “MAINC Divers” general ledger includes transactions associated with the \$900,000 bilateral agreement funding and expenditures (Extraordinary funding bilateral agreement #1), and
- The “Police 2” general ledger includes transactions associated with the 2004/2005 tripartite agreement funding and expenditures as well as the three 2004/2005 bilateral

agreement funding and expenditures (Extraordinary funding bilateral agreements #2, 3 and 4).

8.5 Definitions of Allowable Expenses

We have reviewed the bilateral and tripartite agreements to identify the terms and conditions attached to allowable expenses. The agreements were vague in their definition of allowable expenses, and only the terms and conditions listed below were identified.

This lack of clarity regarding allowable expenses also makes it unclear as to which expenses, if any, are to be deemed ineligible. In addition, Public Safety has reviewed and approved the expenditures prior to their payments. Public Safety representatives did indicate that they were not in a position to determine the validity of any technical police-related expenses as this fell outside of their mandate with the province of Quebec being responsible for this.

2003/2004 Tripartite Agreement

“9.6(a) The Mohawk Council of Kanesatake shall use all financial contributions paid under this Agreement solely in support of costs associated with the provision of policing services to the community of Kanesatake by the Kanesatake Mohawk Police Force.”

2004/2005 Tripartite Agreement

“7.9.1 The Council will use all financial contributions paid under this Agreement solely in support of costs associated with the provision of Policing services to the community of Kanesatake.”

Extraordinary Funding Bilateral Agreement #1 (\$900,000)

“1.3 This funding is to be a reimbursement of the allowable costs incurred by the Kanesatake Mohawk Police for extraordinary and enhanced police assistance during the period from November 12, 2003 to March 31, 2004”. The \$900,000 estimated budget defined expenses at paragraph 2.0 of the agreement as “costs associated

with extraordinary and enhanced police assistance (including minor equipment)”.

Extraordinary Funding Bilateral Agreement #2 (\$1,800,000)

“1.1 The purpose of this contribution agreement is to make additional funding available to the Mohawk Council of Kanesatake, as employer of the Kanesatake Mohawk Police Force, to cover reimbursement and payment of allowable policing expenses and policing costs associated with First Nations policing assistance above the level of 12 KMPF officers after May 14, 2004 up to and including July 31, 2004.”

Eligible expenses are defined under paragraph 2 – Estimated Budget as *“including but not limited to salary and benefits for First Nation police officers, overtime, meals and accommodation, travel, and minor equipment.”*

Extraordinary Funding Bilateral Agreement #3 (\$598,000)

“1.1 The purpose of this Agreement is to allow Canada to reimburse its share of fifty-two percent (52%) of the extraordinary policing costs incurred by the KMPF for the period of April 1 to May 14, 2004, and accepted as such by the Minister.”

“2.1(a) The Council agrees to use all financial contributions paid under this Agreement solely in support of extraordinary costs associated with the provision of Policing services to the community of Kanesatake as outlined in Section 1.”

Extraordinary Funding Bilateral Agreement #4 (\$550,000)

“1.1 The purpose of this Agreement is to reimburse one hundred percent (100%) of extraordinary policing expenses and costs already incurred or to be incurred by the Kanesatake Mohawk Police Force (KMPF) and accepted as such by the Minister above the existing Tripartite Policing Agreement from August 1, 2004 to March 31, 2005.”

Eligible expenses are defined under paragraph 2.0 – Estimated Budget as *“salaries and benefits, overtime, travel, meals and accommodations, and police equipment deemed necessary by the KMPF Chief of Police.”*

8.6 Overall Findings from Review of Expenses

We have reviewed the expenditures recorded in the three (3) general ledgers maintained by the Third Party Manager related to KMP funding. Our review included the following steps to ensure the expenses complied with the terms and conditions of the agreements:

- Certain types of expenses were reviewed in detail with significantly all of the transactions reviewed, this would include:
 - i. Compensation-related expenses, as they represent the most significant expense of the KMP. These are discussed in detail at Section 8.7 of this report.
 - ii. Purchases of weapons. Refer to Section 9.1 for our discussion on weapons.
 - iii. Purchases and rentals of vehicles. Refer to Section 9.2 for our discussion on vehicles.
- For the remaining expenses, the general ledger listings were reviewed. Significant expenses were identified.
- The supporting documents (i.e. invoices, payment requisition) were reviewed for significant expenses. This would include payments of hotel charges, telecommunications, maintenance and equipment, professional fees.

Based on our review of expenses, and supporting documents including invoices, requisition and payment cheques, we found that:

- For the expenses that we have tested and reviewed under the scope of our mandate (as defined at Sections 1.1 to 4.0), and as discussed throughout this report, we have not identified any factors or indicators that would have us believe that the reported transactions did not represent valid, supportable transactions, except as noted in section 8.7. We caution the reader that we have not performed a value for money assessment. We also confirm that our review focused on significant transactions and our process would not necessarily have detected a situation of small illegitimate expenses.
- The expenses are generally approved by a member of the KMP (except for hotel invoices, see item below). Further, a significant number of transactions are also supported by authorization from one of the Chiefs (usually James Gabriel).
- Several of the hotel invoices were sent directly to Public Safety for their approval. As such, these invoices have not been specifically approved by a member of the KMP. It should be noted that Public Safety performed a review of the hotel invoices to ensure that the number of rooms charged under the program was consistent with the number of police officer on duty at any given moment.
- The expenses appear to comply with the terms and conditions of the contribution agreements. As previously mentioned at Section 8.5 of this report, the terms and conditions are not very specific, therefore any reasonable police-related expenditure would qualify under the terms and conditions of the agreements.
- We have tested the expenses, at the supplier level, to ensure that non-police expenses have not been charged to the policing program, and that policing expenses have not been charged to non-policing programs. Given the apparent

frequent cash flow problems in the policing program, we reviewed any overlap in suppliers between the police program and other programs. We did not identify any situation where payments for a frequent supplier of the police program were transferred to another program (and vice versa for any non-policing supplier transferred to the policing program).

8.7 Analysis of Compensation Related Expenditures

Based on the events of January 2004, individuals from many of the First Nations deployed manpower to Kanesatake. The following table summarizes the deployment of resources, and related compensation expenditures, from the various First Nations during the period of January 2004 to March 31, 2005. This summary was compiled based on available information.

SUMMARY OF COMPENSATION RELATED EXPENDITURES PAID BY BAND		
Bands	Number of Officers	Compensation Related Expenditures Paid
Listuguj	27	\$1,100,423
KMP/Kanesatake	11	405,366
Kahnawake	5	336,129
Manawan	23	322,864
Chisasibi	3	139,133
Kipwa Eagle Village Lac Simon P.D.	4	138,088
Kativik Police	2	90,714
Gesgapegiag	9	79,649
Pikogan P.D.	3	29,982
Wendake	4	22,063
Other Bands	41	322,722
Total		\$2,987,133

8.7.1 Amounts Paid in Compensation

Our review of the detailed general ledger prepared by the TPM, identified that all time and expense submissions from police officers were classified as "Salaries" expense. This included payment for regular and overtime salary, daily meal *per diems*, travel costs such as mileage and gas, and other miscellaneous expenses.

For the 2003/2004 and 2004/2005 fiscal years, compensation related expenses were paid out of the “MAINC Divers”, “Police 1” and the “Police 2” general ledger accounts. These were the accounts where police-related funding and associated expenditures were recorded.

8.7.2 Analysis of Payments to the Individuals Receiving the Highest Compensation-Related Amounts

Review of the compensation related expense amounts in the detailed general ledgers in the 2003/2004 and 2004/2005 fiscal years identified that the following eleven (11) individuals received the largest amount of compensation related money from the KMP funds.

SUMMARY OF INDIVIDUALS WHO RECEIVED THE HIGHEST COMPENSATION RELATED AMOUNTS						
Individual	Per PSEPC Approved Time & Expense Reports			Recorded in G/L		Total
	Regular Salary	Non-Regular Salary	Meal Per Diems	Travel, Gas and Other Expenses	Other Adjust.	
[1]		[2]				
1	\$138,443 [3]	\$51,030 [3]	\$24,737	\$31,693 [4]	(\$15,325)	\$230,578
2	93,612 [3]	51,647 [3]	18,104 [3]	8,005	(6,095)	165,273
3	76,313	43,628	18,733	991	(1,885)	137,780
4	47,099	48,549	13,491	8,871	(769)	117,241
5	67,799	28,383	16,304	7,528	(1,033)	118,981
6	63,125	22,792	15,157	1,012	(1,362)	100,724
7	58,343	21,308	14,340	5,725	(385)	99,331
8	64,403	14,135	18,594	1,069	(1,302)	96,899
9	19,573	45,828	11,964	19,751	(860)	96,256
10	54,901	10,914	16,272	8,791	967	91,845
11	29,907	38,470	7,549	4,656	(1,193)	79,389
Total	\$713,518	\$376,684	\$175,245	\$98,092	(\$29,242)	\$1,334,297

Note:
 [1] Due to the privacy issues, the names of these individuals are not disclosed.
 [2] Non-regular salary includes overtime pay, holiday and vacation pay and travel time pay.
 [3] Includes amounts paid to informants
 [4] Includes administrative and other office-related expenses, and amounts paid to an informant.

