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Chair: Mr. John Williamson



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• (1005)

[English]

The Chair (Mr. John Williamson (New Brunswick South-west, CPC)): Good morning, everyone.

[Translation]

This meeting is called to order.

Welcome to meeting number 102 of the House of Commons Standing Committee on Public Accounts.

[English]

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

I would remind you that all comments should be addressed through the chair.

[Translation]

Pursuant to Standing Order 108(3), the committee is resuming its consideration of the Auditor General of Canada's 2024 Report 1, entitled "COVID-19 Pandemic — ArriveCAN", which was sent to the committee on February 12, 2024.

[English]

I'd like to welcome our witnesses.

From the Office of the Auditor General, we have Karen Hogan, Auditor General of Canada; Andrew Hayes, deputy auditor general; Sami Hannoush, principal; and Lucie Després, director.

I should know you all by heart. You've been in for the last couple of meetings. I appreciate your availability, both last week and this week.

From the Department of Public Works and Government Services, we have Michael Mills, associate deputy minister; Dominic Laporte, assistant deputy minister, procurement branch; Catherine Poulin, assistant deputy minister, departmental oversight branch; and Wojo Zielonka, assistant deputy minister and chief financial officer, finance branch.

Both groups will have five minutes. Ms. Hogan will lead us off for five minutes. After that, Mr. Mills will have five minutes.

Without further ado, Ms. Hogan, it's over to you for five minutes, please.

[Translation]

Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General): Mr. Chair, thank you again for inviting us to discuss our report on ArriveCAN, which we released last week, on February 12, 2024. I would like to acknowledge that this meeting is taking place on the traditional unceded territory of the Algonquin Anishinabe people.

This audit examined whether the Canada Border Services Agency, the Public Health Agency of Canada, and Public Services and Procurement Canada managed all aspects of the ArriveCAN application in a way that delivered value for money. I will focus my remarks today on the role played by Public Services and Procurement Canada.

The department was responsible for issuing and administering contracts on behalf of the Canada Border Services Agency and the Public Health Agency of Canada when a contract's value exceeded the agencies' delegated authority to procure. We found that Public Services and Procurement Canada challenged the Canada Border Service Agency's use of non-competitive processes to award ArriveCAN work. It recommended alternatives, such as shortening the duration of non-competitive contracts or running competitive processes with a shortened bidding period. Despite this advice, the agency moved forward with non-competitive approaches.

• (1010)

[English]

Last week, I also reported that the Canada Border Services Agency's overall management of the contracts was very poor. Essential information was missing from awarded contracts and other documents, such as clear deliverables and the qualifications of required workers. We found that contrary to Public Services and Procurement Canada's supply manual, the department co-signed several task authorizations drafted by the Canada Border Services Agency that did not detail task descriptions and deliverables. Without this information, it is difficult to assess whether the work was delivered as required and completed on time while providing value for money.

Public Services and Procurement Canada also co-signed many of the agency's amendments to task authorizations. Some amendments increased the estimated level of effort or extended the time period without adding new tasks or deliverables. This drove up the contract's value without producing additional benefits.

To deliver value for dollars spent and support accountability for the use of public funds, the Canada Border Services Agency and Public Services and Procurement Canada should ensure that tasks and deliverables are clearly defined in contracts and related task authorizations.

Mr. Chair, this concludes my opening statement. We would be pleased to answer any questions the committee may have.

Thank you.

The Chair: Thank you very much, Auditor General.

Mr. Mills, you have the floor for up to five minutes, please.

[Translation]

Mr. Michael Mills (Associate Deputy Minister, Department of Public Works and Government Services): Thank you, Mr. Chair.

[English]

I will begin by acknowledging that I am appearing here today on the traditional unceded territory of the Algonquin Anishinabe people.

We welcome the tabling of the Auditor General's report on the development of the ArriveCAN app, and we look forward to our discussion today.

I'm joined today by my colleagues Wojo Zielonka, chief financial officer; Dominic Laporte, assistant deputy minister of procurement; and Catherine Poulin, assistant deputy minister of departmental oversight.

Speaking as one of the key senior officials responsible for procurement, I want to acknowledge the complexity of the federal procurement system and recognize the immediate need to make improvements, particularly when we require professional services. The Auditor General's report makes one recommendation that implicates PSPC—namely, that PSPC and CBSA should ensure that tasks and deliverables are clearly defined in contracts and related task authorizations. This is particularly key for PSPC, as it speaks to the division of responsibilities between PSPC and client departments.

[Translation]

Public Services and Procurement Canada, or PSPC, is the government's central purchasing agent, ensuring departments and agencies have the goods and services necessary to deliver on their various mandates.

In this role, PSPC establishes and administers central procurement tools, such as standing offers and supply arrangements, which client departments and agencies can then access directly.

We know there are concerns as to how the procurement instruments associated with ArriveCAN were used.

[English]

I can tell this committee that we have already introduced several new control measures that start to address the observations of the Auditor General's report and also build on the procurement ombud's report.

In November 2023, PSPC wrote to all departments, including CBSA, suspending all delegated authorities to authorize professional services-based task authorizations. In early December 2023, PSPC provided direction to its procurement officers to ensure that task authorizations include a focus on clear tasks and deliverables. Federal departments must now formally agree to a set of terms and conditions to access select professional services methods of supply.

Key changes also include the use of new contract provisions to increase costing and subcontractor transparency and provide important clarifications on the role of departments when using these instruments. The intent is to improve consistency in practices. PSPC is also updating its guidance to aid departments in procuring effectively and responsibly when using procurement instruments under their own authorities.

[Translation]

The Auditor General's report, along with the Procurement Ombud's review, underscores the need to strengthen specific areas of our procurement processes related to professional services.

We will continue building upon the actions we've taken so far and focus on a path forward to improve training, the procurement process and practices in order to optimize outcomes for Canadians.

Thank you.

The Chair: Thank you, as well.

[English]

I will now begin our first round of questions.

Mrs. Block, you have the floor for six minutes, please.

• (1015)

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Mr. Chair.

Welcome to all of you who are joining us today. I am of course subbing in as the shadow minister for public services and procurement.

I want to go directly to the Auditor General's report, where she acknowledged that CBSA was engaging PSPC on the development of ArriveCAN. Is this correct?

Mr. Michael Mills: Mr. Chair, PSPC was engaged to put in place contracts for IT services.

Mrs. Kelly Block: How often were you engaged with CBSA on this project in particular?

Mr. Michael Mills: In terms of our understanding, the department was involved in both putting in place new contracts and issuing task authorizations against 31 contracts.

Mrs. Kelly Block: How often would you have communicated with CBSA on this project?

Mr. Michael Mills: Do you mean at my level or as a department?

Mrs. Kelly Block: As a department.

Mr. Michael Mills: I think in early 2020 our procurement officers would have had fairly frequent interaction with their CBSA counterparts to put in place the initial set of contracts.

Mrs. Kelly Block: Thank you very much.

When did you first learn about GC Strategies getting contracts on ArriveCAN?

Mr. Michael Mills: Myself personally, I would say it was probably later in 2020, when I would have seen a kind of consolidated report around contracts for COVID efforts.

The Chair: Mrs. Block, I just want to interrupt for a second.

I'll remind all the witnesses that you're here speaking on behalf of the department. This is an issue I've noticed, that people are kind of personalizing answers when we're looking for departmental answers. Perhaps you could bear that in mind. I wanted to flag that at the outset. I think it's important that we get the most fulsome answers possible about contact and communications, so perhaps you could respond in that way.

Mr. Michael Mills: I apologize, Mr. Chair.

Certainly, the procurement officials would have known immediately that there was a contract being put in place with GC Strategies, which would have been in the spring of 2020.

Mrs. Kelly Block: Thank you very much.

Thank you for that, Chair. I will frame my questions as such as well.

Did PSPC raise any concerns about GC Strategies prior to the contracting costs becoming public?

Mr. Michael Mills: To my knowledge, the questions were asked in terms of what the rationale was for choosing GC Strategies and why CBSA would be looking to have a sole-source contract. It was more about that. It was not so much a criticism of the firm but more in trying to understand why the use of a non-competitive contract was required.

Mrs. Kelly Block: I'm hearing that there weren't any concerns about a two-person company being awarded a contract of this magnitude.

Mr. Michael Mills: Mr. Chair, as I understand it, there were no concerns raised around GC Strategies, as they had previously provided IT services and were already in existing supply arrangements with the Government of Canada.

Mrs. Kelly Block: Is it common for the government to contract two-person companies working out of a basement, receiving millions of dollars in government contracts?

Mr. Michael Mills: When we establish supply arrangements and standing offers, there's a requirement for companies to demonstrate that they have provided services—in particular, a certain number of contracts and a certain volume of IT services—in the past. GC Strategies and other companies, to get on those instruments, would have to demonstrate that they had met those capabilities in the past.

Mrs. Kelly Block: I just want to push back a little bit on that answer. It is my understanding that GC Strategies has no expertise in IT. They do not provide those services. What they do is act as a middleperson to find those resources. I'll just leave that there.

Was PSPC satisfied, and do you continue to be satisfied, with the selection of GC Strategies for this project?

Mr. Michael Mills: Mr. Chair, I'd like to look at it from the perspective that they were engaged to do work. Work was completed. An application was built. I really wouldn't be able to speak to the quality in their delivering on tasks and on these specific pieces, but we are aware that they did actually engage IT professionals. Those IT professionals were able to build an app, do new releases and make sure that the app was available on multiple platforms.

Mrs. Kelly Block: Thank you very much.

