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Chair

The Honourable Shawn Murphy

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• (1530)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I'd like to call the meeting to order and ask the cameras to leave the room, please.

Thank you very much.

I want first of all to extend to everyone here a very warm welcome.

Colleagues, witnesses, members of the interested public, this is a meeting of the Standing Committee on Public Accounts. It's a continuation of chapter 9, "Pension and Insurance Administration—Royal Canadian Mounted Police", all pursuant to the November 2006 Report of the Auditor General of Canada.

We're very pleased today to have six witnesses with us. First of all, we have Greg McEvoy, associate partner with the accounting firm of KPMG, who did the forensic audit into certain aspects. Mr. McEvoy, welcome to the committee.

From the Department of Public Works and Government Services Canada, we have the deputy minister and accounting officer, Mr. David Marshall, and the chief risk officer, Shahid Minto. Of course a lot of us know Mr. Minto was previously with the Office of the Auditor General. Welcome back to the committee, Mr. Minto.

As individuals, we have Dominic Crupi, who's been before the committee before; Mr. Frank Brazeau, who's formally associated with Consulting and Audit Canada; and Mr. David Smith, from the firm Abotech Inc. Welcome to all of you.

I understand that we have four individuals with opening remarks.

It's been the practice of the committee in this particular hearing to swear in the witnesses, so I am going to swear in all six individuals.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Mr. Chair, I have a point of order.

For clarification, I've noticed that Mr. Gauvin, Mr. Macaulay, and Mr. Frizzell are on the list, but crossed off, and I notice a couple of those gentlemen here. Are they here to appear as witnesses?

The Chair: We found, Mr. Wrzesnewskyj, nine is more witnesses than this meeting can really handle. We felt, first of all, that Mr. Macaulay and Mr. Frizzell really had nothing to do with the subject matter that we're talking about this afternoon, although I understand they're in the audience.

Mr. Gauvin is also in the audience, I understand, but, again, we're leaving the table to the six. Again, if there are any relevant questions to Mr. Gauvin, we could invite him up, but we prefer to keep our questions, if possible, to the six witnesses.

We certainly don't see Mr. Frizzell or Mr. Macaulay having anything to do with this hearing.

We'll proceed with swearing in of the witnesses.

Mr. David Smith (As an Individual): I, David Smith, do swear that the evidence that I'll give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. Dominic Crupi (As an Individual): I, Dominic Crupi, do swear that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. Frank Brazeau (As an Individual): I, Frank Brazeau, do swear that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. David Marshall (Deputy Minister, Public Works and Government Services Canada): I, David Marshall, do swear that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. Shahid Minto (Chief Risk Officer, Public Works and Government Services Canada): I, Shahid Minto, do swear that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. Greg McEvoy (Associate Partner, KPMG): I, Greg McEvoy, do swear that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

The Chair: Thank you very much.

We're going to hear from you, Mr. McEvoy, first.

Mr. Greg McEvoy: Good afternoon, Mr. Chair and committee members. Thank you for inviting me here today.

My name is Greg McEvoy. I'm an associate partner with KPMG in the forensic group. I am a chartered accountant, and have worked as a forensic accountant for approximately 16 years. I am designated as a specialist in forensic and investigative accounting by the Canadian Institute of Chartered Accountants. A significant portion of my experience has involved working with the federal government.

In late October 2004, KPMG was called by Consulting and Audit Canada and asked to review and investigate the procurement activity that CAC had conducted on behalf of the RCMP National Compensation Policy Centre, or NCPC.

I was the project manager leading this work, and significantly involved in the file. Initially KPMG was asked to review 31 contracts that CAC managed on behalf of the NCPC, and 30 of these contracts had been managed by a specific project manager, Mr. Frank Brazeau. Our file review of these 31 contracts took place from October to December of 2004. We identified serious concerns in the manner in which these contracts were procured. Due to our initial findings with respect to these contracts, a decision was made to review an additional 14 contracts, 13 of which were awarded to a company called Abotech Inc., which we understood to be owned and managed by Mr. David Smith.

Based on KPMG's review of these 45 contracts and related information, it is our view that the processes for managing and administering these contracts, when considered in their entirety, did not meet Treasury Board policy. The contracting was not conducted in a manner that would stand the test of public scrutiny in matters of prudence and probity. It did not facilitate access or encourage competition; quite the contrary. It did not reflect fairness in the spending of public funds. In particular, we found evidence of a process to facilitate contracts to desired resources, contract splitting, and contract backdating involving the creation of contracts for work that had already been performed.

In the case of Abotech, we found evidence of a pattern of referrals from Mr. Brazeau to Abotech, and also evidence of a process to facilitate contracts through Abotech to a resource desired by a given client.

We attempted to interview Mr. Brazeau during this timeframe, as his explanations and perspectives were obviously key to gaining a full understanding of his actions. However, he elected not to be interviewed on the advice of his legal and union advisers. His response to KPMG is included on page 4 of the executive summary of our report.

Thank you for the opportunity to speak. I will be pleased to answer any questions you may have.

•(1535)

The Chair: Thank you, Mr. McEvoy.

We're now going to hear from Mr. Marshall, Deputy Minister of the Department of Public Works and Government Services.

Mr. David Marshall: Thank you, Mr. Chair.

I'm pleased to have an opportunity to outline for members of this committee as briefly as possible the actions of Public Works and Government Services Canada as they relate to the matter before you today. Our chief risk officer, Mr. Shahid Minto, accompanies me.

Consulting and Audit Canada is a special operating agency operating within Public Works and Government Services Canada. Its services are available only to federal government organizations and, on request, to other public sector and international organizations.

CAC provides a full set of government-oriented consulting and auditing services to the public sector. It may augment its in-house resources with private sector consultants to the benefit of its clients. It has also provided procurement services by contracting for external resources for the benefit of its clients. I believe it is this contracting

service that is of interest to the committee at this time, and I will address it in more detail.

Shortly after my appointment in the summer of 2003, the Auditor General issued a report on the Privacy Commissioner Radwanski situation in September of 2003. In that report CAC was cited for having inappropriately placed some resources under contract for the Office of the Privacy Commissioner. As well, I was concerned that CAC was conducting auditing, consulting, and contracting services in the same organization, and I wanted to better understand if there was sufficient segregation of these functions in line with emerging trends in the auditing and consulting professions.

As a result, I asked that CAC conduct a thorough internal review of their contracting practices, as well as a review of their mandate and practices relating to segregation of duties. The internal review started in June 2004 and began to show some disturbing signs that the contracting work done by CAC on behalf of other departments had serious flaws. The chief auditor of CAC verbally shared this with me in September. At the same time he advised me that some of the contracts he had independently selected for audit and that he was concerned about, contracts relating to the RCMP pension fund and managed by a particular CAC employee, were also being investigated by the RCMP themselves.

This led to our retaining the services of KPMG forensic audit to dig into the matter more deeply. As well, I asked our chief risk officer to take over the mandate review. Initially KPMG was asked, as you heard, to look into 31 contracts put in place by a particular employee for the NCPC; it's actually 30 contracts, and one other by another employee.

As the findings of this work started to emerge, we asked KPMG to explore whether the same contractors who were engaged in the NCPC were also being sent to other clients. This resulted in a further 14 contracts being reviewed, 13 of which were with Abotech. Internally we referred to the investigation report of these 45 contracts as the KPMG 1 report. I believe the committee has obtained the KPMG report on this investigation.

The findings were of sufficient concern to me that I asked KPMG to widen its scope and to conduct a series of further investigations. First they looked at all high-risk contracts managed by this particular employee over the three-year period 2002-2005. We called this report KPMG 2. The findings confirmed, and provided further evidence of, poor practices followed by this employee.

Next, since this employee alleged that he was only following normal accepted practices at CAC, I asked KPMG to look at all high-risk contracts managed by all CAC employees for all clients during the period. We call this report KPMG 3. The conclusion was that while there was evidence of poor practices, they were not as serious or as widespread as those found relative to the particular employee.

Finally, I asked KPMG to do a review of what actions management had taken over the three-year period to exercise control over the operation and to ensure good practices were followed. That was KPMG 4. The findings were that management had indeed taken several actions, and that improvements in control had occurred over the three-year period; however, for a variety of reasons, they were not as effective as they should have been.

Mr. Chairman, we took several actions as a result of this series of findings. First of all, the employee in question was terminated. The contracting authority for Consulting and Audit Canada was removed at an early stage in these investigations.

• (1540)

The KPMG reports and files were referred to the RCMP. The Abotech file was also referred to the Ethics Commissioner. Consulting and Audit Canada was restructured to separate consulting from auditing. Key management staff received sanctions. Contracting staff at CAC were reprimanded and received additional training and supervision as required. The Office of the Auditor General, the Privy Council Office, and the Treasury Board Secretariat were kept fully informed through the process.

The RCMP has advised us that there is no evidence of fraud. As well, additional investigation by Public Works' own fraud investigations directorate of the records of Abotech and other contractors involved in this file found that records were properly kept and work appears to have been done as contracted for.

As you are aware, CAC has charged the RCMP some \$666,000 for work conducted in obtaining and administering contracts on behalf of the NCPC. We have already refunded \$200,000 of this fee to the RCMP in light of the poor practices of one of our employees. We are currently in discussion with the RCMP on how the responsibility for what happened in connection with the improper contracting practices should be shared, and we expect to resolve this matter very shortly.

I will be happy to answer questions.

The Chair: Thanks very much, Mr. Marshall.

Mr. Crupi, I understand you have some opening remarks.

Mr. Dominic Crupi: Yes, very short. Thank you.

Once again, I would like to thank the committee for this opportunity to speak.

I became the director of NCPC in February 2001 on an acting basis and in September 2001 on a full-time basis with a mandate to implement the pension modernization. During this time, I gave regular updates, communiqués, and briefings to senior management at the RCMP and updated the necessary approvals from Treasury Board. I did not ever knowingly or purposely bypass or circumvent or advise anyone to bypass any processes or approvals, nor did I threaten any individual with losing their job.

I've already stated that I am not a procurement expert, so I hired someone to perform those duties. I requested help from RCMP contracting. They subsequently told us they could not accommodate our request, as they were too busy, and to go to Public Works. Public Works also told us that they could not accommodate us within the

timeframes. We were then made aware of Consulting and Audit Canada, who, we were told, were a viable and legal entity to accommodate our procurement needs. I informed both Jim Ewanovich and Paul Gauvin. In fact, Mr. Gauvin indicated that it was an acceptable risk, as the costs would be significantly higher if the project were delayed for one year, because we were contractually obligated to start paying the outsourcer in May 2003.

At no time was there any collusion on my part with CAC or individuals from CAC.

Thank you. I'll answer any questions.

The Chair: Thank you very much, Mr. Crupi.

Mr. Smith, I understand you have opening remarks.

[*Translation*]

Mr. David Smith: Good afternoon, Mr. Chairman.

I am here today in the interest of transparency and because of the willingness I have always shown since the time I first entered politics. I am surprised at having been invited.

Abotech was an SSE, that is, a small small enterprise, which placed consultants. When the company placed a consultant, it received a commission of between 5% to 10% on the contract margin. As for placement contracts with the RCMP, Abotech received two of them for a total value of \$16,000 before taxes with a gross profit of 7%.

There seems to have been a problem with regard to the RCMP pension fund, but that was not the fault of Abotech. I encourage the people sitting at this table, as well as authorities, to get to the bottom of the matter. Abotech is not the problem. Abotech is an SSE which placed consultants in accordance with the framework in place at the time.

Mr. Chairman, last Friday I was told that there would be a meeting today. I was told that people were looking for me. A third party informed me that people were looking for me. My address hasn't changed, I still live in the same place, and my name is still in the phone book. I don't have anything to hide; I have always been very transparent. It is important to point that out.

I never read the report which is being discussed today and I never authorized its disclosure. What is said in the report is the interpretation of a third person. That interpretation came following a conversation we had, him and I, but I cannot tell you whether it reflects what I said because unfortunately I have not read the report.

I would be pleased to answer your questions. Thank you.

• (1545)

The Chair: Thank you very much, Mr. Smith.

[*English*]

That, colleagues, concludes the opening remarks.

We're going to go to the first round. We'll try a round of eight minutes.

Mr. Rota.

[Translation]

Mr. Anthony Rota (Nipissing—Timiskaming, Lib.): Thank you, Mr. Chairman.

Mr. Smith, can you tell us exactly what it was that Abotech did? You talked about the placement of consultants. Can you tell us exactly what this entailed?

Mr. David Smith: The process was very simple. I received a phone call from an individual, a former public servant who had some expertise. He told me that it was possible to get a contract through Consulting and Audit Canada. He wanted to know whether I would be interested in submitting his name for the contract in question.

I then fed his resume into the data base of Consulting and Audit Canada. A week or two later, I usually received, as did four or five other companies, an invitation to tender the names of potential candidates. So I presented the candidacy of the person through the call for tenders process. The call for tenders was put out by either Ms. Gour or Ms. Copping.

I put in my tender and was then advised by one of the two above-mentioned people whether or not I had gotten the contract. In a situation where the consultant asked for \$500 a day, for instance, I added a margin of between 7% and 10% to cover administrative costs. The consultant earned \$500, and I received \$35 a day. That's how it worked. In the National Capital Region, hundreds of companies operate this way. The only difference is that they add on between 15% and 25%.

Mr. Anthony Rota: During your tenure as president of the firm, how often did you bid on federal contracts and on contracts for other governments?

Mr. David Smith: I probably bid between 20 and 25 times. I got about 15 contracts. It was a lot of work for what I earned. But I wasn't working only for that specific contract. Abotech was also the shareholder of a company which developed computer software, and I wanted to sell this software to the government. Every time I knocked on a door, I was told that the company didn't have enough experience. I was able to sell the software to the Government of Quebec and to Quebec companies, but it wasn't so easy to market it to the federal government. So I thought to myself that if I got into the consultant placement business, the government would think that the company did have expertise and might therefore give it a small contract to develop software.

Mr. Anthony Rota: You mentioned that you received a total about 15 contracts.

Mr. David Smith: At most. A percentage of 7% on about \$750,000 is \$50,000 profit over four years, which comes to more or less \$12,500 a year. That represents less than 10% of the annual salary of a member of Parliament.

• (1550)

Mr. Anthony Rota: You also mentioned that Abotech added on between 5% to 10%.

Mr. David Smith: That is indeed the gross rate which was charged at the time.

Mr. Anthony Rota: All right. How was Abotech paid: by the consultant or by the government?

Mr. David Smith: Once we had secured the contract, we signed a contract with a Mr. Taylor. Everyone had their copy of the contract. I had the consultant sign a contract for the work which was to be done. The consultant had to report to a client of the department. Once a month, the client sent me an invoice and a sheet from the department indicating that the work had indeed been carried out. I then sent the invoice to Consulting and Audit Canada and paid the consultant as soon as the client sent me the official documents indicating that the work had been carried out.

Mr. Anthony Rota: Did some of the money go from the consultants to Abotech?

Mr. David Smith: I would receive a federal government cheque and then write out a company cheque in the name of the consultant. The difference between the two was the gross profit for the company.

Mr. Anthony Rota: But no money exchanged hands between the consultant and Abotech?

Mr. David Smith: Of course not.

Mr. Anthony Rota: I just wanted to clarify that. How did you meet the consultants? Were they referred to you?

Mr. David Smith: They were either referred to us or they called me. As I said earlier, these were all former public servants who were experts in certain areas. I suppose that the client wanted this type of expertise. It all depended on what was needed. If a client needed someone for one or two days a week to do a specific job, and if there was a written agreement, the consultant could go work there.

Mr. Anthony Rota: Was Mr. Brazeau one of the people who referred consultants to you?

Mr. David Smith: When these people got my name to call me, they got it from Consulting and Audit Canada. Every time I submitted a bid, three, four or five candidates were invited to put forth their names at the same time. That's how it worked.

Mr. Anthony Rota: Did one person in particular refer candidates to you?

Mr. David Smith: I imagine that Mr. Brazeau did so. I also met with one of his female colleagues, who worked in the same department, to offer our services to her. This type of service was offered by many businesses in the National Capital Region.

Mr. Anthony Rota: So there were several people who—

Mr. David Smith: I never asked the candidates who sent them my way.

Mr. Anthony Rota: Do you know someone by the name of Michael Onischuk?

Mr. David Smith: Yes, Mr. Onischuk had the contract for the RCMP.

Mr. Anthony Rota: How did you meet him?

Mr. David Smith: Michael contacted me. I subsequently met him, and he told me about an opportunity for a contract, as I explained to you earlier. I asked him for his resume, and he gave it to me. I put his name into the data base. Again, three, four or five companies had been invited to submit the names of qualified people for the work.

Mr. Anthony Rota: How long before contract 560-3107 came out, which was on July 3, 2002 or thereabouts, did you meet Mr. Onischuk?

Mr. David Smith: I met the gentleman around the month of June, I think.

Mr. Anthony Rota: In June?

Mr. David Smith: I don't recall exactly when.

Mr. Anthony Rota: Do your best.

Mr. David Smith: It was certainly around that time, give or take a few months.

Mr. Anthony Rota: Okay.

After meeting him, how long did it take you to decide that he met the requirements of the contract?