As part of our detailed review, we analyzed the time and expense reports and the corresponding payments to the individuals receiving the highest amounts of compensation

related expenditures from the KMP funds between January 1, 2004 to March 31, 2005.

These amounts were then verified to the approval letters prepared by Public Safety and sent to the TPM, and to the TPM's electronic general ledger, to ensure that the amounts approved by Public Safety were paid by the TPM.

Observations from the detailed analysis of individuals receiving the highest amounts

Based on a comparison of the amount claimed by the individual to the amount approved by Public Safety and the amounts subsequently paid by the TPM, we noted the following observations:

- a) Inconsistencies in overtime payments
- b) Unexplained adjustments
- c) Differences between what was approved by Public Safety and what was paid by the TPM
- d) Multiple payments for the same expenses
- e) Payments for informants
- f) Errors gone uncorrected
- g) Questionable expense claims

Inconsistencies in the overtime payments

There were a number of inconsistencies for the approval and payment of overtime. Inconsistencies were not only observed across the different individuals, but also for the same individual, from pay period to pay period. The inconsistencies observed were as follows:

- i) 40 hour work week (eight (8) or ten (10) hour work day): overtime was charged on an *ad hoc* basis and not

necessarily based on anything greater than a 40-hour work week or an eight (8) or ten (10) hour day.

- ii) Weekend work and/or travel time: overtime was charged on an *ad hoc* basis for work on weekends or for travel time.
- iii) Type of work: overtime was charged on an *ad hoc* basis for various types of work done per time period.

Terry Isaac indicated to us that any time greater than 40 hours per pay period is considered as overtime. Based on the KMP Remuneration Policy, overtime is “any hours worked beyond the regular shift (35 hours per week) plus the 15 additional hours of activity per cycle of thirty-five (35) days” (A regular shift is described as 35 hours).

Unexplained adjustments

There were instances where the submitted expenses related to overtime were adjusted and payments made were either lower or higher than what was claimed. These adjustments were usually not explained in the approval letters to the TPM. The following table illustrates examples of these types of adjustments.

EXAMPLES OF UNEXPLAINED ADJUSTMENTS - OVERTIME CLAIMED			
Individual [1]	Time Period	Claimed by Individual	Adjusted by Public Safety
5	June 21 to 25, 2004	\$843.66	\$593.74 [2]
1	June 21 to 27, 2004	1 961.28	1 634.40 [3]
10	June 23 to 26, 2004	-	298.20 [4]
6	June 21 to 27, 2004	2 140.32	2 804.40 [5]
7	May 10 to 16, 2004	1 009.14	275.22 [6]

Notes:
 [1] Based on the numbering in Table at report Section 8.7.2
 [2] Individual claimed 18 hours. PSEPC paid an amount equivalent to 12.67 hours.
 [3] Individual claimed 32 hours. PSEPC paid an amount equivalent to 26.67 hours.
 [4] Individual did not claim for overtime. PSEPC added this amount.
 [5] Employee claimed 49 hours. PSEPC paid out approx 67 hours.
 [6] Employee claimed 22 hours. PSEPC paid 6 hours.

Differences between what was approved by Public Safety and what was paid by the TPM

There were instances where the TPM's payment to the individuals did not match the amount approved by Public Safety. This resulted in the individual receiving more or less than they claimed. The following table illustrates the difference between what Public Safety approved and what the TPM subsequently paid to the individuals that we have identified.

IDENTIFIED DIFFERENCES BETWEEN PSEPC AND TPM (GREATER THAN \$100) FOR TOP 11				
Individual	Time Period	Approved By PSEPC	per G/L from TPM	Difference
[1]		A	B	A - B
1	May 3 to 8, 2004	-	8,592.27	(8,592.27)
1	May 3 to 8, 2004	4,242.43	4,468.27	(225.84)
1	May 10 to 16, 2004	3,994.02	6,123.07	(2,129.05)
1	February 28 to March 4, 2005	4,035.48	2,250.93	1,784.55
10	January 10 to 15, 2004	5,561.30	5,661.30	(100.00)
10	June 23 to 26, 2004	1,770.60	1,390.39	380.21
10	July 1 to 4, 2004	1,491.00	1,741.08	(250.08)
10	December 27, 2004 to January 2, 2005	2,527.70	4,531.76	(2,004.06)
9	May 3 to 9, 2004	4,472.40	3,705.12	767.28
2	May 3 to 9, 2004	4,945.30	4,370.50	574.80
2	May 10 to 16, 2004	4,598.91	4,489.14	109.77
2	September 20 to October 1, 2004	1,949.50	1,440.00	509.50
2	October 4 to 8, 2004	2,315.11	1,281.00	1,034.11
5	January 26 to 30, 2004	2,177.27	2,381.26	(203.99)
5	May 2 to 8, 2004	4,012.90	3,194.53	818.37
5	August 23 to 29, 2004	-	2,158.50	(2,158.50)
6	May 3 to 6, 2004	2,333.02	2,172.49	160.53
6	May 10 to 14, 2004	3,173.67	2,981.50	192.17
3	January 5 to 25, 2004	5,933.40	5,776.01	157.39
3	March 8 to 12, 2004	2,584.04	1,929.30	654.74
3	May 3 to 9, 2004	3,213.40	2,088.71	1,124.69
3	May 10 to 14, 2004	3,031.50	3,383.99	(352.49)
3	November 25 to 28, 2004	1,499.60	1,719.60	(220.00)
7	May 3 to 9, 2004	3,746.26	3,509.28	236.98
7	May 10 to 16, 2004	2,031.92	2,935.04	(903.12)
7	July 19 to 23, 2004	3,577.10	3,207.18	369.92
11	May 3 to 9, 2004	6,201.92	5,569.72	632.20
11	May 10 to 16, 2004	4,113.02	3,039.95	1,073.07
11	June 14 to 20, 2004	2,812.32	2,643.44	168.88
4	February 23 to 27, 2004	4,366.50	2,545.50	1,821.00
4	May 3 to 9, 2004	5,289.49	4,121.03	1,168.46
4	May 10 to 14, 2004	4,067.76	4,464.02	(396.26)
8	May 2 to 8, 2004	2,566.82	2,059.84	506.98

Notes:
 [1] Based on the numbering in Table at report Section 8.7.2

Multiple payments for the same expenses

There were instances where Public Safety approved payment for days claimed on multiple time and expense sheets. We identified four (4) such instances, as summarized in the following table. This resulted in a duplicate payment to the individual.

LIST OF PAYMENTS FOR DAYS CLAIMED MORE THAN ONCE		
Individual [1]	Time Period	Double Claimed
9	June 2 to 9, 2004	June 9, 2004
9	June 9 to 15,2004	June 9, 2004
8	April 1 to 5, 2004	April 5, 2004
8	April 5 to 12, 2004	April 5, 2004
8	April 5 to 12, 2004	April 12, 2004
8	April 12 to 18, 2004	April 12, 2004
8	April 12 to 18, 2004	April 18, 2004
8	April 18 to 24, 2004	April 18, 2004

Note:
[1] Based on the numbering in Table at Section 8.7.2

Informants

As part of their operations, the KMP used the services of two informants. The use of the informants and related payments was discussed and known by the SQ and RCMP. As expected with informants, their identity has not been revealed for safety reasons.

We understand that the information, or “intelligence” received from the informants would be independently verified by members of the KMP. The informants were paid based on an hourly basis for their work performed.

Terry Isaac claimed time and related salary expenses for an informant from March to October, 2004. This expense was claimed on an individual time and expense sheet in the name of

Terry Isaac, but with further notes that it related to the work of an informant. Terry Isaac provided a number of invoices from the informant for the period of March and August, 2004. The informant would provide these invoices and Terry Isaac would then complete a separate time and expense sheet in the form used by the KMP. Public Safety approved the payments to Terry Isaac directly for the informants from March to July, 2004, but denied payments for the amounts claimed from August to October, 2004. Terry Isaac indicated to us that he paid the informant with the funds that he received for his time and expense reports.