My final question for you is this: Are you familiar with the term “bait and switch”? This is something that was raised by the procurement ombudsman, and it is certainly prevalent in the practice of procurement. Are you familiar with that term?

• (1020)

Mr. Michael Mills: Yes, I'm familiar with the term.

Mrs. Kelly Block: Typically, it would be where a company identifies certain resources that will be working on a project and then changes them out for other resources that may not have the same level of expertise or skill.

Mr. Michael Mills: Mr. Chair, what I can say is that it is not uncommon to have a time gap between the time when companies have to make their submission as part of a procurement process and when a task authorization is issued for a piece of work, particularly for multi-stage IT projects. In those cases, there may be resources that are available at the time of bidding that would be willing to do the work. There can be a passage of time before you get into a later stage of a project where you need to engage those resources, and they're no longer available because there's been a length of time.

Mrs. Kelly Block: Just quickly, are you aware that in the task authorization forms, resources may be used that don't have the same level of expertise as initially identified?

Mr. Michael Mills: Under the procurement process and the rules, it is possible to replace a resource, but you are to replace them with someone of equal or greater skill and technical capabilities.

Mrs. Kelly Block: Thank you very much.

The Chair: Thank you very much.

Ms. Yip, you have the floor for six minutes, please.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you.

Thank you for coming yet again.

Mr. Mills, in paragraphs 1.51 and 1.52, the Auditor General points out that PSPC did challenge CBSA when the agency indicated it wanted to pursue non-competitive processes for ArriveCAN contractors, but nothing came out of that. The CBSA ignored the advice to run a competition.

Can you elaborate a bit on that? Let's start with your role in the process. What are PSPC's responsibilities in ensuring that other departments follow proper procurement procedures?

Mr. Michael Mills: Thank you for the question.

Mr. Chair, maybe I'll ask Dominic Laporte to explain how it works.

Mr. Dominic Laporte (Assistant Deputy Minister, Procurement Branch, Department of Public Works and Government Services): Basically, our department is there to work with the client, the business owner, to provide the contractual vehicle that will work and that will operationalize their requirements. In the case at hand, we basically had a supply arrangement. Task authorizations were issued against that.

Basically, it's up to the client to define their need and their requirements and for us to work with the client to make sure we find the right contracting vehicle. We also provide advice in that regard. Depending on the situation, competition is the norm. We also have to exercise that challenge role and function.

Ms. Jean Yip: What about ensuring that other departments follow the proper procurement procedures?

Mr. Dominic Laporte: If it's within our authority, then we have to work with the client and play that challenge function. It's something that we do.

Ms. Jean Yip: Is it unusual for PSPC to offer this type of advice to other departments and agencies?

Mr. Dominic Laporte: In the context of the current contract, this is the type of advice that our procurement officers should be providing. They should be playing that challenge function. It's what we expect from our procurement staff.

Ms. Jean Yip: Is it usual that when a recommendation is made, it is ignored?

Mr. Dominic Laporte: On that one, I'm less familiar with the department. I started in my role recently.

Mr. Michael Mills: Mr. Chair, what I would say is that, as the Auditor General's report points out, there isn't documentation about why the CBSA ultimately chose to pursue a non-competitive vehicle. On that issue, what we're trying to look for in the future is ensuring that there's well-documented rationale for why the choice of a particular procurement approach was pursued. We are one point of advice. There are other factors that were likely considered. We, unfortunately, don't have the documentation to understand why the decision was ultimately made.

Ms. Jean Yip: Where would other points of advice be given?

Mr. Michael Mills: There's market availability, potential constraints within a department's systems so that you can use only certain firms to actually move quickly, the availability of resources, etc. There could be a number of factors.

Ms. Jean Yip: Is this an area where you believe PSPC requires more oversight powers or authority to guide other departments away from making mistakes?

● (1025)

Mr. Michael Mills: I'm not sure if we need more oversight. We definitely need to ensure that we do have evidence and documentation that actual decisions are being made at the appropriate level, that they're being documented, and that there's proper rationale and justification for why a particular approach is taken before we proceed.

Ms. Jean Yip: Mr. Laporte, do you have any comments on that question?

Mr. Dominic Laporte: I think it's something we want to work on with our staff on to make sure they have the tools to perform that challenge function.

Also, one of the initiatives we're continuing to implement is e-procurement solutions. In the past, what was happening was that you could have all sorts of documents being filed in different ways. You could have CDs, hard copies of documents or emails. Over the last few years, we've been deploying a new e-procurement solution that will basically document all of the interactions that contracting may have with suppliers and clients. That will go a long way toward addressing some of the issues of the variations in terms of the lack of records.

The documentation of all the questions being asked as part of the same electronic platform is something that we're pushing. I have to say that in close to \$6 billion of contracts, we're basically using that platform. We've made great progress over the last few years on that front.

Ms. Jean Yip: Are you increasing your supervision of the contracting?

Mr. Dominic Laporte: As Mr. Mills pointed out, our role is to provide advice. We trust the client to make the right decision in light of specific challenges and circumstances that they are facing. We can provide advice, but ultimately it rests with the client to decide whether it's an urgent requirement, from their perspective, that would justify a non-competitive approach.

Ms. Jean Yip: Auditor General, an observation in your report indicated that PSPC challenged the CBSA and encouraged the agency to run a competition—even a short one of 10 days. The CBSA didn't follow that advice, which was one of the main problems here. However, it wasn't recommended in your report that PSPC have more authority to compel departments and agencies when it comes to contracting. Why is that?

Ms. Karen Hogan: I think it comes down to the accountability of the party actually entering into the contractual obligation. In this case, it would have been the Canada Border Services Agency. They ultimately are accountable for the decisions that they made.

I think the more you funnel everything through one department, the more you will slow down procurement. PSPC's role is to encourage competition and to follow the many rules that exist in procurement. The ultimate decision rests with the department that makes the final call. In this case, it would have been CBSA.

The Chair: Thank you.

That is your time, Ms. Yip.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for six minutes.

Ms. Nathalie Sinclair-Desgagné (Terrebonne, BQ): Thank you. Let me say to begin that during my career I have audited procurement systems for multilateral banks and governments.

To sum it up in one sentence—since my time is limited—I would say that the role of a department such as yours is to have processes in place and to provide oversight of those processes to ensure that they are at least followed. Without oversight, the first part of the role, that of having practices in place, is absolutely useless.

What the Auditor General's report shows is that Public Services and Procurement Canada failed to deliver on its mandate in various respects: the advice it provided and the co-signing of contracts that did not necessarily comply with the appropriate processes.

I would like to come back to a very important issue: the questioning of the CBSA's decision to award non-competitive contracts. I would like more information about that. In particular, I would like to know who issued those warnings, and their level in the hierarchy. I would also like to know who were the recipients, as well as their level in the hierarchy. Finally, I would like to know what the emails said.

If you can't give me specific answers now, I would like to see those emails.

Mr. Dominic Laporte: Unfortunately, I don't have that information at hand. I understand that a director general had, for example, been copied on the emails, but someone would have to provide the information to the committee to have—

• (1030)

Ms. Nathalie Sinclair-Desgagné: Can you send all this information to the committee?

Mr. Dominic Laporte: I take due note of the request.

Ms. Nathalie Sinclair-Desgagné: Perfect, noted. Thank you very much.

To continue in the same vein, we learned in the report that PSPC co-signed several of the contracts. As the Auditor General just said, the decision to award a contract ultimately rests with the client department. On the other hand, as we all know, signing imposes responsibilities. So, by co-signing, you shared the responsibility of awarding contracts in a non-competitive manner to a certain company. If you look at their website for two minutes, you'll understand

that the company is made up of two people who take a market share as well as a commission and who deliver no service. Do you find that normal?

Mr. Dominic Laporte: As mentioned, our department really played its role with respect to the Canada Border Services Agency. The department warned the agency that there were risks and advocated a competitive approach. However, as the Auditor General mentioned, the decision ultimately rests with the client and I think it's important to put that in context.

That said, with regard to task authorizations, shortcomings have indeed been observed which we are taking good note of. I think we always need to reinforce the training of our staff and keep them informed, but there are certainly lessons to be learned from the shortcomings and what has been observed with regard to task authorizations.

Ms. Nathalie Sinclair-Desgagné: With all due respect, it's the same refrain we hear from all departments regarding this calamitous report.

Learn from your mistakes, that's fine, except that this isn't a small mistake, but one that has been repeated over several years. We even learned that GC Strategies had contracts with many other government departments and pocketed nearly \$250 million in contracts. We learned that these people had previously won contracts for a company called Coredal Systems Consulting, whose name they changed in 2015.

Mistakes happen, but this is no mistake. Within PSPC, one or more people turned a blind eye and let inappropriate processes go forward. It's one or the other: either they turned a blind eye carelessly, or they turned a blind eye maliciously. In both cases, the eyes were closed. Which of the two situations occurred?

Mr. Dominic Laporte: I would say that the department does administer a very high volume of contracts per year: \$26 billion. A lot of task authorizations are signed. That's not at all an excuse—

Ms. Nathalie Sinclair-Desgagné: Indeed.

Mr. Dominic Laporte: —but do we need to strengthen our mechanisms or procedures to see why these task authorizations were co-signed? There are lessons to be learned.

As the deputy minister mentioned, we sent out very clear instructions to our employees on December 4 and asked them to make sure that things were clearly defined when task authorizations were in play. I believe that the measures we have put in place will prevent such a situation from recurring.

