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—
Chair

The Honourable Shawn Murphy

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• (1535)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I'd like to call the meeting to order.

The first item of business, as always, shall be asking those with cameras to leave the room.

I want to again extend to everyone here a very warm welcome to today's meeting of the House of Commons Standing Committee on Public Accounts. *Bienvenue.*

We have a number of items before we get into the RCMP issue, colleagues. I plan to deal with them first, even before I introduce the RCMP witnesses.

The first item I'd like to deal with very quickly is the minutes of the steering committee held earlier today. Basically, if I may summarize, we've rescheduled the meeting for June 12 and we put in a number of witnesses involving the Great-West Life and Morneau Sobeco issue. We've also included, for the second part of the meeting scheduled for June 13, hearing a report on the follow-up study and recommendations and the follow-up on the discrepancy meeting scheduled for later this week.

Those minutes have been circulated. The chair will entertain a motion for their approval.

Ms. Sgro.

Hon. Judy Sgro (York West, Lib.): Mr. Chair, may I suggest we hold this until the end of the meeting and deal with it then. I had a question on the—

The Chair: Okay, perhaps you can remind me, Ms. Sgro.

The next item, as a follow-up to that, is that we did circulate a revised schedule. We've also circulated some of the documents received, for the information of committee members.

The next item is that I want to introduce to members to the committee the presence at the table of Mr. Brian Glicksman. Brian Glicksman is the former Treasury Officer of Accounts in the United Kingdom. He has spent much of his career working in the accounting office or regime. As you know, this is a major change that we are undergoing here in Canada. Mr. Glicksman is at a number of meetings here in Ottawa. He just did a public presentation over in the East Block and talked about how the system works in Great Britain, with the arrangement between the accounting officers and ministers and how everything works. I think it was very well received. We had a good crowd there, and it was a very well-received talk.

Mr. Glicksman, did you want to say a few words?

Mr. Brian Glicksman (Treasury Officer of Accounts, United Kingdom (Retired), As an Individual): Thank you, Chairman.

First of all, could I say what a privilege it is to be invited to speak to your committee on this subject.

As the chairman said, I was an officer for nearly six years in the Treasury in the U.K. My responsibilities included the government's relations with the Auditor General and with the public accounts committee in the U.K. I just wanted to make the point that the Treasury saw itself as very much having a common interest with the Auditor General and with the public accounts committee in seeking to improve financial management in government and uncovering examples of poor financial management. I'm therefore very pleased to have the opportunity to talk also to your own committee.

In the U.K. we have very few statutory responsibilities on accounting officers, but we see them as having a personal responsibility for the financial management in their departments. We don't see any inconsistency here with the overall responsibility of ministers for everything that happens inside their departments. The two are entirely consistent and complementary. But we feel that the system of accounting offices strengthens the financial management and the position of the accounting officer inside their department. I very much hope that as the system works out in Canada you will have the same impact.

Having said that, though, I don't want to give the impression that it's a panacea for everything. Things still go wrong in the U.K., regrettably, frequently, and we have to keep working at improving financial management.

Thank you, Chairman.

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

Mr. Williams.

Mr. John Williams (Edmonton—St. Albert, CPC): Thank you, Mr. Chairman.

I'd like to thank Mr. Glicksman for his contribution to our debate on accounting officers.

I have a copy of his full text. I would ask that this be translated and printed with the report on this committee, as I would like to make use of this if I may. If it's part of the proceedings of this committee and printed along with the blues and the testimony given today, I will have access to it.

The Chair: That will be done, Mr. Williams.

Mr. Glicksman has a number of copies of his speech. He will be with us for a while. If anyone else wants a copy, they can see Mr. Glicksman. I cannot table it because it's not translated. Once it is translated it will be tabled as a document with this committee and circulated to all members.

Mr. John Williams: Can we put it in the proceedings of the meeting as well? That's what I would like.

The Chair: Which meeting do you mean, Mr. Williams?

Mr. John Williams: Rather than just being referred to as a document available from the clerk, can it be included in the proceedings of this meeting?

The Chair: I suppose it can, although it really has nothing to do with this meeting.

Mr. John Williams: It's a background document to his remarks.

The Chair: That's correct.

Okay, we'll do that. It sounds reasonable.

Statement by Mr. Brian Glicksman:

ACCOUNTING OFFICERS IN THE U.K.

Brian Glicksman, CB

Treasury Officer of Accounts (2000–2005), HM Treasury

Introduction

I am very honoured to have been invited to give this presentation today. I spent nearly 6 years as a director in the Treasury in the U.K. and had the title of "Treasury Officer of Accounts", a long-standing title which goes back to the mid-19th century. It forms a link back to the times of the British Prime Minister, William Gladstone, who introduced wide-ranging reforms of our public accounts during the Victorian era.

One aspect of those reforms that I think is worth mentioning was that they were introduced as a partnership between Parliament and the Treasury of the day. A joint committee of Parliament and the Treasury developed the new accounting arrangements, which were then given statutory form through the Exchequer and Audit Act of 1866. The joint committee then became our Committee on Public Accounts which, to this day, retains a Treasury Minister, the Financial Secretary, as an ex officio member.

I believe the committee is unique among the U.K. parliamentary select committees in having a government minister as a member. Normally, members of select committees are drawn solely from the backbenches. The presence of a Treasury Minister on the PAC underlines the commonality of interest between the PAC and the Treasury in seeking to promote good financial management—and in uncovering poor financial management.

These days the convention is that the Financial Secretary only participates once in the committee's proceedings—immediately after being appointed, and then only for a brief 15 minutes or so, leaving the committee to get on with its business in the same way as other select committees. However, the Treasury Officer of Accounts sits with the committee at all its hearings, and occasionally at private sessions, to help the committee with its business, if necessary.

In addition, the Treasury tries to keep the committee informed about things we are doing to try to improve financial management in government departments, e.g. by inviting the committee to private presentations at the Treasury or on visits to departments.

That was a little digression about the relationship between the Treasury and the Public Accounts Committee, which I will come back to briefly later in my presentation. I merely wanted to make the point at this stage that we see the process of accountability as inextricably linked to improvement in financial management. Inevitably, relations between Parliament and the executive can sometimes become a little fraught but both we and the committee nevertheless try to ensure that we make positive use of their work.

Outline of presentation

Coming back to the subject of today's presentation, I have been asked to speak about the U.K. system of accounting officers, their role and their relation to Parliament. I understand that the accounting officer concept has recently been introduced in Canada after some debate. I have to stress that I know virtually nothing about the arrangements in Canada so I will be restricting myself to describing the arrangements that we have in the U.K. Whether these have any relevance to Canada is for others to judge. I would only say that it would obviously be dangerous to assume that, just because the title of the post is the same, then everything else must be the same too. Clearly much will depend on the context in which accounting officers work and the powers that they have. There may well be important differences in these respects between our countries. In my presentation, I will start by sketching out a bit of the parliamentary context that is relevant to accounting officers in the U.K. I will include in this a brief mention of some of the parliamentary controls that exist in the financial field. I shall then describe the role of the accounting officer, including the accounting officer's responsibilities inside his or her department, before going on to discuss the accounting officer's relations with ministers, with Parliament and with the Treasury. Finally, if there is time, and if anybody is still awake, I shall touch on a few issues of debate that you may find of interest.

Parliamentary context

I thought it would be sensible first to say something to put the rest of my presentation into context. In particular, just to make the point—which I am sure as Canadians you are all familiar with—that under our Westminster model of parliamentary democracy, the Queen invites the leader of the majority party in the House of Commons to form the government.

As such, in reality, ministers' authority stems from Parliament. They are accountable to Parliament and the government would fall if it lost a vote of confidence in the House of Commons.

In formal terms, however, the government is Her Majesty's government, not Parliament's, even though the ministers are in practice members of Parliament. Constitutionally, therefore, there is a separation between the executive and the legislature. Civil servants are servants of the Crown and owe their allegiance to the government and, in particular, to their ministers. Apart from a few exceptions, civil servants have no authority in their own right. Their function is simply to support their ministers.

So we have a situation, which I think is probably similar here, where ministers are responsible for running their departments and are accountable to Parliament. Civil servants, in general, just exist to help ministers. This is an important point when we come on to discuss the position of accounting officers.

Parliamentary controls

Over the centuries, Parliament has secured many rights in relation to the executive. I'd just like to mention a few that are relevant to the position of accounting officers. Similar arrangements may apply in Canada.

First, with a few minor exceptions, the government needs Parliament's approval to raise money through taxation and it needs Parliament's approval to spend money. In relation to expenditure, which is what I am focusing on today, the Treasury has to present estimates to Parliament each year, identifying how much each government department needs for the year and, in broad terms, what it needs it for. Parliament then votes the money to the government. If a department needs more during the year, the Treasury has to present a revised estimate for Parliament's approval.

Our Comptroller and Auditor General, who is an officer of Parliament, has to authorize the release of funds to the government during the course of the year and ensure that releases are in line with the voted provision. This is his "Comptroller" function.

At the end of the year, each department has to draw up accounts comparing spend with the estimate and in a form agreed with Parliament. These accounts are audited by the C&AG. This is his "Auditor General" function and he presents the accounts to Parliament with his report. The Public Accounts Committee scrutinizes them on behalf of Parliament.

There are, in addition, numerous other requirements. For example, departments are required to notify Parliament in advance of taking on new contingent liabilities and give MPs an opportunity to object. The government has also agreed, under what is called the "1932 Concordat", that it will not spend money on new services, above certain thresholds, without specific legislation authorizing it—even if Parliament has voted the department sufficient funds in its estimate. Departments that fail to comply with these and other requirements are at risk of qualified accounts and a report to Parliament from the C&AG.

Over the years, the C&AG's powers have gradually been extended, and in particular, he now has extensive powers to report to Parliament on any aspect of how a department has used the resources at its disposal. These reports are called "value for money" reports and the C&AG's staff in the National Audit Office produce 60 or 70 of them every year. These reports now form the mainstay of the Public Accounts Committee's annual program of work, rather than the reports on accounts.

My reason for mentioning all this is just to make the very obvious and simple point that, as departments are large, complex organizations, they inevitably need internal systems to ensure they comply with these various requirements. Somebody needs to have responsibility for ensuring these systems are in place and work properly. And this is where our accounting officers come in.

Accounting Officers

In the U.K. the concept of accounting officers was enshrined in the 1866 Exchequer and Audit Act which I mentioned earlier. That act required the Treasury to appoint accounting officers. However, their statutory roles under the act were very limited. The act merely required the accounting officer to prepare the accounts and submit the accounts to the C&AG for audit. In 2000 we replaced this part of the 1866 act but we left the limited statutory responsibilities of accounting officers unchanged.

On top of these very limited foundations, however, we have gradually, over the course of 140 years, erected a quite substantial edifice, giving accounting officers important non-statutory responsibilities to which we in the Treasury and Parliament, through the Public Accounts Committee, attach considerable importance. The responsibilities are contained in a Treasury document called the Accounting Officer Memorandum. It forms part of a much bigger Treasury document called Government Accounting, which codifies the rules and conventions applying to the management of resources in government departments.

What are the main elements of the Accounting Officer Memorandum? Well, first, from the very earliest days—1872, in fact—the Treasury has sought to appoint as the accounting officer the most senior civil servant in a government department, who we usually call a permanent secretary. Since 1920 this has been the universal arrangement. This recognizes the fact that the permanent secretary, as the permanent head of the department, is the person who has the authority to ensure that all the systems are in place and operating to prepare proper accounts.

Secondly, by virtue of the fact that the accounting officer is in practice the head of the department, we have been able to attach to the accounting officer role other responsibilities. In particular, responsibility for ensuring that the department uses its resources in accordance with the requirements of regularity and propriety, which I'll come back to in a minute, and with economy, efficiency and effectiveness – three "e"s that we usually refer to collectively as "value for money".

Coming back to the phrase "regularity and propriety", "regularity" is the term we use for ensuring that money is spent in accordance with the rules, e.g. only spending money on things on which the department has powers to spend. "Propriety" is the term we use for spending in accordance with the standards that Parliament and the public would expect. These standards of course change over time and require a degree of judgment.

Now, in reality, it doesn't need a Treasury memorandum to spell out that the head of department should ensure compliance with regularity, propriety and value for money. These are standard responsibilities of the head of any organization. However, by attaching them to the accounting officer role and spelling them out in the accounting officer memorandum we have given them an emphasis. We have placed an onus on the department to devote attention to them, even when the department's day-to-day priorities might be elsewhere.

The memorandum devotes quite a bit of space to the accounting officer's role in ensuring the proper stewardship of public funds. I won't go over it all here but, in essence, it requires the accounting officer to have in place a strong finance section and to have good financial management throughout the department. It requires proper consideration of financial matters when advising on policy and it requires ministers to give written instructions to the accounting officer in certain circumstances, which I'll come back to later.

Accounting officers feel that the existence of this memorandum from the Treasury, spelling out their responsibilities, strengthens their position in the department and thus supports the maintenance of good financial management.

Relations with ministers

Interestingly, there is no debate in the U.K. about the relationship between accounting officers and ministers. This is presumably because the system has been in place for so long that everybody has got used to it—but there is some evidence that it was the subject of debate in the early years of our system. It is obviously a point that merits discussion.

In the U.K., as here no doubt, ministers are responsible for their departments and accountable to Parliament for the actions of their departments. An MP can raise concerns about the action of a department on the floor of the House and expect a departmental minister to respond. We have been careful in our Accounting Officer Memorandum not to undermine that responsibility. The memorandum states explicitly that the accounting officer is responsible "under the Minister", not in substitution for the minister.