Robert Patton Jr. also claimed for an informant from April to October 2004. Patton would receive by telephone a summary of the hours worked by the informant. Based on this information, Patton would prepare a time and expense sheet based on the form used by the KMP. Public Safety paid for the claims from April to August, 2004, but denied payment for claims from September to October, 2004. Patton indicated to us that he paid the informant with the funds that he received for his time and expense report.

It should be noted that informant-related payments have been included in the analysis of compensation-related payments made to both Terry Isaac and Robert Patton Jr.

Errors gone uncorrected

There were instances where Public Safety approved the compensation related expenses and the TPM paid the approved expense that contained mathematical errors on the time and expense report that was submitted.

Questionable expense claims

There were instances where Public Safety approved compensation related expenses for amounts that did not have adequate details or support for the expenses claimed. For

example, in two (2) instances Public Safety approved a lump sum of overtime that was described as being worked in prior time periods. The related amounts are not significant.

8.7.3 Pay Rates and Overtime

Based on the eleven (11) individuals who received the largest amount of compensation related money from the KMP funds, their pay rates were as follows:

SUMMARY OF HOURLY RATES FOR THE OFFICERS WHO RECEIVED THE HIGHEST COMPENSATION AMOUNTS		
Individual [1]	Average Regular Salary Rate (\$/hr)	Average Overtime Rate (\$/hr)
1	40.86	62.26
1 Informant	23.79	n/a
7	30.41	45.43
11	40.86	61.29
3	35.63	52.36
2	36.00	54.00
2 informant	20.00	40.00
5	31.36	47.51
4	38.03	57.50
6	31.77	44.11
8	27.68	38.22
9	27.93	43.25
10	26.05	36.68

Note:
[1] Based on numbering in Table at Section 8.7.2.

8.7.4 Allegations of “Double Dipping”

In reviewing the allegation of “double dipping”, we sent confirmations to seven (7) of the officers’ “home” communities verifying whether salaries were being paid simultaneously by both the KMP and the “home” community.

We received all confirmations back indicating that at no time did the community pay the expenses and advances for any officer who participated with the KMP.

8.7.5 Compliance with Terms and Conditions of Contribution Agreements

Under the 2004 extraordinary funding, which we understand to be modeled after the 2001 extraordinary funding agreement, Public Safety would review expenses for financial concerns and the MSPQ would review expenses for operational concerns, as previously described in Section 8.2 of this report.

Operational concerns

As previously indicated, we understand that Quebec (MSPQ) was in charge of operational matter, which would include the qualification of police officers.

In January 2004, a number of officers present were apparently not properly accredited. Public Safety indicated to the KMP that this had to be fixed and the issue was raised in a conference call. The MSPQ developed various ways to accredit them, either by way of “special constable” or other route. In May 2004, Public Safety asked the MSPQ to confirm if the officers were accredited or not. The MSPQ indicated to Public Safety that all of the officers were accredited.

Financial concerns

The compensation related expenses appear to comply with the terms and conditions of the contribution agreements. As previously listed at Section 8.5 of this report, the terms and conditions are not very specific, therefore it appears that reasonable police-related expenditures would qualify under the terms and conditions of the agreements.

9.0 OTHER ITEMS

9.1 Accounting of KMP Weapons

During the period from April 1, 2003 to March 31, 2005, weapons available for use by the KMP included those identified as belonging to the KMP as of April 1, 2003 and those that were purchased during this period using funds received from Public Safety and MSPQ under the various agreements described in Section 5 to this report. The following table summarizes the various weapons available to the KMP:

SUMMARY OF WEAPONS AVAILABLE FOR USE BY THE KMP				
Weapon Type	Existing at March 31, 2003 9.1.1	Purchased Apr 1/03 to Mar 31/05 9.1.2	Total Available	Weapons Accounted For 9.1.3
Pistols				
Glock Model 22	22	0	22	22
Taser	10	40	50	45 [1]
Beretta	0	15	15	15
Specialized Weapons				
Colt AR-15 assault rifle	2	0	2	2
Remington 870 12-gauge shotgun	2	0	2	2
Ruger Range Rifle	1	0	1	1
Sage international projectile launcher	1	0	1	1
Armalite M15 assault rifle	0	10	10	10
HK MP5 sub-machine gun	2	0	2	2
HK MP5 SD sub-machine gun	0	1	1	1
Accuracy International sniper rifle	0	1	1	1
Total Weapons	40	67	107	102

Note: [1] There are 5 tasers for which their whereabouts could not be accounted.

We understand that the MSPQ is responsible for any limitations or other guidance that may exist in relation to the types of weapons eligible to be used by a Police Force in the Province of Quebec. In addition, Public Safety has indicated that it does not have the required knowledge to make such an assessment.

Public Safety has requested that we perform a reconciliation of the weapons available to the KMP during the period of our

review. As our mandate is with Public Safety and INAC rather than the MSPQ, we have not performed any analysis in relation to the eligibility of these weapons, nor provided any comment as to their appropriateness.

9.1.1 Existing KMP Weapons Prior to Extraordinary Funding

Based on our review of the available documentation, the following weapons were identified as belonging to the KMP as at April 1, 2003:

WEAPONS APPARENTLY EXISTING AT MARCH 31, 2003	
Weapon Type	Number
Pistols	
Glock Model 22	22
Taser	10
Specialized Weapons	
Colt AR-15 assault rifle	2
Remington 870 12-gauge shotgun	2
Ruger Range Rifle	1
Sage international projectile launcher	1
HK MP5 sub-machine gun	2
Total Weapons	40

The above listing was compiled based on various inventory listings provided by Mr. Tracy Cross. These listings purport to reflect the inventory levels of the KMP weapons at various dates in 2003, as well as at January 15, 2004.

We did not review the invoices for the purchases of these weapons as they were purchased prior to the period of our review.

9.1.2 KMP Weapons Purchased with Extraordinary Funding

During the period from April 1, 2003 to March 31, 2005, identified expenditures for weapons totaled \$62,296 (inclusive of pepper spray purchases). This amount excludes the costs of

ammunition and weapon accessories that were also purchased during this period.

Based on our review of the invoices provided by the KMP for reimbursement or payment, the following weapons were purchased by the KMP during the above period:

SUMMARY OF WEAPONS PURCHASED FROM APRIL 1, 2003 TO MARCH 31, 2005		
Weapon Type	Number	Cost
Pistols		
Taser	40	\$31 000
Beretta	15	6 750
Specialized Weapons		
Armalite M15 assault rifle	10	15 144
HK MP5 SD sub-machine gun	1	4 000
Accuracy International sniper rifle	1	3 845
	<u>67</u>	<u>60 739</u>
Pepper Spray Canisters	100	1 557
Total Weapons	<u>167</u>	<u>\$62 296</u>

9.1.3 Current Location of KMP Weapons

Through correspondence with the SQ, the MSPQ and the Listuguj Police Department, we have determined that 102 of the 107 weapons available for use by the KMP are currently accounted for as follows:

SUMMARY SCHEDULE - CURRENT ACCOUNTING OF WEAPONS			
Weapon Type	Listuguj Police Department	Sporteque	Total Weapons Accounted For
<i>Pistols</i>			
Glock Model 22	6	16	22
Taser		45	45
Beretta		15	15
<i>Specialized Weapons</i>			
Colt AR-15 assault rifle		2	2
Remington 870 12-guage shotgun		2	2
Ruger Range Rifle		1	1
Sage international projectile launcher		1	1
Armalite M15 assault rifle		10	10
HK MP5 sub-machine gun		2	2
HK MP5 SD sub-machine gun		1	1
Accuracy International sniper rifle		1	1
Total Weapons	6	96	102

Weapons Unaccounted For

Based upon our review and confirmation process, we were unable to account for the location of five (5) Tasers. Four (4) of these Tasers were purchased during the period of our review. The other Taser was included in the weapons inventory of April 1, 2003, based on the documentation provided.

9.2 Accounting of KMP Vehicles

During the period from April 1, 2003 to March 31, 2005, vehicles available for use by the KMP included vehicles that were purchased prior to April 1, 2003, used vehicles purchased during the period, as well as vehicles which were rented by KMP or borrowed from the SQ, as summarized below.