Mr. David Smith: I did not have the necessary qualifications to determine if the gentleman was qualified or not. He had worked at the RCMP for a number of years. I put his resume into the data base. I was invited to submit his name, and I filled out the bid form based on the gentleman's resume. I then asked him to sign a statement confirming that the information contained on his resume was true. That is the way all companies proceed. The other companies also submitted names, I assume.

Mr. Anthony Rota: It was not up to Abotech to determine if the person was qualified or not?

Mr. David Smith: No. Abotech is a placement firm.

Mr. Anthony Rota: Okay.

Tell me about your relationship with Mr. Brazeau.

Mr. David Smith: Mr. Brazeau comes from the same small town I do. I was born in Maniwaki, a beautiful little town of 5,000 inhabitants. My father was a dairy farmer. So we would go door-to-door and we knew everyone. Mr. Brazeau's mother is my cousin. His grandmother and my mother were sisters. I would see Mr. Brazeau at funerals.

•(1555)

[English]

The Chair: One more question?

Mr. Anthony Rota: I have one more question.

[Translation]

Tell me about the relationship between the two of you when he was in government and you were at Abotech. How much business did you do together while he was at CAC?

Mr. David Smith: In the later years, I had been active at Abotech for about a year or a year and a half. I met with him on several occasions and followed up with some phone calls. We did not see each other socially.

Mr. Anthony Rota: No more than that? There wasn't a relationship—

Mr. David Smith: Absolutely not.

Mr. Anthony Rota: Thank you very much, Mr. Rota and Mr. Smith.

The Chair: Thank you, Mr. Rota and Mr. Smith.

Mr. Laforest.

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

Good afternoon.

Mr. Crupi, in light of all of the evidence that we have heard at previous meetings, I would like to know if Mr. Ewanovich or someone else took away your authority to sign contracts in June 2002.

[English]

Mr. Dominic Crupi: Mr. Ewanovich told me I shouldn't be signing financial authorities. He revoked financial authorities, but he said that would be the same for all his managers, because they were all having trouble with procurement. They set up a committee and a sign-off process and that sign-off process had six or seven signatures. Where I would sign that this was the work that needed to be done, there would be financial signatures: Mr. Ewanovich's signature, a procurement signature, etc. That was the process that was set up after that time.

[Translation]

Mr. Jean-Yves Laforest: Your authority to enter into a contract was taken away, but you nevertheless continued to do it?

[English]

Mr. Dominic Crupi: I never ordered contracts; procurement would do that. The process was set up, and that was the process I advised my person, who was the procurement officer, to follow. My person followed that process, got the required signatures, and it would flow through for final authorization by Mr. Ewanovich, as the person who was authorized to sign at the end. So I didn't do that kind of process.

I think there was a glitch when CAC came in. Because it was government to government, I was advised by one of my people that I could sign an MOU. We signed an MOU, but on the MOU there would also be signatures of financial authorities. I believe there were six signatures. I can't remember exactly whose they were. I don't have the MOU.

And it would process through a normal procedure. Finance would have been advised, because we would have set up an accounting process whereby money would come out of it when it was charged by CAC, for example, if we set them up as an agent that could charge.

Procurement then came to us and said their signature would be required. But we always used that sign-off process, the A5 sign-off process, which was all the people who could sign. But once procurement said they had to do it, we apologized. We didn't know that was the process. Procurement never told us that was the process.

So we changed the process. They redid the memoranda of understanding. And their signatures were on all of them.

[Translation]

Mr. Jean-Yves Laforest: Before you were asked to stop signing off on contracts and the procedures were changed, had you ordered any contracts through Mr. Brazeau?

Did you have any say in this process or any information on the people who received the contracts, such as the names of the companies or the people who managed them? Did you have that information?

[English]

Mr. Dominic Crupi: No. I was privy to information in terms of—When I met with Mr. Brazeau, the one time—I met with him for about an hour—he said there was a process that was vetted through his organization that was approved, and my individual followed that process. He had asked for a list of contractors that we had on site or contracts that were ending, and for the end dates of those contracts.

My individual did that. Mr. Brazeau advised that these people would be in a position to be invited to bid, but he could guarantee that none of them would win the contract. They would have to bid in their own right. So I don't know who he bid out to at all. I don't know what lists he bid out to, or if there were 15 or 20. I really was very much at arm's length at that time.

• (1600)

[Translation]

Mr. Jean-Yves Laforest: According to the KPMG report, the rules state that a retired federal public servant cannot obtain contracts directly.

Is that in fact correct?

[English]

Mr. Dominic Crupi: I understood there was a rule that you couldn't obtain contracts directly for a period of time. I can't recall if it's six months or a year. I think there's a rule like that.

[Translation]

Mr. Jean-Yves Laforest: My next question is for either Mr. Brazeau or Mr. Crupi.

I would like to know whether you are aware of any contracts having been awarded to retirees who would have been unsuccessful in their bid, had they not used Mr. Brazeau or another firm as a middleman. That is what the KPMG report implies.

[English]

Mr. Dominic Crupi: I don't know, from a legal perspective, how to answer your question. I imagine people are retired, and they approach consulting companies for contracts. From there, I don't really know how it works. I imagine that could happen.

[Translation]

Mr. Jean-Yves Laforest: Mr. Brazeau.

Mr. Frank Brazeau: It is common practice in government for consultants or former employees, for example former members of the Canadian Forces or retired public servants, to go through companies. It is common practice.

Mr. Jean-Yves Laforest: It is therefore common for retirees not to be allowed to contract directly with the federal government.

Mr. Frank Brazeau: I would not say that it is—

Mr. Jean-Yves Laforest: But that is what you just said; you said that it was common practice.

Mr. Frank Brazeau: No, what I said was that the retiree would incur a penalty on his pension.

Mr. Jean-Yves Laforest: But when they are contracted by another firm, there is no penalty. It is a way out of paying the penalty.

Mr. Frank Brazeau: Exactly.

Mr. Jean-Yves Laforest: Fine.

Mr. McEvoy, with regard to limited tendering, the report states that Nortec's name appears in 12 of the 15 bids you reviewed and that each time the company automatically declined the invitation to tender. This had the effect of reducing the number of bidders, potentially skewing the bid to favour a smaller number of companies. It meant that fewer companies were in the running to bid.

In your opinion, is this usually the way things happen? I imagine that you carry out other checks.

[English]

Mr. Greg McEvoy: I think CAC had a bit of a unique situation, in that they used their skills registration system to do these limited tenders. You were able to search this system under key words and get a certain number of bidders to send the RFP to.

What we were trying to say with the Nortec situation was, why would you continue sending these tenders to a company that was not regularly bidding with regard to these contracts that were going out under the NCPC; would you not look for other potential bidders to send the RFP to? They were only sending them to three or four in each situation.

[Translation]

Mr. Jean-Yves Laforest: It is a bit like a shelf company. When on 12 out of 12 occasions a company declines an invitation to tender—and I imagine that these are companies interested in winning contracts—one cannot help but think that it is a way of skewing the process in favour of other companies. That is the impression the report gives.

• (1605)

[English]

Mr. Greg McEvoy: I can't speak to the logic as to why they put in a “no bidder” in each instance. There may have been a business reason at the time. But I'd ask why you would continue to send, with regard to this one client, requests to this company that continually provided no bid letters? Why not try to expand the group of those you were sending the RFPs to?

The Chair: Thank you, Mr. Laforest and Mr. McEvoy.

Mr. Poilievre, you have eight minutes.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): Mr. McEvoy, I have here on page 35 of your audit an e-mail from Mr. Koziol, who is a project manager, to Mr. Brazeau, who was at Consulting and Audit Canada. It says: “Attached is an SOW”—is that a statement of work?—“for a senior procurement specialist. This is for a one-year period with a one-year option. The preferred organization is Abotech; the preferred contractor is Michael Onischuk.”

This e-mail was written on September 13, 2002. Had Abotech won the bid at this point?

Mr. Greg McEvoy: No, not on that contract.

Mr. Pierre Poilievre: Okay. Had Mr. Onischuk won any bids for a contract at that point?

Mr. Greg McEvoy: He had been working on a previous contract.

Mr. Pierre Poilievre: But had he won this particular contract?

Mr. Greg McEvoy: No, he had not.

Mr. Pierre Poilievre: He had not. Okay.

If Mr. Koziol had already indicated that the preferred contractor was Michael Onischuk, why would he, on behalf of the RCMP, have to pay Consulting and Audit Canada 15% and then pay Mr. Smith's company an additional percentage in order to ultimately engage Mr. Onischuk, which was his original plan, according to this e-mail?

Mr. Greg McEvoy: My understanding of the history was that there were contracts that were initially done through RCMP procurement. They were not happy with the process as it was flowing. As the supply arrangements ran out, they did some bridging contracts. Then they were no longer willing to provide these short-notice contracts to the NCPC, so I believe Mr. Crupi tried to find another avenue under which to get the suppliers on board.

Mr. Pierre Poilievre: But is there any legitimate reason why, given that Mr. Onischuk was already more or less selected as the eventual winner of the contract to do the work involved, that we had to pay Mr. Brazeau's organization and Mr. Smith's company in order to get to Mr. Onischuk?

Mr. Greg McEvoy: That's the way it transpired, yes.

Mr. Pierre Poilievre: That's the way it transpired.

Mr. Smith indicates that he was paid to find someone to do the work. But this e-mail indicates that person had already been found. Is that correct?

Mr. Greg McEvoy: Yes.

Mr. Pierre Poilievre: So what was the value added Mr. Smith presented?

Mr. Greg McEvoy: In this process, Mr. Smith would have received an RFP from Consulting and Audit Canada. He would have proposed Mr. Onischuk, written a proposal, and then provided the administrative function of submitting invoices and paying Mr. Onischuk. So he allowed Mr. Onischuk to go under Abotech to circumvent the former public servant processes we spoke to earlier.

Mr. Pierre Poilievre: So in order to circumvent the rules of contracting, the RCMP had to pay Consulting and Audit Canada and Mr. Smith's company a piece of the pie, even though they really did not do any final work.

Mr. Greg McEvoy: Other than the administering of the contract and the handling of the invoices and payments, that was the process then employed.

Mr. Pierre Poilievre: What did Mr. Smith's company get paid for this?

Mr. Greg McEvoy: I believe it was, as Mr. Smith said, between 5% and 10% of the contract value.

Mr. Pierre Poilievre: That worked out to—?

Mr. Greg McEvoy: With this one contract itself?

Mr. Pierre Poilievre: Yes.

Mr. Greg McEvoy: I believe it would have been somewhere in the range of \$5,000 to \$8,000.

Mr. Pierre Poilievre: Okay.

Mr. Brazeau, you're Mr. Smith's cousin?

Mr. Frank Brazeau: Second cousin.

Mr. Pierre Poilievre: You're his second cousin.

You were involved in the political riding association where Mr. Smith was a political candidate. Is that not correct?

• (1610)

Mr. Frank Brazeau: In the riding association, I was suspended with pay in September 2004.

Mr. Pierre Poilievre: From the riding association?

Mr. Frank Brazeau: No. I was suspended from work in September 2004, with pay. I joined Mr. Smith's riding association in December 2004.

Mr. Pierre Poilievre: What was your position there?

Mr. Frank Brazeau: I was secretary.

Mr. Pierre Poilievre: So you were secretary of the Liberal riding association in the riding of Pontiac?

Mr. Frank Brazeau: Correct.

Mr. Pierre Poilievre: Did you think it was appropriate for you to be giving contracts to your cousin?

Mr. Frank Brazeau: I never gave a contract in my life, sir. I am not a contracting officer. I had no signing authority. The agency is the one that gave out contracts. I did not give contracts.

Mr. Pierre Poilievre: So you didn't make any decisions on who won bids? Because it indicates in the audit that you were involved in amending RFPs and directing these contracts.

Mr. Frank Brazeau: It's not an audit, for your information, it's a review. A big question that I had is how a report of this review was tabled to this committee without going through the proper channels, which is ATIP.

Mr. Pierre Poilievre: Did you score Mr. Smith's firm at any point?

Mr. Frank Brazeau: Did I score—?

Mr. Pierre Poilievre: Yes. When he was competing for contracts, did you score his firm?

Mr. Frank Brazeau: I may have.

Mr. Pierre Poilievre: Because this review, as you call it, indicates that you did.

Is it your information, Mr. McEvoy, that Mr. Brazeau scored his cousin's bids?

Mr. Greg McEvoy: We were unable to confirm that directly with Mr. Brazeau, but we made that assumption based on the handwriting that we saw on the file and compared that to Mr. Brazeau's handwriting.

Mr. Pierre Poilievre: Was it your handwriting, Mr. Brazeau?

Mr. Frank Brazeau: It may be my handwriting. But a lot of the times, I was not the one who scored. I was just the messenger because I was the project manager. A lot of the work was done by other employees of CAC. My job at CAC was to—

Mr. Pierre Poilievre: That's beyond my question.

On the issue of RFPs, did Mr. Brazeau ever amend RFPs in a way that would make Mr. Smith's bids qualify?

Mr. Greg McEvoy: I'm not clear on your question, in terms of amending. You could certainly look at some of the RFPs that went out and make an argument that some of the RFPs were set up such that they favoured incumbent resources at the RCMP.

Mr. Pierre Poilievre: On page 33, at the fifth bullet, it says:

On June 27th, based on a question submitted by a potential bidder, the RFP is amended to remove one of the mandatory criteria which called for three years strategic management experience specializing in real property. It appears that this requirement had been included by mistake.

So what I'm just asking here is, who actually amended the RFP in this particular case?

Mr. Greg McEvoy: I believe it would have been the contract processing unit, in consultation with Mr. Brazeau. This was, really, a requirement that had nothing to do with the needs of the client. In this case it was a mistake that was in the document. So that was the reason for the amendment.

Mr. Pierre Poilievre: Thank you.

The Chair: Thank you very much, Mr. Poilievre.

Mr. Christopherson, for eight minutes, please.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you very much, Chair.

Thank you all for your attendance today.

Mr. McEvoy, on page 3 of the document, the auditor review, it states under 1.3, the second and third sentences:

In the case of Abotech, there is evidence of a pattern of referrals from Mr. Brazeau to Abotech whereby consultants would be directed to Abotech by Mr. Brazeau. In a number of cases, Abotech received sole source contracts from CAC and in a number of other cases Abotech is the only bidder in a competitive procurement process.

In the next paragraph, which is a stand-alone sentence,

Similar to the pattern noted above, there is also evidence of a process to facilitate contracts (through Abotech) to a resource desired by a given client.

Mr. Smith has given testimony that would have us believe that it was just fairly straightforward business. You heard the testimony.

These are pretty strong allegations with no caveats in here. What I really want is, in your own language, for you to explain what you mean by these patterns. Exactly what do you believe was going on that shouldn't have been? Could you be as clear as possible so that we can follow the bouncing ball here?

•(1615)

Mr. Greg McEvoy: My understanding was that clients in the second set of contracts we looked at, as well as in this case, with the NCPC, had a need for a resource, the resource had been identified, the resource had already been working directly for the client. There was a concern about contract splitting, former public servant rules, so these contractors needed to go through an intermediary in order to get another contract or to avoid the perception that there were issues with the contracting.

So these contractors would have been referred to Abotech, in this instance, in order to put a bid in, in a contracting process, either for a sole-source contract or a competitive contract.

Mr. David Christopherson: Let me just stop you there, if I can. Who identified the person who ultimately was desired to be hired?

Mr. Greg McEvoy: The person who was desired to be hired was already identified by the client department.

Mr. David Christopherson: Who would that be?

Mr. Greg McEvoy: In this case, there would have been NCPC. There would have been HRSDC, NRCan, and some other client departments as well.

Mr. David Christopherson: So these entities, these organizations, individuals, identified somebody they wanted to hire. They would know, in your estimation, that they can't hire that person directly and they would be part of a process to circumvent the rules, and that's the first infraction right there?

Mr. Greg McEvoy: I would think that these client departments, in many cases, may not have known how the contracting went about. They would have been just seamlessly working with this resource that had already been working with them. They would have gone to Consulting and Audit Canada, because they knew Consulting and Audit Canada could get them—

Mr. David Christopherson: So at that stage you're not necessarily saying we need to worry about that per se. Somebody identified someone, and they had no idea about these other things, just that, hey, they could do a great job.

Then, from there, what happens?

Mr. Greg McEvoy: The client would approach Consulting and Audit Canada and say, "We need this resource". This resource would then have been referred to Abotech for purposes of submitting a bid on an RFP that they knew was coming.

Mr. Smith would be contacted by the resource and would get their resumés submitted into the skills registration system that CAC had. When the project manager did a search, their name would come up. As a result, Abotech would get the RFP and would bid on the RFP with this resource.

Mr. David Christopherson: Now, purely from an accounting point of view, nothing that we do or the law but just as you understand accounting principles, where are the major problems with that, and why?

Mr. Greg McEvoy: Well, I don't think there's necessarily an issue with a client department wanting a resource they've worked with and know can do good work and continue to do good work. The issue is whether or not this is perceived by the community as being an open, fair, and transparent competitive contracting process that people are entitled to bid on, when in fact that's not what's happening.

Mr. David Christopherson: At the risk of jumping around and confusing what I was trying to make clear, on page 44, the e-mail—I read this and had to go back and double-check to make sure I was really reading it right—is a conversation between Mr. Brazeau and a potential consulting firm, and it looks to me as though they're having some dialogue about what the RFP ought to look like ahead of time. Help me with that one.