What we have done in the memorandum is simply to state explicitly that the head of department has a personal responsibility for ensuring the department has proper financial management. The minister therefore doesn't need to issue explicit instructions to the head of department asking for this to be put in place. The instructions are there in a standing Treasury memorandum.

I think it is fair to say that people see this as a perfectly natural way of operating and not in any way a dilution of the minister's position. The head of department would equally expect to take responsibility for other aspects of the department's management, such as recruitment, discipline and performance management, without waiting to be instructed to do so. In fact, I think ministers would be surprised if somebody told them they needed to instruct their permanent secretaries to take responsibility for managing their departments.

Of course, this doesn't prevent a minister who has an interest in or concern about financial management from looking at, or even seeking to change, the department's systems—because the minister remains ultimately responsible. But, under the minister, the accounting officer has a personal responsibility and, if the two disagree on what needs to be done, the memorandum provides a clear process for resolving the disagreement.

One of the implications of the memorandum is that a minister knows that the accounting officer should be ensuring that the department complies with the requirements of regularity, propriety and value for money. Ministers also know they can expect the accounting officer to advise on any such issues that may come up.

They don't need to ask for such advice—it should come forward automatically. So what happens if the minister disagrees with the advice he or she receives?

Directions

The memorandum spells out what happens in these circumstances. In essence, the minister's view prevails but the minister is required to issue a written instruction to the accounting officer. The Treasury and the C&AG have to be informed. If the matter were to come before the Public Accounts Committee, the committee could be expected to recognize that the accounting officer bore no personal responsibility for the decision.

On average, these written instructions, which we tend to refer to as "directions", occur perhaps once or twice a year. Some of them might be regarded as "technicalities". Sometimes, the direction may relate to a topic that is already the subject of public debate. However, I can't think of any case where the direction has become a political issue in its own right—though that doesn't mean we never will have such a case.

I might mention that the requirement for a direction in relation to value for money cases was only introduced after what is known as the "Pergau dam" case in the 1980s. Prior to that directions were only required in cases of regularity or propriety. These directions were introduced in 1883, and the requirement to inform the Treasury and the C&AG in 1920. Value for money decisions require an element of judgment, and it is not surprising if, from time to time, a minister takes a different view from the accounting officer on the balance of the arguments.

Relations with Parliament

The Public Accounts Committee in the U.K., and I suspect it will be similar here, has as its main task scrutinizing on behalf of Parliament the way in which departments have spent the money that Parliament has provided. I assume that, at one time, this was done by scrutinizing and holding hearings on departmental accounts. However, these days, the committee holds relatively few hearings on accounts. Out of the 60 or more hearings the committee holds each year, the overwhelming majority—perhaps as much as 90%—are hearings on value for money reports prepared by the C&AG's staff in the National Audit Office.

The committee usually holds just one hearing on each report and it invites the accounting officer to give evidence on the issues raised in the report. These days the committee permits the accounting officer to be accompanied by other staff who can speak knowledgeably about the issues. The accounting officer is nevertheless expected to be on top of the issues and to do most of the talking.

The committee will have been briefed by the NAO and the department will have prepared its accounting officer at length on the background to the report. Accounting officers know that, if the NAO's report is critical, they can expect a tough time at the hearing. The committee does not mince its words.

By convention, the committee is always chaired by a senior opposition backbencher, often a former minister. However, it always seeks to act in a non-partisan manner. It does not question government policy and does not take evidence from ministers. It restricts itself to the way in which departments have used their resources. However, as you will readily appreciate, there is a considerable grey area where policy and the use of resources overlap.

Because of the way in which accounting officers have to justify their departments' actions to the Public Accounts Committee, we talk loosely of them being "accountable" to the committee. I don't think this is strictly accurate. They are accountable to their ministers. The committee can give an accounting officer a bruising time, it can publish a highly critical report, it can damage an accounting officer's reputation. But it cannot, at the end of the day, dismiss or discipline an accounting officer. That is something that would fall to ministers and/or the head of the civil service. However, accounting officers are accountable to the committee if one defines that term in the narrow sense of being required to give an account to the committee of the way in which their departments have used their resources. Again, this distinction was debated in the 1920s, and possibly earlier.

Relations with Treasury

I'll just briefly mention the relations between accounting officers and the Treasury. The Treasury appoints the accounting officer but that is largely a formality once a new head is appointed to a department. The Treasury issues guidance to accounting officers. The main documents are the accounting officer memorandum, our manual on using public money, called "Government Accounting", and occasional ad hoc guidance in the form of "Dear Accounting Officer" letters. There is also a lot of more specific guidance, e.g. on internal audit and risk management, that is issued as necessary as well as guidance on appearing before the Public Accounts Committee.

We don't of course expect accounting officers to memorize, or indeed even to read, all this guidance but we expect them to have a finance section that will be on top of it. And we expect that finance section to have considerable authority within the department, and the strong backing of the accounting officer—in effect to protect the accounting officer's position.

In addition, because the Treasury Officer of Accounts attends all Public Accounts Committee hearings, I would always attend at least one briefing session with the accounting officer before a hearing so that I would be familiar with the issues.

Finally, after the Public Accounts Committee publishes its report on a hearing, the government will respond through a "Treasury minute" which, although drafted by the department concerned, would be agreed with and presented to Parliament by the Treasury.

Some issues

I said that, at the end, I would mention some issues. One that crops up quite regularly is the position of former accounting officers, who have since retired or moved elsewhere. The government and the committee are agreed that the current accounting officer is required to answer for the department's actions whether or not he or she was

in post at the time. The committee will not accept an answer of "I don't know because it was before my time."

Nevertheless, the committee also reserves the right to call back former accounting officers if it considers this can help its enquiries. This is disliked by the accounting officer community but, at the end of the day, the committee has the power to summon any citizen it wishes to appear before it. A *modus vivendi* has been established on the basis of assurances from the committee that this power would be used sparingly in exceptional circumstances. In fact, several of the occasions when it has happened have been occasions when everybody agreed it was the sensible thing to do.

A second issue that we spend some time discussing is whether our arrangements have the effect of reinforcing the natural risk aversion of civil servants. Governments have ambitious programs and they want to encourage innovative solutions. Does our system of accounting officers, their personal responsibility to the Public Accounts Committee, the rough time they can receive if their departments have performed less than perfectly, the voluminous guidance from the Treasury—do these collectively reinforce a "blame culture" that the media are only too happy to promote and discourage risk taking and innovation?

The third issue that may be worth mentioning is the increasing focus at ministerial level on what we refer to as "delivery". Twenty years ago, ministers focused on policy while civil servants advised on policy and then implemented the government's policies. Any minister who showed an interest in implementation was considered rather eccentric. Today, however, the message is that delivery of policies to the citizens in the country is the priority. Ministers are increasingly being required to involve themselves in implementation of policies.

So far, this has not had any impact on the arrangements I have described in my presentation but I wonder whether, further down the line, there may be consequences. For example, will it lead to more use of directions? Will the Public Accounts Committee feel that they need to question ministers about some projects rather than just accounting officers? It will be interesting to see.

Conclusion

I hope this rather extensive description of the way the accounting officer system operates in the U.K. may have been of some interest. Thank you for listening so patiently. I would be very happy to discuss any aspects of it that anybody may wish to raise.

The Chair: Mr. Glicksman, on behalf of all members of this committee and the Parliament of Canada, I want to extend our appreciation to you for coming here today to share your thoughts and wisdom on the whole regime of accounting officers.

Thank you very much.

• (1540)

Mr. Brian Glicksman: Thank you, Chairman.

It's an honour.

The Chair: Colleagues, we will now start the second part of the agenda of this afternoon's meeting and go back to the Royal Canadian Mounted Police pension insurance administration, chapter 9 of the November 2006 *Report of the Auditor General of Canada*.

The committee is very pleased to have with us this afternoon Mr. François Guimont. Mr. Guimont is the new deputy minister of the Department of Public Works and Government Services. I understand he's been in the job for approximately four hours now. I want to welcome him. He's accompanied by Mr. Shahid Minto, chief risk officer. Mr. Minto is well known to everyone in this committee, especially in his previous role as the associate auditor general of Canada.

As individuals, we have back with us Mr. Frank Brazeau, Mr. Dominic Crupi, Mr. Pat Casey, Madam Kim Casey, and Anthony Koziol. Mr. Molson, I understand, will be joining us at four o'clock.

Pursuant to our standard practice in this hearing, we're going to swear in all witnesses.

Ms. Kim Casey (As an Individual): I, Kim Casey, 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. Pat Casey (As an Individual): I, Pat Casey, do swear that the evidence I will 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.

[Translation]

Mr. François Guimont (Deputy Minister, Department of Public Works and Government Services): I, François Guimont, do solemnly, sincerely and truly affirm and declare that the taking of any oath is, according to my religious belief, unlawful. I do also solemnly, sincerely and truly affirm and declare that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth.

The French version is very different from the English one.

[English]

Mr. Shahid Minto (Chief Risk Officer, Department of Public Works and Government Services): I, Shahid Minto, do solemnly, sincerely, and truly affirm and declare that the taking of any religious oath is, according to my religious belief, unlawful. I do also solemnly, sincerely, and truly affirm and declare that the evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth.

Mr. Anthony Koziol (As an Individual): I, Anthony Koziol, 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.

I understand, Mr. Guimont, you have a brief opening statement.

[Translation]

Mr. François Guimont: Yes, Mr. Chairman, and I shall be brief.

I am very pleased to appear before you today, and I look forward to maintaining an open and frank exchange with committee members over the months and years ahead.

Our chief risk officer, Mr. Minto, who has been introduced, is with me today. Members of the committee may be aware that this is my first day on the job as deputy minister of Public Works and Government Services Canada. However, I am not a stranger to the department as I previously served as associate deputy minister from January to September 2005, for a period of nine months.

● (1545)

[English]

You have heard already from my predecessor, David Marshall, about what ensued at Public Works when questions were first raised about Consulting and Audit Canada's service to the RCMP's National Compensation Policy Centre. I have reviewed the steps that were taken, namely hiring KPMG to examine CAC's practices, revoking CAC's contracting authority, separating CAC's consulting and auditing services, and taking disciplinary action against a number of employees. PWGSC responded thoughtfully, quickly, and I believe appropriately to the situation.

Mr. Chair, I look forward to the committee's report and recommendation on this issue.

[Translation]

We will be pleased to answer any questions. Thank you.

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

[English]

Madam Casey, you have an opening statement.

Ms. Kim Casey: My name is Kim Casey and I am the president of Casey Computing Solutions Inc.

After working for approximately 10 years for Indian and Northern Affairs, I moved to the consulting industry and spent seven years at various levels in that field before we commenced our own company in 1991.

While my husband and I are owners of this company, we still bid ourselves out on contracts and, when successful, fulfill the work for which we bid. In addition, we bid on requests for proposals, putting forward various professionals who are associated with our company. We have varied between 15 and zero placements at different times in our company history.

Both my husband and I spend most of our time working on our own contracts for clients in addition to running our consulting company. Contracts we enter into can be amended by the client in a number of ways by shortening the time, by cancelling the contract, by extending the contract, and/or by changing people or adding people, depending on the terms of the contract.

I wish to respond to the false allegations recently portrayed in the media, which stated that “Kim Casey added her husband to the contract at a cost of \$675 per day, a move that drove the contract cost to the RCMP up by 25%. Casey didn't have the proper approval to add her husband.”

This statement is false. I do not have, nor have I ever had, the authority, power, or facility to amend, extend, or vary a contract. My husband Pat had already been on a contract working with the RCMP for over a year at a rate of \$675 per day. His contract was due to expire, and the client had a requirement to continue his services.

The client's procurement person worked with the contract authority, and they determined that another existing contract with our company would be amended to include Pat's services at his current rate, and there was a further amendment to adjust the value. I believe this procedure conforms to the government's contracting rules and regulations. These amendments were signed off by a director at the CAC at the time.

The media obviously twisted the facts to make a sensational story, or they didn't understand.

I want this committee to understand that we conformed to the requirements for requests for proposals and statements of requirement in regard to the RCMP work. Qualified people were proposed, and all requirements were addressed. We won the bids based on these criteria. Contracts were awarded, and the contracting authority ranged from the director level all the way up to the Minister of Public Works and Government Services Canada. To the best of my knowledge, there were no irregularities, and from my perspective, everything was done according to the rules.

Of the people we proposed, all of those whose services were used—including Pat and me—worked very hard and long hours, often on nights and weekends, and produced an extremely large volume of work.

In my opinion, all of the negative statements made in regard to Pat and me were because of the complicated matters involved and a misunderstanding by those making the wrong statements. I am very proud of the work that we did on behalf of the RCMP in meeting their requirements on very tight deadlines.

● (1550)

The Chair: Thank you, Ms. Casey.

I understand, Mr. Crupi, you have a brief opening statement.

Mr. Dominic Crupi: Yes, thank you.

This is my third appearance before this committee. Once again, I would like to reaffirm that during my time as a director of NCPC, briefings, presentations, and status reports were all provided to senior management, division representatives, advisory committees, etc., on a regular and ongoing basis. I did not ever knowingly or purposely bypass or circumvent or advise anyone to bypass or circumvent any processes or approvals. I did not threaten any individual with losing their job. I am not a procurement or HR expert, nor have I ever claimed to be. I am a payroll system expert.

At no time was there any collusion with CAC or individuals from CAC. At no time during my time as a newly appointed director did I

ever receive any formal training from the RCMP in regard to financial authorities, staffing, or contracting processes, and therefore I had to rely on the guidance of experts in those fields in the RCMP, RCMP management, and those individuals and employees around me.

