

SUMMARY OF MNP LLP FORENSIC INVESTIGATION RESULTS

WAVERS OF BROKENHEAD LTD. JANUARY 2024



KEY FINDINGS OF INVESTIGATION

1. **We did not discover evidence of theft or fraud during the two year period we conducted the extensive analysis.**
2. **Bank analysis:** We did not identify concerning outflows that appear to be misappropriation of assets.
3. **Cash flow analysis:** We could not reconcile the accounting, banking, and operational records related to cash of approximately \$112,000. This equates to half of one percent (0.5%) of the total expected funds to be received (\$112,000 out of \$20,900,000). **HOWEVER**, the unreconciled cashflow does not point to misconduct or missing cash, as there are a number of possible explanations for the shortage, including, but not limited to:
 - Vendors and lottery ticket wins were paid directly from the cash register which has not been reflected in our calculation.
 - Gift cards purchased before the start of our reconciliation and used during the period of our analysis.
 - Rebates (e.g., tobacco, fuel) may have been recorded in the accounting records and received at a later date.
 - GST and PST charged may be inaccurate because we relied upon the general ledger.
 - Charge accounts receivables may be inaccurate.
 - We assumed cash floats were equal at the start and end of our reconciliation because of the lack of counts, and they may not have been.
4. **Payroll analysis:** We did not identify concerns with payroll that appear to be misappropriation of assets.
5. **Corporate credit card analysis:** We did not identify concerning transactions that appear to be personal in nature. The items purchased are items that are used and/or sold at Wavers.
6. **Inventory analysis:** Inventory is not tracked or regularly counted; as a result, we are unable to perform a reconciliation of inventory and assess whether there is theft of inventory occurring.
7. **Controls analysis:** Control weaknesses around cash and inventory were identified that increase the risk of theft, errors, and fraud. Through interviews with current management, we understand that controls have already been adjusted to rectify some of the control weaknesses identified.

SCOPE OF INVESTIGATION

MNP LLP ("MNP", "we", "our") was engaged by Brokenhead Ojibway Development Corporation ("BODC") to investigate whistleblower complaints regarding Wavers of Brokenhead Ltd. ("Wavers"). The whistleblower alleged mishandling of fuel tax rebates and other mismanagement actions.

Manitoba Finance is currently conducting a tobacco, fuel, and retail sales tax audit on Wavers for the period of April 1, 2022 to June 30, 2023. As this rebate investigation is underway by Manitoba Finance, **we have not performed analysis on fuel, tobacco, or retail rebates and/or sales.**

The review period was July 1, 2021, to June 30, 2023 (the "Period of Review"). Electronic reports could not be generated from the old Point-Of-Sale ("POS") system used by Wavers prior to July 1, 2021, which is why it was chosen as the starting date for the investigation.

MNP was asked to review the financial and operational records of BODC, specific to Wavers, with a focus on unusual or unexpected payments (including payroll), cash flows (including ATM monies), credit card usage, and inventory.

INVESTIGATIVE EFFORT

MNP's investigation began June 9, 2023 and MNP presented the findings to Brokenhead Ojibway Nation ("BON") membership on January 30, 2024. Overall,

- ✓ MNP has spent **over 500 hours** to complete this extensive investigation;
- ✓ Over **12,000 documents** were obtained and analyzed;
- ✓ **11,000** bank transactions were analyzed; and
- ✓ **4.5GB+ of data** was reviewed.

An expert report was not prepared by MNP. We are working with BON to make specific recommendations to improve operations and documentation, specifically in relation to cash management, inventories, supply-chain, and pricing, which are common challenges in convenience stores and gas bars, regardless of locale.