Ms. Nathalie Sinclair-Desgagné: You're telling me that in future you won't be using task authorizations that are far too flexible and allow you to pay far too much for what taxpayers receive in return. You're telling me that there will be no more biased selection processes in which the proposal has very little financial value and the resources, that is the technical capacity, have more value. Yet, as the ombudsman's report revealed, in 76% of contracts, the resources mentioned in the proposal are not the ones used. You're telling me that all this won't happen again, suddenly, miraculously.

Mr. Dominic Laporte: The measures that have been taken by our department since November 28 are very serious. A lot of improvements have been made. There has been awareness-raising among clients. We work with our clients and our employees. I'd be very surprised if in the future we see task authorizations that are poorly defined and very vague, even in terms of the evaluation criteria and procedures, to which Deputy Minister Mills was referring.

We're going to put a lot less emphasis on evaluating résumés. We're going to make sure that the company doing the bidding has the capability. Certainly, we're learning a tremendous amount from the Auditor General's report and the ombudsman's office.

• (1035)

The Chair: Thank you very much.

[English]

Mr. Desjarlais, you have the floor for six minutes, please.

Mr. Blake Desjarlais (Edmonton Griesbach, NDP): Thank you very much, Mr. Chair.

I want to thank the witnesses for their attendance here today.

We are, again, looking at and reviewing the Auditor General's report in regard to ArriveCAN. We've heard previous testimony from the CBSA and from the Public Health Agency of Canada. Both, of course, have submitted information to this committee about their narrative on how this was able to take place. We have heard continuously that at several moments there were checks and balances that failed, including a challenge from the PSPC, which amounted to CBSA actually not undertaking that work. In addition to that, we've seen CBSA also participate by signing the contractual obligation by way of the executive director of the business applications services directorate.

Although I feel that at times PSPC may not be giving this issue as much attention as it deserves, I think it is actually central and core to the rot at the root of what the problem really is.

I want to preface this by stating my position. I've been very clear in my review of this information that there is, one, a failure in good management. This is a credible issue that has been established within this report. Two, it did not deliver the best value for the taxpayer dollar. We know that very clearly. We know that taxpayers feel as though.... Particularly, the Auditor General's credible evidence here suggests that this is not good for taxpayers, the way we were able to rely, for example, on external, very expensive contracts versus upscaling the public service over a period of time. That was very possible to be done over the course of eight years, and even previous to that.

We, of course, have another failure, which is to support the public service writ large. We know that when austerity takes place in Canada, when we see our public services take a hit for this work, we see a vulnerability begin to build. This vulnerability is largely, in today's 21st century reality, in IT contracts. IT contracts are very difficult for the Government of Canada to obtain. That's something we've heard very clearly from the CBSA. They felt that they must rely on external contractors.

I will point to the evidence submitted by the Auditor General. On page 7, under "Findings", paragraphs 1.28 and 1.29 in the report say:

The Canada Border Services Agency determined that it would need to rely on external resources to develop the web-based and mobile application because it did not have sufficient internal capacity with the skills needed.

We found that as time went on, the agency continued to rely heavily on external resources (Exhibit 1.2). Reduced reliance on external resources would have decreased the total cost of the application and enhanced value for money.

To Mr. Mills, knowing that our public service, particularly in this instance at CBSA, was unable to secure the necessary labour to do this work internally.... This is something that was well known and well established by Public Services and Procurement Canada. Even previous to this audit, we have heard several times that this is a vulnerability. Why is it that it takes an egregious affront to Canadian taxpayers to have this issue taken seriously? At what point do you, Mr. Mills, raise the alarm to the deputy minister and to the minister responsible to say that we have a credible vulnerability to the public service?

This credible vulnerability is leading to a situation where outside private contractors are not only abusing their ability to secure government contracts, but at times are actually, as one of my colleagues mentioned, baiting and switching these assignments. They are then allowing themselves not only to absorb the contract, but, in addition to that, to change the rules of those contracts to absorb more resources, at times for a skill that can be replaced by the public service.

There should have been a reduction of that reliance. I point to exhibit 1.2, where that reliance actually increases since the outset of the project. This, Mr. Mills, is very disappointing to taxpayers when they know that these efficiencies are not being met.

When will you speak about the urgency of the critical underfunding of our public service, the creation of the vulnerability that we have in IT services internally and the dramatic external threat that is present to the Government of Canada without these skills? It puts us in this position, in my mind.

What are your thoughts on that, Mr. Mills?

Mr. Michael Mills: I have two thoughts.

The first one is that last fall, the Treasury Board Secretariat did issue new guidance to all departments to actually think and do more analysis on the requirements to contract out, as opposed to using internal resources, and to make a harder case for why they need to go out.

Mr. Blake Desjarlais: What did they say at that time? What was the response?

Mr. Michael Mills: I'm sorry. Whose response, the departments'?

• (1040)

Mr. Blake Desjarlais: The departments' response to that statement, when it was known—

Mr. Michael Mills: You have to understand that we followed up in terms of our guidance to departments in late November, to say that before we actually do a contract we want to see that analysis. We want to see a copy of that analysis documented so that we can understand why a department can't use its own internal resources.

The second thing, which I think has been discussed around this report—and it is a very valid point—is that, as we're looking at transformation contracts and a lot of these IT contracts, we need to build in a formal mechanism that has training, off-boarding and whatnot, so that while there's maybe engagement of external resources to build new platforms and whatnot, we actually build up the internal capacity to maintain them and to adapt those systems.

Mr. Blake Desjarlais: Why was that practice not met in this contract? For example, the press said there was over \$250 million in contracts that were awarded to GC Strategies. Instead of this instance, or any of the instances over the prior eight years, for the incredible amount of over \$250 million, why did this not become a standardized practice?

Mr. Michael Mills: I can't speak to why, and the vast number of IT projects for which the Government of Canada said it hasn't been there, but I can assure you that as we go forward this is something we're taking on in terms of better practice and best practices for managing IT projects in the future.

The Chair: Thank you.

Mr. Blake Desjarlais: To your mind, where was the breakdown?

I'll come back, Mr. Chair.

The Chair: Thank you very much.

We're beginning our second round.

Mr. Brock, you have the floor for five minutes. Go ahead, please.

Mr. Larry Brock (Brantford—Brant, CPC): Thank you, Chair.

Good morning to the witnesses and thank you for your attendance.

To the PSPC representatives, your deputy minister Arianne Reza was appointed on November 2, 2023. Prior to that, she was the assistant deputy minister. Beginning in August 2021, she was the senior official responsible for federal procurement. She oversaw 1,400 employees in response to the COVID-19 pandemic. She led the urgent procurement of critical goods and services to ensure the health and safety of Canadians, including vaccines and surrounding protective equipment. She directed the development and implementation of the simplification of procurement practices. These efforts focused on building an accessible procurement system that drives value for money. Her DNA was all over the issues we are studying today and have studied literally for the last couple of months.

Why isn't she here?

Mr. Michael Mills: She had preplanned leave for this week and she's not available this week. She was originally scheduled to be here last week, but the meeting was changed, so she was unfortunately unable to attend.

Mr. Larry Brock: Thank you.

Mr. Chair, I look forward to a further invitation to Ms. Reza to attend this particular committee to answer some relevant questions surrounding these concerns.

On the “bait and switch”, Mr. Mills, you identified an understanding of “bait and switch” as presented by my colleague Mrs. Block. I want to do a little more push-back, because prior to Mrs. Block's bringing to your attention the real entity behind GC Strategies and the business they are in, you repeatedly said, “Well, they've been in several government contracts providing IT services.” That is so inaccurate. One of the directors of GC Strategies, one of the principals behind it, Kristian Firth himself, made it abundantly clear on numerous occasions that they have no expertise in IT. They are simply external consultants who contract with the Government of Canada to find IT professionals, which is really an offensive move, particularly when you take a look at the size of the federal public service, which Justin Trudeau has increased by 40% since 2015.

Last week, at the ethics committee, we heard from Jennifer Carr, the president of the Professional Institute of the Public Service of Canada, which oversees our professional IT federal public servants. They are rightly angered, very angry at the Government of Canada for simply bypassing their skills and their expertise in-house.

You're certainly aware of that, are you not, Mr. Mills?

Mr. Michael Mills: I'm aware that there is a debate about the capability of IT workers in the government. Again, with respect to the use of external resources, we have had many dialogues with various departments that have indicated that there are lots of times when there are very specific skill sets that just aren't available within the public service.

• (1045)

Mr. Larry Brock: GC Strategies has no skills. There's nothing preventing the Government of Canada, with this massive number of federal public servants, from actually doing Google searches on its own to find IT professionals. Why is it that a two-person company working out of their basement was allowed to collect \$20 million over the course of three years for doing absolutely nothing? If we were talking to professionals from the private sector right now, people would be fired for this. There would be accountability for this gross breach of the public trust.

I'm going to ask this question, because I bet no one at PSPC has been suspended, with or without pay. Is that correct?

Mr. Michael Mills: I'll start with the first part, about the use of external consultants. They are also used in the private sector. I will acknowledge that GC Strategies, the two principals of the company, their business model is to make available IT professionals—

Mr. Larry Brock: Thank you. I'm going to move on.

The Chair: You have 15 seconds left.

Mr. Larry Brock: Now, on the issue of bait and switch, we've identified criminality. We've identified fraud, forgery, obstruction of justice and breach of trust by government officials, all surrounding the use of GC Strategies and the contracting practices.

Have you reported anything to the RCMP at this point, and if you haven't, why not?

Mr. Michael Mills: Thank you for the question, Mr. Chair.

I'll turn to my assistant deputy minister of the oversight branch.