SUMMARY OF VEHICLES AVAILABLE FOR USE BY THE KMP					
	<u>Section</u>	<u>On Hand</u>	<u>Disposed</u>	<u>Unknown</u>	<u>Remaining</u>
<i>Owned Vehicles</i>					
Existing	9.2.1	6	0	(6)	0
Purchased	9.2.2	10	(7)	0	3
<i>Non-Owned Vehicles</i>					
Rented	9.2.3	9			
Borrowed	9.2.4	4			
Total Vehicles Available		<u>29</u>			

9.2.1 Existing Vehicles as at April 1, 2003

We understand that six vehicles were available for use by the KMP at March 31, 2003. These vehicles consisted of four Chevrolet Impalas, one Ford Explorer and one four-wheel drive ATV. Each of the six vehicles were registered in the name of the La Coalition des Mohawks de Kanésatake (“Mohawk Coalition”).

One vehicle, an Impala, ceased to be registered in the province of Quebec on June 4, 2003, based on a review of vehicle histories provided by the *Société de l'assurance automobile du Québec* (“SAAQ”). It has been alleged by Mr. Tracy Cross that Terry Isaac had sold one of the KMP Impalas to a Nova Scotia automobile recycler and that the proceeds of that sale were never received by KMP. Terry Isaac has indicated that he has no knowledge of this vehicle or the transaction mentioned by Mr. Cross. The whereabouts of this vehicle are unknown to us.

According to SAAQ records, the other 5 vehicles are still registered under the name of the Mohawk Coalition. Based on discussions with various KMP officers and Kahnawake Peacekeepers, the following has been indicated about these vehicles:

- Two of the Chevrolet Impalas and the Ford Explorer were burned on the Territory sometime after March 31, 2004. The remnants of these vehicles were allegedly sold to a local auto wrecker. It should be noted that no proceeds were recorded in the KMP general ledger regarding these vehicles.
- The third Impala was being serviced outside of the Kanasatake territory at the time the other vehicles were burned. We have been informed that it was subsequently used by the KMP for patrols until approximately May of 2004 when it broke down on the Territory and was abandoned when the officers were confronted by residents of the Territory. The whereabouts of this vehicle are unknown.
- The Arctic Cat ATV was allegedly stolen by an unknown member of the community.

For all of the above noted vehicles, we were unable to determine with certainty when or how each vehicle ceased to be available for use by the KMP and what proceeds, if any, were received for these vehicles when they were disposed of.

9.2.2 Purchase of Vehicles – April 1, 2003 to March 31, 2005

During the month of April 2004, ten (10) vehicles were purchased for the KMP for a total amount of \$162,000. The purchases were made from three different dealers, as detailed in the following paragraphs.

Purchase from Nova Scotia Auto Recycler

Four Chevrolet Suburbans were purchased from an automobile recycler (“Recycler”) in Nova Scotia for a single total price of \$42,000. Based on documents obtained from Public Works and Government Services Canada, all four of the vehicles were previously owned by the RCMP and had been purchased by Recycler at government auctions. Recycler’s total auction purchase price of these four vehicles amounted to approximately \$21,500. Three of these vehicles were purchased by Recycler in November 2003 and the fourth was purchased in October 2001.

According to separate interviews with Mr. James Gabriel and Mr. Robert Patton, three of these Suburbans broke down on the way to Kanesatake and were towed to a Kahnawake area auto dealer. The Kahnawake area auto dealer has indicated to us that he viewed these vehicles as scrap.

These three vehicles were later sold to the Kahnawake area auto dealer for a total amount of \$2,250. According to Mr. Gabriel, the sale price was adjusted for amounts owing to the Kahnawake area auto dealer for the towing and storage of these vehicles. Invoices or documentation for these amounts were not provided.

The fourth Suburban, a 1998 Suburban, was purchased personally by Terry Isaac for \$1,000. The documentation supporting the sale of the vehicle did not include a date of sale, but SAAQ records show that the vehicle was first registered in Quebec on June 2, 2005 in the name of an unknown individual. Terry Isaac confirmed the purchase of this vehicle in our interviews with him. Terry Isaac also confirmed that he only purchased this one vehicle from the KMP.

Purchases from Auto Dealer 1

Four vehicles were purchased from an automobile dealer ("Auto Dealer 1") in April 2005, being three GMC Yukons and one Chevrolet Tahoe.

Three of these vehicles (two Yukons and the Tahoe) are currently registered under the name of the Mohawk Council of Kanasatake but are being held by the SQ in Boisbriand. We understand that a creditor of the MCK has initiated seizure of these vehicles.

The third Yukon, was sold to Auto Dealer 2 along with another vehicle (see purchases from Auto Dealer 3 in the following paragraph).

Purchases from Auto Dealer 3

Two vehicles are supported by an invoice from an automobile dealer ("Auto Dealer 3"). One of these was purchased from Auto Dealer 3 and was later sold to Auto Dealer 2 along with another vehicle (as previously described above).

We understand from our interview with KMP officer Mr. Robert Patton that a 1991 Chevrolet Caprice belonged to Mr. Patton's wife and was sold by her to the KMP. The purchase of this vehicle is, however, supported by an invoice for \$3,000 from Auto Dealer 3. Mr. Patton indicated to us that he personally repurchased the vehicle for \$750 in June 2005.

Vehicle Upgrades

In May of 2004, after the purchase of 10 vehicles, upgrades were apparently performed on at least eight different vehicles to fit them for proper police use. Payments for invoices totaling \$56,804 and \$12,424 were issued to the Kahnawake area auto dealer for various upgrades and repairs including:

- Repainting all four Suburbans, including the three mentioned above that had broken down on the trip from Nova Scotia, at a cost of \$2,700 per vehicle;
- Replacing the tires on three of the four Suburbans at a cost of \$540 per vehicle;
- Repainting the 1991 Caprice at a cost of \$2,200; and
- Various upgrades totaling between \$3,434 to \$7,360 per vehicle were added to eight different vehicles. The upgrades included police lights and sirens, decals, push bumpers, and window tinting.

We note that the four Suburbans and the Caprice were never registered or insured in the name of the Coalition or the KMP. Given this fact and that three of the Suburbans were in disrepair at the time of these upgrades and were eventually sold for a combined \$2,250, it is questionable as to why these upgrades were necessary.

9.2.3 Rental of Vehicles

During the period of our review, the KMP spent \$108,895 (of which only \$94,681 was reimbursed by Public Safety) on rental vehicles for use by its officers. Some rental contracts lasted for several months at a time, often with the vehicles being switched for other vehicles during the contract. In addition, there appears to be a further \$17,423 in unpaid invoices from the rental agency used by the KMP. These invoices were apparently never provided to Public Safety for repayment and, as such, we were unable to include the details from these invoices in our analysis.

The following table outlines the number of vehicles rented by the KMP on any given day between February 2004 and January 2005. The “Lowest” column indicating the least amount of

vehicles rented at any time during the particular month and the “Highest” column indicating the most vehicles rented.

SUMMARY OF VEHICLES RENTED, PER MONTH		
Month	Number of Vehicles	
	Lowest	Highest
February 2004	1	4
March 2004	3	4
April 2004	3	11
May 2004	6	11
June 2004	6	7
July 2004	[1]	3
August 2004	[1]	1
September 2004	[1]	0
October 2004	3	4
November 2004	2	5
December 2004	2	3
January 2005	0	2

Note:
[1] Additional rentals may have occurred during these months based on Via Route statement of account

In our discussions with Mr. Robert Patton, he stated that the rental vehicles were necessary due to the problems with getting the vehicles that were purchased on the road.

9.2.4 Vehicles Borrowed from Sureté du Québec

According to Mr. Robert Patton Jr., four Chevrolet Impalas owned by the SQ were loaned to the KMP during 2004. Mr. Patton indicated that these vehicles were in very poor condition and required numerous repairs that were paid by KMP under the agreements with Public Safety.

9.3 The Mohawk Coalition

During the course of our work, allegations surrounding the Kanesatake Mohawk Coalition (“Mohawk Coalition”) were brought to our attention by Grand Chief Steven Bonspille and Mrs. Mary Cree.

We understand that the Mohawk Coalition was registered in or around 1990 following the Oka Crisis. Various groups from the

community formed the Mohawk Coalition to determine the election process to be adopted in Kanesatake. The directors of the Mohawk Coalition were Mr. Clarence Simon, Ms. Mary Cree and Mr. Crawford Gabriel. One-time funding was received by the Mohawk Coalition. Following the elections that took place, we understand that the Mohawk Coalition became inactive.

The allegations raised to us regarding the Mohawk Coalition are as follows:

- A Quebec entity was registered with new directors,
- Secret funding was funneled through the Mohawk Coalition for the benefit of former Grand Chief James Gabriel and other Chiefs associated to him, and
- The Mohawk Coalition was used to purchase equipment, vehicles and weapons.

9.3.1 Registration of Quebec Entity

It has been alleged that an entity called the Kanesatake Mohawk Coalition was registered in Quebec, using the same name and certain other information as the organization created in 1990. It has been further alleged that this was done without a prior notice to the directors of the “original” Mohawk Coalition.