Thank you.

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

We are now going to start the first round.

Mr. Wrzesnewskyj, seven minutes.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Thank you, Chair.

The Chair: I'm sorry, there's another opening statement. I didn't know that. Mr. Pat Casey has an opening statement.

My apologies. Go ahead, sir.

Mr. Pat Casey: My name is Pat Casey. I've had a successful career for over 30 years working in the high tech and consulting industry. I have significant experience in business analysis, systems analysis, risk analysis, project planning and development specifications. I worked as a consultant with Revenue Canada, HRDC, Industry Canada, Public Works and Government Services Canada, and in private industry for Canada Corps., IBM, Nisha, and others.

For over three years, I worked diligently to produce thousands of pages of requests and required documents for the RCMP. I worked hard and I produced what was requested under the RCMP's directions.

I'm only going to respond to two issues that Staff Sergeant Frizzell read in his May 29 testimony.

First is the question of my involvement in Morneau Sobeco's being retained to administer the pension and insurance plans. Pension administration was put out by public tender under a request for proposal published on MERX. Morneau Sobeco was successful in that bid. I understand that Morneau Sobeco required one year to organize the start of pension administration. I was not involved in any way with the development of the request for proposal or its evaluation in regard to pension administration.

On a separate matter, although somewhat related, it is my understanding that the RCMP was dealing with Great-West Life on or around 1995 in providing some of the administrative functions for insurance. Great-West Life was then requested by the RCMP to examine taking over full responsibility for the administration of insurance. I was not there at that time.

One year into preparing to take over the insurance administration, Great-West Life advised the RCMP at a meeting with my superiors and me, in December 2001, that because they had recently taken over London Life Insurance and Prudential Life, they had decided they no longer had the resources to complete the insurance package of the RCMP within the timeframe demanded. Great-West Life explained that the resources they had would be required for the amalgamation of the three different insurance companies. They advised the RCMP that they would need approximately five years to implement the insurance administration required by the RCMP.

We were directed by my supervisors to do two things, amongst many. One was to cancel upcoming meetings in order to coordinate analysis of a business case, to examine the costs and benefits of the system as it was at that time, to analyze the proposed system of Great-West Life with a five-year delayed timeline, and to analyze the costs and benefits on a proposal planned by Morneau Sobeco with a delayed timeline of one year. Other companies were considered but rejected, because they could not meet the stringent requirement of the security of data demanded by the RCMP.

This evaluation was undertaken and completed by Liz Valentine, Garry Roy, and me, from information gathered from numerous sources.

I invite the committee to read the whole document rather than the two or three pages that I believe you were referred to by Staff Sergeant Frizzell. If you read this complete document, I believe you will have a better understanding of the magnitude and complexity of the dramatic changes that were taking place.

The study compared the costs and benefits of the various solutions described above from information submitted to the RCMP. The RCMP felt there was an advantage to utilizing Morneau Sobeco's plan because they had in place much of the information that would be utilized by insurance administration, due to their preparation for taking over pension administration.

Second, I was requested to prepare an option analysis for contracting insurance administration in light of the recent decision of Great-West Life in regard to the timeline. This option analysis was done in a coincidental timeframe to the above referred report.

In the option analysis, I reported, from information received from the RCMP, four options, one of which was the recommended option to contract Morneau Sobeco following an ACAN tendering process. I considered three other options: tendering by request for proposal, amending the pension administration contract with Morneau Sobeco, and contracting directly with an administrator through the RCMP insurance committee.

• (1555)

The RCMP was working under a major deadline in regard to its insurance administration as it was directly linked to the pension administration project, which was being moved to Morneau Sobeco as of April 1, 2003.

I once again ask you to read this document, which I'm sure would have been provided to you by Staff Sergeant Frizzell, but may be overlooked in the volume of materials. I at no time explored the option of Morneau Sobeco being a subcontractor of Great-West Life, nor did I ever recommend it.

I'm concerned about the contents of the business analysis, since we were given costs to be made of a confidential nature. May I ask you, Mr. Chairman, to order me to produce this analysis of a business case, to protect me?

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

Mr. John Williams: Mr. Casey referred to two documents, and I think they should be tabled since he made reference to them. I guess Staff Sergeant Frizzell made reference to them, saying they should

be actually tabled here and translated, if required, and made available to all members.

The Chair: I thought we had them already.

We don't have them. They will be translated and tabled.

Mr. Wrzesnewskyj, seven minutes.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

Congratulations, Mr. Guimont.

My question to you is this. When was this KPMG report first requested by Public Works—the original report, because there were several of them?

Mr. François Guimont: I'm looking here, and I will also be relying on Mr. Minto to help me. This would have been back in... I'm looking at a chronology, just to be accurate here, obviously.

Mr. Borys Wrzesnewskyj: Because of the time limitations, if you don't have that handy, what I would request is this. In your opening statements, you said you've reviewed a number of steps: the hiring of KPMG, revoking of CAC's contract team authority, the separation of consulting and auditing, and then taking disciplinary action against a number of the employees. If you could undertake to provide us with dates and timelines on that, it would be quite helpful.

Mr. François Guimont: I will do that quite gladly.

Mr. Borys Wrzesnewskyj: Thank you.

I'd like to move on to the contracts that Casey Computing Solutions won. In 2002 there were six contracts. I'll separate them out into two sections. The first five were all contracts under the approximately \$85,000 NAFTA limit, which otherwise would have required a very fulsome tendering process. So there is a pattern that all of these contracts were beneath those stringent requirements, and when we look at that KPMG report and run through the contracts—and I'll just highlight a single point on each—on the first contract, number 560-3037, the KPMG report states, "The contract winners decided before request for proposals". Obviously, Casey Computing Solutions was the beneficiary of that process.

A month later, the second contract, 560-3038, appeared to be a contract for work previously done by the same people hired by Casey Computing Solutions, work they had previously done for the RCMP. Once again, Casey Computing Solutions was the beneficiary of that.

On the third contract, 560-3089, Mr. Brazeau stated that it was not cost-effective to solicit bids at that time. Once again, Casey Computing Solutions was the beneficiary of the third contract.

On the fourth contract, 560-3138, there was only one bid. Casey Computing Solutions was the beneficiary of that one.

On the fifth contract, 560-3261, perhaps I'll just read a few parts of what KPMG had to say in their report: "The scoring evaluation appears to have been done solely by Mr. Brazeau".

It goes on to say: "We noted a number of instances where the pen marks would appear to indicate that the scoring was changed for the various bidders. In fact, there are two instances for the second highest bidder where the scoring appears to have been reduced". That begs the question of why that perhaps happened.

And it goes on to note: “We note that the second highest bidder proposed a per diem of \$585 versus Casey's proposed per diem of \$1,025”.

We've also heard testimony from Mr. Guimont's predecessor that as far as he was concerned, this contracting was rigged. Those are pretty harsh terms he used.

But all of those were small contracts, within five months; they were all under the \$85,000 limit. But then we hit the big bonanza. Contract 560-3261 was a contract with an amended value just shy of \$3 million, and when we look to see what happened there, we find that only one company bid: Casey Computing Solutions. They had done all of the previous work required. They had done some of the work that was part of this bigger contract.

So my question to you, Mr. Casey is, are you aware that you were the only bidder on this contract? Or perhaps your wife would prefer to answer.

•(1600)

Ms. Kim Casey: Yes, as the president of the organization, I am the one who was interviewed by KPMG and I was not aware up until that point of time when I was interviewed that we were the only bidder on that contract. During the interview I was asked that same question. I told them at that point in time that I did not have knowledge of that.

Mr. Borys Wrzesnewskyj: Okay.

Mr. or Mrs. Casey, did you ever provide hockey tickets to Mr. Crupi?

Ms. Kim Casey: Yes.

Mr. Borys Wrzesnewskyj: How often?

Ms. Kim Casey: I don't know; it was about five or six times.

Mr. Borys Wrzesnewskyj: So in your opening statement when you referred to the many nights of hard work as well, would that perhaps be included in there?

Ms. Kim Casey: No.

Mr. Borys Wrzesnewskyj: Mr. Crupi, what other benefits did you receive beside hockey tickets from Casey Computing Solutions?

Mr. Dominic Crupi: Those are all the benefits I can think of, sir.

Mr. Borys Wrzesnewskyj: That you can think of.

And if your memory were jogged about other potential benefits, what might you think of?

Mr. Dominic Crupi: That's all I can think of, sir. We may have played a game or two of golf, and that's it.

Mr. Borys Wrzesnewskyj: Okay, once again, golf and hockey tickets.

•(1605)

Mr. Dominic Crupi: Correct.

Mr. Borys Wrzesnewskyj: We also understand from previous testimony that there was a triumvirate involved with massaging or, to use a direct quote from the report of the Ottawa Police Service criminal investigation, in “a scheme to circumvent government contracting regulations”. There were three people involved in that, as we read in the Ottawa police investigation report and heard in

testimony here: Mr. Molson, Mr. Garry Roy—who was also involved, we heard, in changing or falsifying minutes of meetings after the fact—and Mr. Molson, who I note has still not arrived, although it is past four o'clock.

Mr. Crupi, of this triumvirate, we now know that Casey Computing Solutions provided you with benefits. What about Garry Roy? Did he ever do any contracting for you personally?

Mr. Dominic Crupi: Mr. Roy has a separate company through which he does landscaping and stuff. He was contracted to do some landscaping at my home while we were co-managers. He was paid for that work. When I became the director, I never contracted him anymore. I believe my wife contracted him one more time, I believe, to cut down some trees, and he was paid for the work.

Mr. Borys Wrzesnewskyj: When I take a look at the information in the criminal investigation, I see there were two contracts worth \$30,000. One was to build a barn and another one was to do landscaping, as you said—cut trees, etc. It just so happens that coincidentally, at the same time, Mr. Roy received two promotions from the NCPC during that same timeframe.

Mr. Dominic Crupi: The contract to build the barn, sir, was done with a private company on the outside. It had nothing to do with Mr. Roy.

As far as promotions go—

Mr. Borys Wrzesnewskyj: Did you have the authority to provide him with promotions at that time?

Mr. Dominic Crupi: I had no authority to provide him unless he went through a proper staffing process. He went through a staffing process, and staffing promoted him. There was a staffing officer on the committee.

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

Monsieur Laforest is next, for seven minutes.

Mr. Borys Wrzesnewskyj: On a point of order, Mr. Chair, whenever a person is mentioned, it would be quite helpful if you could remind the witnesses to provide the name of the individual. Since they are mentioned, it would be of use to know who individuals are.

The Chair: Do you want to come back to that?

Mr. Dominic Crupi: I believe her name was Lise Prud'homme.

The Chair: Go ahead, Monsieur Laforest.

[*Translation*]

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

Welcome to all. I have a few questions for Mr. Koziol.

Did you know Mr. and Mrs. Casey well in early spring 2002? Did you know their company and what they were able to provide?

[*English*]

Mr. Anthony Koziol: Yes. I met Ms. Casey on a project in 1991. Some time later I met her husband. This was for work at Public Works on the pension reform project. They both had expertise in the pension area.

[Translation]

Mr. Jean-Yves Laforest: Do you believe it is enough to know a company? I note that on April 16, 2002, you sent an e-mail to Mr. Brazeau telling him that the preferred candidate for contract 560-3038 was to be Casey Computing Solutions. From the point of view of managerial ethics, do you think it is sufficient to know a specific company in order to make recommendations even before the deadline for submitting proposals?

[English]

Mr. Anthony Koziol: Excuse me, what was the date of that contract?

[Translation]

Mr. Jean-Yves Laforest: The contract was signed in April 2002, April 26, 2002 being the deadline for submitting proposals. On April 16, you sent an e-mail to Mr. Brazeau, copied to Mr. Crupi, specifying that the preferred candidate for this contract, as well as for a further contract, was Casey Computing Solutions. This raises a lot of questions in my mind.

[English]

Mr. Anthony Koziol: Yes; as discussed at previous committee meetings, and as I believe Mr. McEvoy mentioned, there isn't an issue with a client department wanting a resource, because they've worked with them and they know they can do work and they continue to do work. From my perspective, this was providing a preference for a company that was believed to be able to do the work well.

[Translation]

Mr. Jean-Yves Laforest: We are talking here about a contract valued at \$65,912. The next contract was for \$108,780. You made this recommendation without having seen their work, even if you had knowledge of their abilities. Then, you sent an e-mail to Mr. Brazeau to thank him for his offer to grant a sole source contract to Casey Computing Solutions in June 2002 for a value of \$25,000. I am talking ethics here. Other companies could have applied and probably did.

How can you explain to the public that you continuously favoured the same company?

•(1610)

[English]

Mr. Anthony Koziol: As has been discussed previously, the department was there to provide a preference if there was a preference. This did not mean that the contract would necessarily be awarded. I think Mr. Brazeau has discussed this in previous testimony, that a preference could be provided, but no one at the NCPC had anything to do with the actual award of the contracts or of the evaluation of the bids that came in.

[Translation]

Mr. Jean-Yves Laforest: Mr. Brazeau, you twice asked a colleague at CAC to add Casey Computing Solutions to the list of bidders from which the firm was absent. You did so on April 18, 2002 and on July 17, 2002. I ask the same question again, although Mr. Koziol told us that it was standard practice for a department to make such recommendations. One might understand that a given firm would sometimes be favoured, but in this case it seems to have

been recurrent and that contracts were always going to the same firm. How do you feel about that from an ethical point of view, Mr. Brazeau?