Ms. Catherine Poulin (Assistant Deputy Minister, Departmental Oversight Branch, Department of Public Works and Government Services): Thank you for the question, Mr. Chair.

We're taking very seriously all the reports that we are getting. We had access to the CBSA reports, the Auditor General's report—

Mr. Larry Brock: Have you reported to the RCMP, yes or no?

The Chair: Thank you. We'll have to come back to this.

Mr. Larry Brock: Can she answer that question, Chair?

The Chair: I'm afraid the time is well up, but there will be many more rounds of questions to come back to this.

Ms. Bradford, you have the floor for five minutes, please.

Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for joining us today.

I want to continue on Ms. Yip's line of questioning for the Auditor General, because she didn't quite finish. She was discussing the problem with the department not taking the advice of PSPC to have an open competition.

You stated that the reason for that is that the department is ultimately responsible for the contracts with them, but do you have anything to add on how the best oversight could be taking place? You didn't address it in your report. How can we fix this problem so that it doesn't happen again? If procurement is saying, "You really should be doing an open competition", and the department says, "No, we're not going to", do you have any ideas as to how you could get around that blockage?

Ms. Karen Hogan: I think ideas like that are already outlined in the procurement policy and in the supply manual that Public Services and Procurement Canada has out there.

I would tell you that every department or agency should have its own procurement group or directorate that has a challenge function and has some oversight over procurements. Also, at certain contracting levels, Public Services and Procurement Canada plays that role, but those supply manuals and policies talk about how, depending on the size or the magnitude, you could put committees together, etc. There are a whole bunch of mechanisms already outlined.

That's why many of our recommendations are to follow the existing policies. There's no need to create more. Oversight exists. It's a matter of actually putting it in place when it's appropriate.

Ms. Valerie Bradford: Okay. Thank you.

That leads to my next line of questioning, which will be for PSPC.

In the AG's report, she concludes that the CBSA, PHAC and PSPC "did not manage all aspects of the ArriveCAN application with due regard to value for money."

You've mentioned some of the steps you have taken since November to address the issues, but I would like you to elaborate as to how this is going to address costs. Let's start with the fact that you've taken away the delegated authority for task authorizations from all departments and agencies while new rules, agreements and training are put into place. Can you elaborate on that, please, and specifically on what it will mean when the new agreements are in place?

Mr. Michael Mills: There are a couple of pieces that I think are critical. The first one is that ultimately we're trying to simplify procurement to ensure that we have greater competition, which will put downward pressure on prices overall. With respect to these measures, we are looking at having greater transparency in the pricing.

One issue that's been discussed at length is the use of subcontractors to subcontractors, and part of this measure is to try to have clarity on where teams are actually using subcontractors to subcontractors and ensuring that we understand ultimately what's the value that's flowing through to the IT professionals who are doing work versus profits and overhead, and also tightening up our ability to use price verification to ensure that we have reasonable rates, even on the profits and overhead, in competitive processes.

I think having greater competition will ultimately drive down prices, and greater visibility will prevent the use of multiple layers of subcontracting.

• (1050)

Ms. Valerie Bradford: Okay. What would happen right now if CBSA were to come to PSPC and say, "We want to use this particular company for general IT services and we will issue task authorizations for specific projects later"?

Mr. Michael Mills: Under the changes that we've made now, we would have to have a much stronger justification, under the criteria in the Treasury Board framework, for using a non-competitive contract. That would need to be done first. I think there will be a lot more due diligence in terms of the justification and the articulation of the reason why there is a need to use a non-competitive contract.

With respect to the issuance of task authorizations, we will need to have a much clearer understanding of what the overall project objectives are and what the activities are. The task authorizations will have to be very specific to what those activities are.

The other thing we're looking at is time-limiting the contract. A big part of what we found in the weaknesses here is that where there were task authorizations, the descriptions were general, which allowed too much flexibility. This is actually trying to have clear articulation of those task authorizations, which will take away that flexibility, so you know at the outset what resources are going to work on what types of activities. We can then assess whether those activities were delivered and we can ultimately assess the price that was paid to deliver those activities.

The Chair: Thank you.

I'm afraid that is the time, on the spot.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you.

I'd like to hear more about the internal processes at Public Services and Procurement Canada. In theory, when an employee notices that there are procedures that are repeatedly ignored by the client, what happens? Does this employee have a duty to raise this with their supervisor?

Mr. Michael Mills: Yes.

Ms. Nathalie Sinclair-Desgagné: I see.

When this advice is repeatedly ignored, it raises questions that eventually rise to the upper echelons of the organization, doesn't it? I'm sure you'll agree that, in any organization, accountability increases as you go up the rungs. In this case, who in the organization was made aware of the challenge raised in the Auditor General's report? How far up the ladder did the issue go?

Mr. Dominic Laporte: From the information I've been able to get, it's gone up to the director general level in the organization. We'll get you those emails, or the names of the people, of course.

Ms. Nathalie Sinclair-Desgagné: Who was this director general?

Mr. Dominic Laporte: I don't have his name. I wasn't with that group. I don't have that information on hand right now, but I'll be happy to provide it.

Ms. Nathalie Sinclair-Desgagné: All right.

In that case, if you know that the procedure is not followed by the client department, why agree to co-sign? Why agree to take part of the responsibility?

Mr. Dominic Laporte: The ultimate decision to enter into a non-competitive arrangement rests with the client.

Ms. Nathalie Sinclair-Desgagné: And yet, you co-sign. You agree to shoulder part of the responsibility.

Mr. Dominic Laporte: Yes, task authorizations are co-signed afterwards. Before I venture any further, I must say that I wouldn't know exactly what we co-signed.

In this case, procedures were followed with regard to the notices that were given by our staff. This advice was given proactively, but the ultimate decision to choose a non-competitive procurement pro-

cess was the client's. Clients make such decisions based on operational needs that we are not always aware of.

Ms. Nathalie Sinclair-Desgagné: Thank you.

Madam Auditor General, have there been any instances where Public Services and Procurement Canada has pointed out the non-competitive nature of an arrangement, but despite this has subsequently signed the arrangement?

• (1055)

Ms. Karen Hogan: With respect to arrangements resulting from a non-competitive process, Public Services and Procurement Canada signed contracts or specifications that were not clear enough. In my opinion, this does not comply with policy. Signing a document is indeed taking responsibility. That's clear.

The Chair: Thank you very much.

[*English*]

Mr. Desjarlais, you have the floor for two and a half minutes, please.

Mr. Blake Desjarlais: Thank you very much, Mr. Chair.

I want to continue now on the issue brought up by Madame Sinclair-Desgagné, which was in relation to the contract requisition that was signed by the executive director of the business applications services directorate.

I understand that, in addition to this fact, there was also a portion of PSPC's work that looked at challenging the non-competitive process that was undertaken by CBSA to award the contract to GC Strategies. At what point was that challenge made to CBSA? Was that before or after the first signature by the executive director of the business applications services directorate?

Mr. Mills.

Mr. Michael Mills: We would have to validate the time. I don't have the timing sequence in front of me in terms of when issues were raised or questions were raised about going competitive versus non-competitive.

Mr. Blake Desjarlais: Sure. Thank you very much.

Ms. Hogan, maybe your team could shed some light on the order of precedence.

Mr. Andrew Hayes (Deputy Auditor General, Office of the Auditor General): Thank you.

We are aware that in May 2020 there was an exchange of emails between PSPC and CBSA officials.

Mr. Blake Desjarlais: According to any evidence from the Auditor General's office, was the person with the title executive director of the business applications services directorate privy to the challenge that was made at that time?

Mr. Andrew Hayes: They were.

Mr. Blake Desjarlais: How were they made privy to that information? Was it via email, or were they part of the actual process to challenge the Canada Border Services Agency?

Mr. Andrew Hayes: In the information we've seen, that person was copied on that email.

Mr. Blake Desjarlais: At any moment, did that person raise any red flags or alarms in relation to the contracts they were signing?

Mr. Andrew Hayes: Not that we are aware of. However, it might be for PSPC to provide additional information on that.

Mr. Blake Desjarlais: PSPC, go ahead, please.

Mr. Dominic Laporte: I don't have the knowledge of what was done by the DG at that point.

Mr. Blake Desjarlais: Do you think the DG would have or should have raised an alarm?

Mr. Dominic Laporte: It's possible that the DG did raise an alarm. We simply don't have the information to corroborate that fact.

Mr. Blake Desjarlais: How do you not have that information? It seems like a credible—

The Chair: Mr. Desjarlais, you will have another opportunity. We'll come back to you, I'm sure.

We turn now to Mr. Brock.

You have the floor for five minutes again.

Mr. Larry Brock: Madame Poulin, I want to circle back to my last question to you. I set it up in terms of identifying various potential criminal charges that could be investigated. We've heard evidence directly from the source, Kristian Firth, who openly admitted to committee members that he actually altered, changed, résumés without consent, without permission of the résumé owners. That is a form of forgery. We've heard evidence of inflated invoices, again by GC Strategies. We've heard about subcontractors doing no work. We heard from the procurement ombudsman that 76% of subcontractors performed no work yet were still receiving government monies, taxpayer monies. As the Auditor General identified, there are probably thousands of pages of missing documents.

In fact, her point is that what's really concerning is what the audit does not reveal, which, in my opinion, is either incompetence or corruption. Given all of the red flags of criminality, fraud, forgery, obstruction of justice and breach of trust by government officials, have you made a referral to the RCMP based on all of the information you've heard to date?

Ms. Catherine Poulin: As you mentioned, we are gathering all the information that has been put in front of us. That includes what has been said in that committee. It includes the conclusion of the report from the Auditor General. It also includes what we have heard through OPO. We're gathering all of that information and we are analyzing it right now. We need to see if the allegations are supported by other evidence.