Based on available information from the *Centre informatique du register des entreprises du Québec* (“CIDREQ”), an organization with the name The Kanesatake Mohawk Coalition was registered in Quebec on December 6, 1999. On the same document it is indicated that the constitution date of the organization was December 18, 1990, which is consistent with the “original” Mohawk Coalition.

The CIDREQ document lists Clarence Simon, James Gabriel and Leowa Gabriel (likely an error for Leona Gabriel) as

director of the organization. The directors of the “original” Mohawk Coalition were Clarence Simon, Mary Cree and Crawford Gabriel. Ms. Mary Cree has indicated that she was never notified of the “new” Mohawk Coalition, nor did she resign or quit as director of the “original” Mohawk Coalition.

We have inquired with Chief Clarence Simon and Chief Marie Chéné as to the nature and reason of the “new” Mohawk Coalition. We were informed that it had been registered for administrative reason related to the Quebec Government. We were advised by Chief Simon and Chief Chéné that it was required for the following:

- Registration and licensing of vehicles with the *Société d'assurance automobile du Québec* (“SAAQ”),
- Registration and payment of worker’s compensation fees to the *Commission de la santé et de la sécurité du travail* (“CSST”), and
- Set-up of account with Hydro Québec.

We were informed by Chiefs Simon and Chéné that these organizations did not recognize the name “Mohawk Council of Kanesatake” as it is not a registered or incorporated entity. Rather, the Quebec organizations recognized the Mohawk Coalition as the name of the organization operating out of the band office. Further, Chiefs Simon and Chéné indicated they had made requests to the government organization in order to correct the situation, but that because there was a need for vehicles to be on the road and workers’ compensation to be paid, these activities were registered in the name of the Mohawk Coalition.

The following findings are based on our review of the available documents and information received from all parties related to the Mohawk Coalition:

- September 9, 1999 – copy of letter from Chief Marie Chéné to the SAAQ indicated that she was requesting vehicles to be registered under the name “Mohawk Council of Kanesatake”.
- February 24, 2000 – letter from Chief Marie Chéné to the SAAQ indicating that registration certificate received were in the name of the Mohawk Coalition and that it should be changed to the Mohawk Council of Kanesatake. She also attached a band council resolution from November 23, 1999 confirming the name “Mohawk Council of Kanesatake”.
- April and May 2004 – copies of the invoices related to the police vehicles are all in the name of the Mohawk Council of Kanesatake except for one invoice in the name of “Land Negotiations Justice” (this invoice was appropriately paid from police funding).
- September 7, 2006 – letter from Jameela Jeeroburkhan of Hutchins Caron & Associés to the CSST stating that *“The Coalition des Mohawk de Kanesatake (Quebec Enterprise No. 114897275) does not exercise band administration functions and is not the employer paying CSST premiums for this account. The correct name of the employer is the Mohawk Council of Kanesatake (Conseil des Mohawks de Kanesatake). Please correct the name to that of the Council, which has no corresponding enterprise number because it is neither an enterprise nor a legal person”*.
- March 2, 2007 – letter from Chief Clarence Simon to the SAAQ requesting that 16 vehicles registered under the name of the Mohawk Coalition should be registered under the name “Mohawk Council of Kanesatake”. The letter state that *“the vehicles listed below have been registered under the name of La Coalition des Mohawks de Kanesatake although they were purchased with band funds, are and have always been the property of the Mohawks of Kanesatake”*. The letter also

states that *“The Council is not a legal person. Therefore, it has no REQ number”*.

- March 15, 2007 – letter from Jameela Jeeroburkhan from Hutchins Caron & Associés to Leona Bonspille stating *“Enclosed please find the newly issued registration certificates and license plates for sixteen (16) Mohawk Council of Kanasatake vehicles that are now properly registered to the Mohawks of Kanasatake (“Bande indienne des Mohawks de Kanasatake”)... As I have explain in the past, the choice of name was provided by the SAAQ because there is a file in the Central Enterprise Database (FCE) with this name and file number”*.

Based on the above documents, the use of the Mohawk Coalition name is consistent with the explanation received from Chiefs Chéné and Simon, namely that it was due to an administrative problem with the province of Quebec. As far back as 1999 Chief Marie Chéné has attempted to rectify the situation, which has apparently been recently rectified.

9.3.2 Funneling of Secret Funding Through Mohawk Coalition

It has been alleged that funding was secretly funneled through the Mohawk coalition for the benefit of former Grand Chief James Gabriel and other Chiefs associated to him.

We have discussed this issue with former Grand Chief James Gabriel, Chief Marie Chéné and Chief Clarence Simon. They have denied that any funding was received by the Mohawk Coalition, or that any money was secretly funneled through the Mohawk Coalition for police operations or any other purpose.

Confirmations were obtained from both Public Safety and INAC that no funding was paid to the Mohawk Coalition for police operations or any other purpose.

Further, based on our review of the accounting information obtained from the Third Party Manager, we have not identified

any payments to the Mohawk Coalition or receipt/transfer of funds in favour of the Mohawk Coalition.

Based on our review, the allegation of secret funding being funneled through the Mohawk Coalition does not appear to be founded.

9.3.3 Use of Mohawk Coalition to Purchase Equipment, Vehicles and Weapons

It has been alleged that the Mohawk Coalition was used to purchase equipment, vehicles and weapons.

Based on our review of the invoices supporting the transactions under the police funding we have not identified purchases made in the name of the Mohawk Coalition, other than vehicles being registered under the name "Mohawk Coalition". The actual invoices for the purchase of these vehicles were in the name of the MCK or the KMP, but the vehicles were registered under the "Mohawk Coalition" name as previously described in section 8.3.1.

Two vehicles were sold to an automobile dealer. The invoices are made in the name of the Mohawk Coalition. This is consistent with the fact that the registration documents for the two vehicles were in the name of the Mohawk Coalition. The funds received upon the sale of these vehicles was deposited and accounted for under the policing program.

Based on our review of the available documents, the allegation of equipment, vehicles and weapons being purchased by the Mohawk Coalition does not appear to be founded. The only use of the "Mohawk Coalition" name appear to be related to dealings with the Quebec provincial government, as described in section 9.3.1. of this report, a situation which has apparently now been corrected.

**10.0 EXPENSES
OUTSIDE OF
POLICING
BUDGETS, BUT
RELATED TO
EVENTS OF
JANUARY 2004**

INAC has historically provided the MCK with a negotiation budget. This budget is to provide the MCK with a capacity to proceed with negotiations on various issues, such as land claim, justice & policing and economic development. A budget is developed at each of the sectorial tables and reviewed by INAC.

INAC has indicated to us that for Kanesatake, the decision to negotiate, the negotiation mandate and its funding were based on Cabinet decisions and approval from TB.

For the 2003/2004 fiscal year, the MCK requested \$852,400 in negotiation funding. INAC provided \$600,000 in funding, \$252,400 less than what was requested by the MCK. This funding was approved by INAC based on the negotiation mandate received from Cabinet and specific authorities from TB. We understand these documents to be deemed cabinet confidences by INAC and, as such, we were not given access to these documents and cannot comment further on the approval of the funding.

For the 2004/2005 fiscal year, the MCK requested \$1,362,700 in negotiation funding, which was fully granted to them by INAC. Again, this funding was approved by INAC based on the negotiation mandate received from Cabinet and specific authorities from TB. We understand these documents to be deemed cabinet confidences by INAC and, as such, we were not given access to these documents and cannot comment further on the approval of the funding.

10.1 Legal Fees

Legal fees were paid from the INAC negotiation budget for the 2003/2004 and 2004/2005 fiscal years. Based on the supporting invoices, it appears that some of the legal fees were related directly or indirectly to the police operation of January 2004.

On November 14, 2003, an INAC Quebec Region Director indicated that an amount of \$800,000 was exceptionally made available for payment of fees related to Governance issues:

“Finally, an amount of \$800,000 to cover cost generated from the Governance issue that affected and paralysed the negotiation process between Kanasatake and Canada from December 2001 to July 2003. This allocation is exceptional and any other expenses incurred after July 2003 in relation with this issue will have to be supported by your council. Furthermore, no other request of this nature will ever be considered again.”

The funding of legal fees is further discussed in a memo from the INAC Quebec Region RD to the ADM, indicating that it was in the interest of INAC to fund the legal costs to both sides of the litigations (both sides being members of the MCK) to minimize further legal claims and to ensure fairness and transparency.

Based on the documents reviewed, we have identified a total of \$1,549,689 paid to law firms and law practitioners during the 2003/2004 and 2004/2005 fiscal years.