Mr. Frank Brazeau: I was applying the rules such as they existed at the time at Consulting and Audit Canada. We were entitled to add firms to the list of those invited to bid. When they asked us to stop doing that, we stopped.

Mr. Jean-Yves Laforest: In a first contract given to Casey Computing Solutions, the per diem rate was \$1,025 and the rate of the second-best bidder was \$585. This is a major difference, of almost one half. Did you do a full analysis? Could the second bidder not have done as good a job as Casey Computing Solutions?

Mr. Frank Brazeau: An evaluation grid had been developed either by myself or by someone else in the organization. An evaluation was done using these criteria.

Mr. Jean-Yves Laforest: Did you do those assessments?

Mr. Frank Brazeau: Not always.

Mr. Jean-Yves Laforest: But did you do them in those instances?

Mr. Frank Brazeau: I do not remember. As I said last time, in view of the large volume of files, I cannot tell if it was me.

Mr. Jean-Yves Laforest: I suppose there are documents available about this.

Mr. Frank Brazeau: Yes.

Mr. Jean-Yves Laforest: What were the evaluation criteria, generally speaking?

Mr. Frank Brazeau: I do not remember at all.

Mr. Jean-Yves Laforest: Why was Casey Computing Solutions favoured every time? Was this firm so much better than all the others who would have also been very professional, I suppose?

Mr. Frank Brazeau: I am unable to answer without having the documents in front of me.

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

[English]

Mr. Sweet, seven minutes.

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

Mr. Casey, could you briefly describe your relationship with Dominic Crupi prior to becoming a NCPC contractor?

Mr. Pat Casey: I had worked with Mr. Crupi over at Public Works on the pension reform two project. I was a risk analyst over there.

Mr. David Sweet: For how long were you involved with Mr. Crupi there?

Mr. Pat Casey: That's a good question. I'd say six months.

Mr. David Sweet: Who instructed Great-West Life to talk to Morneau Sobeco about taking over the administration of the insurance plan?

Mr. Pat Casey: I don't know. It was not me.

Mr. David Sweet: You're not aware of that at all?

Mr. Pat Casey: No.

Mr. David Sweet: You did the business plan for the insurance as well as the pension. Is that correct?

•(1615)

Mr. Pat Casey: Mr. Koziol and I did co-author the pension business case.

Mr. David Sweet: And you did the insurance case yourself?

Mr. Pat Casey: There was a team, I believe, put together for that.

Mr. David Sweet: Did you lead the team?

Mr. Pat Casey: I was one of the participants.

Mr. David Sweet: Did anyone direct you to ensure that Morneau Sobeco became the insurance fund administrator for Great-West Life?

Mr. Pat Casey: No.

Mr. David Sweet: The Ottawa Police Service summary said that the most blatant example of contract manipulation was when Morneau Sobeco and Great-West Life assisted Mr. Crupi, Mr. Roy, and Mr. Casey at NCPC in bypassing government contracting regulations.

You must have seen that in the evidence that was presented earlier. Could you give me your feedback on that statement?

Mr. Pat Casey: I'm sorry. I haven't seen any evidence.

Mr. David Sweet: Okay.

Did you hear what I said? Do you want me to repeat it?

Mr. Pat Casey: Please.

Mr. David Sweet: That the most blatant example of contract manipulation was when Morneau Sobeco and Great-West Life assisted Mr. Crupi, Mr. Roy, and Mr. Casey at NCPC in bypassing government contracting regulations.

How do you respond to that?

Mr. Pat Casey: As an outside contractor, I had no authority to direct a contract, sign a contract, or negotiate a contract.

Mr. David Sweet: Well, that might be the case, but you were working along with and providing both the business cases for Great-West Life on this. Does it not put you in collaboration with the whole group?

Mr. Pat Casey: No, they were completely separate exercises.

Mr. David Sweet: They were separate exercises. What do you mean by that? You set up the business case. Subsequently, on the business case you developed with Morneau Sobeco, they ended up with the contract. How would it be separate?

Mr. Pat Casey: I don't see the light there at all. The business case was to go forward with an outsourcing option. There was no mention of who would get the contract.

Mr. David Sweet: Yes, but where did you get the information from?

Mr. Pat Casey: Do you mean on the business case?

Mr. David Sweet: Yes.

Mr. Pat Casey: On the insurance administration, we analyzed RCMP internal costs. We had Great-West Life costs, because we had

been dealing with them for over a year, and my supervisors got costs from Morneau Sobeco.

Mr. David Sweet: Was there another company in the same business that you also sought information from, other than Morneau Sobeco?

Mr. Pat Casey: As I mentioned in my opening statement, because of the stringent requirements for security, no, we didn't look at any outside ones. We realized the business case was only to compare inside and outside, and that was all.

Mr. David Sweet: That's correct. But to do a fulsome business case, wouldn't you have to do a fact-finding mission on other companies that would do similar work within a different competitive environment? Wouldn't you do it for a good contract to be sourced?

Mr. Pat Casey: I did it under my director, the supervisor at the time, Mr. Roy. He gave me direction and he gave me the costs to compare.

Mr. David Sweet: I understand that. But you were a consultant in order to develop this business case. Is that not correct?

Mr. Pat Casey: Correct.

Mr. David Sweet: Would they not go to you for expertise on how to develop a very high-quality business case?

Mr. Pat Casey: Yes.

Mr. David Sweet: As a qualified expert consultant, would you say going to only one source in order to find information for a contract for which the Crown would be liable for years would be considered a fulsome investigation?

Mr. Pat Casey: My supervisors provided all the data for me to analyze.

Mr. David Sweet: For the fees you charged, was there no room for you to be able to give intellectual input on what a fulsome investigation would be?

Mr. Pat Casey: I believe I was directed by my supervisor to limit the field, for whatever reason.

Mr. David Sweet: Who was the supervisor who told you to limit the field of investigation?

Mr. Pat Casey: Mr. Roy.

Mr. David Sweet: It was Mr. Roy. Thank you.

Would you consider it a conflict of interest in that you wrote the business case to justify the outsourcing of the administration of the pension fund and later you and your wife profited from that outsourcing?

Mr. Pat Casey: No, I merely did a business case under the direction of my supervisor.

Mr. David Sweet: You're suggesting that because Mr. Roy had limited the criteria for the business case, it removed any conflict regarding your bidding for the same business case that you participated in developing?

Mr. Pat Casey: Could you repeat the question?

Mr. David Sweet: You're saying that because your supervisor, Mr. Roy, limited the criteria of your investigation, it would remove any kind of liability for you to be in a conflict when you bid on the same criteria you were involved in developing.

Mr. Pat Casey: Well, these are all per diem contracts.

Mr. David Sweet: Correct.

Mr. Pat Casey: I'm directed by my supervisor as to what work I do, what's included, and what's not included.

Mr. David Sweet: Maybe you misunderstood my question. You helped develop the criteria for a contract that you subsequently bid on. Do you in any way feel there is some kind of conflict of interest?

• (1620)

Mr. Pat Casey: No, it's a separate piece of work. Once that piece of work is done, you move on.

Mr. David Sweet: Would you not have had specialized information that another consultant wouldn't have had, considering you were on the inside developing that case?

Mr. Pat Casey: Could you repeat the question, please?

Mr. David Sweet: Would you not have had specialized information that another consultant would not have access to, considering you were part and parcel of developing the business case?

Mr. Pat Casey: I don't know what you mean by "another consultant".

Mr. Pierre Poilievre (Nepean—Carleton, CPC): On point of order, Mr. Chair, this witness is clearly running the clock down. He has been asked a series of very straightforward questions. He asks to have them repeated regularly, and then he doesn't answer them.

I would ask that it not come off Mr. Sweet's time, because it's clearly a delay tactic by the witness.

The Chair: Well, Mr. Casey, I've been listening to the questions and I've been listening to the answers. To me, the questions appear to be very clear, but you are not providing what I consider to be fulsome answers to this committee. I would urge you to listen to the questions and answer the questions.

I'd ask Mr. Sweet to move on.

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

Maybe I'll try another question for Mr. Casey.

Do you agree, as stated in the Ottawa police investigator's summary, with Anthony Koziol's opinion that a full analysis was not conducted during the writing of the business case and that costs associated with outsourcing were obtained only from Morneau Sobeco?

Mr. Pat Casey: Again, we had internal costs for the RCMP, for an inside solution. We had Great-West Life. Unfortunately they couldn't do it for five years, so they weren't a viable option. Number three, we had Morneau Sobeco. So we had three options.

Mr. David Sweet: Could you tell the committee how much you were paid for this contract?

Mr. Pat Casey: I believe it was in the order of \$600 to \$650 a day.

Mr. David Sweet: Okay, and for how many days?

Mr. Pat Casey: I think the final version of the report was published on March 15.

Mr. David Sweet: I need to tell you, Mr. Casey, I have a real problem. If you're being paid \$650 a day to simply source

information that was already at everybody's hands who were presently at the NCPC, it behooves me to wonder exactly under what professional capacity you were called in. It also really concerns me that you don't find it a conflict at all to be a participant in the criteria of developing a contract, an RFP, and subsequently bid on that, and have no concern that it would give you any kind of specialized knowledge as far as what the contract was all about is concerned.

The Chair: Thank you, David.

Do you have any comment, Mr. Casey?

Mr. Pat Casey: I guess because I had done the business case for pensions I was asked by my supervisors to do one for insurance.

The Chair: Thank you, Mr. Sweet.

Thank you, Mr. Casey.

Mr. Williams.

Mr. John Williams: You keep referring to supervisors. Can we get the names of the supervisors?

The Chair: Yes, could you relay what supervisors you're talking about?

Mr. Pat Casey: Mr. Garry Roy.

The Chair: Garry Roy. Thank you, Mr. Sweet.

Mr. Christopherson, you have seven minutes.

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

Thank you all for being present today.

Mr. Chairman, I indicated to you earlier that I would like to ask that Chief Superintendent Macaulay come forward and be sworn in and testify. I believe he's in the audience.

The Chair: I'd like Mr. Macaulay to take a seat beside Mr. Brazeau. The clerk will swear him in.

Chief Superintendent Fraser Macaulay (Chief Superintendent, Royal Canadian Mounted Police): I, Fraser Macaulay, 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: Mr. Christopherson, your time starts now.

Mr. David Christopherson: Thank you, Mr. Chairman.

And I thank the chief superintendent for being here.

I want to draw your attention to comments made by Staff Sergeant Frizzell, who was doing a joint presentation with you. I'm going to ask you a general question and two specific questions, because I'm worried about my time here.

As a general question, could you encapsulate the concerns that you and/or Staff Sergeant Frizzell had about the pattern? That's really what got this going, the patterns in terms of these contract awards, where the amounts are just under the NAFTA amount. There's a sole source that's achieved for a small amount, and then ultimately there are bigger contracts. There was reference to these patterns emerging that gave concern to possible attempts to go around systems. That would be one question, a general question.

Then specifically, Staff Sergeant Frizzell said—and I'm quoting from the record:

Mr. Casey sent the e-mail around saying that this meeting was rescheduled. It was Mr. Roy who replied, "Smooth". My interpretation of that was everyone had bought the reasoning, even though it was untrue.

Four days later someone from Great-West Life was speaking to Mr. Casey, and her recollection of the conversation was that the way Pat spoke—that's Pat Casey—it almost sounded as if it was a done deal unless the cost was prohibitive. So within four days of being told that Great-West Life could not do the administration of the insurance, it seems there was a done deal with Morneau Sobeco.

So I'd ask you about that specifically, and what exactly is going on.

As quoted later on in the Hansard, Mr. Frizzell also said:

Later that month Mr. Roy and Mr. Casey had another e-mail exchange in which Mr. Roy stated, "Uh-oh, the foxes have the scent". Mr. Casey's reply seemed to indicate that someone was asking questions about the insurance outsourcing, and he was devising answers that would put her off the scent. Mr. Roy replied, "Sounds good, and we should be able to come out of the closet soon as well". This would seem to indicate that again they were keeping it well hidden that they were having these negotiations with Morneau Sobeco.

My last question would be, was there a formal police interview with the Caseys?

● (1625)

C/Supt Fraser Macaulay: I'll start with the general comment, but I'd first like to put it in context to save your time.

I was not privy to a lot of the investigation. Once I was removed from the organization, the first time I had any information around these issues, other than Mr. Frizzell verbally explaining to me what happened with the insurance, was almost at the same time as you did, which was when the presentation was done. So the analysis of the e-mails, etc., had all been done by the investigators, of which Staff Sergeant Frizzell was one.

Mr. David Christopherson: No, I realize once we got the meeting going we should have had staff here.

C/Supt Fraser Macaulay: In general, however, yes, the main concern that surfaced from my perspective, once Denise Revine started to find the contracts, the nepotism issues, and the repetitive nature of the extensions, etc., and knowledge of the amount of work and the types of work the folks were doing outside the pension realm...that's where my issues came.

Second, as we've heard here again today, there were these issues around all the people talking about the tickets and the other issues that have never been investigated. It's those issues that led to my concerns around where these contracts and these relationships took us down this path and then of course took off.

So for the specific stuff, unfortunately, you're going to need the investigators here.

Mr. David Christopherson: No, I appreciate that.

And the last one, the interview.

C/Supt Fraser Macaulay: About the interview, it's my understanding from the two investigators that these folks did not cooperate. But again, Mike Frizzell, Steve Walker, Garry Roy, any of those folks could tell you exactly how that rolled out.

Mr. David Christopherson: Thank you, I appreciate that.

Let's try going straight to the Caseys. I'll ask, through you, Chair, were you requested to do a police interview during this investigation?