• (1100)

Mr. Larry Brock: That's not your job, ma'am. With all due respect, that is not your job. That is the job of our professional law enforcement officers. Your job is that if you have a suspicion of criminal wrongdoing, you report that to the legal authorities. Clearly you must have a suspicion of wrongdoing with respect to what's going on here with ArriveCAN. Yes or no?

Ms. Catherine Poulin: We are doing analysis, and as soon—

Mr. Larry Brock: Do you have a suspicion, ma'am?

Ms. Catherine Poulin: —as we find evidence in our documents that is not covered—

Mr. Larry Brock: That is not your job. You are not an agent of the RCMP. You are a public servant.

I'll ask the question again: After everything that I've identified and everything you have read in the AG's report, do you have a suspicion of wrongdoing, yes or no?

Ms. Catherine Poulin: We have sufficient suspicion to start—

Mr. Larry Brock: Thank you. I'll move on.

Mr. Mills, I asked this question yesterday of officials at PHAC. You are speaking on behalf of your particular department. During the course of the implementation of the 177 different versions of ArriveCAN, were there regular and consistent communications between the deputy minister and the minister responsible for this portfolio? I have identified at least three ministers: Anita Anand, Filomena Tassi and Helena Jaczek. Were there regular and consistent communications between the DM and those ministers?

Mr. Michael Mills: During the first part of the pandemic, there were definitely regular communications between the deputy minister, senior officials and the minister regarding the Government of Canada's overall COVID response and procurements writ large in support of that response.

Mr. Larry Brock: Were there regular and consistent communications with PCO, the Privy Council Office?

Mr. Michael Mills: There were regular interdepartmental meetings led by PCO to discuss the Government of Canada's response to COVID overall and procurements—

Mr. Larry Brock: Most likely, the person at PCO you would have been speaking with was the Clerk of the Privy Council, who reports to the Prime Minister, Justin Trudeau.

Is that correct?

Mr. Michael Mills: I would have to take back to what degree our deputies were involved in the interdepartmental meetings. Certainly a number of ADM-level committees were—

Mr. Larry Brock: Okay.

For the Canadians out there watching this live or afterwards who are not familiar with PCO, which minister is responsible for PCO?

Mr. Michael Mills: The Privy Council Office ultimately reports to the Prime Minister.

Mr. Larry Brock: Thank you very much.

Those are my questions.

The Chair: Thank you very much.

Mr. Chen, you have the floor for five minutes. Go ahead, please.

Mr. Shaun Chen (Scarborough North, Lib.): Thank you very much, Mr. Chair.

Thank you to the witnesses.

One of the common themes in the reports of the Auditor General and the procurement ombud is the lack of documentation. There was no written justification for many decisions. According to paragraph 1.69 of the Auditor General's report, there was a lack of specifics in task authorizations: "many of the task authorizations...several of which were co-signed by Public Services and Procurement Canada, did not include specific and detailed task descriptions and deliverables." I believe the Auditor General called it some of the worst, if not the worst, bookkeeping she has ever seen.

What is PSPC, as the contracting authority, doing to ensure that this documentation will be appropriately managed moving forward?

Mr. Michael Mills: As I mentioned, we have issued direction to all departments and agencies that, going forward, task authorizations will no longer be issued under their authorities. Task authorizations will have to be issued under the authorities of PSPC. We'll have to ensure that when PSPC issues those task authorizations, they have much more detail on the specific activities and outcomes we're trying to achieve through the work contained in them.

There is a community of designated senior officials across departments. They are responsible for procurement. We are continuing to do engagement with that community to make sure they are aware of the new requirements. At the same time, we are also looking internally at training for all procurement officers to make sure they are more aware.

One of the things that have come to light from this part is the division of responsibility and the question of where the technical content of those task authorizations is to rest with the departments. I think that, in many cases, it has been different depending on the department. When we take this on, we will need to spend more time reviewing it and making sure that even from a non-technical perspective there is what we would say is reasonable clarity and consistency in the application of those task authorizations going forward.

• (1105)

Mr. Shaun Chen: My understanding is that there is an e-procurement system that will potentially be helpful. Can you outline how exactly this will be of use?

Mr. Michael Mills: Maybe I will turn to Dominic to talk a bit about the procurement system.

Mr. Dominic Laporte: Thank you for the question.

In the past, our procurement officer would receive documents in different formats. Those could be CD, fax, hard copies or email. Basically, there were a myriad ways of communicating. The good thing, a very positive thing, about the e-procurement solution, which will solve a lot of these issues, is that all the documentation, all the interactions between a contracting authority and suppliers, will be part of the platform. Everything will be recorded on the cloud.

The likelihood that the issues we faced in the past will reoccur for procurements that are handled by PSPC is very thin. On top of that, we are also reinforcing training for staff. Deputy Mills alluded to that. Also, there will be mandatory checklists for task authorizations.

I have to say that there was already a requirement to have clear tasks. That was already there in the supply manual. What we need is greater oversight and making sure there are procedures in place for that.

Mr. Shaun Chen: Aside from the need for more documentation, which would be very helpful, the cumulative effect of all the issues that have been identified by the Auditor General and the procurement ombud was that too much was paid for ArriveCAN.

While there were a number of non-competitive contracts, there were also a number of competitive ones with high values. What is PSPC doing to ensure that we are paying a fair price for services that are being sought?

Mr. Michael Mills: As I mentioned, we're doing a few things. Our core focus is to ensure that we make procurement simpler and more open for all businesses that can meet the goods and services requirements of the Government of Canada. Increased competition will be the most important factor in driving down prices and ensuring value for Canadians.

In addition to that, as I mentioned before, we're trying to bring more transparency to how the work is priced within these contracts. We're also expanding the use of our price verification tools, so that if we do have to do non-competitive contracts—and there are legitimate cases set out in our policy—we have greater transparency and more recourse to price verification to ensure the price reasonableness in non-competitive contracts.

The Chair: Thank you very much.

That is your time, Mr. Chen.

[*Translation*]

Mr. Paul-Hus, you have the floor for five minutes.

Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chair.

Mr. Mills, I'd like to understand why the Government of Canada deals with a company like GC Strategies as an intermediary. We give a contract to this company, which in turn finds subcontractors and pays them, which dramatically increases the cost of the contracts.

Aren't there public servants who can take charge of finding subcontractors for projects? Is this a common practice in the Canadian government?

[*English*]

Mr. Michael Mills: I'll begin by saying that, at the general level, departments will have identified that they do not have the in-house skills they require, so they will look to have an external piece.

Under these instruments, they are looking for IT professionals with certain skills, and the competitive mechanism is open to firms that are structured like GC Strategies, as well as other firms that are integrated firms that would have IT professionals with a range of skills. They normally compete, and whoever ends up having the most skilled team at the best price would win the contract.

[*Translation*]

Mr. Pierre Paul-Hus: The history shows us that at the end of the day, these people had no skills other than to have obtained contracts with the Government of Canada starting in 2015, contracts that eventually reached a value of \$250 million.

Ms. Poulin, on this subject, you are assistant deputy minister in the Departmental Oversight Branch, whose role is to monitor. As such, do you consider this situation to be one of corruption?

● (1110)

Ms. Catherine Poulin: As I mentioned earlier in response to another question, we really take this information very seriously. We're comparing it with other information we have on hand within the department itself. We're in the process of doing some important analysis. We have a framework—

Mr. Pierre Paul-Hus: Excuse me for interrupting, Ms. Poulin. I understand your answer, which was prepared, but, since your branch is in charge of oversight, I imagine that some people are banging their heads against the walls. It's the whole system that's in question here. As far as we're concerned, there's clearly corruption. Is this one of the possibilities you're considering?

Ms. Catherine Poulin: We're considering it and we're not ignoring any scenario. We are taking this information very seriously indeed. Analyses are under way. If the analyses we are currently carrying out point to any sign of criminality, we will turn these cases over to the Royal Canadian Mounted Police.

Mr. Pierre Paul-Hus: Is your unit required to establish guidelines to prevent documents or emails from disappearing? We hear, indeed, that people are deleting emails and that the shredder is going strong. Do you have the power to prevent or control this?

Ms. Catherine Poulin: It's not within my authority. However, when we do analyses in cases like this, we sometimes make recommendations to change certain practices, which must fall under our authority. What you—

Mr. Pierre Paul-Hus: Thank you, Ms. Poulin.

Right now, we clearly have an elephant in the room. You talk of the future. Everyone is talking of the future. We're told that directives were issued in December and that they're going to change the way things are done. The fact remains that the rules have been in place for a number of years in the Government of Canada. The Treasury Board is there to put rules in place. Public Services and Procurement Canada establishes the contracts and the departments then make their purchases.

During the COVID-19 crisis, Jean-Yves Duclos was president of the Treasury Board. Given the follow-up that had to be done, a lot of questions were asked about the various contracts awarded. However, when we asked Mr. Duclos, he always seemed to say that it wasn't really the Treasury Board's responsibility.

Ms. Hogan, as Auditor General, what do you feel the Treasury Board's responsibilities are in a situation like this?

Ms. Karen Hogan: During the pandemic, the secretary of the Treasury Board Secretariat sent a letter to the public service to say that people could be a little more flexible with the usual rules, because of the pandemic and the need to react quickly. However, the letter also made it very clear that each department was responsible for fully documenting decisions and judgments to ensure proper accountability to Canadians.