INAC has indicated that specific approval was granted for the payment of legal fees, pursuant to their negotiation mandate and a specific authority received from Cabinet and TB. We understand these documents to be deemed cabinet confidences by INAC and, as such, we were not given access to these documents and cannot comment further on the approval of the funding.

Further, INAC has indicated that all of the legal fee invoices submitted to them were reviewed prior to payment being approved.

10.2 Public Relations Fees

Grand Chief James Gabriel and his supporting council retained the services of a public relations firm. In an activity report dated August 31, 2004 to an INAC Senior Negotiator, James Gabriel states the following regarding the retainer of this firm:

“Due to the misinformation circulated by the former Chiefs and their supporters, it was necessary to engage the services of a communication firm to assist us in countering the disinformation being circulated and promoted by the minority chiefs.”

Further, James Gabriel mentioned the following in a September 9, 2004 letter to an INAC Senior Negotiator:

“Adequate information and communication both with our band members and the general public is required. Less than well intended community members have embarked in a disinformation campaign and have been flooding the public with erroneous and misleading information to say the least. This has and will continue to necessitate the engagement of a specialized communication firm; hereto this may seem like an expensive exercise, but it must be done.”

Based on the documents reviewed, we have identified a total of \$367,911 paid to the public relations firm from the INAC negotiation funding during the 2003/2004 (\$119,641) and 2005/2005 (\$248,270) fiscal years.

INAC has indicated that the public relations expenses are allowable costs under the agreements and were provided to the MCK during the allocation of negotiation funding. In addition, INAC has also indicated that the decision to pay for certain specific communication costs was based on a decision from Cabinet based on a joint submission by INAC and Public Safety. We understand these documents to be deemed cabinet confidences by INAC and, as such, we were not given access to these documents and cannot comment further on the approval of the funding.

10.3 Travel Allowances

After the January 2004 operation, then Grand Chief James Gabriel left the territory and resided in a series of hotels. During this period, we understand that meetings between Chiefs James Gabriel, Marie Chéné, Clarence Simon and Doreen Canatonquin were held at hotels and various other locations outside of Kanasatake. As such, these four Chiefs received travel allowances.

Based on the documents reviewed, we have identified a total of \$119,500 paid in travel allowances from the INAC negotiation funding during the 2003/2004 and 2004/2005 fiscal years, allocated as follows:

SUMMARY OF TRAVEL ALLOWANCES PAID, BY INDIVIDUAL FOR THE 2003/2004 AND 2004/2005 FISCAL YEARS			
Name of Individual	Amount Paid		
	2003/2004	2004/2005	Total
Marie Chene	\$14,500	\$16,500	\$31,000
James Gabriel	13,500	16,000	29,500
Doreen Canatonquin	13,000	16,500	29,500
Clarence Simon	14,000	15,500	29,500
Total	\$55,000	\$64,500	\$119,500

These payments are not supported by detailed travel allowance claims that would provide the specific detail on the travel being paid for by the MCK. James Gabriel has indicated that the lack of detail on the claims was required due to concerns over his personal safety.

The fees were paid based on a *per diem* amount of \$100, as noted in the following INAC email, dated February 12, 2004, to an INAC Senior Negotiator:

“Suite à différentes conversations téléphoniques, nous comprenons que les frais des 3 chefs (Canatonquin, Simon, Chéné) seront défrayés à partir du budget des Négociations. Je comprend que cette démarche est faite en référence à la lettre du Grand Chef Gabriel.

Nous avisons le tiers administrateur que les frais (per diem forfaitaire de \$100) seront payable sur ce service et entérinés par toi.”

On the same day, an INAC Senior Funding Officer confirmed the following to a PWC representative:

“Le présent courriel est pour te confirmer que le forfait de \$100.00 par jour pour les frais de déplacement demandé par James Gabriel pour les chefs devra être payé à partir du budget de Négociation.”

Further, in an email dated April 15, 2004, the same INAC Senior Funding Office asked an INAC Senior Negotiator to confirm that the \$100 allowance was also to be paid to James Gabriel, retroactive to January 26, 2004:

“Comme je dois joindre des montants aux demandes de paiements que j’envoie au séquestre administrateur, pourrais-tu me confirmer que les frais de déplacement que tu autorises à verser à James Gabriel à partir des fonds de négociations équivalent à un forfait de 100\$ pas jour rétroactif au 26 janvier 2004.”

Although we could not find a document to support the confirmation, a payment of \$6,500 was issued to James Gabriel on April 21, 2004 for travel expenses.

INAC has indicated that they do not pay for salaries and travel expenses to Chiefs under their function as Chief, but rather in their functions as negotiators for the MCK, to the extent the expenses are allowable under the negotiation funding agreement. INAC indicated that following the events of

January 2004, negotiation meetings were held in Quebec, Montreal, Ottawa, Laval, St. Jerome and St. Sauveur, and not on the Kanasatake territory due to certain MCK negotiators fearing for their safety. As such INAC has accepted, at the request of MCK negotiators, to pay a \$100 daily travel allowance for the MCK negotiators from February 2004 to June 2005. INAC indicated that based on their analysis and discussions, they were of the opinion that this was the most economical manner given the circumstances.

**11.0 POLICING
PROGRAM
COMPLIANCE**

We have reviewed the contribution agreements and have identified reporting requirements and operational requirements. We understand that operational requirements are under Quebec's responsibilities. We have not assessed or commented upon any operational-related requirements. Our discussion on compliance with the reporting requirements is as follows.

From a delivery of services perspective, it should be noted that one of the basic requirement of the tripartite agreements was that policing services were to be delivered in the community of Kanesatake by the KMP. From January 14, 2004 to the suspension of funding on November 1, 2005 this requirement was not being met. Public Safety was aware of this and supported the off-territory KMP.

**11.1 2003/2004
Tripartite
Agreement**

The KMPC shall meet at least every 3 months and minutes of all meetings of the KMPC shall be recorded and maintained by the KMPC and copies to Kanesatake, Canada and Quebec.

We do not have the information that would indicate the frequency of meetings by the KMPC.

The Liaison Committee shall meet as required, but not less than once every two (2) months during the term of this agreement.

We do not have the minutes of the Liaison Committee meetings for the period between a meeting held on January 16, 2003 and a meeting held on February 10, 2004. This is not indicative that meetings did not take place. During our interviews, Public Safety and INAC representatives indicated that they attended a number of the Liaison Committee meetings during this period. We also have copies of the minutes for meetings held on March 4 and March 22-23, 2004.

Audited financial statement submitted to Canada and Quebec within three (3) months following the end of each fiscal year

The audited financial statement of the Mohawk Council of Kanesatake is dated June 3, 2004 – within the three month-period following the end of the 2003/2004 fiscal year. It covers the 295-day period ended March 31, 2004 (period under third party management). We have not been provided with audited financial statements for the period prior to this (the 70-day period) and we understand that no audited financial statement has been provided to Public Safety for this period.

The policing arrangements made under this Agreement shall be evaluated and written reports completed before December 20, 2003, as agreed upon by the parties.

In October 2003 the Grand Chief provided in writing a request for additional funding due to various concerns as discussed in other sections of this report. At the same time, and in addition to discussions held surrounding the additional funding, the parties were also in negotiations and discussions for the renewal of the tripartite agreement. As such, it appears that the parties were aware of the policing arrangements, although it does not appear that written reports were completed before December 20, 2003.

**11.2 2004/2005
Tripartite
Agreement**

The Chief of Police will, on a quarterly basis, provide a financial report to the Council and to the Kanesatake Mohawk Public Security Commission

We do not have the information that would indicate the frequency of financial reports provided to the KMPSC, if any. Given the operational status of the KMP at the time, and the status of the KMPSC (it was not in existence), it does not appear that these reports would have been required. The third party manager was in charge of preparing financial reports and these reports were provided to Public Safety.

The Chief of Police and the Commission will submit a budget proposal to the Council, on an annual basis.

As it was described to us by both the Interim Chief of Police and the Third Party Manager, meetings were held between them to develop a budget for the policing program. Given the fact that the MCK was under third party management at the time, it is not known if a copy of the budget was sent to the MCK or if it was still a requirement.

The Council will open a separate bank account for all financial contributions transferred to it pursuant to this Agreement.

The Third Party Manager has confirmed that a separate bank account was opened and operated for all policing related funding and expenditures under the tripartite agreement.

Audited financial statement submitted to Canada and Quebec within four (4) months following the end of each fiscal year.