Mr. Greg McEvoy: This is an e-mail from Mr. Koziol to Mr. Brazeau that you're referring to?

Mr. David Christopherson: Yes.

Mr. Greg McEvoy: Mr. Koziol was already working as a consultant at the NCPC. It was evident from this e-mail that he had had lunch with Mr. Brazeau and was discussing requirements that they had for bringing in resources, identifying specifically who they wanted, the company they wanted, and the timeframe.

Mr. David Christopherson: Okay. Is this evidence of the big problem?

Mr. Greg McEvoy: Yes. It can be evidence of their identifying who they need and advising Mr. Brazeau in advance who they want. Then Mr. Brazeau has to set up a procurement process in which he's going out to the public to get bids, and he knows exactly who they want, the nature of the procurement that's to be done....

Mr. David Christopherson: Mr. Brazeau, could we have your comments on what you've heard so far, sir?

Mr. Frank Brazeau: It was standard practice at the agency that the client could invite the preferred bidder under a limited tender.

Mr. David Christopherson: Do you know whether or not that's accurate, based on the procedures within the department?

• (1620)

Mr. Greg McEvoy: I believe it is accurate, yes.

Mr. David Christopherson: So this is not problematic—or it's problematic, but it's indicative that it's a system-wide problem?

Mr. Greg McEvoy: It's indicative of identifying the resource. I don't think the e-mail in itself in this case would necessarily be an issue. It's the whole process that unfolded after that in terms of the procurement as it happened.

Mr. David Christopherson: Go ahead.

Mr. Greg McEvoy: It would be a case, without necessarily looking at this file, of getting an RFP that you're issuing to prospective bidders whom you're selecting to send the RFP to, based on the knowledge you have of them, and then how you deal with the prospective bids when they come in, assuming there's more than one bid.

Mr. David Christopherson: Mr. Marshall, how do you feel about that process?

Mr. David Marshall: Mr. Christopherson, I just think the whole thing stinks, to tell you the truth.

Mr. David Christopherson: I think we all agree on that.

Mr. David Marshall: You begin with the notion that in this case, in the NCPC you had an officer—I believe it was Mr. Crupi—whose own organization wouldn't put through the contract he wanted put through. That's the first thing.

Why was that? It was because they didn't agree that these were legitimate contracts. The people working had run out of options for legal contracting according to the Treasury Board rules, so they said to him no, we can't do this for you. He came to Public Works, our main contracting function, and our staff told him they weren't prepared to simply issue contracts to the people he wanted, that it had to be a competitive process. He then ran out of that option and was told—I don't know by whom—that there's this organization in Consulting and Audit Canada where, if you have problems of this kind, they'll facilitate the process for you.

He gets hold of Mr. Brazeau, who then by some means or the other, in the sense of however the various RFPs were run or bids evaluated, magically ends up with the very names that were required by the client.

In my books, that's just rigged, and it's not allowed. I don't care who says whether they—you've just heard Mr. Brazeau say he never put any contracts through, or something to that effect. Yes, it's true there was a contract processing unit within Consulting and Audit Canada, but the manager who referred these things to be put into contracts was Mr. Brazeau, so he was the individual who managed the process of facilitating these contracts. That's how I see it.

Mr. David Christopherson: My time is up for this round.

Thank you all for your answers.

Thank you, Chair.

The Chair: Thank you very much, Mr. Christopherson.

Before we go to Mr. Wrzesnewszkyj, I just have one quick question for you, Mr. Marshall. I agree with everything you're saying, and you've summarized it excellently, but you will agree that your department was a co-conspirator in this scam that was going on.

Mr. David Marshall: Sorry—?

The Chair: Your department was a co-conspirator in this scam that was going on?

Mr. David Marshall: That's correct.

The Chair: Mr. Wrzesnewszkyj, eight minutes.

Mr. Pierre Poilievre: Wait a second.

Were you the deputy at the time in this department?

Mr. David Marshall: No.

Thank you for that question.

Mr. Pierre Poilievre: Sorry.

The Chair: Mr. Wrzesnewszkyj.

Mr. Pierre Poilievre: Just take my question off Boris's time. Just kidding.

Mr. Brian Fitzpatrick: That's taking accountability pretty far.

The Chair: Mr. Wrzesnewszkyj.

Mr. Borys Wrzesnewskyj: Mr. Chair, before I start, perhaps we could call Mr. Gauvin to the front and have him sworn in.

The Chair: Okay.

Mr. Pierre Poilievre: Point of order, Mr. Chair.

It makes sense that Mr. Gauvin be asked questions about this, given that he was the financial officer. My only plea to you is that we stay on the audit and its contents for today. I would like, at some point, to call Mr. Gauvin back to discuss the ATI issue in isolation with Mr. Estabrooks, etc. I think it would help the committee's focus if we stayed narrowly fixated on the matters before us relating to contracting right now to avoid dispersing our efforts.

Thank you.

The Chair: I think it would suit the committee greatly if everyone stayed focused on the issues we're talking about, although Mr. Gauvin was the chief financial officer and should or ought to have known what was going on.

Is that what you want to follow up, Mr. Wrzesnewskyj?

Mr. Borys Wrzesnewskyj: Yes.

The Chair: Mr. Gauvin, I'd ask you to come forward.

I'd ask the witness to be sworn in.

• (1625)

Deputy Commissioner Paul Gauvin (Deputy Commissioner, Corporate Management and Comptrollership, Royal Canadian Mounted Police): I, Paul Gauvin, swear that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

The Chair: Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

Mr. Crupi, in your opening statement, on the contracting methods that were used, you referred to Mr. Gauvin as having stated that they were an acceptable risk. We've just heard from Mr. Marshall, and he provided a very different take on it. He said the whole thing stinks. In previous testimony, Mr. Gauvin has made it clear that he attempted to take away your contracting authority.

I'd like to get to the bottom of this whole thing. Did Mr. Gauvin say this was an acceptable risk?

Mr. Dominic Crupi: Yes.

The acceptable risk was going to CAC when his procurement officials said they were too busy—I don't know the other statement that was made—to continue providing contracting services to us and to go to Public Works, who said they couldn't meet the timeframes. The acceptable risk was we had a contract with Morneau Sobeco, which was to start in March 2003, which would immediately have payments start to go to Morneau Sobeco. If we did not have the work in place, if we did not have the clean-ups of data and whatever in place, we would have had to pay Morneau Sobeco in the millions of dollars for not doing any work. The acceptable risk Mr. Gauvin identified was the additional cost—and I keep hearing it was 15%.

The way it was described to me—and I could be wrong—was that on a \$100 contract, you would charge \$107 if I went through Mr. Gauvin's shop, \$100 plus GST. If I went through Consulting and

Audit Canada on a \$100 contract, I would be charged \$115. That's an 8% difference. I could be wrong, but that's how it was explained to me, sir. That was the acceptable risk that I understood.

Mr. Borys Wrzesnewskyj: Okay.

Mr. Gauvin, for clarification, Mr. Crupi, in his opening statement did not perceive himself to have had his contracting authority removed. He referred to the situation as a glitch. You made it clear previously in testimony here that you had attempted to have him removed. How do you match the two?

D/Commr Paul Gauvin: First of all, this was a very difficult project, and it had to be done within certain timeframes. I agree with that.

Second, we did have some problems in contracting, and we stopped it. We took the contracting authority away. Our people would not process these contracts and break the rules.

Mr. Borys Wrzesnewskyj: So Mr. Crupi had his contracting authority taking away.

D/Commr Paul Gauvin: Yes, he did.

Now, I think Mr. Crupi explained that they put a process in place whereby they had five or six signatures, and eventually Mr. Ewanovich made the decision as to whether or not to go with the contracts.

I also want to say that PWGSC also knew us well as a client, and we had a job to do, and there were fairly complex requirements. We honestly felt that PWGSC—

Mr. Borys Wrzesnewskyj: Is this almost like an opening statement? We've moved on—

D/Commr Paul Gauvin: No, it isn't.

The Chair: You called him up.

D/Commr Paul Gauvin: I'm only trying to answer the question, sir.

Mr. Borys Wrzesnewskyj: It seems you've veered off somewhat, but—

D/Commr Paul Gauvin: No, I'm just trying to finalize the question.

We honestly felt that PWGSC meant we were totally protected because of their experience and expertise in government contracting. They are the experts; they do procurement on behalf of all departments.

As we heard today, in going to CAC there were issues, but I don't think anybody knew those issues were there. I mean, CAC was a very reputable organization; it had been there for a long time and it had done a lot of contracting for many departments. Therefore, what happened there was that there happened to be some collusion between two individuals, and that's where the problems occurred.

Mr. Borys Wrzesnewskyj: Thank you.

You must have been quite worried about the escalating costs in the procurement process for the pension and insurance funds. What did you do about those concerns?

•(1630)

D/Commr Paul Gauvin: I can talk about escalating cost, but I can't relate it to procurement, because this was a fairly large project, and the costs did go up, but they also went up in other pension plans, including those of the public service and the RCMP, because we were doing two things at one time here.

We had Bill C-78, I believe it was, which basically said that we were now going to invest the money in markets. As a result of that, we had to clean up the books; a lot of work had to be done to make sure that the records were proper, because money was now going to be invested in the markets, and as a result of that, we had to produce financial statements. If you have to produce financial statements, which have to be audited by the Auditor General, the information has to be right. That had to be done.

How you split up the escalating costs, whether it was just the outsourcing or also at the same time the cleaning up of the books—at that time we couldn't really split the difference.

Mr. Borys Wrzesnewskyj: Okay. When the internal audit was taking place, during that internal audit in 2003 or soon afterwards, did you tell Deputy Commissioner Barb George in conversation that there was only a couple of hundred thousand dollars misspent, and to give Ewanovich and Crupi a slap on the wrist and to move on?

D/Commr Paul Gauvin: Absolutely not, sir. What I said at the time was that there were some issues around this project, and that our own internal auditors had felt at the time that some moneys were not properly accounted for.

What the discipline was or what the result was had nothing to do with me. That was basically not my area of organization. I have nothing to do with discipline in other areas within the RCMP. That is an HR issue. On this particular one it was an HR issue, and if anybody had been responsible for discipline, it would have been the deputy commissioner of HR; it would not have been me.

Mr. Borys Wrzesnewskyj: Okay. Are you a member of the RCMP performance pay committee?

D/Commr Paul Gauvin: Yes, I am.

Mr. Borys Wrzesnewskyj: Why did you agree to provide Mr. Crupi with a substantial performance pay in 2003 when you previously revoked his contract or changed the contracting authority in 2002 for some of these violations?

D/Commr Paul Gauvin: Sir, I don't remember whether Mr. Crupi got an increase. We sit as a committee of deputy commissioners. We look at probably 150 files. We all give our thoughts, and at the end we make recommendations to the commissioner, who decides whether he agrees or disagrees.

I'm sorry; I can't remember today what we did with Mr. Crupi or virtually anybody else in...I think you said 2002 or 2003.

Mr. Borys Wrzesnewskyj: It was in 2002, yes.

Mr. Crupi, we've heard a lot about the contracting and the nepotism. Did you pay from the pension fund for such items as gifts for departing employees of the pension advisory committee? Was there a payment for an Ottawa apartment for a female employee—a Sharon Prenger, from British Columbia—and also for language training for you?

Mr. Dominic Crupi: In relation to gifts, I was directed to provide gifts by the chair of the pension advisory committee, to make sure there was an appropriate gift, so we were directed. That probably would have been through the secretary of that committee, because he did the bidding of that committee, so that would be that.

With reference to an apartment, we had seconded an individual who was an expert from Vancouver. They went to the finance people and found out the process for accommodation while they were here—follow the rules, what was allowed to be paid, where they were allowed to be kept. They were from Vancouver. The RCMP paid for their stay.

I can't—What was that third one, sir?

Mr. Borys Wrzesnewskyj: It was about your language training, out of the pension fund.

Mr. Dominic Crupi: I believe that was just a misquote, sir. It should not have ever come out of the pension fund. I have not charged the pension fund; my salary was charged to regular payroll.

Mr. Borys Wrzesnewskyj: Mr. Crupi has just told us, Mr. Gauvin, that one of the female employees' apartment rent—and we don't have the exact number, but I understand it was between \$32,000 and \$39,000—was authorized from finance. Was this appropriate, sir?

D/Commr Paul Gauvin: I don't know this particular transaction. I don't get involved in transactions. But I will say that we're an organization of 26,000 people—

Mr. Borys Wrzesnewskyj: But is it appropriate? That's my question.

D/Commr Paul Gauvin: Well, that's what I'm getting to.

We are an organization of 26,000 people. From time to time we have large projects in headquarters and we second people from the regions. While they're here, we would pay their living expenses. Now, whether or not they would pay for an apartment.... I guess they would look at some sort of cost-benefit analysis and see whether it was more expensive to stay in a hotel than to rent an apartment for the time they were here, and that decision would be made. But that decision would be made by the responsibility centre concerned based on a sound business case.

•(1635)

The Chair: Mr. Poilievre, you have eight minutes.

Mr. Pierre Poilievre: Mr. McEvoy, this is on contract 560-3316. As I read the six or seven pages that you've dedicated in your audit to Abotech Inc., there's this contracting pattern that bothers me: people are being paid to pass contracts to other people who pass them to other people who pass them to other people, and everybody seems to get a piece of the pie along the way, and it's not discernible what work is actually done in each of these steps.

I'm just going to confirm that I understand it correctly. Anthony Koziol was hired as a project manager. Is that right?

Mr. Greg McEvoy: That's my understanding from the descriptions in the contracts, yes.

Mr. Pierre Poilievre: Okay. And then he passed a contract on to Frank Brazeau's organization, Consulting and Audit Canada. Is that correct? Basically he retained Consulting and Audit Canada to find contractors. Is that correct?

Mr. Greg McEvoy: He retained Consulting and Audit Canada to conduct the contracting process to get resources.

Mr. Pierre Poilievre: That would have been a 15% charge on the—?

Mr. Greg McEvoy: I think the charges varied a bit, but 15% is the rough range, yes.

Mr. Pierre Poilievre: Then, from Mr. Brazeau's Consulting and Audit Canada, a contract was awarded to his cousin David Smith at Abotech Inc.?

Mr. Greg McEvoy: There were two contracts awarded, yes, to Abotech Inc.

Mr. Pierre Poilievre: Okay. Then Mr. Smith hired an RCMP procurement specialist, Mr. Onischuk, and this is the final contractor. Is that right?

Mr. Greg McEvoy: Yes.

Mr. Pierre Poilievre: Mr. Chair, with your permission, I'm going to table a diagram to describe this transaction.

The Chair: Go ahead.

Mr. Pierre Poilievre: Thank you.

What was the final work product that Mr. Onischuk produced?

Mr. Greg McEvoy: We weren't privy to the deliverables that were being done in the NCPC. We didn't have access to them. My understanding is that Mr. Onischuk's role was to assist with the procurement of the contractors who were working in the NCPC, in terms of writing statements of work and descriptions of the tasks they were doing, but I—

Mr. Pierre Poilievre: So we don't know if any work was actually produced by Mr. Onischuk?

Mr. Greg McEvoy: We weren't privy to that, no.

Mr. Pierre Poilievre: You were doing a forensic review. How do you know if any value was received for the money paid out?

Mr. Greg McEvoy: Because we didn't have access to the individual employees working in the NCPC, we interviewed some of the contractors, but all we had from the contractors was anecdotal evidence as to what they were doing.

Mr. Pierre Poilievre: So you found no evidence that any work was being done?

Mr. Greg McEvoy: We did not see the physical deliverables that these contractors were providing.

Mr. Pierre Poilievre: To run through it, then, Anthony Koziol is hired. He engages Frank Brazeau's organization, Consulting and Audit Canada, which takes 15% of the pie, passes it on to David Smith at Abotech—his cousin—who takes a piece of the pie, and then the contract is passed on to Michael Onischuk, who takes his portion of the pie.

We're not sure that any work was actually achieved here. We just know that a lot of people had a lot of pie.

Mr. Greg McEvoy: I know that Michael Onischuk was the ultimate contractor who was engaged to work in the NCPC. I do not know ultimately what he did there in terms of work.

Mr. Pierre Poilievre: Mr. Crupi, what was his work product? Can you tell us what he did?

Mr. Dominic Crupi: Mr. Onischuk was responsible to write statements of work and to meet with Mr. Brazeau, if that was required, to explain them. That's what Mr. Onischuk's job was.

Mr. Pierre Poilievre: So he was to write statements of work for other people?

Mr. Dominic Crupi: Yes. Mr. Koziol, who was originally hired to do that and other things, had too much work to do, so we engaged help—Mr. Onischuk—to help write the statements of work.

Mr. Pierre Poilievre: So he was doing Koziol's work, then?

Mr. Dominic Crupi: He was assisting Mr. Koziol; Mr. Koziol was doing other work, including statements of work also. There were just too many, so we got another person in to help.

• (1640)

Mr. Pierre Poilievre: So Koziol goes to Brazeau who goes to Smith who goes to Onischuk to write about what other people should be doing.

Mr. Dominic Crupi: That's what we do. As an organization, you're supposed to write down the requirements. That's what Mr. Onischuk was tasked to do: write the requirements of the next contract.