Ms. Kim Casey: Yes, we were requested and we agreed to do a police interview.

Mr. David Christopherson: Did that interview take place?

Ms. Kim Casey: No, it did not.

Mr. David Christopherson: Do you know why?

Ms. Kim Casey: Yes, we requested to have counsel present at our interview, and Mr. Frizzell got quite threatening with me on the phone. He told me very specifically that I would be charged with obstruction of justice if I were to bring in legal counsel. He told me I had no right as a Canadian citizen to bring in legal counsel and he had a lot of intimidating statements to make about that.

I replied to him at the time that it was my understanding that just the previous week IBM had been interviewed, several of the staff from IBM, and they had their legal counsel present at that time, so why wouldn't I be able to have legal counsel present? He told me that he had come very close to charging them with obstruction of justice and he would not permit it.

Mr. David Christopherson: Okay. I suspect at some point, Chair, we're going to want to afford Staff Sergeant Frizzell an opportunity to respond to that, because they're pretty strong allegations, given that he's a police officer.

Let me ask Mr. Casey about the issue of these e-mails, sir, and again from Mr. Frizzell's testimony: "Mr. Casey sent the e-mail around saying that this meeting was rescheduled. It was Mr. Roy who replied, 'Smooth'."

So what's going on there, Mr. Casey?

● (1630)

Mr. Pat Casey: I was directed to do an analysis. I did that analysis—

Mr. David Christopherson: Sorry, sir, this is about the meeting and the cancellation of it and offering up a fig leaf of an excuse and then this response, "Smooth", to you from Mr. Casey. What does that mean?

Mr. Pat Casey: As I said, in that period of time I was directed to start the analysis, and the team I was a participant of was directed to throw all our efforts in that respect. Given that, we did not have the time to go to meet with Great-West Life, so again I was directed by Mr. Roy not to cancel the meeting but to postpone it.

Mr. David Christopherson: Staff Sergeant Frizzell said, "My interpretation of that was everyone had bought the reasoning, even though it was untrue."

Your comments?

Mr. Pat Casey: The team, which included me, was directed to do this analysis and we were on that analysis full-time, so we didn't have time to go to Great-West Life. So we were full-time to do this analysis.

Mr. David Christopherson: I'm not sure we're on the same wavelength. I'm going to move on.

This is Staff Sergeant Frizzell's testimony:

Later that month Mr. Roy and Mr. Casey had another e-mail exchange in which Mr. Roy stated, "Uh-oh, the foxes have the scent". Mr. Casey's reply seemed to indicate that someone was asking questions about the insurance outsourcing, and he was devising answers that would put her off the scent. Mr. Roy replies, "Sounds good, and we should be able to come out of the closet soon as well".

What's going on here, sir?

Mr. Pat Casey: I'm not sure who's being referred to. There are no names mentioned, so I can't comment on an e-mail that has no names mentioned.

Mr. David Christopherson: I'm sorry, I want to be clear. It was an e-mail from Mr. Roy to you, which said, "Uh-oh, the foxes have the scent".

Then you reply, and then Mr. Frizzell says about Mr. Roy's reply to your comment...I don't have the e-mail that he replied with, but it says, and this would be in terms of your response: "Sounds good, and we should be able to come out of the closet soon as well."

What does this mean, sir?

Mr. Pat Casey: We were asked when we were doing the analysis to keep the information confidential. That's what we were doing. I did maintain that position.

Mr. David Christopherson: No, I'm sorry: "Uh-oh, the foxes have the scent". Clearly, for anybody listening, that has a connotation to it.

Mr. Pat Casey: You'd have to ask Mr. Roy what that meant.

Mr. David Christopherson: You responded to it, so I've just asked what you thought. Since you responded, what was your interpretation of what that meant, sir?

Mr. Pat Casey: I guess somebody was asking—

Mr. David Christopherson: Not somebody; it was Mr. Roy to you. I'm asking you, because you responded to it, what you think he meant when he said, "Uh-oh, the foxes have the scent". I know what I'd take from it. I'm giving you a chance to change my thinking.

The Chair: Your time is up, and I want to give the witness a last opportunity to give an answer. We haven't got one yet.

Mr. Casey, do you have anything to add to that? The question is pretty clear to me, so do you have any answer to give?

Mr. Pat Casey: No.

Mr. Pierre Poilievre: On a point of order, Chair, that's not an answer. Witnesses before this parliamentary committee have a duty to answer the questions. I just saw Mr. Christopherson pose the same question about four times. They were clear terms. Anybody could have understood it. I ask that this witness be directed to answer the question.

The Chair: Well, Mr. Poilievre, the question had to do with interpretation. You're quite right, the question was asked on four different occasions. The witness apparently has no interpretation to give. He has nothing to add to the e-mail. The e-mail was addressed to him from Mr. Roy, and the response was from him back to Mr. Roy. The wording in the e-mails speaks for itself. It's unfortunate the witness didn't feel that he had anything to add to the interpretation,

but certainly the committee is well within its rights to take the meaning of the e-mail.

It's unfortunate that the witness is not giving an answer. I'm not going to direct him to answer the question, but I find it very disturbing and unfortunate.

Ms. Sgro.

Hon. Judy Sgro: I believe my colleague was ready to go forward.

The Chair: Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Thank you.

Mr. or Mrs. Casey, besides Mr. Crupi, who else was a beneficiary of hockey tickets and golf games?

• (1635)

Ms. Kim Casey: I have no idea of anybody else who was at a golf game, but I can tell you that there were about 20 people within the RCMP who received hockey tickets. They would have been people we were working with, peers, at various levels within the NCPC.

Mr. Borys Wrzesnewskyj: Could you provide us with a list of those people?

Ms. Kim Casey: I could provide one. I don't have one here with me.

Mr. Borys Wrzesnewskyj: I'd appreciate it if you would provide such a list and table it with the committee.

The Chair: Ms. Casey, could you give that information, within 10 days, to the clerk of the committee, please?

Mr. Dominic Crupi: Can I make a very quick statement?

The Chair: Is it on this particular issue?

Mr. Dominic Crupi: Yes, because I think the member asked me if I took hockey tickets. I had said that before—and I didn't know it was inappropriate. When I was told it was inappropriate, I stopped taking hockey tickets, and that would have been when Treasury Board came out.

So I think that's important to note.

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

Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Mr. Brazeau, were you ever the beneficiary of hockey tickets, or any—

Mr. Frank Brazeau: No.

Mr. Borys Wrzesnewskyj: Okay, thank you.

The Chair: You should ask if anyone has tickets for tonight's game.

Voices: Oh, oh.

Mr. Borys Wrzesnewskyj: I think Treasury Board rules are clear now. I would have thought that everyone understood the ethical difficulties of accepting those sorts of benefits in the past, including ethical difficulties of having someone who is under your authority doing contracting work to build a barn for you and—

Mr. Dominic Crupi: He did not build a barn for me, sir.

Mr. Borys Wrzesnewskyj: Mr. Crupi, I'm sorry, I haven't asked you a question yet.

There seem to be a number of ethical challenges that you've had. Regarding the individual who received promotions twice, did you have input in making sure Mr. Roy got two promotions?

Mr. Dominic Crupi: They went through a normal staffing process. I had input as a member on a committee, but staffing, who sat in on those committees, would give the letters of offer and promote people. I did not.

Mr. Borys Wrzesnewskyj: So you had input. Thank you.

On a point of order, even though I'm the one questioning, I notice that Mr. Molson's chair is still empty, Chair. He is here. Could we perhaps bring him to the front and have him sworn in and have that taken off my time?

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

The Chair: Go ahead, Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Thank you.

In February 2006, six months after the conclusion of the criminal investigation into the NCPC wrongdoings, under the direction of Ms. Rosalie Burton there was a request for proposals posted on MERX for a consulting contract to carry out "evaluation of the pension administration outsourcing project".

Mr. Casey, you were one of the 22 bidders. Were you successful in winning this contract?

Mr. Pat Casey: I'm sorry, what was the date on that one?

Mr. Borys Wrzesnewskyj: It was February 2006.

Mr. Pat Casey: An RFP...?

Mr. Borys Wrzesnewskyj: You're stalling once again.

Yes, it was for evaluation of the pension administration outsourcing project, Mr. Casey. In February 2006, did you receive a contract? You were one of 22 bidders.

Mr. Pat Casey: In February 2006?

Mr. Borys Wrzesnewskyj: Yes. You've heard that three times now.

Mr. Pat Casey: No.

Mr. Borys Wrzesnewskyj: Were you involved with any other contract at this time?

• (1640)

Mr. Pat Casey: I believe I was at CRA on contract.

Mr. Borys Wrzesnewskyj: Were you involved with any other contracts with the RCMP, or was your company, Casey Computing?

Were you involved with any contracts with the RCMP through the fall of last year into January of this year?

Ms. Kim Casey: Yes.

Mr. Borys Wrzesnewskyj: Would you explain what that would have been?

Ms. Kim Casey: It's not February 2006; I think that's where the confusion is coming in. I started on a contract with RCMP and I was the individual who was on contract from September 2005 until just this past January 2007.

Mr. Borys Wrzesnewskyj: What was the value of that contract?

Ms. Kim Casey: It was a contract that had three years in it. There was a year, and an option year, and another option year. The total value, although we didn't use the total value, was \$500,000.

Mr. Borys Wrzesnewskyj: It was an evaluation of pension administration outsourcing projects?

Ms. Kim Casey: No, it was not.

Mr. Borys Wrzesnewskyj: What did it entail?

Ms. Kim Casey: It was senior project manager for re-engineering of business process modelling.

Mr. Borys Wrzesnewskyj: Okay, thank you.

Perhaps I'll pass on to Ms. Sgro and then I'll continue.

The Chair: You have two minutes, Ms. Sgro.

Hon. Judy Sgro: Mr. Crupi, you indicated in your opening statement that your training was in payroll systems. How is it that you ended up being involved in signing off on procurement in a variety of these contracts?

Mr. Dominic Crupi: I never signed off procurement contracts. I was the person responsible for the.... Persons wrote statements of work. I read the statements of work. They seemed like valid pieces of work to be done. I would sign off that, yes, that was a good piece of work to be done.

The procurement pieces were signed off by procurement in the RCMP and CAC. All I was reading was the actual work to be performed, which was payroll or pension-type work. That's all I would certify—that, yes, that was valid work.

Hon. Judy Sgro: What kind of training did you have to do that?

Mr. Dominic Crupi: I had 25 years at Public Works.

Hon. Judy Sgro: In the whole issue of doing the evaluation and your involvement with several of them, did you have a previous relationship with the Caseys?

Mr. Dominic Crupi: I evaluated nothing from CAC. CAC did all the evaluations. The only time I did an evaluation was on the original standing offer, when there were about seven or eight of us who evaluated bidders who were put on a list of qualified bidders.

Hon. Judy Sgro: But you had a relationship with several of those contractors prior to their actually bidding on contracts.

Mr. Dominic Crupi: I had a relationship with probably 50 or 60 contractors over 25 years. So if Mercer's had applied or Watson Wyatt had applied or KPMG had applied or IBM had applied, I could answer yes to that question—relationships meaning work relationships—yes, ma'am.

Hon. Judy Sgro: Deputy Minister Guimont, I hope you're taking a lot of these hearings under advisement. It certainly has shaken my confidence in the whole procurement and tendering process. I know you haven't been on the job for a long time—

A voice: [*Inaudible—Editor*]

Hon. Judy Sgro: And your time is already up.

Really quickly, on some of the things that you're hearing, Deputy Minister, what are your plans for making changes as we go forward on the whole issue with Public Works and the tendering process?

Mr. François Guimont: A lot has already been done, as I noted at the beginning. Now, the contracting responsibility has been subsumed within the procurement function of Public Works. I'd been with the department for nine months, from January 2005 to September 2005, and I saw dedicated people who want to follow the rules. Now, that's not a guarantee that nothing will ever happen, but people want to follow the rules and do the right thing. So that's just part of an answer.

It's obvious that what I'm listening to here today is food for thought, and the committee will produce a report, I'm sure, with recommendations and observations, and I'll take that very seriously.

So good actions were taken, timely actions. I was partly there at the time when Mr. Marshall was leading this with Mr. Minto. So that's just that. But you will be making further observations, I'm sure, so that's going to be further food for thought. That's the way I will look at things.

The Chair: Thank you, Ms. Sgro.

Thank you, Mr. Guimont.

Mr. Fitzpatrick, seven minutes.

Mr. Brian Fitzpatrick (Prince Albert, CPC): A few years ago, an outfit called Arthur Anderson basically went out of existence, one of the biggest accounting firms in the world, because of the Enron scandal, where they couldn't make up their mind whether they were consultants, auditors, or accountants.

What I find really disturbing here is that we have Mr. Koziol there, Mr. Casey over here, and Mr. Onischuk. They're multi-headed creatures here. They're providing the NCPD with consulting services, helping them draw up contracts or offers and so on, directly communicating with Mr. Brazeau on a regular basis. It's very frank, they call him "Frank" all the time, and they seem to take turns deciding which guy's going to get the contract. Mr. Onischuk helps Mr. Casey get contracts. Mr. Koziol seems to help Mr. Onischuk get contracts. They're all involved somehow in the consulting thing there.

I'm really asking the deputy minister, isn't there a serious issue here with this multi-headed monster we've created here in the CAC outfit?

• (1645)

Mr. François Guimont: I think it would be somewhat improper for me to pass judgment after a couple of hours on the job, but I'll let Mr. Minto say a few words about this.

Mr. Shahid Minto: Thank you.