That's where the big failure happened with ArriveCAN. The documentation isn't there to ensure proper accountability to Canadians. Going forward, I would expect the Treasury Board Secretariat to make sure that measures are in place in the event of another emergency to secure strong oversight and compliance with letters or directives.

Mr. Pierre Paul-Hus: Here we are talking about the future again, but we have to stay in the past, because the rules have—

The Chair: Please be brief, Mr. Paul-Hus.

Mr. Pierre Paul-Hus: Enough said. Thank you, Mr. Chair.

The Chair: Thank you very much.

[*English*]

I turn now to Ms. Khalid.

You have the floor for five minutes, please.

Ms. Iqra Khalid (Mississauga—Erin Mills, Lib.): Thank you so very much.

Thank you to the witnesses for appearing today. I do apologize that you were not able to come in because of a last-minute cancellation last week to have you appear.

I'm hoping that you can help me understand how procurement works. First and foremost, I want to say how disappointed I am that we did not take care of taxpayer dollars better, that we really had a lacklustre and faulty system for procurement. Ultimately, it was taxpayers and taxpayer dollars that suffered from this. I am trying to understand a bit better how that procurement process works, if that's okay.

Last week, we saw some wide variations on the amount of money that GC Strategies has received in contracts over the years, and there is confusion around how these contracts are reported to the government. Now, we also heard last week from witnesses that in order to get a contract, you have to have that relationship with whichever department it is that you're trying to get a contract from.

Can I ask PSPC to very briefly help us understand the differences between supply arrangements, standing offers, task authorizations and the like, and what those relationships have to do with whether you get the contracts or not?

I would also like to know point-blank if the people who have now taken over the name GC Strategies, or who have changed their name to GC Strategies, were known to procurement over the past decade.

• (1115)

Mr. Michael Mills: Maybe I'll begin, and then I'll ask Dominic to jump in to fill in.

Supply arrangements and standing offers are methods of supply to pre-qualify companies that are able to produce a good or service that's required by the Government of Canada. I believe there are 11 categories of supply arrangements that exist. Companies would, as I mentioned before, demonstrate that they have done like projects and like services in the past, with a sufficient volume of business that they would have the capability to meet the needs of the government. They would be pre-qualified on these supply arrangements and standing offers.

When a department has a specific requirement and it aligns with the areas of concern within those supply arrangements, it would come to PSPC, and PSPC would typically run a mini competition. Depending on the value, sometimes there are 15 firms that are pre-selected from a pre-qualified list of vendors. If it's a large-value contract, the competition would run all pre-qualified vendors on it. Then, ultimately, there would be a choice of the winning firm, based on a combination of technical evaluation and price evaluation.

The point of reference here, I think, is that there have been a lot of questions around GC Strategies. GC Strategies was pre-qualified on supply arrangements. They had previously bid on a number of different pieces of work with different departments across the government. As people have mentioned, they had a significant volume of transactions. They had competed in those, and they had put together teams and provided services for departments and agencies. From all the dialogue with departments and agencies, the IT professionals working under GC Strategies were delivering activities and services that were amenable to the departments.

In the case of ArriveCAN, we are aware from CBSA that they previously had awareness of GC Strategies as a firm and were kind of proposing them as someone who they knew had the ability to put together a team that could actually meet their needs. The GC Strategies non-competitive contract was not a contract under the supply arrangement or the standing offer, but the kind of familiarity with the firm was with respect to previous work done under standing offers and supply arrangements.

Ms. Iqra Khalid: You're saying that GC Strategies, the people who are currently known as GC Strategies, had a relationship with the government in the past, and that is now kind of continuing on.

Mr. Michael Mills: What I'm saying is that GC Strategies, as has been mentioned here before, is two individuals who have engaged IT professionals with a wide range of IT backgrounds, and those professionals performed IT consulting services for the Government of Canada. People were aware that GC Strategies, as a firm, had the ability to assemble teams of IT professionals to meet the needs of government departments.

The Chair: Thank you very much.

Ms. Iqra Khalid: How often do you do checks—

[*Translation*]

The Chair: I will now turn the floor over to—

[*English*]

Ms. Iqra Khalid: I just have a very small question, Mr. Chair, if you would allow it.

The Chair: No. There will be more opportunities. I'm afraid we are over the time.

I know that members are eager to ask questions even after the time that's allotted. I do like to hear the full responses from witnesses, but I don't allow questions after the time has elapsed.

I know you'll be up again, Ms. Khalid, or you could share some time with one of your colleagues and get an opportunity to follow up.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you, Mr. Chair.

I'd like to continue in the same vein as before.

The director-general of the department has come up a number of times. Who did that individual report to at the time, in 2020? Which deputy minister did they report to? I have the organizational chart in front of me, and I'd like a very specific answer.

• (1120)

[*English*]

Mr. Michael Mills: Thank you for the question.

[*Translation*]

The assistant deputy minister of procurement is responsible for—

Ms. Nathalie Sinclair-Desgagné: So that's Mr. Laporte's predecessor.

Mr. Dominic Laporte: Yes.

Ms. Nathalie Sinclair-Desgagné: Do you know if Mr. Laporte's predecessor was aware that the director-general had called into question the Canada Border Services Agency's procurement decisions?

Mr. Michael Mills: Thank you for your question.

[*English*]

No, I'm not aware that these issues were raised to the ADM level.

[Translation]

Ms. Nathalie Sinclair-Desgagné: Isn't a director-general required to report to the assistant deputy minister? Is something getting lost in the shuffle? The chain of command is well established.

[English]

Mr. Michael Mills: As mentioned before, the department provides advice on potential procurement strategies. They advise the client department. The client department makes the decision of whether to accept that advice or to take another approach. In certain cases, it's not uncommon for departments not to take our advice and to kind of prefer another approach—

[Translation]

Ms. Nathalie Sinclair-Desgagné: Okay. I'm sorry to interrupt you, but my speaking time is limited.

The Auditor General confirmed that the task authorizations were signed by the department responsible for the procurement processes. However, those authorizations, which were co-signed by Public Services and Procurement Canada, didn't meet preset standards. Why did you agree to co-sign task authorizations or contracts that didn't follow the processes in place?

[English]

Mr. Michael Mills: As we mentioned before, we've made changes to our system to try to strengthen this. We acknowledge that it was not proper practice to have task authorizations that were too general and did not specify clearly the activities that would be undertaken.

[Translation]

Ms. Nathalie Sinclair-Desgagné: You say that you've made changes. Have people lost their jobs? After all, some very serious errors were made. They had only one task, but they didn't complete it.

Mr. Dominic Laporte: No one has lost their job. Guidelines were sent out on December 4. As I mentioned, checklists have been established. Keep in mind that our procurement officers don't work on only one contract. As Mr. Mills said, ultimately, the client decides whether or not to take our advice.

The Chair: Thank you very much.

[English]

Mr. Desjarlais, you have the floor for two and a half minutes.

Mr. Blake Desjarlais: Thank you very much, Mr. Chair.

I want to return now to the interesting timeline that exists between the challenge brought forward by Public Services and Procurement Canada and the date on which the contract was signed. We've heard in prior answers to my questions that May 2020 is when the evidence suggests that paragraph 1.51 was met with regard to this finding:

We found that Public Services and Procurement Canada, as the government's central purchasing and contracting authority, challenged the Canada Border Services Agency for proposing and using non-competitive processes for Arrive-CAN and recommended various alternatives.

That was in May 2020. The app was launched on April 29, 2020. Within that period of time, just to clarify the facts, which of these

events, including the contract date, took place first? This is for the Auditor General.

Ms. Karen Hogan: The email we're referring to was in May 2020. The first contract was awarded to GC Strategies under a non-competitive process on April 8, 2020. Then the application was launched on April 29.

Mr. Blake Desjarlais: To PSPC, when you mounted that challenge in regard to non-competitive processes, your last answer was that you were not aware of any red flags presented to the department by the person who is the executive director of the business applications services directorate. Is that correct?

Mr. Michael Mills: As has been previously released, there were multiple contracts with GC Strategies, not just one. This may have been in relation to one of the later contracts, not the initial contact in April.

• (1125)

Ms. Karen Hogan: If I may, Mr. Chair, I should have finished. There was a second contract awarded to GC Strategies on June 29, 2020.

Mr. Blake Desjarlais: Was the email in relation to the larger contract, the \$20-million contract?

Ms. Karen Hogan: It was related to, obviously, the second one, the one that was issued on June 29. It was, again, a non-competitive contract. There were three non-competitive contracts issued to GC Strategies before the competitive process took place.

Mr. Blake Desjarlais: It was the larger one.

Ms. Karen Hogan: Yes.

Mr. Blake Desjarlais: It was those three contracts that were subject to the concerns raised by Public Service and Procurement Canada. Is that correct?

Ms. Karen Hogan: The concern was raised between the first non-competitive contract and the second one, based on the times.

The Chair: That is your time, Mr. Desjarlais.

Mr. Blake Desjarlais: Thank you, Chair.

The Chair: You will have one last opportunity to wrap things up.

Mr. Barrett, you have the floor for five minutes.

Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC): Are you aware how GC Strategies does its business? They're a middleman. Is that correct?

Mr. Michael Mills: Yes.

Mr. Michael Barrett: Are you satisfied with the selection of GC Strategies, with value for money for Canadians in mind? Are you satisfied?

Mr. Michael Mills: I wouldn't be able to speak to the value for money because I did not observe the—

Mr. Michael Barrett: You said that you're changing processes at PSPC. Are you changing the processes because they were really good before and you want to make them worse, or because they were not good before and you're making them better?