Mr. Pierre Poilievre: So all of these contracts were passed around to all these people in order to write contracts about what other people might eventually do?

Mr. Dominic Crupi: Mr. Koziol was hired to do a piece of work. He was paid; he did not get anything extra to hire Mr. Onischuk to do work. I think you're suggesting he got something extra. He did not.

Mr. Pierre Poilievre: Mr. Onischuk had recommended Mr. Koziol as the preferred resource for his original contract. Is that not correct?

Mr. Dominic Crupi: Mr. Koziol can't write his own contract. The preferred resource, as Mr. Brazeau stated, is normal practice with CAC. It's normal practice in government that you identify whether there was an incumbent. That's what I was told. That's what Mr. Brazeau has confirmed.

You keep using the word “preferred”—

Mr. Pierre Poilievre: That was in an e-mail, sir, that appears in this review.

Mr. Dominic Crupi: I understand, and I questioned the word myself to Mr. Koziol, and I asked, “What does that mean, sir?” He explained to me exactly what Mr. Brazeau explained. Being CAC, I was in no position, not being a procurement expert, to challenge the wording.

Mr. Pierre Poilievre: Mr. Onischuk recommended originally that Koziol have a job; Koziol then recommends a contract back to Onischuk, but has to go through two additional steps and pay two additional contractors on the way. It just looks like a lot of people having a lot of fun at the expense of the RCMP and its members. That's what this looks like.

Mr. Dominic Crupi: I don't know how to answer your question, sir. You're using the word "recommending", and I was told that is not what "preferred" means.

Mr. Pierre Poilievre: Mr. McEvoy, did you indicate in your audit that Consulting and Audit Canada was moving contracts through to Abotech in a way that was not normal?

Mr. Greg McEvoy: We definitely had problems with the method by which those contracts were awarded.

Mr. Pierre Poilievre: Mr. Marshall, would you have thought it appropriate for Mr. Brazeau to reveal that one of the contractors who was being paid out of his organization was his cousin?

Mr. David Marshall: Yes, I would have expected him to do that and to recuse himself from that particular transaction.

Mr. Pierre Poilievre: Did you recuse yourself, Mr. Brazeau?

Mr. Frank Brazeau: No. I told the appropriate people that I knew Mr. Smith from when I was young. No one asked me to recuse myself.

Mr. Pierre Poilievre: But you didn't reveal that you were his cousin?

Mr. Frank Brazeau: No. I don't think, if Mr. Smith had died, that the deputy would have given me a day off. I didn't think the relationship—

Mr. Pierre Poilievre: You just didn't think it was important enough to indicate that this was your cousin who was getting these contracts for doing effectively nothing?

Mr. Frank Brazeau: That's your statement, sir.

Mr. Pierre Poilievre: Well, it's obviously my statement, but it was your responsibility to do a job. It looks as though you paid a lot of people for a job that ultimately you can't prove was ever done.

Mr. Frank Brazeau: I did not pay anyone, sir. The payment occurred under every one of these contracts through CAC standards at the time.

Mr. Pierre Poilievre: Mr. Marshall, when were you briefed about the irregularities that were ongoing at Consulting and Audit Canada?

Mr. David Marshall: I was briefed approximately, I think, around September—something like that. The internal audit commenced in June, and within a couple of months the chief auditor, Mr. Jackson, came to me and said he was very concerned about the practices he was uncovering.

Mr. Pierre Poilievre: In June of 2004?

Mr. David Marshall: Yes.

Mr. Pierre Poilievre: Okay. When did you brief your minister?

Mr. David Marshall: We didn't brief the minister at that stage because we were just trying to find out what was happening.

Mr. Pierre Poilievre: When did you?

Mr. David Marshall: I believe we briefed the minister around March or April of 2005, because at that stage it had become clear that there was a serious problem.

The Chair: Thank you very much, Mr. Poilievre.

Thank you, Mr. Marshall.

That concludes the first round. Before we go to the second round, I just have a couple of issues I want to pursue.

My first area is to you, Mr. Minto. I find some irony in your appearance here today.

Perhaps some of you aren't aware, but Mr. Minto is the former Assistant Auditor General of Canada. He has many, many years of experience as an auditor and he's extremely competent.

However, when did you move to the Department of Public Works?

• (1645)

Mr. Shahid Minto: I moved in July or August of 2005.

The Chair: That would be two years ago. Instead of shooting bullets, I guess you can say you're dodging bullets here today. Your department is here. It stinks, as Mr. Marshall said. It's a scam to avoid government regulations, and it is what I consider to be a shameful example of the expenditure of public moneys—and no reflection on you, sir. You weren't there, and you're not to take any responsibility for what happened, but my question to you is looking at it in hindsight from your many years of experience and your competence.

We expect better and we expect Treasury Board guidelines to be followed. We expect the Financial Administration Act to be followed. We expect checks and balances. Why was it that this was allowed to happen? Why did the system fail?

Mr. Shahid Minto: Let me start by saying I'm not here to dodge bullets, sir. The part that I would like to talk about is what we did to fix the problem, and we haven't got to that yet.

The Chair: I didn't mean that personally. I meant the department. The department is here.

Mr. Shahid Minto: Not at all, sir.

The issue here is that internal controls that are established are designed for normal processes. When there is collusion, especially when there is collusion between employees of two separate departments, individual internal controls in the individual departments really don't function that well. You have to have somebody who can connect the dots between the departments to go there.

As Mr. Marshall said, what happened here was absolutely not acceptable. I sat in executive committee meetings and I sat in senior management meetings, and all the senior management in the Department of Public Works were appalled. This was not the way the Department of Public Works did business. It did not meet our standards. You can do all the churning and you can use all the words and say, "He did..., and he did...,," but there are managers who have to be accountable and it didn't work.

For us, the situation was simply this: What do we do? We have an organization here that provides a very important service to the Government of Canada. Over 100 government departments come to this organization for services. They provide audit services and consulting services, and the actions we took then were structural. We said, "We have to separate this organization." We broke the auditing from the consulting. We got rid of their mandate to do contracting, because contracting should be done by the specialists in our contracting unit. We took some dramatic action in terms of public service HR, the number of things that Mr. Marshall has listed in the opening statement, from reprimands to termination. Very few departments go there. Then, sir, we did a lot of work to strengthen quality assurance and quality control so that we never see this happen again. We put in our energies into looking at an organization that provided a service and we determined that the important thing was not the structure of the organization that had led to these weaknesses but the service we provided, where we could provide it differently and better, and with better controls.

My last issue we really have to think about some time, that part of the issue here was that they were revenue dependent. CAC had to bill for its services. Rules dictate behaviour. We were in a situation where they could not control their cost. Somebody else was negotiating the salaries. They had limited control over the overhead they were being charged but they had to produce revenue. It's not an excuse. It's not a reason. It's never an acceptable reason to do what happened here. But in the context, you have to remember that.

Thanks.

The Chair: There's one other area I want to get on the record here —and this is back to you, Mr. Crupi. This is a question that really hasn't been answered, and I'd like an answer, although maybe you can't give it right now. According to all the records that I've read, I'll just quote one report that you should have been dismissed for cause. Whether you were dismissed for cause or weren't, that's up in the air, but the basic question is that I understand now you're working for the Communications Security Establishment. Did you have to get security clearance to get that job? And the second area of that point is, how did you get the job?

Mr. Dominic Crupi: I was approached by the security agency.

• (1650)

The Chair: Who approached you from the security agency?

Mr. Dominic Crupi: The director in charge.

The Chair: Who was that?

Mr. Dominic Crupi: Josée Derickx.

I had to go through a very rigorous security process. I'm concerned about telling you of the process because it's a security agency and I don't know the secrecy issues. I can't answer the question, but I would suggest to you it's more than what any other agency in government would go through. If you want to ask them what I went through, I'm sure they could answer it. I'm just concerned. I went through a whole security process with them, I passed that security process, and I don't work there any more, sir. I was asked to leave the next day.

The Chair: Would this get into the situation we're dealing with? Would this be part of it? I'm still surprised this happened.

Mr. Dominic Crupi: On why I was asked to leave? Would what be part of it, sir?

The Chair: My question is in the security check that you had. Would all this come out?

Mr. Dominic Crupi: Absolutely, this came out. I disclosed everything. If you check the processes I went through, you might be surprised as to the veracity of what I'm telling you here, sir.

The Chair: Thank you very much.

On the second round, I think we have time for five minutes.

Ms. Sgro, for five minutes.

Hon. Judy Sgro (York West, Lib.): Mr. Crupi, I have a variety of questions for you.

You hired an assistant, Ms. Suzanne Beaudin, through a contract arrangement in which she was paid over \$200,000 for 54 weeks of work. Proper staffing rules were not followed in this instance, according to the KPMG report. Why did you hire this individual? Why did you not follow proper procedure?

Mr. Dominic Crupi: First of all, she was hired for human resource strategy. Part of her function in human resource strategy was to assist our managers in getting the right resources and tools in place. If our managers were having trouble with staffing, she would help move them through that process, but her main task was human resource strategy, which was imposed upon us in a very rigorous and robust way by the Treasury Board. We were just going to allow, through normal attrition, the staff to move on. That human resource strategy was brought to the pension advisory committee table, where it was approved and endorsed. The costs of that strategy were also approved and endorsed by the pension advisory committee.

She was never hired as an assistant. She was not hired to do staffing. She was hired to do human resource strategy.

Hon. Judy Sgro: You didn't follow the proper staffing rules in hiring her.

Mr. Dominic Crupi: No, she was hired as a consultant. She went through the proper consulting processes. She bid on jobs and she was hired. I wouldn't have gone through staffing to hire that individual.

Hon. Judy Sgro: Going through the KPMG report, Mr. Crupi, your name is there numerous times as being someone who was an expert on the contracting policies as related to government contracts. How did you choose to use your knowledge and hire and retain contractors that were preferred? How did you manage to keep moving from PWGSC to CAC and so on, with no one seeming to have any concerns about your level of ethics?

Mr. Dominic Crupi: I've never taken a procurement course in my life. I've never suggested I was a procurement expert. I've said it here a number of times. I've had an exemplary record with Public Works for over 25 years. There were no missteps. I've never been sanctioned. When I moved to the RCMP, I was recruited to the RCMP to work on not just this project, but I was also responsible for payroll and for pensions and for systems. This project was an additional add-on to my regular job. At no time was I a procurement expert or trained in procurement. I hired someone to do that because I wasn't trained in it.

Hon. Judy Sgro: Clearly it looks like everybody else in the government thought you were an expert in it.

Mr. Dominic Crupi: That would have been an expert in compensation.

Hon. Judy Sgro: Who recruited you for the position?

Mr. Dominic Crupi: That would have been Superintendent Guy Fortin, who was the director of NCPC at that time.

Hon. Judy Sgro: Did you have a previous relationship with these individuals?

Mr. Dominic Crupi: Mr. Gauvin alluded to a project that had the money charged and was being invested into the marketplace. I was responsible for that project for DND, RCMP, and Public Works. Through that, as the RCMP's representative, that's how I met Superintendent Fortin, but it was when I was working with Public Works. That's how I knew the individual.

Hon. Judy Sgro: And the issues of nepotism?

Mr. Dominic Crupi: Well, again, my manager went to staffing and asked about a process to follow. They were given a process to follow and they followed that process.

When that process was questioned before anyone was hired by the head of staffing at central region, there was a meeting of my manager and me with those individuals. We went through that meeting. They told us they would get back to the manager in a couple of days as to what process would be acceptable. Even though we worked with them up until that process, and we wanted to hire—we had a staffing individual with us at every step—they said “follow this process”, which my manager did follow.

So I'm at a loss to hear we didn't follow process. We had a staffing individual with us at every step.

When one of my managers asked if family could apply, we checked with staffing. Staffing said they had every right to apply, and in fact you couldn't preclude them from applying. That was the issue about staffing individuals who may have been related who applied.

• (1655)

Hon. Judy Sgro: Mr. Smith, when you were elected as a member of Parliament, you had a discussion with the Ethics Commissioner.

Mr. David Smith: Absolutely. When I was elected as a member of Parliament, I completed both documents that were requested. I spoke to the people at the Ethics Commissioner's office and supplied all the information very transparently. When KPMG got in touch with me, I contacted the Ethics Commissioner's office to advise them that KPMG wanted to discuss previous business with Abotech. I met the people from KPMG. I was very transparent and supplied all the information requested.

Also, what seems to be too bad here—I didn't see the report—is that we're saying they're not sure whether they got their money's worth for the work. Public Works has all the documents and all the statements of work that were signed for every job that was done.

Hon. Judy Sgro: But you were cleared by the Ethics Commissioner?

Mr. David Smith: Absolutely.

Hon. Judy Sgro: I have one last question.

Deputy Commissioner Marshall, in your opening statement you have a paragraph that says:

The RCMP has advised us that there is no evidence of fraud. As well, additional investigation by PWGSC's own Fraud Investigations Directorate of the records of Abotech and other contractors involved in this file found that records were properly kept and work appears to have been done as contracted for.

That leads me to believe that you don't have a lot of concerns with how things went.

The Chair: You can answer the question, Mr. Marshall, but thank you, Ms. Sgro.

Mr. David Marshall: Mr. Chairman, I just want to reiterate that I have a lot of problems with the way these contracts were put in place. That's one issue.

The second issue is whether the contractors, having been put in place in an unfair manner, did any work or not.

On that second issue, from all that we can see, work was done, however they were originally selected. We saw evidence of time sheets, and the RCMP certified under section 34 that the work requested under the statement of work was carried out. So that part we tried to establish, and we're satisfied on that matter.

In terms of the RCMP investigation, they advised us by letter, because we referred the reports to them on July 27, that they had completed a review and could find no basis for a criminal investigation and couldn't find any basis of fraud at that stage. However, Sergeant Bonin said:

In order to reach my conclusion, I have considered the reports from the external auditors received on June 9, 2005 and on July 25, 2005.

These are the KPMG reports.

They concluded that they were not going to do anything further, but he said:

I am of the opinion that the allegations, although serious, are administrative in nature and as such could be more appropriately dealt with using existing internal mechanisms within your department. Moreover, the actions of Mr. Brazeau appear to relate more to a systemic and continued pattern of mismanagement along with an overall non-ethical conduct and are absent of criminal intent.

That's the way you would characterize it.

The Chair: Thank you very much, Mr. Marshall.

Thank you, Ms. Sgro.

Mr. Fitzpatrick, you have five minutes.

Mr. Brian Fitzpatrick (Prince Albert, CPC): Thank you very much.

I want to broaden this topic out a bit. We've basically talked about two contracts, but really, the audit dealt with 41 contracts, worth somewhere between \$6 million and \$7 million. Isn't that right, Mr. McEvoy?

Mr. Greg McEvoy: It dealt with 45 contracts.

Mr. Brian Fitzpatrick: Okay, 45. And the amount is between \$6 million and \$7 million, in total.

There are other contractors involved besides Abotech in your inquiry. Is that correct?

Mr. Greg McEvoy: That's correct.

Mr. Brian Fitzpatrick: When I read your audit, the same pattern seems to occur in the contracting, whether it's with Abotech or the other contractors that you dealt with as well.

• (1700)

Mr. Greg McEvoy: That's correct.

Mr. Brian Fitzpatrick: Okay.

The audit was also expanded because of the problem. You went into other areas that were not related to the pension plan of the members here, of the RCMP. You found, particularly with Abotech, that this sort of pattern also existed in other areas as well.

Mr. Greg McEvoy: Yes. It was because part of the work we were doing with the NCPC was looking at the email and computer of Mr. Brazeau, and we identified this relationship to Mr. Smith.

Mr. Brian Fitzpatrick: There's another thing I want to get clear here too. In past audits I've heard an auditor say that money passed through people's hands, and they seemed to be charging commissions and getting money for doing little more than simply passing money down the line. A few years back, the Auditor General made those sorts of comments.

Is it not a fair observation that what we have here is 15% going to CAC and 7% going to the middleman, the contractor, to take something off the top, when basically all they were providing was a flow-through? The money was passing through their hands and going down the chain, but they really weren't doing any of the contracting work. Isn't that a fair comment?

Mr. Greg McEvoy: They were providing an administrative function, but I think you could look at some of the examples in the report and see instances in which you had a resource working for a client department directly, and then all of a sudden they were working through CAC and Abotech to do the same work.

Mr. Brian Fitzpatrick: I'm also particularly concerned about what Mr. Marshall referred to as a "rigged" process.

In some of the specifications, the qualifications seem to be rather arbitrary and not related to the job, but I'm really concerned about the scoring. We had one example in which one of the contractors had, I think, more than 30 years of experience in this area. Abotech, from what I can see, had basically zero experience on this contract, or very minimal experience, but on the scoring—and Mr. Brazeau did the scoring—Abotech got an almost perfect score in that area, and the one that had more than 30 years' experience was second to this Abotech. Is that a correct interpretation of what occurred?

Mr. Greg McEvoy: Well, I think we heard Mr. Brazeau answer earlier as to whether or not he scored that evaluation, but that's what the evaluation reflected, yes.

Mr. Brian Fitzpatrick: Right.

There are some serious questions about how some of these things were scored—do you not agree with me?

Mr. Greg McEvoy: Absolutely.