Mr. Chairman, certainly we were very concerned about the mandate and the role of CAC. We took the very unusual step of separating contracting in order to.... In the profession, that is what has been going on. Again, within the consulting arm of CAC, we took the very strong step of taking the contracting mandate totally away from them and giving the contracting mandate to our professionals in procurement.

Mr. Brian Fitzpatrick: I want to get a few matters clarified too.

Mr. Crupi, you're the director of the NCPD. It seems to me you're in sort of a management position. You keep on putting off the procurement services that were required by this group as being somebody else's job. It seems, in some cases, it's Mr. Casey to whom you're referring, or Mr. Koziol, or Mr. Onischuk, the people you're relying on. But the buck stops. You're the director of this department. You make the final decisions. You don't delegate it down to the plumber to have him do it. You're the person who's in charge of this. You're the director. How can you keep on passing the buck, saying you have nothing to do with it? If you had nothing to do with these things, sir, quite honestly, I'd give you your walking papers pronto, because you're getting paid bucks to be responsible for your department.

Mr. Dominic Crupi: Sir, I was the director. I hired people who I felt were competent to do things in expertises that I did not have, and I've said that a number of times. I'm not a procurement expert. I'm not a financial expert. I am not a staffing expert. So I hired people to do that, and that's what I did. I believe they tried to do the best they could.

Mr. Brian Fitzpatrick: Mr. Gauvin said in testimony here, Mr. Crupi, that in regard to the 45 contracts—the rigged contracts, the rigged bidding, to use Mr. Marshall's and also the auditor's terminology—he didn't have any knowledge of that. He was right out of the loop. He took away your financial abilities to have anything to do with contracting and so on, but he was totally in the dark. He didn't realize this was going on.

Do you have any comments on that? Mr. Gauvin surely, as chief financial officer, must have had some knowledge about these contracts—

Mr. Dominic Crupi: His officers signed every procurement contract. I do not sign procurement contracts. His officers do. All I signed was a statement stating, yes, this is the work that needs to be done; as a payroll pension expert, yes, we need to write the requirements for this. It was described. That was what it was. It went to procurement.

Mr. Brian Fitzpatrick: I think I'm trying to understand that. But the difficulty I have is that we have Mr. Brazeau making sure that Abotech is well taken care of, and Mr. Onischuk, who's really...doing indirectly what he can't do directly.

But lo and behold, Onischuk shows up consulting your group. And there are tonnes of e-mails from Mr. Onischuk going to people like Mr. Brazeau, saying that the proper one would be Mr. Koziol on this one. He already has a contract that's been awarded through CAC, but he's back in here trying to help out Mr. Koziol, or he's trying to help out the Casey consulting group, or Mr. Koziol gets a contract and he pops up as a consultant, saying that maybe Abotech should get this thing.

As the director of that group, with all the years of experience and all the training and your ethics training too, wouldn't you find this somewhat puzzling?

Mr. Dominic Crupi: You've described a whole series of things.
• (1650)

Mr. Brian Fitzpatrick: Yes. It stinks.

Mr. Dominic Crupi: I'd never met Abotech and never heard of Abotech—ever. The first I heard about it was when somebody suggested that they were getting a contract.

Mike Onischuk was hired to write statements of work because Mr. Koziol was too busy to do them all.

Mr. Brian Fitzpatrick: Mr. Brazeau, there's one thing I want to finish up. You said you had thousands of contracts. But it seems the same people kept on popping up when it came up to this NCPC arrangement. You could almost predict with certainty who the heck was going to get the contracts.

And the scoring was rigged. Both the auditor and the deputy minister said absolutely it was rigged. The scoresheets on the competition would have had your writing and your signature on them. Would it not be a safe assumption for any reasonable person among 32 million Canadians to assume that you did the scoring?

Mr. Frank Brazeau: No.

Mr. Brian Fitzpatrick: Why would you put your writing and your signature on those scorecards if you didn't have anything to do with the scoring?

Mr. Frank Brazeau: Because I was the project manager of that particular project, and it was standard procedure that the project manager would give—

Mr. Brian Fitzpatrick: But you can't remember whether you scored them or not.

Mr. Frank Brazeau: I can't.

Mr. Brian Fitzpatrick: But if your signature and handwriting are on those scoresheets, I would say that any reasonably intelligent person would say you had something to do with the scoring.

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

Mr. Brian Fitzpatrick: Well, I could walk down the street and ask a thousand people, and I don't think one of them would agree with your position on this thing. It's just a totally unreasonable, untenable position, quite honestly, sir.

The Chair: Thank you, Mr. Fitzpatrick.

That concludes the first round. I have a couple of questions.

Mrs. Casey, you're the president of the company. In the year 2003, you had one contract there. How many employees besides you and your husband would have been working on this particular contract?

Ms. Kim Casey: Could you tell me the details of that contract?

The Chair: The contract value was \$1,423,000.

Ms. Kim Casey: I believe, if we're referring to the same contract, the contract was for one year plus an option year. We had proposed 11 resources for that particular contract. Not all 11 worked on it. Some of it was on an "as and when required" basis. I believe about seven or eight people worked on that contract.

The Chair: According to our information, the original contract was for \$3 million. You received \$1.423 million. And this was for seven or eight people?

Ms. Kim Casey: No, I believe the contract, sir, was over a two-year period. So it was a total of \$3 million over the two years.

The Chair: But according to our information, you did receive \$1.423 million.

Ms. Kim Casey: That's correct.

The Chair: You had seven or eight people working on that.

Ms. Kim Casey: I'm going on recollection. I don't know if it was eight or nine; I know we didn't use all of the resources.

The Chair: This is a very lucrative business you were involved in.

Ms. Kim Casey: It's a business I've been involved in since 1991, and I've had many contracts with 12, 13, 14, or 15 people on the contract.

The Chair: Mr. Molson, I understand from the information that you were an employee at NCPC.

Mr. Jeff Molson: No, I was a contractor there.

The Chair: You were a contractor. You were just working on contracts with NCPC.

Mr. Jeff Molson: That's right.

The Chair: That was in the 2001 period. Then you got out of that particular contract and formed your own consulting firm, J. Molson & Associates.

Mr. Jeff Molson: No, I've had my own consulting firm since late 1990.

The Chair: Was there no change between 2001 and 2002?

Mr. Jeff Molson: No. I've been self-employed since late 1990.

The Chair: On these two contracts for which you received \$471,000, how many people would you have had working on those contracts?

Mr. Jeff Molson: It was for me.

The Chair: It was just you, and that would be over a period of... from when to when? It would mention it right here, probably.

• (1655)

Mr. Jeff Molson: It would have been probably from April or May 2001 until approximately a February timeframe, in 2004.

The Chair: That would just be you.

Okay, I raised this before, but I want to go back to it, Mr. Minto.

This is something that I find somewhat disturbing. We have a situation here. We have this KPMG 1. Now we have KPMG 2 and KPMG 3.

The words I quote from the previous deputy minister, David Marshall. He said it stinks, and I have to agree with Mr. Marshall on that assessment. He was the deputy minister. We have corruption, collusion, and just old-fashioned hanky-panky going on in your department.

I appreciate the size and magnitude of your department, but what I find disturbing is this. Each and every year the department issues a departmental performance report. It's a very lengthy document; in your case it is 400 or 500 or 600 pages. It goes through all the things the department has done and all the great things they have done and the things that you've accomplished. But, sir, this is what I consider to be a major problem that goes right to the heart of ethics and government waste and mismanagement, and you name it: there is no mention in your departmental performance reports of this very issue. You reported to Parliament, as you should have, as to the activities of your department, but there was not one mention of this major problem you were having in Consulting and Audit Canada.

If you're not going to mention this, why do you get into all this great stuff you're doing? The purpose of the departmental performance reports is for the departments to report on their performances. In this particular case—and I don't say this is a reflection on the department itself, because people in the public have to bear in mind that this is a very large department—in the words of Mr. Marshall, it stinks. I know this wasn't your decision—you don't write the departmental performance reports—but why was it that the top echelons of the department chose not to put this issue in the departmental performance reports?

Mr. Shahid Minto: Thank you, Mr. Chairman.

Let me say that your characterization is quite right. There is a problem. I'm not sure I've seen enough evidence right now to say there was corruption. When we sent our files over to the police, they came back to us and said they did not have enough evidence for a police case. We sent our forensic auditors in to look at the contractors' records, and everybody agreed there was maladministration. Everybody agreed that through maladministration the fundamental principles of equal access and best value had not been met. So we took this as an administrative exercise and we did some dramatic things as an administrative exercise.

What we did put in our DPRs was that we were splitting up the departments and changing the mandate of the department. We didn't get into all the causes of why we did it, but we explained some of the things we were doing over there.

You raised a very good question, a question for all our colleagues in government: how do you handle shared accountability between departments in DPRs? When you put the two stories together and connect the dots between what happened in the RCMP and what happened in CAC, it is a much more serious story than if you're only looking at the contracting aspect within. And I have to say to you that we were not aware of the other issues the Auditor General brought out in her report until the Auditor General's report was tabled; we were only aware of the contracting issues in that.

I think it would be most helpful to all of us, sir, if the committee had some deliberations and recommendations on what to do in areas of joint responsibility. It's not that people don't want to disclose or are hiding things; it's that over \$1 trillion flows through this department. What level of detail would you want us to put in that, and how?

I think we are very open to improving the DPRs. There was no decision made at any time at all, I can assure you, not to put it in. We explained in our DPR that we were changing the mandates of the organizations and that we were changing the organizational structure; there were some privacy issues around the sanctions we had taken, so obviously they could not go in there. But if there are ways to improve it, we'd be very happy to do so.

The Chair: Thank you very much.

Colleagues, we have about 30 minutes left. We're starting the second round, so it will be three minutes each.

Mr. Wrzesnewskij, three minutes, and I'm going to have to brutal.

Mr. Borys Wrzesnewskij: Thank you.

Mr. Molson, you went with Mr. Casey to meet with Great-West Life to convince them to take on the contract with the RCMP and then subcontract to Morneau Sobeco, which directed the award of \$6.3 million of contracts without competition.

Do you remember going, and do you remember that meeting?

Mr. Jeff Molson: Before I respond, when I was invited here, I was told that I would have an opportunity to make an opening statement. I'm wondering if that's going to happen.

Mr. Borys Wrzesnewskij: Chair, with the limited time, I would hope that's—

The Chair: No, Mr. Molson. We have limited time. Your opening statement will be translated and circulated.

Mr. Jeff Molson: Okay.

The Chair: Go ahead.

Mr. Borys Wrzesnewskij: Thank you.

Could you answer the question?

Mr. Jeff Molson: In answer to your question, I did not attend a meeting with Mr. Casey and Great-West Life. The only interaction I had with Great-West Life was at our monthly status meetings on the project. We had status meetings on the progress of the pension administration outsourcing. Great-West Life came in at the end of that meeting for a five-minute update on whatever they were doing.

• (1700)

Mr. Borys Wrzesnewskyj: Why would the Ottawa police investigation state that you went with Mr. Casey to Great-West Life?

Mr. Jeff Molson: I did not go with Mr. Casey to Great-West Life.

Mr. Borys Wrzesnewskyj: Mr. Casey, did you meet with Mr. Foley of Great-West Life?

Mr. Pat Casey: I did on numerous occasions during the—

Mr. Borys Wrzesnewskyj: Did you meet him on this particular issue?

Mr. Pat Casey: I don't recall this meeting on that particular topic. No.

Mr. Borys Wrzesnewskyj: So you don't remember discussing Great-West Life taking on the contract and then subcontracting to Morneau Sobeco so as to avoid an open competition for this?

Mr. Pat Casey: As I said in my opening statement, I did recommend the ACAN route. I'm not sure who made the decision to go the subcontract route through Great-West Life, but it certainly wasn't me.

Mr. Borys Wrzesnewskyj: We had a statement in the Ottawa police investigation and in the Auditor General's report that Great-West Life had tremendous reservations and said that this should go for comment to the RCMP legal department. It was stated that Mr. Casey didn't want to get the RCMP legal department involved.

Why would you have stated that?

Mr. Pat Casey: I was under.... I reviewed that with my supervisors, and they advised me that RCMP legal would not look at a third party contract between third parties external to the RCMP.

Mr. Borys Wrzesnewskyj: Could you please refer to the names of your supervisors?

Mr. Pat Casey: Mr. Roy and Mr. Crupi.

Mr. Borys Wrzesnewskyj: So Mr. Crupi, according to what he has just said, you were providing advice to Mr. Casey in a way to circumvent an open tendering process on the \$6.3 million worth of contract.

Mr. Dominic Crupi: Well, I think there are two parts to it.

First of all, it was Great-West Life who came to us and said they felt bad that they couldn't do their obligations and that they would have no problem going to a subcontractor. From my recollection, it was never us who brought that up; it was Great-West Life, because they couldn't fulfil their original mandate.

Secondly, I don't have a recollection of this meeting that Mr. Casey is talking about. I do recollect that basically he said, why would justice look at a contract between Morneau Sobeco and Great-West Life?

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

Mr. Crupi, you were Mr. Roy's supervisor, right?

Mr. Dominic Crupi: Correct.

The Chair: I just want to make that absolutely clear.

Mr. Poilievre.

Mr. Pierre Poilievre: John will be taking the next one.

The Chair: Excuse me.

Mr. Williams, three minutes.

Mr. John Williams: Thank you, Mr. Chairman.

What I'm really trying to find out is why all this is going on—the relationships that are going on. Mr. Brazeau, according to this KPMG audit, you seem to be at the centre of it all.