The audited financial statements of the Mohawk Council of Kanesatake policing program made available to us are not dated, but are accompanied by a transmittal letter from the third party manager to Public Safety dated September 7, 2005. As such, it does not appear that the audited financial statements were provided within four (4) months of March 31, 2005 (this date would have been July 31, 2005).

The Liaison Committee will meet no less than once every three (3) months

Based on available information, the Liaison Committee met on April 7, April 15, May 19 and June 3. We have no information for meetings held between June 3, 2004 and April 27, 2005. This is not an indication that meetings did not take place. During our interviews, Public Safety and INAC representatives indicated that they attended a number of the Liaison Committee meetings during this period.

**11.3 Extraordinary
Funding Bilateral
Agreement #1**

Monthly financial reports for the months of November 2003 to March 2004 are to be provided by the 12th of 13th day of the following month

We understand that no expenses were claimed under this extraordinary funding bilateral agreement prior to the operation of January 12-14, 2004. Prior to that the third party manager was providing, on regular basis, monthly and year-to-date financial reports to Public Safety.

Audited financial statement submitted to Canada and Quebec within three (3) months following the end of the 2003/2004 fiscal year

The audited financial statement of the Mohawk Council of Kanesatake is dated June 3, 2004 – within the three month-period following the end of the 2003/2004 fiscal year. It includes a specific schedule for the extraordinary funding provided under bilateral agreement #1.

**11.4 Extraordinary
Funding Bilateral
Agreement #2**

Detailed financial reports with supporting invoices and receipts outlining the allowable policing expenses and policing costs associated with First Nations policing assistance above the level of 12 KMP officers after May 14, 2004 up to and including July 31, 2004, will be provided within fifteen (15) calendar days following each week covered by this agreement.

A “batch” of invoices was submitted on a weekly basis by the KMP to Public Safety. It should be noted that each “batch” of invoices would include all invoices and receipts for the period, rather than only those related to the enhanced policing assistance.

Final summary financial report showing the use of the funds for the period after May 14, 2004 up to and including July 31, 2004, will be provided on or before October 31, 2004.

We have not been provided with a summary financial report that would segregate the use of the funds for the period of May 14, 2004 to July 31, 2004. All of the reports provided to us integrate all police funding and expenditures for the 2004/2005 fiscal year.

Revenues and expenditures related to this Agreement will be reported audited financial statement submitted to Canada and Quebec within four (4) months following the end of the 2003/2004 fiscal year

The copy we received of the audited financial statements of the Mohawk Council of Kanasatake policing program is not dated, but is accompanied by a transmittal letter from the third party manager to Public Safety dated September 7, 2005. As such, it does not appear that the audited financial statements were provided within four (4) months of March 31, 2005 (this date would have been July 31, 2005). In addition, the funding and expenditures specific to this bilateral agreement were not segregated, but rather included in the overall reported results of the policing program.

**11.5 Extraordinary
Funding Bilateral
Agreement #3**

Provide an audited financial statement for the period from April 1 to May 14, 2004 showing the complete disposition of funds related to the activities outlined in section 1.1, due on or before February 28, 2005.

We have not been provided with an audited financial statement that would segregate the disposition of funds for the period of April 1 to May 14, 2004.

Include the extraordinary expenses in the audited financial statement that will be submitted within four (4) months following the end of the fiscal year, as outlined in Section 7.9.4 of the Tripartite Policing Agreement.

The audited financial statements, available to us, of the Mohawk Council of Kanasatake policing program is not dated, but is accompanied by a transmittal letter from the third party manager to Public Safety dated September 7, 2005. As such, it does not appear that the audited financial statements were provided within four (4) months of March 31, 2005 (this date would have been July 31, 2005). In addition, the funding and expenditures specific to this bilateral agreement were not segregated, but rather included in the overall reported results of the policing program.

**11.6 Extraordinary
Funding Bilateral
Agreement #4**

Provide financial reports with supporting invoices and receipts outlining the additional allowable policing expenses and policing costs above the funding level of the Tripartite Policing Agreement from August 1, 2004 to March 31, 2005 within fifteen (15) calendar days following each week covered by this agreement

A "batch" of invoices was submitted on a weekly basis by the KMP to Public Safety. It should be noted that each "batch" of invoices would include all invoices and receipts for the period, rather than only those related to the enhanced policing assistance.

Provide a financial report showing the use of the funds for the period of August 1, 2004 to March 31, 2005 within four (4) months following the end of the fiscal year.

We have not been provided with a summary financial report that would segregate the use of the funds for the period of August 1, 2004 to March 31, 2005. All of the reports provided to us integrate all police funding and expenditures for the 2004/2005 fiscal year.

Include the revenues and expenditures related to this Agreement in the audited financial statement that will be submitted within four (4) months following the end of the fiscal year, as outlined in Section 7.9.4 of the Tripartite Policing Agreement.

The audited financial statements, available to us, of the Mohawk Council of Kaneshatake policing program is not dated, but is accompanied by a transmittal letter from the third party manager to Public Safety dated September 7, 2005. As such, it does not appear that the audited financial statements were provided within four (4) months of March 31, 2005 (this date would have been July 31, 2005). In addition, the funding and expenditures specific to this bilateral agreement were not segregated, but rather included in the overall reported results of the policing program.

NAVIGANT CONSULTING

[Original report signed]

Per: Steven Whitla, CA•IFA, CFE
Managing Director

DEPARTMENT OF PUBLIC SAFETY CANADA

List of Terms and Acronyms

ADM	Assistant Deputy Minister
APD	Aboriginal Policing Directorate
ATV	All Terrain Vehicle
CFN	Chief Federal Negotiator
CIDREQ	Centre informatique du registre des entreprises du Québec
CSST	Commission de la santé et de la sécurité du travail
DG	Director General
FNPP	First Nations Policing Policy
FY	Fiscal Year
G/L	General Ledger
INAC	Indian and Northern Affairs Canada
KMP	Kanesatake Mohawk Police
KMPC	Kanesatake Mohawk Police Commission (up to March 31, 2004)
KMPSC	Kanesatake Mohawk Police Security Commission (starting on April 1, 2004)
MCK	Mohawk Council of Kanesatake
MOU	Memorandum of Understanding

MSPQ	Ministère de la sécurité publique du Québec
PCO	Privy Council Office
PSEPC	Public Safety and Emergency Preparedness Canada
Public Safety	For the purpose of this report, Public Safety has been utilized to describe the Solicitor General Office, Public Safety and Emergency Preparedness Canada and Public Safety Canada.
PWC	PricewaterhouseCoopers
Quebec	The Quebec Government as a whole
RCMP	Royal Canadian Mounted Police
SAAQ	Société de l'assurance automobile du Québec
Samson	Samson and Associates
SolGen	Solicitor General Office
SQ	Sûreté du Québec
TB	Treasury Board
TPM	Third Party Manager

DEPARTMENT OF PUBLIC SAFETY CANADA

Chronology of Selected Events Related to Our Review

- December 1996** The KMP was created upon the signing of a tripartite agreement. It establishes the authority for the Police of Kanesatake to maintain peace, order and public security within the Kanesatake territory.
- September 26-28, 2001** Shots were fired at the Kanesatake police station following the execution of a search warrant on the territory by the KMP. The acting Chief of Police, was dismissed (allegedly for his own personal safety). Mr. Terry Isaac, who had participated in the search warrant, temporarily assumed the command of the KMP and a number of other aboriginal police officers also provided assistance to the KMP.
- October 9, 2001** A formal financial request was presented at a Liaison Committee meeting by members of the MCK to support an enhanced police presence in Kanesatake for a longer period of time.
- October 26, 2001** Public Safety indicated that Canada was in the process of developing options to provide its share of the requested financial assistance and that it was also prepared to extend the existing tripartite policing agreement for one year.
- October 30, 2001** Mr. Larry Ross, the former acting Chief of Police, filed an application to the Federal Court Trial Division seeking an injunction to quash and set aside the decision of the MCK to dismiss him.