Mr. Brian Fitzpatrick: On that skill registration system, the system would pop up three or four outfits that would be qualified for that, and you'd approach them in a very short timeframe to get them in. From what I can gather, your audit showed that Abotech didn't

show up on that system, but Mr. Brazeau or somebody at the CAC managed to make sure they got put on the list, even though they didn't show up as having the qualifications.

Mr. Greg McEvoy: Abotech was in the skills registration system, registered as a company, but when you do the searches for some of these contracts that occurred within the NCPC, the keywords they used to search wouldn't reveal the resources they wanted.

Mr. Brian Fitzpatrick: Okay, good.

I'm running out of time, but I want to ask Mr. Marshall an important question.

I really thank Mr. Marshall for being here today. I'm really quite pleased with the action he took. This is what I think the public expects from public servants when they find things are out of whack.

In my mind, when I look through this audit with the 45 contracts and use the analogy of dice, if you roll the dice 45 times, it seems to me that certain people would get snake eyes every time, the way this whole set-up was arranged, and the other people who were bidding on this thing would have been suckers to be involved in that process. Is that a fair characterization?

Mr. David Marshall: Mr. Fitzpatrick, it certainly looks as though the people who Mr. Brazeau and Mr. Crupi wanted hired got hired, so there wasn't a fair process.

The Chair: Thank you, Mr. Fitzpatrick.

Monsieur Roy, please go ahead.

[*Translation*]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chairman.

Mr. Gauvin, when you appeared before the committee on February 21, the matter of the \$3.4 million flagged by the Auditor General was raised. When asked if the money had been reimbursed, you answered in the affirmative. However, you added the following:

Now there is another amount. There are expenditures that were charged for work of little or no value.

The amount in question was \$340,000. Is that what we're talking about here today?

• (1705)

D/Commr Paul Gauvin: Yes, sir, that is correct.

Mr. Jean-Yves Roy: You are telling us that the issue before us today is \$340,000 worth of work of little or no value. That is what you are telling me. I want my question to be clear. What you are saying is that you did not receive the appropriate services for the money charged. That is what you said.

D/Commr Paul Gauvin: That is not quite right. The Auditor General reviewed certain transactions and was of the view that some involved work of little or no value. The amount in question includes a little more than \$600,000 paid to Consulting and Audit Canada.

Mr. Jean-Yves Roy: Afterwards, still on the subject of the \$3.4 million, you added, and I quote:

That was reimbursed, except for approximately \$340,000 in fees paid to advisors and consultants hired by Consulting and Audit Canada.

This was for work that you said had no value, those were your words. You also said, and I quote: "There is a 15% charge for that work." Now you are telling us that that is not quite what you said.

You said that the \$340,000 was used to pay advisors and consultants hired by Consulting and Audit Canada, and that the work was of no value.

D/Commr Paul Gauvin: Yes, that is what I said. I would rather speak in English to better explain myself.

[*English*]

There was an amount that was a little over \$600,000—I think it was \$660,000, maybe—that was paid to Consulting and Audit Canada for what we're talking about here today, for the 15% fees for consultants who were referred to the RCMP. Out of that amount, there was a small amount that was not pension. So it ended up to be around \$600,000.

Of that amount, Public Works has now reimbursed \$200,000. Initially, our discussion was that not all the work had been done as it should have been done—they admitted that—but they also said that many of the contracts were processed as they should've been. So there's still around \$400,000—a bit less, \$373,000—outstanding.

Mr. Marshall has said here today that we are still negotiating that amount. Hopefully, in the very near future we'll come to a conclusion.

[*Translation*]

Mr. Jean-Yves Roy: Thank you, Mr. Gauvin.

I also have a question for Mr. Brazeau. Mr. Brazeau, in answer to a previous question, you twice said that it was standard practice for the Government of Canada to go through third-party companies to hire public servants who could not otherwise be hired without incurring a penalty.

What are you basing your assertion on?

Mr. Frank Brazeau: It was standard practice at Consulting and Audit Canada.

Mr. Jean-Yves Roy: That may well have been the case at Consulting and Audit Canada, but what about elsewhere? Why did you say that it is standard practice within the Government of Canada? Why did you say that it is a regular occurrence within the Government of Canada?

Mr. Frank Brazeau: It is a way of allowing people to take their retirement and then start working for the government again the following day or the day after.

Mr. Jean-Yves Roy: You said that it was common practice within the Government of Canada. You did not say that it was an issue unique to Consulting and Audit Canada, you said that it happens across the government.

Mr. Frank Brazeau: I said that because we deal with external clients, with all other departments.

Mr. Jean-Yves Roy: Are you saying that all the other departments understood and accepted how you operated? Is that what you are saying, yes or no?

Mr. Frank Brazeau: Yes, that is what I am saying.

Mr. Jean-Yves Roy: Thank you, I wanted to hear it from you.

Mr. Frank Brazeau: I understand.

Mr. Jean-Yves Roy: In your opinion, what other departments tolerated this practice?

I will come back to you a little later, Mr. Marshall. I'm saving my last question for you.

[*English*]

The Chair: Yes, we'll allow Mr. Marshall to reply.

Mr. Marshall.

[*Translation*]

Mr. Jean-Yves Roy: My last question is for you, Mr. Marshall. Can you tell me how KPMG was hired on? Can you reassure me in some way? Was there an invitation to tender?

• (1710)

[*English*]

Mr. David Marshall: KPMG was on a standing offer that had been established through a competitive process, so we engaged them in October 2004 to do this work.

Just coming back to this notion that a public servant can be, if you like, bonded through another company to circumvent the rule that you shouldn't double-dip your pension and your own salary and your consulting money, I believe there was an indication on the Treasury Board website that if a person came through another company, it didn't apply—this notion of having to balance or declare your pension. Truthfully, I think this was meant to be something where an employee might be with a large corporation, like IBM or something. It wasn't meant to be an excuse to do something by one means that wasn't allowed by another means. I'm sure that if you asked the Treasury Board, they would be a little bit discomfited to think that this was thought an acceptable practice, although I think a lot of people took some specific words and decided to interpret it that way.

The Chair: Thank you very much, Mr. Roy.

Mr. Sweet, five minutes.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): Thank you, Mr. Chairman.

Mr. Marshall, I just want to confirm some things that you said. You mentioned that you were briefed. Was it June 2004 that you were briefed on the situation?

Mr. David Marshall: I think in June 2004 the internal audit commenced at Consulting and Audit Canada. About September of that year the chief auditor saw me and expressed concerns verbally.

Mr. David Sweet: Then you subsequently said that the minister was briefed in March 2005. Is that correct?

Mr. David Marshall: Yes.

Mr. David Sweet: On all of the dimensions, at least the draft report at the time, and the circumstances surrounding the investigation?

Mr. David Marshall: In March we didn't have a draft report, but we had findings that were emerging and we were worried about it. We would have briefed the minister on it.

Mr. David Sweet: Thank you, Mr. Marshall.

You said the whole thing stinks, that the process was rigged. You just mentioned that it would not be acceptable to do something indirectly that you would not do directly.

Mr. Smith, I want to ask you this. You're a former member of Parliament. With respect to what has gone on here, where someone who normally would not be eligible to be hired is referred to you so that you can draft an RFP so that they can subsequently be hired to circumvent rules that you wouldn't be able to break directly, but are able to do indirectly, do you think that's right?

Mr. David Smith: Listen, if I would have known that this wasn't permitted by law, I wouldn't have done it. The people got their work for it. The gentlemen at KPMG didn't evaluate Abotech; they evaluated the individual who was the consultant. So the person who got the work done was the consultant. Statements of work were signed by the proper authority saying they received the work. Abotech was a placement company, and there are hundreds of them in the Ottawa region.

Mr. David Sweet: Did you not see anything unusual or out of the ordinary? If Mr. Brazeau referred someone to you who you didn't know previously, you simply knew them from their CV, and then days later you put an RFP in, and you received a fee for doing that, you didn't find that in any way unusual?

Mr. David Smith: Well, listen to me. I live in the national capital region. I know there are a lot of public servants who take their retirement. Some of them within a few months go back to work on employment within their own department, so they're going through a service. I was offering a service like the other companies offer services. My rate was cheaper, so it was a rebate for the government. I paid the people immediately when work was delivered, after having received the statement of work. It was an honest, small business.

Mr. David Sweet: So you still want to hold to that, that it was an honest, small business, even though there are many businesses that would've liked to have competed on an equal basis for this business. Yet having consultants referred to you who would be put into a bidding process where two or three others who were unlikely to actually even submit to the RFP—that was all legitimate. Do you feel good about that as far as taxpayers are concerned?

Mr. David Smith: Are you accusing me of something, sir?

Mr. David Sweet: I'm just asking you if you feel good about that.

Mr. David Smith: I'm telling you that I've done this honestly. People contacted me. They could have contacted—They were given other names. My rate was cheaper. The people wanted the work. When we submitted their résumés, they were evaluated. The department wanted that individual. There were four or five corporations that were invited to submit candidates. I was from the exterior. I wasn't in the evaluation process. The people came to me. It was simple because they were paid immediately after having received the statement of work, sir.

If you're accusing me of something, you can repeat—

• (1715)

Mr. David Sweet: Let me ask you another question, Mr. Smith. Did you have any conversation with any ministers or any ministers' staff regarding your ownership or interaction with Abotech?

Mr. David Smith: At which moment, sir?

Mr. David Sweet: At any time.

Mr. David Smith: Before being a member of Parliament, I used to see the other members of Parliament, like any other citizen, through TV or newspapers, sir.

Mr. David Sweet: Yes, but did you talk to them about the contracting aspects of Abotech and CAC?

Mr. David Smith: Before being a member of Parliament?

Mr. David Sweet: No, while you were a member of Parliament.

Mr. David Smith: I met the Ethics Commissioner. I filled out the complete documentation.

Mr. David Sweet: I'm talking about ministers or ministers' staff. Did you have any conversation about this?

Mr. David Smith: Absolutely not. Abotech wasn't mine at that moment, sir.

Mr. David Sweet: With no ministers or ministers' staff?

Mr. David Smith: No. Abotech wasn't mine, sir.

Mr. David Sweet: Your wife was running the company, and I believe even your children were partners in it. Is that correct?

Mr. David Smith: Sir, you can realize that the women in 2007 have professional employment. My wife has a master's degree, sir.

Mr. David Sweet: Well, that's good. So you never had any ownership in Abotech? Is that what you're saying?

Mr. David Smith: No, sir, please don't put any words in my mouth. I said that when I became a public servant, sir, in 2003, for the Department of Public Works, at that moment, before becoming a public servant, the company was sold.

The Chair: Thank you, Mr. Sweet.

Mr. Christopherson, you have five minutes.

Mr. David Christopherson: Thank you very much, Chair.

I'd like to follow up where Mr. Roy was, in part, just before we leave this, and Mr. Sweet was there too, this whole business of the competitive process being rigged. And we're hearing just anecdotal evidence that this is going on elsewhere.

I guess I'll go to you, Mr. Marshall. How far are you able to go in satisfying us that we don't have a major system-wide problem of former staff people who are working for the government who ought not to be because they're going through this circumventing process?

Mr. David Marshall: Mr. Christopherson, when we became aware from Mr. Brazeau that other people are doing this as well, we asked KPMG to look at all contracts by all CAC staff over I think it was a three-year period. What they found was that there were examples of contracts being put in place for convenience, let's call it, in that sense, but not nearly to the same degree and not nearly as egregious as was being conducted by Mr. Brazeau. So we did take actions. We sanctioned staff, and so on.

But in terms of whether this is going on across the government, because departments do have delegated authority up to \$2 million to do services contracts, is it going on in other departments? It would be very hard to detect, because the contracts are in the name of a company and you don't know necessarily who the individual is who is doing the work. So I guess it would simply be a case of getting the Treasury Board to reaffirm that this is not an acceptable practice.

Mr. David Christopherson: Yes, and I'm not sure that "reaffirm" is going to be enough.

I think it's something, Chair, that we need to make note of, and at the very least we should be sending some correspondence. We're so busy in terms of our agenda for the next while, but we ought not leave this alone, because the rigging is one thing, and then, potentially, people who are excluded from contracts being given work through this roundabout way. If it's there, it needs to be stopped and we need to find out about it. So that's another area we need to go into.

Mr. McEvoy, you used the word "flawed". I think this has been mentioned before. This is contract number 560-3107, and it's this business of Abotech, on a scoring, winning way above. Would you just break that down again? In your own words, what has happened here? Why do you say it was flawed in terms of the scoring for Abotech?

• (1720)

Mr. Greg McEvoy: When you look at the technical scoring that was awarded to the Abotech resource for their criteria that were issued in the RFP, he received scores that exceeded or were in the same range as the other proposed resources from other companies, and did not have nearly the experience of the other proposed resources from other companies.

Mr. David Christopherson: Thank you.

Mr. Brazeau has said that he may not necessarily have been the one, even though his notes were on there. Aside from who the author of the notes was and why they're there.... You used the word "flawed"; it sounds to me as though "fraud" would be closer, to give somebody that many points. The one thing is a discretionary error; the other looks like a deliberate attempt to bump up their numbers so that they'd win the contract.

Mr. Greg McEvoy: I can't speak to the person's intentions, Mr. Christopherson. I'm just speaking to what I saw.

Mr. David Christopherson: Okay, and I don't want you to go there. I phrased it wrong; I apologize.

What was done in terms of bumping up those numbers? What I'm trying to achieve here is the severity of how wrong that is. For instance, they got 89 out of 90, and 109 out of 110 overall—that's almost perfect—and you're telling us that in many of those categories they should have got almost zero.

Mr. Greg McEvoy: Correct.

Mr. David Christopherson: So somebody is trying to corrupt the process of that file.

Mr. Greg McEvoy: Somebody is fixing the evaluation.

Mr. David Christopherson: It was rigged, to use the deputy minister's word, in favour of Abotech.

Mr. Greg McEvoy: Absolutely.

Mr. David Christopherson: You don't have any knowledge as to why it was being done, based on your analysis; you just know that it was done. But you did find handwritten notes from Mr. Brazeau on the documents.

Mr. Greg McEvoy: That is, with regard to the scoring, yes.

Mr. David Christopherson: Mr. Brazeau, do you recall this one? I know you don't have the document in front of you.

Mr. Frank Brazeau: No, I don't. I had the opportunity to see it once before and I gave the same answer that I gave to you. I'm not sure I was the one who scored it. You have to realize that I was managing over 1,000 contracts at that time.

Mr. David Christopherson: That could be scary, sir.

Thank you.

Mr. Brian Fitzpatrick: Mr. Chair, it's probably not really a point of order, but I think I have to say it. We have time to carry these proceedings on; the votes aren't until 6:30. I think all the members here know that there are things coming up here that we need more time on. I think that, as we've done before, we should try to extend these meetings as long as we can before the votes to try to get to the bottom of this thing.

The Chair: On this issue I'm totally in the hands of the committee.

Mr. Brian Fitzpatrick: I'm sure everybody on the committee would give unanimous consent to this.

The Chair: What are the wishes?

Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Mr. Chair, I have a dinner with the Ukraine's foreign minister at six o'clock with our foreign minister, Peter MacKay. I would probably be able to stay until 5:45, but then I would be compelled to leave.

Mr. David Christopherson: We in the NDP—well, I, but I like to try—'d be quite prepared to stay, and perhaps we could give Borys an assurance that we wouldn't move any motions during that time so that we can achieve both.

The Chair: I sense a consensus.

[Translation]

Mr. Jean-Yves Laforest: What time is the vote scheduled for, Mr. Chairman?

The Chair: For 6:30 p.m.

Mr. Jean-Yves Laforest: When do you plan on adjourning?

[English]

The Chair: At 6:30; I sense that consensus is emerging to go to 6:30, and there will be no motions or committee votes.

We'll go to 6:30, and even with unanimous consent there are no votes.

Mr. Rota.

Mr. Anthony Rota: I have a commitment at 5:30. I'm going to have to leave in a few minutes.

Mr. Pierre Poilievre: Is there unanimous consent?

The Chair: I think there is, under that condition.

Mr. David Sweet: There are a KPMG-2, a KPMG-3, and a KPMG-4 that Mr. Marshall mentioned, and we have, I believe, requested some forensic auditing help. These would probably flesh out even more details than what we have; we only have KPMG-1. I would ask that we direct them to table those other reports.

The Chair: So you're asking that KPMG-2, KPMG-3, and KPMG-4 be tabled with this committee.

• (1725)

Mr. David Sweet: The way Mr. Marshall described them, they were more fulsome investigations every time of this key issue, and if that's the case, then they would be of value to us.

The Chair: Mr. Marshall, I'll ask you to respond.

Mr. David Marshall: Mr. Chairman, we have had several requests under access to information for these different reports. We released several versions that have been severed because of individual names or individual privacy issues. I will table everything we can under that basis.

The first report certainly didn't come from Public Works, the unsevered version, although the committee now has it. It's very awkward, but we just have to respect the various rules around this matter.

I will comply with all of those.

The Chair: I can appreciate that. You'll be tabling the KPMG-2, KPMG-3, and KPMG-4 with some privacy issues dealt with.

Mr. David Marshall: Correct, I will.

The Chair: Thank you very much.

Mr. Marshall, can that be done reasonably promptly?

Mr. David Marshall: Yes.