Looking at the beginning of the audit, it talks about, "In 13 of 13 cases where a resource is added to the vendor search, they are awarded the contract." And "The specific requested resource is added to the vendor search for limited tenders in 13 of 15 cases."

Did you know all these people—the Caseys, the Koziols, the Onischuks, Mr. Crupi? Did you know all these people well?

Mr. Frank Brazeau: No, I didn't.

Mr. John Williams: Why did you give them all these benefits?

Mr. Frank Brazeau: I didn't give them any benefits, sir.

Mr. John Williams: Okay. I'm looking at the audit again. On page 82, Mr. Onischuk sent an e-mail, dated December 2002, to Mr. Brazeau, which states:

Good afternoon, Frank:

The purpose of this message is to make you aware that NCPC has a requirement for a Information Security Technical Analyst....

—and it goes on—

Attached is a statement of work. NCPC preferred contractor would be Alan F. Armstrong. I would like to have Mr. Armstrong working as soon as possible.

So you were taking direction from Mr. Onischuk and saying, okay, if that's what he wants, that's what he gets. Why did you do that?

Mr. Frank Brazeau: I did not do that. I followed the rules that were within CAC at that time.

Mr. John Williams: On page 44 of the same audit there is an e-mail from Mr. Koziol to Mr. Brazeau, cc'd to Mr. Crupi, from April 16, 2002. The subject is SOWs for two contracts. It reads: Hi Frank,

We really enjoyed lunch with you. As discussed we have a requirement for two limited tender contracts. We are currently unsure whether for the longer term we should use the proposed Supply Arrangement which should be in place by August by PWGSC or to actually put it out for an RFP for these services. Any thoughts that you have would be welcomed. Both contracts would be for Casey Computing Solutions.

—we're talking about sending out an RFP, but both contracts would be for Casey Computing Solutions—

The first one would be for Jeannine Benoit-Richer and Shirley MacDonald to perform pensions data mapping and the second one is for Monique Dumais to perform communication services. Let me know what else you need. Thanks.

Is this doing your job, Mr. Brazeau?

• (1705)

Mr. Frank Brazeau: At the time, it was doing my job.

Mr. John Williams: You're saying that this is doing your job.

Did you know Mr. Koziol?

Mr. Frank Brazeau: I knew of him. We worked at—

Mr. John Williams: No, no. You just had lunch with him.

Mr. Frank Brazeau: I worked with Mr. Koziol in the same branch in the 1990s.

Mr. John Williams: But you had lunch with him that day.

Mr. Frank Brazeau: I had lunch with a lot of my clients, yes.

Mr. John Williams: Mr. Koziol, do you remember this?

Mr. Anthony Koziol: Yes, I do.

Mr. John Williams: Do you remember? How well do you know Mr. Brazeau?

The Vice-Chair (Mr. Brian Fitzpatrick): This is your last question.

Mr. John Williams: What happened to the old chair? He was a lot easier on me.

Mr. Anthony Koziol: I knew Mr. Brazeau from working in the Public Works compensation sector in the mid-1990s. We didn't work together, but we were on the same floor.

Mr. John Williams: How well did you know him?

Mr. Anthony Koziol: Not very well at all.

Mr. John Williams: Yet you had lunch together.

The Vice-Chair (Mr. Brian Fitzpatrick): Now we'll hear from Mr. Roy.

Mr. John Williams: I just want to get an answer to the question.

You had lunch together. How well did you know him?

Mr. Anthony Koziol: Mr. Brazeau approached me prior to that lunch to describe the CAC contracting services, and we suggested that we would meet with Mr. Crupi and discuss the CAC services.

The Vice-Chair (Mr. Brian Fitzpatrick): We'll go to Mr. Roy.

Mr. John Williams: [*Inaudible—Editor*]

The Vice-Chair (Mr. Brian Fitzpatrick): Mr. Williams, you're out of order. It's Mr. Roy's turn.

[*Translation*]

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

I would like to come back to Ms. Casey.

Ms. Casey, do you remember the date Staff Sergeant Frizzell asked to meet with you?

[*English*]

Ms. Kim Casey: No, I don't. There were several telephone calls he had put forth to us.

[*Translation*]

Mr. Jean-Yves Roy: I would like to have an approximate idea of when Staff Sergeant Frizzell asked to meet with you.

[*English*]

Ms. Kim Casey: I think it would have been early in 2005. It was after I had left the RCMP in 2004.

[*Translation*]

Mr. Jean-Yves Roy: Who informed you that Staff Sergeant Frizzell had met with IBM the previous week and that IBM had a lawyer?

You said in your statement that you wanted to have a legal advisor because you were informed that there had been a meeting the previous week with people from IBM and that they had been entitled to legal counsel. Who told you this?

[*English*]

Ms. Kim Casey: One of the IBM consultants had called me because they were asking questions of both Casey and IBM. They asked me if they were permitted to speak on behalf of Casey Computing Solutions. Their lawyer had asked that question. That's how I knew.

[*Translation*]

Mr. Jean-Yves Roy: Their lawyer had asked that question. What was your reason for wanting to have a lawyer present? It certainly was not because IBM had had one.

[*English*]

The Chair: On a point of order, Mr. Williams.

Mr. John Williams: I don't think it's appropriate to ask why somebody wanted to be accompanied by legal counsel.

The Chair: That would be a normal request, Mr. Roy.

[*Translation*]

Mr. Jean-Yves Roy: Perhaps. However, you stated that you wanted to have a lawyer present because IBM had had one. I am not asking you why; I simply wish to know if that was the only reason.

[*English*]

Ms. Kim Casey: No, I did not say that it was because IBM had legal counsel. I had said that when I requested—

[*Translation*]

Mr. Jean-Yves Roy: That is what you stated.

[*English*]

Ms. Kim Casey: When I requested to have legal counsel, I was told that I couldn't, that I could be charged with obstruction of justice. It was then that I said that it was my understanding that IBM had had legal counsel, so why couldn't I? I had requested legal counsel to be present.

Do I need to answer why?

The Chair: You've taken that far enough. You should move on, Monsieur Roy. She was entitled to have legal counsel. She doesn't have to explain it.

[Translation]

Mr. Jean-Yves Roy: I am in complete agreement, Mr. Chairman. I wished to have her confirm what she stated. I had understood that her one and only reason for wanting to have legal counsel was that IBM had had legal counsel and that IBM had been in touch with them regarding that very matter.

I would also like Ms. Casey to tell me if anyone else informed her that Staff Sergeant Frizzell was investigating the case. Was there anyone else who had told you previously about Staff Sergeant Frizzell's investigation?

• (1710)

[English]

Ms. Kim Casey: No, I knew he was working on the case because he had contacted us and told us that he was working on the case.

[Translation]

Mr. Jean-Yves Roy: Approximately how much earlier had he contacted you?

[English]

Ms. Kim Casey: How much earlier from when? I'm sorry.

[Translation]

Mr. Jean-Yves Roy: I have one final question. Was he impolite during his first contact with you?

[English]

Ms. Kim Casey: Yes, he was.

The Chair: Thank you very much.

Mr. Minto has a point.

Mr. Shahid Minto: I'm sorry to interrupt here, but I want to clarify one small topic.

When Mr. Williams was questioning Mr. Brazeau a short time ago, Mr. Brazeau said a couple of times that these were the rules in CAC, and this was how they did business.

It's true that CAC was a special operating agency, but all government contracting is done under the government contract regulations or Treasury Board policy. The policy states, among other things, "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". There was no exemption from that policy for CAC or anybody in CAC.

The Chair: I think it's pretty clear from the evidence we've heard over the last couple of weeks that that was not the case in CAC.

Mr. Poilievre.

Mr. Pierre Poilievre: Mr. Koziol, in the Ottawa Police Service's report summary of its investigation, it says you believed, with regard to the pension fund administration, that the business case for outsourcing did not involve a full analysis. Is that correct?

Mr. Anthony Koziol: We did not do as thorough a business case as could have been done under the circumstances.

Mr. Pierre Poilievre: On the costs you used in the analysis in the business case, did they come from Morneau Sobeco? That's what it says in the Ottawa police investigation report.

Mr. Anthony Koziol: That was my understanding, yes, for the outsourcing costs.

Mr. Pierre Poilievre: Who directed you to use Morneau Sobeco's numbers in your business case?

Mr. Anthony Koziol: I was working together with Mr. Casey and Mr. Crupi at the time.

Mr. Pierre Poilievre: So who directed you to use Morneau Sobeco's numbers in the business case?

Mr. Anthony Koziol: As the manager at the time, that would have been Mr. Crupi.

Mr. Pierre Poilievre: Mr. Crupi.

Then Morneau Sobeco went on to win the bid for which its numbers had been used in the business case. Is that right?

Mr. Anthony Koziol: Yes.

Mr. Pierre Poilievre: Were other potential bidders given the opportunity to provide numbers for that business case?

Mr. Anthony Koziol: There was a visit to Towers Perrin, but I do not believe they provided numbers. The process was a full RFP.

Mr. Pierre Poilievre: Yes, but that RFP would have been somewhat related to the business case, would it not?

Mr. Anthony Koziol: No. The RFP basically provides the requirements, and the companies bidding provide financial proposals.

Mr. Pierre Poilievre: Right, and all of that emanates from the original business case. That's what the business case does—it lays out a proposition.

Were the costs used in the business case by Morneau Sobeco also used to assess the RFP?

Mr. Anthony Koziol: As evaluators, we looked at the technical solution. Public Works did the financial evaluation.

Mr. Pierre Poilievre: Did they ever see that business case?

Mr. Anthony Koziol: I do not believe so.

Mr. Pierre Poilievre: Who wrote the RFP?

Mr. Anthony Koziol: It was done by PricewaterhouseCoopers at the time, who later became IBM Business Solutions, the statement of work for the RFP. The RFP itself, of course, would have been written by Public Works.

Mr. Pierre Poilievre: Okay.

What worries me here is that Morneau Sobeco actually competed in a bid for which it had written the numbers on a business case. So Morneau Sobeco writes the numbers in the business case and then gets the contract. We have someone here who was one of the authors of the business case and then gets a contract himself.

Mr. Minto, is it normal that people who are involved in writing up a business case then benefit from the contracts that flow out of that business case?

• (1715)

Mr. Shahid Minto: Mr. Chairman, it's hard for me to comment, because all of this is happening within the RCMP and it was their area of jurisdiction. One would expect that in cases where specialized help is sought—and it is sometimes up front—enough firewalls are set up so there isn't a conflict of interest. But I don't have the details because this was within the RCMP.

The Chair: Thank you, Mr. Poilievre.

Mr. Christopherson, three minutes.

Mr. David Christopherson: Thank you, Chair.

Time is a problem, a big problem.

Ms. Casey, for the business case, you were one of the authors, correct?

Ms. Kim Casey: Of the business case?

Mr. David Christopherson: The business case regarding Great-West Life and Morneau Sobeco.

Ms. Kim Casey: No, I was not.

Mr. David Christopherson: Your husband was, sorry.

Mr. Casey, were you?

Mr. Pat Casey: Yes, I was.

Mr. David Christopherson: You were. Thanks for the fulsome answer, Mrs. Casey. I appreciate that.

I want to know, was the business case and the argument about the bidding process legitimate and arm's length? I'll put it another way. The issue is, was the fix in? Was the fix in, and then the report was done afterwards to legitimize it? Yes or no, sir?

Mr. Pat Casey: No.

Mr. David Christopherson: No. Then could you tell me why we would have Staff Sergeant Frizzell say under oath in uniform: "When we interviewed the people who were supposed to have been part of that bid, the evaluation committee, they told us that no such process ever took place. This was merely a paper exercise to add legitimacy to the process."

Would you respond to that, sir?

Mr. Pat Casey: We did a business case based on some numbers, and that was one exercise. There was an RFP written; I understand it was a banker's box that went out to the world. They bid on it. It was two separate exercises.

Mr. David Christopherson: But that's not where we are, sir. Where we are is that you said no, this was an honest, legitimate, and upfront business case and your report reflected that. I have testimony from the staff sergeant of the RCMP, under oath, in uniform, saying that it was all a paper exercise to cover over an improper process. I'm asking you what you have to say about his comments here in front of this committee. Are you calling him a liar, sir, or is he just wrong; in which case, explain why?

Give me an answer, sir.

Mr. Pat Casey: There was a team put together; it was Mr. Roy, Ms. Valentine, and me. We all sat in a room, we came up with the scoring process, we did the scoring based on—

Mr. David Christopherson: I'm sorry, but Staff Sergeant Frizzell said he interviewed the people, and he's going to be back here, sir, so don't think that this is going to end it. Just because you get through today may not mean the end of it. I'm asking you. Staff Sergeant Frizzell said he interviewed the people who were supposed to have been part of the very evaluation you talked about, and they told him it didn't happen.

Mr. Pat Casey: I put the names in the report that went to Mr. Crupi. I'm sorry if they deny it.

Mr. David Christopherson: Thank you.

Mr. Molson, what do you know of this? And please, a fulsome answer.

Mr. Jeff Molson: I had no involvement in the insurance side of things. The only thing I recall doing was looking at a letter or some kind of document for some wordsmithing. I think it was the agreement between the insurance committee and the PAC. I did some work on the numbers, the 60-40 split between—

Mr. David Christopherson: Okay, I'm a little shy of time. I don't mean to be rude.

I'm going to ask you very pointedly, do you know anything at all about an attempt to get a fix in, and anything at all about the allegation that this report, this business case, was merely the vehicle to cover things off? Do you know anything about that at all?

Mr. Jeff Molson: No, I know absolutely nothing about the outsourcing of insurance.