- November 2, 2001** Meeting held with representatives from Public Safety, INAC, three Chiefs from the MCK, three Chiefs from Listuguj Band and Mr. Terry Isaac, the KMP acting Chief of Police. It was confirmed at this meeting that Mr. Isaac would continue to be the KMP acting Chief of Police for as long as it was required.
- December 6, 2001** A meeting was called by four Chiefs of the MCK. During the meeting a vote of non-confidence was held and a majority of the people present voted to remove Grand Chief James Gabriel from office.
- December 10, 2001** An official request for funding related to enhanced policing (additional police officers) is submitted to Public Safety. After its review, Public Safety agreed to provide extraordinary contribution funding to the MCK totalling \$647,306 for November 1, 2001 to March 31, 2002 and \$295,264 for April 1, 2002 to December 31, 2002, representing 52% of the amounts requested by the MCK.
- January 7, 2002** James Gabriel files for an injunction in Federal Court in order to be reinstated in his capacity as Grand Chief.
- January 31, 2002** INAC's RDG writes a letter to the MCK to inform them that INAC cannot act upon the December 6, 2001 MCK resolution to dismiss James Gabriel as Grand Chief and appoint Steven Bonspille as interim Grand Chief.
- February 6, 2002** Four Chiefs from the MCK reply to the letter from INAC's RDG informing him that the MCK does not recognize the Custom Election Dispute Resolution Policy and asking for withdrawal of the January 31, 2002 letter.
- March 27, 2002** Terry Isaac is informed by a representative of the MCK that his contract will not be renewed. The contract had been extended by the KMPC.

- April 29, 2002** The Federal Court Trial Division granted an injunction to Mr. James Gabriel, setting aside a resolution of the MCK removing him as Grand Chief, and to reinstate him in this capacity.
- April 30, 2002** Quebec representatives indicated that they will not provide any further additional funding to assist the KMP. Part of the reasoning for not providing additional funding was that the additional funding does not appear to have been an effective response to the alleged criminal activities.
- May 3, 2002** Mr. James Gabriel’s lawyers submitted an ex-parte motion to the Federal Court to ensure that the interlocutory injunction granted by Justice Tremblay-Lamer will be respected.
- May 5, 2002** Mr. Steven Bonspille, policing portfolio holder, wrote a letter to two members of the KMPC indicating the termination of their tenure. Both KMPC members wrote back indicating that this was not in accordance with the policies and procedures regulating the KMPC and, as such, they did not recognize the authority of the portfolio holder to make such a decision.
- May 27, 2002** The two ex-members of the KMPC file an application for judicial review in Federal Court challenging the MCK decision to terminate their tenure as members of the KMPC. The Application for Judicial review was heard on June 6, 2002.
- June 14, 2002** Justice Lemieux of the Federal Court orders the MCK to reinstate both applicants as members of the KMPC until such time as an interlocutory order is rendered in this matter.
- October 4, 2002** Mr. Crawford Gabriel, Chief Mohawk Negotiator on behalf of the MCK dies. This leaves the MCK in a “deadlock” with 2 opposing groups of 3 Chiefs.
- October 17, 2002** The 5-year terms of the KMPC Commissioners expire.

November 4, 2002	A selection committee reached a decision on the membership of the next KMPC. Five individuals were selected.
December 31, 2002	The agreement between Public Safety and the MCK for enhanced policing funding expires.
March 26, 2003	The tripartite policing agreement is extended until March 31, 2004, under the same terms and conditions, pending negotiations of a new agreement. It provides for funding of \$1.3 million for the KMP, funded by Public Safety (52%) and MSPQ (48%). James Gabriel is the sole signatory on behalf of the MCK.
April 2, 2003	A partial blockade is erected on highway 344 at entrance of the Kanesatake territory. The blockade is removed upon INAC officials agreeing to meet with the entire MCK.
May 13, 2003	INAC appoints a Third Party Manager for the financial affairs for the MCK. Public Safety decides to also have its agreements managed by the same Third Party Manager and a memorandum of understanding is signed in June 2003.
July 5, 2003	A by-election is held and the vacant Chief's position is filled. The MCK is no longer in a deadlock. Grand Chief James Gabriel is appointed Chief Mohawk Negotiator.
October 10, 2003	Grand Chief James Gabriel requests additional funding for extraordinary and enhanced police assistance under the terms of the tripartite agreement due to the severity of the alleged criminal activity in the community. Requests are sent to Public Safety, INAC, the Chief Federal Negotiator and MSPQ representatives.
November 10, 2003	<p>"Extraordinary Funding Bilateral Agreement #1"</p> <p>Public Safety agrees to provide the extraordinary and enhanced police funding requested by Grand Chief James Gabriel through a bilateral agreement in the amount of \$900,000 for the period</p>

November 12, 2003 to March 31, 2004 (signed November 13, 2003).

December 2003

An agreement-in-principle is reached by all parties on the renewal of the tripartite policing agreement for the period April 1, 2004 to March 31, 2008.

January 12-14, 2004

A group of approximately 65 aboriginal police officers lead by Mr. Terry Isaac enters the Kanesatake territory on January 12, 2004. This group of police officers is confronted by a number of individuals and remain in the Kanesatake police station until January 14, 2004. During this time period Chief James Gabriel's house is burnt down.

Mohawk Peacekeepers from Kahnawake and Akwasasne assist in the de-escalation of the situation escort the group of police officers outside of the territory. The Peacekeepers remain on the territory to continue patrolling.

January 14 to March 31, 2004

From January 14 to March 31, 2004, Peacekeepers from Kahnawake provided policing services and patrolling on the Kanesatake territory with help from a few officers that were members of the KMP prior to the special operation.

Most of the group of approximately 65 officers who participated in the special operation of January 12-14 return to their communities. A small group of officers move in a succession of hotels in the lower Laurentians and in Laval.

March 19, 2004

A new multi-year tripartite agreement is signed by Public Safety, MSPQ and the MCK for the 2004/2005 to 2007/2008 fiscal years, providing for annual funding of \$1.3 million for the KMP funded by Public Safety (52%) and MSQP (48%).

March 31, 2004 & April 1, 2004

The Kahnawake Peacekeepers leave the territory. Mr. Ed Thompson, the new Chief of Police of the KMP enters the territory to replace the Peacekeepers, but is forced out of the territory within a few days.

April 1, 2004 to July 31, 2004

Starting in April 2004, the KMP was increased in number, to as much as over 60 officers. The officers stayed in a Laval hotel while working for the KMP. Patrolling was performed outside of the Kanesatake territory. The police officers would travel from the command post and “patrol” up to the village of Oka and around the perimeter of the Kanesatake territory. Planning was performed by the KMP jointly with the RCMP and the SQ in order to enter the Kanesatake territory and re-start the on-territory patrolling. Elections were originally planned for the summer of 2004, but were postponed a number of times.

On a few occasions police officers attempted to enter the Kanesatake territory but we understand that they were effectively turned out of the territory by individuals in the community.

April 2004

INAC advances \$434,000 to the policing program due to lack of funds available by the Third Party Manager to pay outstanding expenditures.

June 11, 2004

INAC advances \$500,000 to the policing program due to lack of funds available by the Third Party Manager to pay outstanding expenditures.

July 29, 2004

“Extraordinary Funding Bilateral Agreement #2”

A bilateral agreement was retroactively signed by Public Safety and the MCK in the amount of \$1.8 million for the period of May 14, 2004 to July 31, 2004 for one-time extraordinary policing funding.

August 1, 2004 to March 31, 2005

Starting in August 2004, the KMP was reduced to 12 officers. The officers were still staying in a Laval hotel while working for the KMP. The “patrols” outside of the Kanesatake territory continued. The elections planned for the summer of 2004 were continuously delayed and were finally held in June 2005.

September 20, 2004	INAC recovers \$934,000 from the policing program to repay the advances made in April 2004 (\$434,000) and on June 11, 2004 (\$500,000).
January 24, 2005	INAC advances \$115,000 to the policing program due to lack of funds available by the Third Party Manager to pay outstanding expenditures.
January 25, 2005	<p>“Extraordinary Funding Bilateral Agreement #3”</p> <p>A bilateral agreement was retroactively signed by Public Safety and the MCK in the amount of \$598,000 for the period of April 1, 2004 to May 14, 2004 for one-time extraordinary policing funding. This provided for 52% funding of the expenses incurred for the period of the agreement.</p>
January 25, 2005	<p>“Extraordinary Funding Bilateral Agreement #4”</p> <p>A bilateral agreement was retroactively signed by Public Safety and the MCK in the amount of \$550,000 for the period of August 1, 2004 to March 31, 2005 for one-time extraordinary policing funding.</p>
February 2, 2005	INAC advances \$85,000 to the policing program due to lack of funds by the Third Party Manager to pay outstanding invoices.
March 31, 2005	INAC recovers \$200,000 from the policing program to repay the advances made on January 24, 2005 (\$115,000) and on February 2, 2005 (\$85,000).
November 1, 2005	Public Safety suspended payment of policing funding under the existing tripartite agreement.
April 2006	INAC lowers its level of intervention with the MCK from third party management to co-management.
October 2006	Samson & Associates distributes a draft report of their financial audit to various parties.

March 2007

Navigant Consulting is mandated by Public Safety to perform a forensic audit related to the funding provided for policing services for the 2003/2004 and 2004/2005 fiscal years.