The Chair: Mr. Wrzesnewskyj, for five minutes.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

Mr. Marshall, you've been quoted a couple of times and I'll do it again. You said, "the whole thing stinks".

When Mr. Crupi was asked about these contracts, he stated several times that he's not an expert in procurement.

Mr. Minto, you stated that it's quite evident that collusion between departments has taken place to circumvent the rules.

Mr. Crupi, are you expert in finding the loopholes to circumvent the rules?

Mr. Dominic Crupi: As I said, sir, I hired an individual to handle my procurement issues. I assumed and I believe he followed all the rules.

Mr. Borys Wrzesnewskyj: Your name is mentioned over and over in the KPMG report. It seems that you are quite expert at this.

Mr. Dominic Crupi: I'm not, sir.

Mr. Borys Wrzesnewskyj: Mr. Minto, you made this statement about collusion between departments. From what you've seen in the reports, from what you've heard, would you see Mr. Crupi as a central figure in this situation?

Mr. Shahid Minto: Like you, I saw his name mentioned quite a few times in the report. Really, you don't have to be a procurement expert to do the right thing. The issue here is allowing all Canadians equal access to these contracts and to this business. That's the issue, the principle that's been violated. You don't have to be a procurement expert to deal with that. Yes, I saw his name, like you, many, many times in the reports.

Mr. Borys Wrzesnewskyj: You had referenced and said there was collusion between departments, meaning there have to be individuals between those departments who come together and collude. From what you've read, from what you've heard, would you suspect Mr. Crupi as being a central figure in this collusion?

Mr. Shahid Minto: Mr. Chairman, my knowledge of these transactions primarily comes from the detailed reports that KPMG did. In those reports there are references to e-mails being sent for people for preferred sources. Really, our concern is a lot more on the Public Works side. For us, CAC, which was supposed to have protected the integrity of the contracting process, even if they got those requests, should have said no, even if you want that, we will go through a proper process.

On the question you asked, I have a problem answering because it deals with intentions and motivation. The report doesn't deal with intentions and motivation.

Mr. Borys Wrzesnewskyj: Thank you, Mr. Minto.

We do see a pattern here with the contracts. Certain people seem to win the contracts. We've just heard the Auditor General's report about nepotism. Mr. Crupi explained that he hired a third party to circumvent—as you said before, it appears rules are being circumvented—the rules and in that particular case 49 of 65 of the hires, quite a percentage, were family and friends. I guess family and friends were well taken care of.

We've just heard the case of Sharon Prenger. I guess there was nobody else to fill that particular job here in Ottawa. I assume a cost-benefit analysis, as Mr. Gauvin has stated, was done, but she was provided with an apartment somewhere in the range of \$3,000 per month.

Then, of course, at one of the first meetings a staff member of Mr. Crupi's provided the whole formula, in fact, the mathematical formula on how to defraud the pension fund to pay for golfing friends at St. Andrews by-the-Sea.

This brings me to a question I'd asked you previously, Mr. Gauvin. You were part of the group that was golfing. At the last meeting before us here, we talked about ethics and the fact that you had to go for ethics training after the OPP investigation into the RCMP. It's not a big amount. But have you cut the \$100 cheque to the pension fund to repay them for that golfing weekend?

• (1730)

D/Commr Paul Gauvin: No, I haven't, but what I have been doing is looking up every name of every person who was present there, and I'm writing everybody a letter and asking every one of them who played golf to cut a cheque and remit it to the Receiver General for accrediting to the pension fund, including myself.

Mr. Borys Wrzesnewskyj: And including Mr. Crupi?

D/Commr Paul Gauvin: Including Mr. Crupi.

Mr. Borys Wrzesnewskyj: Mr. Crupi, you were requested to provide the reference letters that allowed you to acquire the job at the Communications Security Establishment, the top-secret agency that we have here that listens in on all communications in the country. Have you finally done that?

Mr. Dominic Crupi: Yes. First of all, I misunderstood at the time. You asked me if I could provide references. I said I could. I thought I heard you say you could get them at a later date. I thought I was going to be asked, but anyway, I have provided them today.

Mr. Borys Wrzesnewskyj: Chair, as a point of order, we haven't seen them. I understand he hasn't provided the letters, but we have names.

Mr. Dominic Crupi: I never provided letters. I just gave names when I applied.

The Chair: He has provided three names: Mr. Bernie Bartley, director, Public Works and Government Services Canada, retired; Mr. Vernon White, chief of police, Durham Region; and Mr. David Richardson, head of parts department for a dealership.

This is just in his own handwriting and was done today.

Mr. Borys Wrzesnewskyj: Was one of those names Vernon White?

The Chair: White, yes.

Mr. Borys Wrzesnewskyj: And was Vernon White not the assistant CHRO, right underneath Mr. Ewanovich?

The Chair: We're going to move on here. I'm sorry.

Mr. Poilievre.

Mr. Pierre Poilievre: Mr. Smith, you indicated that you had been cleared by the Ethics Commissioner. In fact, that is not the case. You were not cleared for this matter here. This pie of shame we have here happened before you were a member of Parliament, and as a result it was not under the Ethics Commissioner's purview to even review it, and he said so in his report. He did not clear you for any of this.

In fact, what we've learned here today is that you were hired and given a piece of the pie in order to help your cousin break the rules; that's what happened here. Your cousin wanted to direct a contract to someone who was not eligible to receive it, so they hired middlemen and paid them out in order to get the contract from point A to point B.

You've tried to absolve yourself by saying that you turned over the company to your children and your wife when you went on to become a public servant and later a Liberal MP.

How old were your children when they took over the company?

[Translation]

Mr. David Smith: Mr. Chairman, there is something I would like to clarify. Abotech was a human resources placement firm. It matched people, employees, with jobs.

I mean that these people were placed with—

[English]

Mr. Pierre Poilievre: How old were your children?

[Translation]

How old were your children when you handed your business over to them?

[English]

The Chair: There are two people talking, and I can't hear.

[Translation]

Mr. David Smith: Might I be allowed to answer, Mr. Chairman?

[English]

Mr. Pierre Poilievre: How old were your children?

The Chair: The question was, how old were your children? You're going to have to answer that question.

[Translation]

Mr. David Smith: I am going to answer the question, Mr. Chairman; I just wanted to clarify something.

Mr. Pierre Poilievre: How old were your children?

Mr. David Smith: This is all becoming very partisan.

•(1735)

[English]

Mr. Pierre Poilievre: How old were your children?

[Translation]

Mr. David Smith: Mr. Chairman, allow me to point out that, when the company recruited and placed consultants, my children did not do the work themselves. We suggested candidates to third parties.

[English]

Mr. Pierre Poilievre: A point of order, Mr. Chair. A point of order.

The Chair: You have a point of order, Mr. Poilievre.

[Translation]

Mr. David Smith: I believe my children were 11 or 12 years old at that time.

[English]

The Chair: You have a point of order, Mr. Poilievre.

Mr. Pierre Poilievre: I hope the clock is not running.

I'm just asking that the witness answer a very simple factual question. He claims that the company was not under his control, but rather his children's. I just want to know how old they were. It should be a very simple question to answer. Obviously he would know how old his children are today, and chronologically go backwards to ascertain how old they would have been at the time. It's a very simple question, and he's running down the clock.

The Chair: Well, you would think he would know how old his children are. That's—

[Translation]

Mr. David Smith: Of course I know how old my children are, Mr. Chairman. My wife was the CEO of the company and my two children were shareholders. My son is now 18 years old and my daughter is 17. This was in 2003. My children were therefore four years younger. My son would have been 13 and my daughter 12.

[English]

Mr. Pierre Poilievre: Okay. So your children of 13 and 14 were taking responsibilities and running your business. So you had no involvement in the business any more?

[Translation]

Mr. David Smith: Mr. Chairman, it would seem that the honourable member has a very active imagination. My wife was in charge of the company. Once a month, she was issued a completed service certificate, signed by the appropriate authority, and she then billed Consulting and Audit Canada. Mr. Chairman, it was my wife who managed the business.

[English]

Mr. Pierre Poilievre: This relates to my question, Mr. Chair.

Mr. Chair, again, I don't want to raise another point of order. All I was trying to say—and obviously the witness is very defensive on this point—is that it seemed rather curious that he no longer had any involvement in the business when he'd gone on to work at Public Works, given that he had turned over some authority for running that business to his children, who were in their early teens. It does harken back to some of the youngsters who have been involved in giving political donations that we've seen. Now we've learned that there are some who are involved in running businesses that are in blind trusts.

I'd like to get some factual timelines for when the ministers found out about these activities. Mr. Marshall, you said you briefed your minister in 2004 on these contracting irregularities at CAC?

Mr. David Marshall: Mr. Poilievre, I'm just trying to remember.

I think we briefed the minister in early 2005. That would have been about March and April of 2005.

Mr. Pierre Poilievre: March and April, 2005.

Mr. McEvoy, when did you start to send over draft audits to the departments?

Mr. Greg McEvoy: We were dealing with CAC as a client—Mr. Jackson—from the time we were engaged in October until about early April, when we first met with Mr. Marshall. So we were providing regular updates.

Mr. Pierre Poilievre: Early October of which year?

Mr. Greg McEvoy: Late in October 2004, we were engaged. We were providing regular updates to Consulting and Audit Canada from the period of October through to the end of March. We met with Mr. Marshall in early April to provide a brief.

Mr. Pierre Poilievre: On a point of order, Chair—

The Chair: We're going to move on.

Mr. Pierre Poilievre: —dealing with my last question to Mr. Marshall, I see he's looking through his documents.

The Chair: Do you have something to add, Mr. Marshall? Do you want to add to the—

Mr. Pierre Poilievre: The reason I raise a point of order here is just that perhaps he could provide this committee with a list—it doesn't have to be today—of dates on which his minister and perhaps other ministers were briefed on this matter. And can he give us the relevant briefing material with which they were provided?

The Chair: No. The material, a briefing to a minister, would be totally excluded to this committee.

Are you able to give the date on which you briefed the minister?

Mr. David Marshall: Yes. We have a chronology, and we can—

The Chair: Okay, I would ask you to present something to the committee and give us the relevant date lines as to what you did.

We're going to move on. Colleagues, we're going to have a round of seven minutes. It will be two Liberals, two Conservatives, an NDP, and a Bloc member.

Ms. Sgro, you have seven minutes.

Hon. Judy Sgro: Mr. Brazeau, you indicated that you had dealt with thousands of contracts.

How long had you been dealing with the procurement contracts? Was it a year or two years that you were in that particular position?

Mr. Frank Brazeau: I started in July 2000. I was suspended, with pay, in September 2004.

• (1740)

Hon. Judy Sgro: So in that almost two-year period of time, how many contracts, ballpark, would you estimate you were dealing with?

Mr. Frank Brazeau: That I managed?

Hon. Judy Sgro: That you managed.

Mr. Frank Brazeau: In the thousands.

Hon. Judy Sgro: In all that time that you were dealing with these contracts, were they all dealt with in a similar manner?

Mr. Frank Brazeau: Yes, they were, Madame.

Hon. Judy Sgro: And no issues were ever raised through that period of time that maybe this was not ethical or fair as far as issues of transparency go?

Mr. Frank Brazeau: No.

Just to add to the record, in 2004 I was nominated for the deputy minister's award at Consulting and Audit Canada.

Hon. Judy Sgro: Did you ever receive any compensation for referring contracts to any particular individuals or companies?

Mr. Frank Brazeau: Never.

Hon. Judy Sgro: Did you receive golf tickets or—

Mr. Frank Brazeau: Never.

Hon. Judy Sgro: So you received nothing in return?

Mr. Frank Brazeau: I got the boot.

Hon. Judy Sgro: If you weren't getting anything back on this situation, Mr. Brazeau, why would you have continued to operate in a way that clearly does not appear to be the most ethical way to do business?

Mr. Frank Brazeau: That's the way we operated at Consulting and Audit Canada. That was the box I operated in, like everybody else.

Hon. Judy Sgro: Mr. Crupi, in the years that you were working in all these different departments, to get a reputation as being a procurement specialist, how many contracts would you have overseen or been a particular part of?

Mr. Dominic Crupi: As I said, I was not a procurement specialist. We went through procurement issues, I don't know, of 40, 50, 60—Up until the last years at Public Works, I didn't manage any procurement contracts. I really started managing procurement contracts at the RCMP, and I didn't manage them, I hired somebody to manage them for me.

Hon. Judy Sgro: Deputy Commissioner Marshall, the KPMG report has a date of December 2005 on it. Were you still the commissioner at that time?

Mr. David Marshall: Yes.

Hon. Judy Sgro: Did you have a briefing with the minister of the day? By that time, if you received it in December, we were in the midst of an election. I assume that you would have briefed the new minister some time in January, February?

Mr. David Marshall: Mr. Chair, our records show that the first time we briefed the minister is April 4, 2005, and then through the period, as significant events occurred, we would have briefed the minister. For example, when we intended to take certain actions, when we wanted to consider separating out Consulting and Audit Canada, there would have been briefings at intervals with the minister's office during that time, April to October, November 2005.

Hon. Judy Sgro: Was the minister satisfied that the appropriate checks and balances had been put in place?

Mr. David Marshall: Yes, the minister was very concerned that the right thing be done, that this was a serious matter, and we continued to inform him of the steps we were taking. He was very supportive.

Hon. Judy Sgro: Mr. Gauvin, the review of the chapter of the AG report on the RCMP pension project describes bureaucratic favouritism, nepotism, and disregard of the rules in a very serious way. The KPMG report and the Ottawa Police report describe a system that was put in place by CAC and a number of outside contractors to circumvent government contracts and policies and NAFTA, and restrictions on the hiring of former public servants. We continue to hear all of these things. How was all of this allowed to continue under your watch? Do you not feel you were responsible?

D/Commr Paul Gauvin: As I explained in previous sessions in this committee, I am the chief financial officer. However, I am not responsible for every responsibility centre within the RCMP. As a matter of fact, we have 2,732. This was one of them. Therefore, it was not possible for me to know everything that was going on in the whole organization. And in this case, I think we've heard today a lot of evidence that there were problems within CAC. CAC has been there for many, many years—30, 40 years. Problems like this never

surfaced before, that I know of. So the fact that he was going there and he was going to Public Works, and Public Works has a very good reputation in terms of contracting, we thought now they will do contracting as it should be. Unfortunately, we heard what we heard today and it wasn't so.

● (1745)

Hon. Judy Sgro: Mr. Crupi, the pension fund of RCMP members was bilked for millions of dollars and there were cost overruns on various projects, including over a million dollars in service charges by Consulting and Audit Canada. Do you feel at minimum that the RCMP members and their retirees deserve an apology for all of this?

Mr. Dominic Crupi: I don't understand the bilking. The project was done on time. The project was done as stated. The project was done within TB submission approvals. We tried to do the best we could. We certainly never tried to cheat the RCMP or its members. We tried to do the best we could.

Hon. Judy Sgro: Did you ever receive compensation? Has there been anything back? Did you ever receive anything back for sending contracts anywhere?

Mr. Dominic Crupi: I received nothing for sending contracts anywhere. I did take hockey tickets a couple of times. When I was advised that it was not legal, or not appropriate, I stopped doing that.

Hon. Judy Sgro: Mr. Gauvin, I have one more question. What's your current position?

D/Commr Paul Gauvin: It's the same position I had before.

Hon. Judy Sgro: Then you're still deputy commissioner, corporate management and comptrollership.

D/Commr Paul Gauvin: That is right.

Hon. Judy Sgro: You haven't reviewed what areas of accountability you have, given all of the things that have been mentioned?

D/Commr Paul Gauvin: I know what my accountabilities are. I know you don't agree with me, but I cannot be responsible for every transaction that goes on in the RCMP. I will say that I have a lot of support in the RCMP, and if I get more chance I'll explain a lot of the work that I have done there. I've done a lot of excellent work and I have a lot of support. This is not a project we're proud of, but it is a project that in the end was done. While there were a lot of problems in doing it—and we certainly are not proud of that—we did a whole lot of other things that we're extremely proud of.

The Chair: Thank you, Mrs. Sgro.

Thank you, Mr. Gauvin.

Mr. Laforest is next.

[Translation]

Mr. Jean-Yves Laforest: Thank you, Mr. Chairman. I would like to ask Mr. Marshall a question.

Earlier, in answer to our questions, Mr. Brazeau twice said that he thought it was fairly common practice for retired public servants to be hired by third-party firms as a means of circumventing the rule prohibiting retirees from receiving a pension while also working for the federal government.

In your opinion, does Bill C-2 the new Accountability Act, absolutely prohibit retired public servants from working for the government? If not, is this rule stated elsewhere?

[English]

Mr. David Marshall: Mr. Chairman, I don't think that at any time this has been an accepted practice. I think the Treasury Board rules are clear, that if you are going to work—The values and ethics code for the public service says:

Without unduly restricting their ability to seek other employment, former public servants should undertake to minimize the possibility of real, apparent or potential conflicts—

I don't think at any time it was sanctioned. But I think people took advantage of vagueness in the rules to do this kind of thing. I don't think it was ever sanctioned by the Treasury Board. I think the new Accountability Act will certainly put more teeth into it, and make it much more clear that this is not acceptable.

[Translation]

Mr. Jean-Yves Laforest: Mr. Brazeau was not only talking about what happened in the past. He said that this could still happen today. Is it possible that this practice is still commonplace in a number of departments?