Mr. Michael Mills: Obviously, we've had two reports, one from the Office of the Procurement Ombudsman and one from the Office of the Auditor General, which have clearly pointed out that there are many areas for improvement.

Mr. Michael Barrett: Yeah, big time.

Mr. Michael Mills: We're making changes to improve.

Mr. Michael Barrett: The app was supposed to cost \$80,000. Were red flags raised to the minister when costs hit \$1 million, yes or no?

Mr. Michael Mills: Whose minister?

Mr. Michael Barrett: I mean the minister responsible for your department.

Mr. Michael Mills: Mr. Chair, we put in place contracts—

Mr. Michael Barrett: For clarity, sir, all of my questions have to deal with your ministry, which you're here on behalf of.

Mr. Michael Mills: We put in place contracts. We were not project management. We did not have an awareness of the overall project budget or of the totality of contracts. We were not aware.

Mr. Michael Barrett: Did you ask what the budget was?

Mr. Michael Mills: As a department, we were focused on what goods and services they needed, and those were the questions. We were focused on providing those.

Mr. Michael Barrett: It was supposed to cost \$80,000. It hit \$1 million. It hit \$5 million. It hit \$10 million. It hit \$25 million. It hit \$30 million, then \$45 million and then at least \$60 million, because the paper shredders must have been running and there are no documents to demonstrate what the actual costs were for this thing.

It's been raised, of course, that there were only two people working for GC Strategies, and they were pocketing this kind of money. You talked about the value of their being able to build a team. For the same price that just the GC Strategies portion of the “arrive scam” cost, you could hire 10 public servants to work for 25 years, and instead we got these geniuses who were taking 30% of this \$20-million contract and potentially \$258 million more. You said that you wouldn't be able to speak to the value for money. We heard that from the Auditor General. It doesn't exist in this case.

How many other two-person middlemen contractors are there that PSPC is allowing to do contracting for the Government of Canada? Give me just a number. How many others?

Mr. Dominic Laporte: I cannot comment on the number of suppliers who are using...or whether there are other suppliers basically running a two-person shop.

Mr. Michael Barrett: Will you undertake to provide that information to the committee in writing after your appearance?

Mr. Dominic Laporte: I will take note of the question.

Mr. Michael Barrett: Will you undertake to provide the information to the committee?

Mr. Dominic Laporte: To the extent that we can provide the information, we will, for sure.

Mr. Michael Barrett: That's an acceptable answer. We're going to register that as a yes.

Mr. Mills, can the minister—your minister—get the money back that was paid out in this crystal-clear case of contracting abuse? To be very specific, it's the money paid to GC Strategies for its work on the failed “arrive scam”.

Does the minister have the power to get that money back?

Mr. Michael Mills: I think I'll turn to our CFO.

Mr. Wojo Zielonka (Assistant Deputy Minister and Chief Financial Officer, Finance Branch, Department of Public Works and Government Services): Normally—and I can speak on behalf of our department—in a situation where our department was party to a contract where we did not get services that were supposed to be delivered, we would absolutely have the right to go after a party to recover the funds.

• (1130)

Mr. Michael Barrett: Is this an example of an opportunity for Canadians to get some of their money back from GC Strategies?

Mr. Wojo Zielonka: I can't speak to the particular case.

Mr. Michael Barrett: Is that because you haven't looked, or is it because you're not sure?

Mr. Wojo Zielonka: I'm speaking on behalf of PSPC, where we contract services for ourselves.

In the particular case we're talking about, GC Strategies—

Mr. Michael Barrett: I have very limited time. I have 15 seconds left.

They forged the credentials that they used to win the bid. If that's not a disqualifying criterion for someone to continue to receive work, what is? Also, if it doesn't mean that we get the money back because they got it under false pretenses, what does?

Are forgery and fraud enough for the minister to get Canadians' money back, yes or no?

Mr. Wojo Zielonka: That is one of the questions being looked at. When that determination is made, the appropriate authorities will be involved, as my colleague Catherine Poulin has indicated.

The Chair: Thank you very much.

That is your time.

We're turning to Mr. Hardie now.

You have the floor for five minutes, sir.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you very much, Mr. Chair.

I must say, off the top, that I did use the ArriveCAN app, and it worked quite well for me in going back and forth, at least across the American border anyway.

This is for PSPC.

You're sitting there. You're in the hot seat. There's obviously been an imbalance between authority and accountability. You're being held to account for a lot of things right now. Do you feel that, in the past, there's been that imbalance between your authority on the one hand and the accountability that you're having to demonstrate right now?

I'll go to Mr. Mills on this one.

Mr. Michael Mills: I think it speaks to the fundamental principle of accountability, which is that, in procurement, in project management and in the government generally, there's a large division of responsibilities, and there are a lot of individuals.

One of the challenges of exercising accountability in answering the questions is being able to understand everyone's role in that process and what has happened, and being able to come back and account for the activities that have happened within different departments and at different levels.

Mr. Ken Hardie: There's a difference between giving advice and giving direction. You mentioned that you're making adjustments in the way things are done. Are we now moving more to advice and away from direction? With advice, you can follow it or not, but direction is that it has to be done a certain way. Which way are you headed right now?

Mr. Michael Mills: I think we're headed to a place where it's clearer advice. However, ultimately, the decisions and the authority for those decisions still rest with the departments that are required to buy goods and services to carry out their mandates.

Mr. Ken Hardie: This is one incident where things have clearly not gone as they should have. Is this systemic? When you look across the domain that your organization is basically being held accountable for right now, are there other flags? Are there other things that you're going back and having a closer look at as a result of your experience with this one?

Mr. Michael Mills: Certainly, what we're reflecting on is the difficulty of IT procurement, the difficulty of IT projects, and what the best mechanisms are to bring in external help when we need external help to be able to deliver on the IT projects that the government needs.

We've seen across a range that IT projects are unique, in the sense that they are often very transformational. They are often on the leading edge, where we just do not have enough visibility and experience to be able to understand what the changes will be once we put in place these systems. They're very hard to conceive, to deliver and to achieve the results on. It's made more difficult from the procurement perspective around how we ensure that we engage the best teams to be able to work with our own people to deliver that outcome.

I think that's what we're reflecting on, ultimately. How do we deliver these complex IT projects? Are we using a balance of internal and external resources, and what's the best way to engage those external resources to that end?

• (1135)

Mr. Ken Hardie: Mr. Mills, are you satisfied that you know the breakdown between what the app itself actually cost versus all of the other ingredients that went into implementing this program?

There would be training. There would be other systems adjustments in a variety—a patchwork quilt, in fact—of IT systems in the public service across the country. Were you able to determine precisely what the app itself cost?

Mr. Michael Mills: As I think has been spoken to by the Auditor General—and she can add to this—I don't think any of us has the certainty on where the cost of the ultimate work that was undertaken in relation to ArriveCAN is. Certainly, given that lack of clarity and precision, it would be very difficult to say what is the precise portion of the expenditure that went just for app creation and development versus integration of the application with existing systems within CBSA, training people, adaptation of those systems, building accessibility, looking at other security measures with respect to systems and the interface with the application. I would not have that precision.

Mr. Ken Hardie: GC Strategies was on the pre-qualified list. I don't know that anybody would ever approve a sole-source contract with any organization that wasn't pre-qualified. I hope you can just nod and say that it wouldn't happen.

When somebody doesn't take your advice—even your new and improved advice that is coming as a result of this experience you're having—is it flagged? Is it moved up the line, up the food chain? Are people saying, “Hold on, there's something going on here that could be trouble down the road”? Does that happen?

Mr. Michael Mills: I think it's really flagged if there's a feeling that they're outside the rules of procurement and that there is going to be a violation.

In this case, there is a mechanism to use non-competitive contracts. You need a justification for the use of that. Those mechanisms were used and processed, so while they did not accept our advice at the beginning, there was nothing to flag that they were outside of the rules of procurement.

The Chair: Thank you very much. That is your time.

We'll turn now to Mr. Genuis.

You have the floor for up to five minutes.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you, Chair.

After eight years, it's clear to me that the government contracting system in Canada is badly broken. We have officials here today responsible for the department that oversees government contracting. With “arrive scam”, we have a situation in which a tiny company, GC Strategies—

An hon. member: It's ArriveCAN.

Mr. Garnett Genuis: —with no ability to do anything, can get hundreds of millions in contracts and then subcontract.

The Auditor General found that the process was actually rigged in favour of this company, and we heard at the government operations committee that this company broke the law by systematically altering résumés in order to get deals. The procurement ombudsman found further that the system was built to help insiders get contracts and to push those contractors to charge the government more. Frankly, these aren't just "arrive scam" issues. These are systematic issues.

You're the department responsible for overseeing contracting. With this systematic incompetence and corruption—perhaps both—that we're seeing, what would you say to Canadians who look at your department and ask, "Have you guys become totally useless given that these things could happen?" You're supposed to be watching, and they happened anyway.

Mr. Michael Mills: What I would say to Canadians is that the procurement system is very complex. It has become more complex over the years from a number of drivers: international trade agreements, a number of rules—

Mr. Garnett Genuis: I'm sorry. I am going to press the point, though. The question isn't whether or not it's complex. The question is whether your department is doing anything, whether your department is adding value. If you were able to allow this kind of corruption, incompetence or both in the procurement process, if it just happened while you were there, was your department adding any value? Was it doing anything in the process?

Mr. Michael Mills: What I was about to say was that, given this complexity, we have procurement processes that are complex to try to deal with rules, regulations and whatnot. What we are doing, and what our strong effort is, is to make procurement simpler so it's more open to small and medium-sized enterprises across this country, particularly diverse suppliers across this country. By making it simpler and more accessible, we will get better value for Canadians.