Mr. David Christopherson: Nothing whatsoever?

Mr. Jeff Molson: Except for the agreement between the PAC and the insurance committee.

The Chair: Okay, David, thank you very much.

Ms. Sgro.

Hon. Judy Sgro: Mrs. Casey, you indicated that you had a fairly large contract that ended in January 2007. Why did it end in 2007?

Ms. Kim Casey: At that point in time, Assistant Commissioner Mole advised me that they weren't sure what route they were going to take for renewing the contract for pension outsourcing, whether they were going to look at going out again for private industry or if they were going to look at alternate solutions for pension outsourcing. The work I was working on would directly feed into the renewal of that outsourcing. So because they didn't know the direction, I was terminated.

• (1720)

Hon. Judy Sgro: You had already worked for a year and a half on that very project.

Ms. Kim Casey: That's correct.

Hon. Judy Sgro: What happened to the work that you did?

Ms. Kim Casey: That work was all still there. We were redoing processes. We were analyzing all of the current processes. We were documenting a lot of areas that hadn't been documented, because if you were going to go to an alternate solution, you had to provide all of this information to anybody so that they would know what it is they would be asked to bid on.

Hon. Judy Sgro: Mr. Brazeau, was part of your job with CAC to go out and recruit contractors to bid on various projects?

Mr. Frank Brazeau: It was one of the jobs, yes.

Hon. Judy Sgro: So part of your job description would be to reach out to contractors you thought had the abilities to carry out various work?

Mr. Frank Brazeau: There was nothing on my job description that mentioned contracting.

Hon. Judy Sgro: But in assessments with Mr. Koziol, that's what you were doing, was it not?

Mr. Frank Brazeau: My job was to sell CAC services.

Hon. Judy Sgro: To sell CAC services. To whom were you selling them?

Mr. Frank Brazeau: Government departments.

Hon. Judy Sgro: And other contractors, and.... like with Casey and Mr. Koziol.

Mr. Frank Brazeau: We used to meet at least, I'd say, 10 or 12 contractors a week who would come to our office.

Hon. Judy Sgro: They would come to your office. What about your being the one reaching out to them?

Mr. Koziol mentioned that you'd had lunch, and you were telling him about CAC and how you could get around some of the questions.

Mr. Frank Brazeau: No, that's not correct. What Mr. Koziol said is how this all started is that we had another CAC person working at NCPD, and that person told Mr. Koziol that the CAC does contracting services also. That's how I got to meet Mr. Koziol.

Hon. Judy Sgro: Did you ever get taken out to dinner? Did you receive golf tickets or other benefits as a result of the work you were doing with various contractors?

Mr. Frank Brazeau: None.

Hon. Judy Sgro: How did you get to be preferred? Abotech and others appeared to become preferred contractors very quickly, even though they didn't have the skills needed to carry out the work.

Mr. Frank Brazeau: The word "preferred" means that the client was allowed to invite their contractor of choice for a NAFTA project, under NAFTA.

Hon. Judy Sgro: Elaborate a little bit on that.

Mr. Frank Brazeau: That means for any contract that was not posted on MERX, the client was allowed to invite the preferred client.

Hon. Judy Sgro: That happened even though they didn't have any experience in that field whatsoever.

Mr. Frank Brazeau: Correct, if we're talking about "preferred contractor".

Hon. Judy Sgro: But "preferred contractor" presumably would mean someone who had some expertise that I felt I needed on a particular job. Some of these didn't appear to have that expertise.

Mr. Frank Brazeau: No, what "preferred" meant was that the client was allowed.... To have anything competitive, you had to have at least three bidders. The system that was used at CAC is that we had a skills registration system where people would register on the site, and people would come to see us and say, how do I get more bids, how do I get more RFPs? Everybody who came into my office got the same dog-and-pony show. All I said is, you fill in a sheet, put in as many key words as possible, and that's how you'll get more RFPs.

The Chair: Thank you, Ms. Sgro.

I wanted to point out to you, Mr. Molson, some e-mails that we have. I'll just read them here:

Email from CASEY to ROY, stating that CASEY and MOLSON came up with a process to pay the insurance plans from the pension plan. MS invoice GWL the full amount then GWL would invoice NCPD for the pensioner's portion and NCPD would pay the invoice from Pension Funds.

Here's another one:

Email from CASEY to CRUPI stating that CASEY and MOLSON approached FOLEY to "discuss the possibility of having the Insurance Admin contract with GWL as prime and MS as sub. Peter will investigate the possibility of this option, but mentioned some concerns...."

Do you agree with that?

Mr. Jeff Molson: No, I don't.

The Chair: But these are e-mails.

Mr. Jeff Molson: Yes. But as I said earlier, my involvement was to figure out what the 60-40 split was in terms of active members versus retired members, because I had some stats on that, and some wordsmithing on the PAC insurance memo or agreement letter. Other than that, I was outside the scope of the insurance administration.

• (1725)

The Chair: It didn't sound like that, from the memos.

Mr. Lake, for three minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Mr. Crupi, I have a quick question.

It sounds like it was your decision. Why was only Morneau Sobeco used in the business case?

Mr. Dominic Crupi: For what?

Mr. Mike Lake: For the insurance outsourcing, why did you direct them to use only Morneau Sobeco?

Mr. Dominic Crupi: I think "direct" is a strong word. It was identified to me by Great-West Life. Great-West Life said they could use Morneau Sobeco because they felt bad about not being able to fulfill their obligation. I told them it was up to them and I didn't care who their subcontractors were.

As far as using Morneau Sobeco only—

Mr. Mike Lake: It sounds like you took direction from Great-West Life in making this kind of key decision.

Mr. Dominic Crupi: They gave me advice, and they gave advice to the insurance committee. They advised the insurance committee on how to make investments. They were key players.

Mr. Mike Lake: I actually have lots of questions for three minutes.

Mr. Koziol, very quickly, is there a relationship that we should know about? Is there a relationship at all between PricewaterhouseCoopers and Morneau Sobeco?

Mr. Anthony Koziol: No, I don't think so. Actually, I believe Morneau Sobeco had a relationship with them at some point in the past.

Mr. Mike Lake: You don't know what the relationship was.

Mr. Anthony Koziol: I don't know what it was, but it was certainly not at the time when the RFP was out.

Mr. Mike Lake: Mr. Casey, could you quickly answer the question that you didn't answer before? Were you lead on the business case project for insurance outsourcing, yes or no?

Mr. Pat Casey: I put the words to paper.

Mr. Mike Lake: Were you the lead? Did you lead it, yes or no?

Mr. Pat Casey: Yes.

Mr. Mike Lake: Yes. Thank you.

What's your educational background? You make a lot of money working for your wife's company. Can you tell me what your degree is that makes you an expert in the field? I notice you didn't have a CV in the KPMG report. They said you didn't provide a CV.

Mr. Pat Casey: I have a technical background in electronics.

Mr. Mike Lake: What do you have a degree in?

Mr. Pat Casey: I have a diploma, an electronics diploma.

Mr. Mike Lake: You have a diploma in electronics.

Mr. Pat Casey: Yes, and I have a business administration diploma as well.

Mr. Mike Lake: For the diploma, was it a two-year program?

Mr. Pat Casey: It was a four-year night course.

Mr. Mike Lake: It was a four-year night course, a part-time night course kind of thing. Okay.

Mr. Koziol, how did you come to know Mr. Brazeau?

Mr. Anthony Koziol: As I mentioned, I knew him when I was working at Public Works in the mid-1990s.

Mr. Mike Lake: Okay. You went to him to solve a problem. You wanted to bring Mr. Onischuk on board on a more permanent basis, and you went to Mr. Brazeau to solve this problem for you.

Mr. Anthony Koziol: Yes.

Mr. Mike Lake: Who directed you? Who told you Mr. Brazeau could solve this for you?

Mr. Anthony Koziol: It was prior to the lunch meeting that was brought up before. One of the other CAC consultants introduced us.

Mr. Mike Lake: Who is "we"? "We" really enjoyed our lunch with you. Who is "we"?

Mr. Anthony Koziol: Oh, it would have been Mr. Brazeau, Mr. Crupi, and me.

Mr. Mike Lake: Okay. You went for lunch.

You solved this problem with Mr. Onischuk in May 2002. In June 2002, it looks like Mr. Onischuk actually got you a job or a contract one month later, with Mr. Brazeau as well. How did that work?

Mr. Anthony Koziol: Well, he didn't get me a contract. He wrote the statement of work for that position, yes.

Mr. Mike Lake: He wrote the statement of work, and he put the preferred candidate as being Mr. Anthony Koziol of Anthony Koziol and Associates. One month after you helped him, using Mr. Brazeau, he in turn helped you get a contract.

Mr. Anthony Koziol: That's exactly right.

Mr. Mike Lake: It's pretty convenient, at \$975 Canadian a day.

Mr. Anthony Koziol: Yes, that was the rate.

We were very careful to write those statements of work away from each other.

Mr. Mike Lake: Now, you indicated that CAC was preparing the criteria and, more specifically, "he believed"—you; this is what it says in the KPMG report—"that Mr. Brazeau was doing this".

Mr. Anthony Koziol: CAC was, and my understanding was that Mr. Brazeau was doing the evaluation criteria, but I now understand that somebody within the organization was doing it. We did not do the evaluation criteria at NCPC.

Mr. Mike Lake: But it seems you felt pretty confident that when you went to Mr. Brazeau, the problem was going to get solved, and it seems that 100% of the time it pretty much did. Why did you feel so confident to go specifically to Mr. Brazeau to solve the problem with Mr. Onischuk?

Mr. Anthony Koziol: It was specifically to Mr. Brazeau because we had developed this business relationship, that CAC was providing the services.

• (1730)

Mr. Mike Lake: What was his role in convincing you? He was a salesman, I guess, at the time. What did he say to you to convince you that he could solve your problem, personally?

Mr. Anthony Koziol: He provided us with the information that CAC provided contracting services that were legal and audited. It seemed like a reasonable approach.

The Chair: Thank you, Mr. Lake.

Thank you, Mr. Koziol.

I have a quick question for you, Mr. Guimont. How did you enjoy your first day on the job?

Mr. François Guimont: It's been interesting, I must admit—very interesting. This will be a fair amount of work, I believe, and I'll just take it that way, quite straightforwardly.

The Chair: Thank you very much.

Mr. Christopherson.

Mr. David Christopherson: Might I be allowed to place one very quick question to the chief superintendent with regard to where this whole matter stands right now, to determine whether or not I want to move a motion? It'll only take a second, if you'll indulge me.

The Chair: Okay, go ahead.

Mr. David Christopherson: Were all of the issues that Staff Sergeant Frizzell found and all the allegations that were made followed up on in further police investigations? Was it done to the satisfaction of the investigator, do you know?

C/Supt Fraser Macaulay: No. The opening statements by both Mr. Frizzell and Mr. Walker... That is the reason we ended up meeting and having discussions. We're not comfortable with the follow-through that has been completed.

Mr. David Christopherson: I only wanted to bring attention to that because we're about to leave this. We have limited meetings, and I just want to put on the record that while we don't have the luxury of planning another meeting—although if we didn't have these other ones, it would happen, I'm sure, because there are enough things here to go after—at the very least we ought to reserve the right to look at Mr. Brown's investigation. If these things are not adequately dealt with, then at the very least they have to be part of the recommendations we make, because at the core here is whether or not initial fraud was taking place. This is pretty big.

The Chair: I agree, Mr. Christopherson.

On a point of order, Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: I think it would be good for the committee to send a nice thank you to Mr. Marshall, because without Mr. Marshall I don't think we'd ever have had this KPMG audit and have found the stink and the stuff that's going on here, the rigging and so on that we've all discovered here. This is what we expect from public servants. I think he's an outstanding public servant and that we should all pass on kudos to this gentleman and wish him well in his new job.

The Chair: Yes, I'll do that, because I think he was a very helpful witness. That's a point well taken.

There are a couple of things I want to talk about.

Mr. Crupi has another engagement. You can...

First of all, I want to put in a plug for the annual meeting of the GOPAC association. The Global Organization of Parliamentarians Against Corruption meeting is tonight at six o'clock in Room 269, West Block. Everyone is invited and urged to attend.

The last item of business is the minutes of the steering committee, which were circulated earlier. Ms. Sgro wanted to return to them.

Did you have something to discuss?

Hon. Judy Sgro: I just want to get a better understanding of part 2, but I have read it a few times and have had some discussions, so I understand where you're going with it. I'm fine with it at the moment, but I look at some of these witnesses and wonder whether there are any changes after today.

The Chair: We're not anticipating any.

Hon. Judy Sgro: Are there any deletions from the current list that we're looking at, after today?

The Chair: We're not anticipating any.

Hon. Judy Sgro: All right, that's fine for me.

The Chair: We need a mover.

Mr. Borys Wrzesnewskyj: Just as a further clarification, some of these are names I have not heard mentioned during testimony. I may be incorrect in that, but it would be helpful if we could get... I assume it says these are witnesses from Great-West Life. It would be helpful to get their exact titles and responsibilities, and the same with Morneau Sobeco.

The Chair: We'll get that.

Will someone move the adoption of the minutes? Ms. Sgro?

Mr. Williams.

Mr. John Williams: I just don't want a repeat of what happened the last time, when we voted for something and then found out we'd actually voted for something we weren't even aware we were doing. But this seems to be reasonably okay, so I will support it.

The Chair: That's good that we have some support.

(Motion agreed to)

● (1735)

The Chair: That concludes the business of the committee.

We will now adjourn the meeting. I thank everyone for their attendance.

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