[English]

Mr. David Marshall: Yes, Mr. Chairman. Mr. Christopherson asked something similar.

It's really not possible to quantify it. But I think that certainly the Treasury Board Secretariat would be interested in sort of reinforcing or in some way perhaps even asking for a declaration from departments that it shouldn't be done, something like that, because I think it harms all public servants, this notion that there's collusion or helping each other circumvent the rules. I don't think it helps anybody. So I think it would certainly be a good thing to reinforce that issue.

Mind you, it is becoming more of an issue because of the wave of retirements and so forth. The pool of experienced people is reducing, so the risk that this will maybe continue is high, and I think it should be looked at.

• (1750)

[Translation]

Mr. Jean-Yves Laforest: This is a major ethical problem. We should look into it in greater detail. I think that the Standing Committee on Public Accounts will perhaps have to look at this issue in greater detail.

I have another question for Mr. Brazeau. Since the beginning of this meeting, a great deal has been said about contracts that have been awarded to various firms and individuals who should not have received them. What was the nature of these contracts? What exactly were these companies being asked to do? I would like to have a general idea. Contracts were awarded to Abotech, Anthony Koziol,

Casey Computing Solutions. You were the contract manager. What was the exact nature of these contracts? Why were these companies awarded contracts? What were they being asked to do?

Mr. Frank Brazeau: I do not recall the specifics of each contract; however, all of them stated what the company had to do, what had to be delivered, and the length of the contract.

Mr. Jean-Yves Laforest: We are talking about contracts worth \$6,243,000, and you—?

Mr. Frank Brazeau: A single contract?

Mr. Jean-Yves Laforest: No, the total value of the contracts awarded for the NCPC, the National Compensation Policy Centre, following a Consulting and Audit Canada call to tender. You were the project manager from April 2002 to September 2003, when 30 of these 31 contracts were awarded, and you cannot remember any details. At least give us an example.

Mr. Frank Brazeau: Okay, I will give an example: we needed people to carry out analysis and data cleanup. That is just one example, but I do not recall the details of each contract. As I have already said, I was responsible for more than 1,000 contracts. I do not remember the specific details of each contract.

Mr. Jean-Yves Laforest: It was for the RCMP, for the pension system. It was always the same issue.

Mr. Frank Brazeau: I'm not following you.

Mr. Jean-Yves Laforest: Were the contracts you managed always related to the RCMP pension and insurance plan?

Mr. Frank Brazeau: Yes, they were related to the NCPC project, the National Compensation Policy Centre.

Mr. Jean-Yves Laforest: But you have no details.

Mr. Frank Brazeau: I don't have the details here, I apologize.

Mr. Jean-Yves Laforest: Mr. Gauvin, earlier, my colleague Mr. Roy asked you a question, and you responded that, on February 21st, funds had been spent on work of little or no value. Perhaps I misunderstood but I'd like to know: when someone doesn't remember the exact details of contracts, the nature of such contracts and you say that work of little value was done, can we draw a connection between the two? Otherwise, to what were you referring?

[English]

D/Commr Paul Gauvin: What the Auditor General said in her report was that when the RCMP went to Consulting and Audit Canada, perhaps the alternative would have been to do the work themselves. In other words, the RCMP should have done contracting direct.

She didn't say there was no value; she said little or no value. Basically what that means is that if the RCMP had done all this work, it still would have cost some money, because you have to get people to do this. The fact is they went to Consulting and Audit Canada, who are specialists.

In the RCMP, since I've been there, we recommend that people go through Public Works and Government Services Canada. That's because it's a large organization and it has a lot of pressures. People want things fast. They have criminal investigations and drug raids, etc., and you need whatever you need.

• (1755)

[Translation]

Mr. Jean-Yves Laforest: I am sorry, Mr. Gauvin, but you are saying that, instead of awarding contracts, the RCMP could have done the same thing. That's what you just said. When we talk about work of little or no value, this means that contracts were awarded for no reason. That's what this means. If the work had no value, for whom has it no value?

D/Commr Paul Gauvin: No, I don't agree at all. This does not mean that the contracts had no value. What the Auditor General said was that she disagreed with the 15% payment to CAC for granting the contracts. She didn't necessarily say that the contracts weren't good, but rather that she disagreed with the RCMP paying a 15% commission. But that is how things work at CAC.

[English]

The Chair: Mr. Lake is next, for seven minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you.

I want to start with Mr. Marshall, if I could. Was the Prime Minister of the day briefed on this file, and when? Could you could start with that?

Mr. David Marshall: I'm not aware if he was briefed. We did brief the Privy Council Office, though.

Mr. Mike Lake: When would that have been?

Mr. David Marshall: The briefing to the Privy Council Office took place quite early; I'll just get you the date. Maybe Mr. Minto can help me.

I'll find you the date. It's quite early in the process.

Mr. Mike Lake: Okay. Were the Treasury Board president and the public safety minister briefed on this as well?

Mr. David Marshall: The Treasury Board Secretariat was briefed. We briefed the Comptroller General's office and the secretary of the board, but we don't know whether they briefed up to their minister. In the public safety situation, again, we didn't brief them at Public Works.

Mr. Mike Lake: What about the Commissioner of the RCMP?

Mr. David Marshall: We didn't brief the commissioner specifically, although there was a lot of contact between the internal audit of CAC and the investigators on this file, the people the RCMP was using to investigate it.

Mr. Mike Lake: It's fair to suggest that he would have known, probably.

Mr. David Marshall: Yes—There, you get that whole thing about whether he knew and whether he stopped the investigation, and so on.

Mr. Mike Lake: Moving on to Mr. Smith, I'd like just a quick clarification. The translation I heard when you were doing your opening statement or in one of the answers to questions was that you said your mother and Mr. Brazeau's mother were sisters.

Mr. David Smith: No, it was his grandmother and my mother.

Mr. Mike Lake: Just in a quick answer, yes or no, to a question that was danced around earlier, did you ever have a conversation

with any minister at any time before or after your election regarding Abotech's arrangements with CAC?

Mr. David Smith: Do you want an explanation? The moment that Daniel LeBlanc, the journalist from the *Globe and Mail*, phoned me—I was sitting in the House and I went to the phone. I was advised there was an article that was going to come out on the contracts at CAC.

At that moment, I phoned the Ethics Commissioner to request an audit on it immediately.

I advised Jean Lapierre at that moment.

Mr. Mike Lake: Pardon?

Mr. David Smith: I advised Jean Lapierre. He was my lieutenant.

Mr. Mike Lake: And when was that?

Mr. David Smith: That was the day that Daniel LeBlanc phoned, the journalist with the *Globe and Mail*.

Mr. Mike Lake: What date was it?

Mr. David Smith: It was the day the article came out. I was advised the night before.

Mr. Mike Lake: What date?

Mr. David Smith: I'm sorry, I don't remember the date the article came out, sir—

Mr. Mike Lake: What month?

Mr. David Smith:—but it's public information. A search would be easy, to get the exact date, sir.

Mr. Mike Lake: Okay.

Mr. Pierre Poilievre: On a point of order, Mr. Chair, this is important chronological information. I'm not aware of this particular article. It might not be hard to find, but there might be more than one. If the witness could just narrow down that date or at least the timeframe, it would be helpful to this committee; otherwise, we as a committee will be left with incomplete information.

The Chair: Was there just the one article, Mr. Smith? Was there only the one article that you recall?

Mr. David Smith: Absolutely, sir, and I could get back to the committee with this information, if that's your desire.

The Chair: To assist the committee, why don't you try to get back to the committee and give us your evidence as to what date, to the best of your recollection, you would have received the call from Mr. LeBlanc and the day you called the Ethics Commissioner and the day you called Mr. Lapierre? I'm sure the Ethics Commissioner probably would have a record of it, if you needed any verification.

• (1800)

Mr. David Smith: I could get back to you, sir.

The Chair: Mr. Marshall, do you have a point to add to this?

Mr. David Marshall: We happen to have an annotation on the date of that article, if it's helpful.

It's an article on July 4 in the *Globe and Mail* and the *Sun* chain, and again on July 18 in the *Winnipeg Free Press* there were articles on this subject.

Mr. Mike Lake: July 4, 2005?

Mr. David Smith: Yes, 2005.

Mr. Mike Lake: Thank you.

Mr. Smith, just continuing with you, can you tell us where you work now?

Mr. David Smith: I'm at Indian and Northern Affairs Canada, sir.

Mr. Mike Lake: And your supervisor would be...?

Mr. David Smith: Isa Gros-Louis.

Mr. Mike Lake: And is that the same individual who was also a Liberal candidate in the last election?

Mr. David Smith: Yes, sir.

Mr. Mike Lake: Okay.

I have a couple of other questions. Actually, I want to go to Mr. Brazeau for a second.

You danced around an issue earlier too, and we find that maybe with yes-or-no questions we get a little more success.

Did you score the bids?

Mr. Frank Brazeau: I'm not sure. I can't answer.

Mr. Mike Lake: Did you have any role in scoring the bids?

Mr. Frank Brazeau: I may have. I'm not sure.

Mr. Mike Lake: Wow.

Did you design RFPs?

Mr. Frank Brazeau: I didn't design RFPs, no.

I wrote statements of work and prepared evaluation criteria, but there was another unit at Consulting and Audit Canada that prepared the RFPs.

Mr. Mike Lake: I find it interesting that with this one RFP there were evaluations that seemed sort of custom-made for Mr. Onischuk and obviously custom-made to pass work on to your cousin, talking about providing advice and guidance: 20 bonus points for someone who provided advice and guidance to the RCMP on procurement and contracting for professional services; 20 more bonus points awarded if this experience included statements of work related to compensation and/or pension in the Canadian federal government; 20 more bonus points awarded if this experience included evaluation criteria related to compensation and/or pension in the Canadian federal government.

It seems that the only thing you didn't have was 20 more bonus points if your name rhymed with "Mavid Skith".

You knew who would win the bid, didn't you?

Mr. Frank Brazeau: No, I didn't. I'm not saying I prepared the evaluation criteria, and they were approved by a third party.

Mr. Mike Lake: It seems like it was your job to make sure that they won the bid. Mr. Smith, in his testimony, actually said that Mr. Onischuk called him and—I think this was the quote, but I may have a word or two missing—"told me he might have a contract for me", that Mr. Onischuk actually called him and told him that he might have a contract for him.

My understanding was that it was really you who were supposed to be putting out RFPs. It shouldn't be Onischuk himself who comes up. Isn't that kind of backwards?

Mr. Smith, aren't you supposed to find contracts for them?

Mr. David Smith: Abotech was a company that placed resources. Mr. Onischuk contacted me to see if I would be interested in submitting his candidacy for, again, a possible contract coming at CAC. I told him to supply me with his résumé and that I would post it on the database of CAC and we would proceed through the normal process.

Mr. Mike Lake: Mr. Brazeau, why did you send Mr. Onischuk to see Mr. Smith?

Mr. Frank Brazeau: I didn't just send Mr. Onischuk to see Mr. Smith; he was given a list of companies.

Mr. Mike Lake: Mr. Onischuk was given a list of companies to go and see.

Mr. Frank Brazeau: That's right.

The Chair: Thank you, Mr. Lake.

Mr. Christopherson, for seven minutes.

Mr. David Christopherson: Thank you, Chair.

Mr. Brazeau, you just said there was a list sent out. Would the purpose not be to circumvent the fact that this person couldn't get hired directly? So by providing a list, to me it suggests that you were in the game, that you were part of the process, that you knew they couldn't get hired through anybody else. If you gave him a list, then you would probably argue that you didn't care who ultimately got it, as long as the company that had this Onischuk in it was the one.

I just don't think that clarifies anything when you say you handed out a list.

Mr. Frank Brazeau: He was given a list of a couple of companies that he could contact.

Don't forget, we're a consulting shop. A lot of times we get phone calls, and people say, "Do you know someone who can develop a web application?" "Do you know someone who could do this?" People would call us.

Mr. David Christopherson: But your department would also know the restrictions on people who would be hireable and those who aren't, wouldn't they?

Mr. Frank Brazeau: I don't know what you mean by your question. What restrictions?

Mr. David Christopherson: Of the former staff.

Anyway, it's important. I'll come back to it another time if I get the chance. Thank you for that.

I want to go over to Mr. Crupi.

Mr. Crupi, you will know that the Auditor General, on page 13, paragraph 9.33, said, "The NCPC Director"—that would be you—"circumvented competitions by using Consulting and Audit Canada (CAC) to hire individuals and firms he had already chosen to do work at NCPC."

The deputies testified that you were relieved of certain authority as a result of this kind of activity. Your answer to that was that you weren't the only one, that there were other managers who had their authority restricted too, because there were other problems with managers. Do you stand by that, sir?

• (1805)

Mr. Dominic Crupi: I was told by Jim Ewanovich at the time, who was the chief human resource officer, "Dom, it's not a big deal, a little slap on the wrist", even though I didn't really know what I was getting slapped on the wrist for. He said that they were having a lot of issues with managers in procurement, that he was going to institute the sign-off process and that we follow the sign-off process, and I was just one of the managers who was to do that. That was my understanding as to how it was to take place.

Mr. David Christopherson: Thanks.

Mr. Marshall, I'll understand if you can't answer this, because it's a structural question, but I want to get at this business of whether Mr. Crupi had specific responsibilities removed. He's suggesting that a process changed and it affected everybody doing that kind of work and it wasn't just him. I'm trying to get at which it was. Was it a structural change that happened to affect him and that's the end of it, or was it specifically Mr. Crupi and he had certain authorities restricted that didn't affect anyone else?

Mr. David Marshall: Mr. Christopherson, I don't really know. Mr. Gauvin is the one.

Mr. David Christopherson: Mr. Gauvin.

D/Commr Paul Gauvin: What I hear now is that within NCPC there were four levels of supervision. As at CAC, some of those levels failed. Our problem was definitely at Dominic Crupi's level. He was doing a lot of work and he had a lot of contracts, and we didn't feel that they were following the rules, so we took the authority away.

It appears the way it was handled within NCPC is that they took the authority away from all of them, and then Jim Ewanovich was the final sign-off.

Mr. David Christopherson: Was that a fig leaf so that they could actually get at Mr. Crupi?

D/Commr Paul Gauvin: I don't know.

Mr. David Christopherson: Okay, that's fair.

Mr. McEvoy, on page 5 of your report you talked about a response that Mr. Brazeau gave, which you couldn't get. Was it for privacy reasons?

Mr. Greg McEvoy: I believe so, yes.

Mr. David Christopherson: In your opinion, Mr. Marshall, should this report be denied from this committee for privacy reasons too?

Mr. David Marshall: I'm sorry, Mr. Christopherson.

Mr. David Christopherson: It's okay.

On page 5 of the audit report, we know that Mr. Brazeau provided a written response in a draft of this. Is that correct, Mr. Brazeau?

Mr. Frank Brazeau: Yes.

Mr. David Christopherson: KPMG was denied that for privacy reasons. I wonder whether we would be able to get access to it.

Mr. Tardi, you may need to jump in here on privacy law.

Mr. Shahid Minto: Mr. Chairman, may I please answer that?

I reviewed the response, and it did not deal with the substance or any of the items listed in the report. It dealt strictly with his privacy rights, his own personal rights, and the grievance-type procedure.

We can table it, but we'd have to do the privacy motions.

Mr. David Christopherson: We have enough privacy. I don't want anything that has no business being here. Is there any reference whatsoever, or is it just personal?

Mr. Shahid Minto: It did not deal with the substance of the report. There was nothing in the letter that would have helped KPMG in coming to any conclusion on that basis.

Mr. David Christopherson: Your word is good enough for me, sir. That's fine; I'll drop this.

I want to move on to page 3. Shooting for the top of the page again, we've been here once, and I want to return. This is in your report, Mr. McEvoy:

For the additional NCPC contract reviewed, not involving Mr. Brazeau, we determined that this contract was awarded by CAC to a contractor for services that were already performed.

This is good news for the RCMP:

Further, we were informed that RCMP procurement had refused to award this contract and that Ms. Van Schaik, Senior Consultant arranged for a contract to be awarded with this knowledge.

Could you tell us about that, please?

Mr. Greg McEvoy: Yes. My understanding was that Ms. van Schaik had some consultants working at the RCMP at the time. She was approached about the possibility of CAC doing contracting for the NCPC. Could something be done about this consultant who had been working without a contract that they had thought the RCMP would be providing, but refused to provide? Could CAC do something about paying this consultant? They did. They arranged to pay this consultant.

• (1810)

Mr. David Christopherson: Why shouldn't they have been paid in this way?

Mr. Greg McEvoy: Their consultant was already working for the RCMP. CAC had no knowledge of what they were doing, and the contract was not in place at the time they were working.

Mr. David Christopherson: I just want to be clear on this. The work was already being done by the RCMP through a contract.

Mr. Greg McEvoy: The consultant had worked previously at the RCMP. This work was being done without a contract. So they approached CAC to put a contract in place to pay for the work that the consultant had already done.

Mr. David Christopherson: All right. Now tell me why that's a problem. It sounds like somebody did some work, and they weren't getting a contract. I am being given the hook here, but can you give an answer to that?

Mr. Greg McEvoy: You're dealing with putting a contract in place for work that's already done. There are issues with process and risk. Does CAC know anything about the work that was done? Is this a proper contracting process to pay a consultant who didn't go through any kind of competitive process to do this work? It's not in keeping with proper contracting policy.

Mr. David Christopherson: That's what I wanted to hear.

Thank you very much.

The Chair: Thank you very much, Mr. Christopherson.

Just before we go to Ms. Sgro, I have one question that I want to follow up on with Mr. Marshall, and it's on the report.

We operate here in a system, or I think we operate in a system, where we have transparency; Parliament knows what's going on. It's my understanding that all internal audits and reports are posted on a website. Would this normally be posted on the Public Works website?

Mr. David Marshall: No, Mr. Chairman. This was an investigation into potential wrongdoing and problems, so it's not an internal audit in that regard. It has a lot of names of persons involved, and so on, so we would be responsible for taking action to inform central agencies but not for posting it onto the website.

The Chair: My point is that this was kind of an offshoot of the Royal Canadian Mounted Police pension and insurance investigation. It was a bit of a path, but if we didn't get there, Parliament would never have known. Is there no obligation for you or your minister to report this to Parliament?

Mr. David Marshall: Under the current structure of rules, there is not, but we weren't trying to circumvent them. There were questions in the House on this subject, and there were newspaper articles. We were operating within the bounds of finding out what the problem was and taking action, and...

The Chair: You know yourself that questions in the House are very seldom answered.

This is a serious issue. We're dealing in a parliamentary system; Parliament ought to be informed when something like this goes on. In this case, I don't see any trail at all that there was any effort by you or your staff or your minister to inform Parliament.

Mr. David Marshall: Well, Mr. Chairman, we did inform the Auditor General so that she would be able to judge the extent to which she wanted to report this or dig into it at her discretion. She was informed, and she's an officer of Parliament. We did what we thought we could.

The Chair: Are there any other skeletons in the closet you want to share with us?

Mr. David Marshall: That's a big question.

The Chair: Okay.

Go ahead, Ms. Sgro, for seven minutes.

Hon. Judy Sgro: Thank you very much.

Mr. Crupi, would you please run through with me when you were relieved of your responsibilities with the RCMP?

Mr. Dominic Crupi: I was.... I stepped down from that position and was put on leave in November 2003.

Hon. Judy Sgro: Okay. Why was that?

Mr. Dominic Crupi: They were starting an audit or an investigation and they asked me to step aside until it was completed. I had also talked to Barb George at the time, saying I didn't feel it would.... There were a lot of rumours going around, and I didn't feel appropriate to even stay in that position.

Hon. Judy Sgro: Was this specifically when KPMG was brought in to do the audit, or was it earlier than that?

Mr. Dominic Crupi: This was all internal to the RCMP. It was whenever they called their investigation.

Hon. Judy Sgro: What was the investigation on, specifically, at that time, when you were asked to—

Mr. Dominic Crupi: There were a whole bunch of allegations made, I'm told. I've never seen the allegations, other than what I've read and heard, so whatever those allegations were, that's what was being investigated.

Hon. Judy Sgro: You stepped aside in November 2003.

Mr. Dominic Crupi: Correct.

Hon. Judy Sgro: What did you do then? Were you sent home with pay, or what was the process?

Mr. Dominic Crupi: Yes, I was sent home with pay, and then in.... Throughout that process I continued to call the RCMP, asking when I was going to be interviewed. I can't count how many times I called. "When am I going to be interviewed?" "When can I tell my story?" "When can I answer questions?" That took a heck of a long time.

In any case, I had some health issues in November-December of 2004, went on sick leave, and was on sick leave until my retirement date, which was June 16, 2005.

● (1815)

Hon. Judy Sgro: What did you do after that? You retired on June 16, 2005, and then you ended up working for a security company, one of our.... CSIS?

Mr. Dominic Crupi: No. No, I started working for Ford Motor Company, working in their car area.

Hon. Judy Sgro: When did you start back working for the government?

Mr. Dominic Crupi: It was in April of this year.

Hon. Judy Sgro: It was in April of this year.

Given all of the questions—

Mr. Dominic Crupi: That's when I started working for the government. I did a small contract the year before, but April of this year is when I started working as a term or casual employee.

Hon. Judy Sgro: Did you have any letters of recommendation from the RCMP in your files?

I'm just surprised that you—

Mr. Dominic Crupi: I didn't get.... I did not ask for letters of recommendation from the RCMP.

Hon. Judy Sgro: There were no questions asked when you were hired to—

Mr. Dominic Crupi: I divulged everything. I divulged everything. I divulged the investigations. I divulged the audit. I divulged the Auditor General's report. I divulged everything that I knew. It was fully put on the table, and they did their security process after that.

Hon. Judy Sgro: To whom did you divulge all of that?

Mr. Dominic Crupi: It was to the security individuals at CSE.

Hon. Judy Sgro: They really did a thorough job.

Mr. Dominic Crupi: Well, they would do a thorough job. If you saw their security process, you would see the thorough job they did, their global risk assessment on top of other things they've done. I would really ask you to look into their security process.

Hon. Judy Sgro: It's quite amazing how you've managed to do all of this.

Mr. Brazeau, my understanding in reading the KPMG report was that you did not cooperate with them. What are your feelings on that? You clearly didn't want to cooperate with them. You felt it was not fair and it was biased and so on and so forth. Would you elaborate on all of that?

Mr. Frank Brazeau: I didn't agree with their findings and conclusions. I also didn't agree with the process that was taken.

Hon. Judy Sgro: Were you ever given a chance to discuss the various ways in which contracts were being issued?

Mr. Frank Brazeau: I was given a chance to be interviewed by KPMG, but I have to wait until the appropriate setting for that. This is not the forum where I will be defending my actions.

I'm going through the grievance process with the Public Service Labour Relations Board to get fully reinstated. I thought we had an agreement on the table with Public Works, and the day after the government called the new probe on the pension, it was taken away from the table.

Hon. Judy Sgro: So the process is now that you're grieving the report.

Mr. Frank Brazeau: No, I'm not grieving the report. I'm grieving what happened to me: I've been fired.

Hon. Judy Sgro: Yes, and now a fair amount of time has passed.

Mr. Frank Brazeau: Thirty-two months.

Hon. Judy Sgro: Have you been 32 months without employment?

Mr. Frank Brazeau: No. I found work in the private sector, and for the last two weeks I've been back in government as a term employee.

Hon. Judy Sgro: As a term employee. At what point will you be commenting on this report?

Mr. Frank Brazeau: Once I get to the grievance process or a court. That's the appropriate forum for me.

Hon. Judy Sgro: It seems like a very difficult thing for you to have to go 32 months looking for an opportunity to get to your own side of this issue.

Mr. Frank Brazeau: You're darn right.

Hon. Judy Sgro: Don't you feel like defending yourself before the public accounts committee today?

Mr. Frank Brazeau: The only thing I will say is that I did everything as everyone else did at CAC. Unfortunately, I did it more often, because I had a very big workload. What happened, happened. So I'll have an appropriate forum for me to defend my actions.

• (1820)

Hon. Judy Sgro: But you would have to agree that the optics were clearly not in your favour.

Mr. Frank Brazeau: They were not. This whole process has not been in my favour. My name was leaked out in that report—way out—by an exempt staff of the minister's office. Now I hear that throughout this process I've been hit on. I don't think it's here that I'm going to get my say or things will be back to the way they should be.

Hon. Judy Sgro: Thank you.

The Chair: Before we go to Mr. Sweet, I have one final question.

Back to you, Mr. Marshall, on the issue that I talked about before about disclosing these issues to Parliament, was there full and frank disclosure in your departmental performance reports about this issue that you had to deal with in the CAC?

Mr. David Marshall: I'll check. I believe we discussed the restructuring of CAC, to separate out consulting and auditing. But no, we didn't describe the whole problem with contracting, what we did about it, and so on, to that degree.

The Chair: But you can see my problem. I'm a member of Parliament, and it's expected that Parliament is informed of what's going on in the departments. You did say that you reported to the auditor, but other than that, is there no policy that you have to put this issue in your departmental performance reports?

Mr. David Marshall: No, Mr. Chairman.

You see, in the business that we go through, there are occasions when there may be potential fraud or serious misconduct, and they take quite a bit of work to investigate. We hired KPMG to come in, and so on. It's not normal to sort of list all these and talk about them in public reports. We try to solve them; we try to take action and clean them up.

The Chair: Thank you very much.

Mr. Sweet will have seven minutes, and that will be it, colleagues.

Mr. David Sweet: Mr. Chairman, I'm going to share my time with Mr. Hawn.

Mr. Laurie Hawn (Edmonton Centre, CPC): I have a couple of quick questions, and then I'll turn it back to Mr. Sweet.

First, Mr. McEvoy, Mr. Brazeau said that he wasn't happy with the process that you followed for your audit. Was the audit process you followed in this case any different from any other process that you would have followed in a similar circumstance?

Mr. Greg McEvoy: Each situation and investigation that we work on is unique, but I fully stand behind the process we employed to do our work. Consulting and Audit Canada looked at these contracts initially; they had issues with them. We looked at these contracts; we had issues with them, as you see in the report. We had the acquisitions branch of Public Works look at our work, and they also had serious concerns with our findings.

Mr. Laurie Hawn: So KPMG followed the process that you would normally follow after all the years of KPMG's experience?

Mr. Greg McEvoy: Yes.

Mr. Laurie Hawn: Thank you.

Mr. Marshall, you said that you had contacted your minister about March 5, and the minister expressed concern about what was going on. Were you satisfied with the minister's response at that point? Did you think that he got the gravity of the situation?

Mr. David Marshall: Yes, I did. He did get it, yes.

Mr. Laurie Hawn: Now you're not sure whether the ministers responsible, with Treasury Board or Public Safety, were actually informed. But would it be safe to assume that if the PCO was briefed, they would have been briefed on it as well?

Mr. David Marshall: Yes, PCO was briefed. The Prime Minister would have many issues, so I don't know whether the PCO raised it to his level.

Mr. Laurie Hawn: So did you have any second-hand indication of any reaction from the President of the Treasury Board or the Minister of Public Safety?

Mr. David Marshall: No.

Mr. Laurie Hawn: Okay, fair enough.

I have a quick one for Mr. Smith. When you sold Apotech to your wife and minor dependent children in 2003, did you ever talk about business with them?

Mr. David Smith: When I joined the public service, I made a mistake. I signed two amendments on a contract. And I supplied this information to the Ethics Commissioner.

Mr. Laurie Hawn: But I just asked you the question, did you ever talk to your wife and dependent children about the business?

Mr. David Smith: At the beginning, sir, to my wife, but not to my children. They were 12 and 13 years old, sir.

Mr. Laurie Hawn: Did your children understand their position in the company?

Mr. David Smith: Sir, they were partners of a corporation, with their names as shareholders. They were 12 and 13 years old. They didn't speak business; they spoke only about soccer and hockey.

Mr. Laurie Hawn: They were 13 or 14, so it never came up around the kitchen table, the dinner table?

Mr. David Smith: No.

Mr. Laurie Hawn: Okay. You must be very proud of your adolescent children to have such a tremendous understanding of conflict of interest and blind trust.

I'll give the rest of my time to Mr. Sweet.

• (1825)

Mr. David Sweet: Thank you.

Mr. Marshall, my colleague Mr. Fitzpatrick asked two former cabinet ministers.... And you've just given us evidence that you briefed Minister Brison, as well as the PCO, and they were asked specifically if they had any knowledge about a forensic audit that was coming regarding Mr. Smith and Mr. Brazeau. They told this committee that they had no knowledge of an audit of this gravity, and I find that surprising, if the PCO was briefed. Could you please reconfirm that? What date was the PCO briefed?

Mr. David Marshall: I will check and let you know. The PCO was briefed as early as April 13, 2005.

Mr. David Sweet: April 13, 2005.

Mr. David Marshall: Yes. I know that the Office of the Comptroller General, which is in the Treasury Board Secretariat and deals with audit matters, and so on, would have been briefed—verbally certainly—before that. I have a note that certainly by June 2005, the Treasury Board Secretariat was briefed.

Mr. David Sweet: Mr. Marshall, did you have any meetings with the President of the Treasury Board regarding this?

Mr. David Marshall: No, I didn't meet with him personally.

Mr. David Sweet: But the staff inside the Treasury Board were all briefed.

Mr. David Marshall: Yes.

The President of the Treasury Board would have been involved in discussions sometime before October 2005, because when he announced the new policy on internal audit, there was a reference to separating out auditing from consulting at CAC. So in order to make such an announcement, he would have had to have been given some rationale, and so on. So in that sense, he would have been involved, but I don't know to what extent he was told.

Mr. David Sweet: Now, when you say "rationale", was it to the scope of the investigation?

Mr. David Marshall: No, I'm speculating. His staff would have said to him, look, these guys at Public Works want to separate this out, they're not happy, and so on. Now, whether he was told a lot more about the investigation, that I don't know. I didn't personally brief him.

Mr. David Sweet: It's okay, because we have him on record saying that he had absolutely no knowledge of it, and I find that very surprising, with the gravity of this.

Mr. Brazeau, you mentioned that people would come to you and ask if you had someone who would build a website for them, etc., and it was your job to go and find them. I find that would be business as usual. But do you not find it entirely different if someone comes to you and says, "I need to have a website built, and by the way, I know the person I want to hire. Could you please make sure you look after that?" Do you not find a difference between those two scenarios?

Mr. Frank Brazeau: As I said, I followed the CAC rules at that time, and that's all I have to say on that.

Mr. David Sweet: I think you would have been familiar with the government's position, that the contractor needs to “stand the test of public scrutiny in matters of prudence and probity, facilitate access, encourage competition, and reflect fairness in the spending of public funds”.

Mr. Frank Brazeau: Sir, I was not a contracting officer. I never had five seconds of training in procurement. I was the salesman. I was the one selling CAC services.

Mr. David Sweet: You were selling CAC services, but in fact you were referring placement to contractors because you were referring—

Mr. Frank Brazeau: I was not referring.

Mr. David Sweet: You were referring consultants to contractors so they could bid. That's much more than sales.

Mr. Frank Brazeau: Sir, I was following the rules at that time. We were allowed to do that. Clients were allowed to have the preferred bidder on the list. As Mr. McEvoy testified, it was accepted practice by CAC.

Mr. David Sweet: Mr. Smith, I'm going to give you a chance once more—I've already asked you this. Just reading again into the record here that government contracting shall be conducted in a manner that will “stand the test of public scrutiny in matters of prudence and probity, facilitate access, encourage competition, and reflect fairness in the spending of public funds”, do you think what you did actually encouraged competition and facilitated access?

[Translation]

Mr. David Smith: Mr. Chairman, today, I heard about another aspect of the process that I didn't know about. This exercise is done with complete integrity and honesty. I submitted a tender, proposed names of consultants and requested administrative fees for the work. I submitted a tender for approximately 25 contracts and I was awarded 13 of them. But, this was done in accordance with the rules and in all honesty. I was not aware of what was happening within the department's office. I wasn't there.

•(1830)

[English]

The Chair: Thank you, Mr. Sweet, and thank you, Mr. Smith.

If there's anyone who wants to make a one- or two-minute closing remark, we'll hear from you. Do any of the witnesses have any final comments?

Mr. Marshall, I understand you have a comment.

Mr. David Marshall: Thank you, Mr. Chairman.

Mr. Chairman, there have been a couple of questions asked about whether it's acceptable to paper-over contracts for former public servants, and so on, and I was looking for the quote from the Treasury Board contracting rules. What they say about this is that

Without unduly restricting their ability to seek other employment, former public servants should undertake to minimize the possibility of real, apparent or potential conflicts of interest between their new employment and their most recent responsibilities within the federal public service.

Then it goes on to say:

No contract for the services of a former public servant in receipt of a pension or of a lump sum payment may be entered into unless it is in the public interest to do so. There must be no suggestion of special favouritism or privilege...

...Contracts for the services of individuals who have been retired for less than one year and who are in receipt of a pension, must include a contract fee that is abated in accordance with the formula outlined below, regardless of fee or contract value.

So in my view, those things were violated—certainly the spirit of it.

The Chair: It would appear to be the case.

Mr. Smith, you have a final comment.

[Translation]

Mr. David Smith: Mr. Chairman, Mr. Marshall clearly said today that the Government of Canada had received value for money with regard to contracts which Abotech had tendered. I want to tell you in all honesty and integrity that this was done in a fully transparent and proper manner.

Thank you.

[English]

The Chair: Okay, I want to thank you very much. I want to thank all the witnesses. I appreciate your indulgences. We did go a little longer than we originally intended.

Mr. Laforest, you have a point of order.

[Translation]

Mr. Jean-Yves Laforest: I have one quick question, Mr. Chairman. The steering committee met at noon today, and I would like you to confirm that the upcoming May 14 meeting will deal with the issue of access to information and that we will be hearing from Mr. John Spice, Mr. Estabrooks, Mr. Gauvin, Mr. Girard and Mr. Lavoie. Is that what was agreed to?

[English]

The Chair: That's what we agreed to, Mr. Laforest, although I should point out that Mr. John Spice is not in access to information; he is the ethics commissioner with the RCMP.

That has been agreed upon.

[Translation]

Mr. Jean-Yves Laforest: Okay but this concerns—

[English]

The Chair: Again I thank you all for your attendance.

The meeting is hereby adjourned.

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