• (1140)

Mr. Garnett Genuis: That doesn't really answer the question, though.

In fact, the procurement ombud's report shows that the system was built to give preference to insiders, because you have to have pre-existing experience with the Government of Canada in order to get those bids.

I'm not getting a clear answer about what your department does.

Moving it up to the minister, what does Minister Duclos do as minister of procurement? Is he responsible for what happened here? Was he seeking briefings on GC Strategies? What is he doing, or not doing, in his role?

Mr. Michael Mills: Typically, our procurement authority is delegated by the minister down to departmental officials, and the vast majority of our procurement activity is authorized, managed and overseen by departmental officials.

There would be a handful of individual procurements that would invoke the authorities of the minister for actual approval and there would be a number—

Mr. Garnett Genuis: I'm sorry, but when was he first briefed on GC Strategies, then?

Mr. Michael Mills: I would have to undertake to provide information on the briefings to Minister Duclos and the timing of those.

Mr. Garnett Genuis: You will undertake to provide an answer in writing to this committee within seven days. Is that correct?

Mr. Michael Mills: I will undertake to provide a response. I'm not sure that I can meet the seven days part.

The Chair: It's typically 14 days before we start—

Mr. Garnett Genuis: Will you provide that information in 14 days?

Mr. Michael Mills: Yes.

Mr. Garnett Genuis: We'd like to know when Minister Duclos and previous ministers were briefed about ArriveCAN and GC Strategies.

Will you also undertake to give the committee a complete list of all pre-qualified contractors within the same timeline?

Mr. Dominic Laporte: Which contract do you mean?

Mr. Garnett Genuis: I mean all pre-qualified contractors—people who have the GC Strategies process available to them.

Mr. Michael Mills: You mean all those who are pre-qualified on the supply arrangements.

Mr. Garnett Genuis: You must have a list.

Mr. Michael Mills: Okay.

Mr. Garnett Genuis: I'd like that within 14 days.

Thank you.

The Chair: You have time for a brief question, Mr. Genuis.

Mr. Garnett Genuis: Thank you.

These aren't just ArriveCAN issues. These are systemic issues.

Why did your department allow this to happen and, again, what value are you providing in the process?

The Chair: Could you provide a brief answer, please?

Mr. Michael Mills: Thank you, Mr. Chair.

I'm not sure.... Why our department allows what to happen?

The Chair: We'll come back.

Mr. Genuis, you started your question at the time, and I allowed you to finish it.

Mr. Garnett Genuis: Thank you.

The Chair: There will be another opportunity for one of your members.

Ms. Yip, you have the floor for five minutes. Go ahead, please.

Ms. Jean Yip: Thank you, Chair.

Ms. Poulin, I believe you were not given an opportunity to answer a question earlier.

Can you explain what your role is? I believe you know what your job is.

[*Translation*]

Ms. Catherine Poulin: Thank you for the question.

[*English*]

One of my roles is certainly to oversee various processes, starting from due diligence processes up to administrative investigations into the department. It's also to put together a framework of preventative, detective and reactive measures for any information that is brought to our attention that may suggest we have issues in the processes, up to wrongdoing.

We're taking that information. We have multiple teams that are working on that. We're taking this information seriously. We validate first whether the allegation has some other evidence that will support it. When we reach that first step and we think there's enough material to trigger an administrative investigation, we do so.

We have a great team of internal investigators within the departments who are going through all the information they have. Upon completion, they issue a report to confirm or inform if the allegation was proven to be right or if there was nothing to be seen. As soon as we identify some element of criminality, we refer those elements to the RCMP in order for them to decide if they will launch a criminal investigation into the matter.

As was also discussed, upon completion of a thorough analysis that demonstrates that we have been overcharged or overbilled—that there was some element for which we have paid too much—we have the ability to recover the funds from the suppliers, and it's in our regular practice to do so.

It's important for us to take all of that information—the outcome of those reports and the great recommendations that have been made—to make sure that we understand even after that what we can change and improve to make that framework of prevention, detection and reaction even more efficient in order to avoid the repetition of such events.

In a nutshell, that is one of the responsibilities under my area.

• (1145)

Ms. Jean Yip: Are there any other responsibilities that we should be aware of?

Ms. Catherine Poulin: Yes. I have many responsibilities. I also have the chief security officer responsibility. It talks about the security of people, information and assets within the government. We also take seriously all information vis-à-vis that. Another area of responsibility would be the security in contracts for the Government of Canada.

Ms. Jean Yip: Thank you.

Mr. Mills, names of contractors were being named in the competitive process, and then different people completed the work. Can you elaborate on what happened?

Mr. Michael Mills: As I alluded to previously, there are times when there is a procurement process and we will ask for certain levels of IT skills. Even in architecture and engineering projects, for instance, we will actually see that a team is proposed, and then, for a number of reasons.... There can be a delay between the time the contract is awarded and when the work is actually undertaken and, in that time, certain of those resources are no longer available. In some cases, people will actually leave firms and the firm has to replace them. In other cases, the firm isn't sure that they've won, and they may deploy those resources to another project.

In those cases, they would be required to submit for approval by the government alternative resources. They would have to demonstrate that they meet the same skill or have more capability than those who were originally proposed.

Ms. Jean Yip: Just so I understand, does being named as part of the bid process mean that the person was paid?

Mr. Michael Mills: No. The persons were only paid once they did work and that work was validated.

Ms. Jean Yip: Does the task authorization and work trigger the payment?

Mr. Michael Mills: The task authorization would typically identify the specific resources doing the work, their rates of pay and what work is to be done. Then they would submit invoices demonstrating that the work was completed by those individuals at those rates.

Ms. Jean Yip: So—

The Chair: That is your time, I'm afraid.

Thank you very much.

Ms. Jean Yip: Thank you.

[*Translation*]

The Chair: Ms. Sinclair-Desgagné, you now have the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you very much, Mr. Chair.

If we consider only what happened during the pandemic and the ArriveCAN app alone, we might be tempted to believe that the problem lies with the Canada Border Services Agency and that it bears most of the responsibility in this matter. Fair enough.

However, the ombudsman's report and the Auditor General's report found that the same type of procurement issue happened at Shared Services Canada, namely a lack of documentation at Amazon Web Services and Microsoft, and yet that didn't stop ArriveCAN from going ahead. The same problem also came up at the Public Health Agency of Canada when it didn't follow procedures and awarded a contract to KPMG with no competitive process. So this issue appears to have been widespread during the pandemic.

If we take a closer look at the issue and go to the Open Government website, we see that about 3,000 contracts were awarded without a competitive process during the pandemic. Moreover, if we go back a little further, we realize that in 2017, well before the pandemic, the awarding of these types of contracts skyrocketed. We're talking about several thousand contracts awarded in a non-competitive manner, well before the pandemic.

How do you explain such a sharp increase in non-competitive awarding of contracts? How do you explain so many contracts being awarded in a non-competitive manner for amounts not always under \$25,000, as they should have been, even in a quieter period?

• (1150)

Mr. Michael Mills: The reality is that 80% of our contracts are awarded based on competition.

Ms. Nathalie Sinclair-Desgagné: I'm sorry, but that's not a proper response.

We're talking about non-competitive awarding of 3,000 contracts during the pandemic, and 1,600 more in 2023, well after the pandemic. It's absurd to say that 80% of contracts are awarded based on a competitive process, for one. Furthermore, that doesn't answer my question at all. How is it that so many contracts were awarded in a non-competitive manner? This really doesn't show that taxpayers' money is being spent soundly and wisely.

Mr. Dominic Laporte: I wouldn't want to stigmatize non-competitive awarding of contracts. Sometimes there are very good reasons for awarding contracts in a non-competitive manner. It may be because of patent issues or because only one supplier can do the work. In that remaining 20%, there are also existing justifications under trade agreements—

Ms. Nathalie Sinclair-Desgagné: However, we've learned in the ombudsman's report and the Auditor General's report that those justifications are lacking. There may be very good reasons for that, but how come the taxpayer doesn't see them?

Mr. Dominic Laporte: I'm sorry. I thought we were talking about all the contracts that had been awarded over the last few years. I was answering the question from that perspective.

The Chair: I'm sorry. Your time is up.

[*English*]

I'm turning now to Mr. Desjarlais.

You have the floor for two and a half minutes.

Mr. Blake Desjarlais: Thank you very much, Mr. Chair.

I believe that Canadians who are watching this, who are seeing the proceedings on this very troubling scenario, are experiencing partly grief and sadness but also anger, as I am, at the extreme lack of oversight that it seems was given to this project.

From the very beginning, there was a lack of a governance system. We see fingers pointed across the board between the Public Health Agency of Canada and CBSA. In addition to that, we see red flags being raised by Public Services and Procurement Canada. All of this is to say that, at the end of it, we still see a loss of value for Canadian taxpayers, which is an immense failure and an immense disappointment for me and for Canadians everywhere. Espe-

cially at a time when costs are soaring and things are expensive, it hits doubly hard for Canadians to know that our public service, in particular the procurement service, an organization meant to protect Canadians and meant to ensure value for money, wasn't there when we needed it most. I think this is the greatest level of failure on which Canadians across the country, I'm certain, will find unity.

However, it's a situation that I think is, in some cases, predictable as well. We know, as has been mentioned many times, not just in this committee but also in previous committees, that when we don't actually invest in 21st century solutions that are required for IT specialists and procurement within the government, that vulnerability exists. That predominant vulnerability continues to exist. Whether with the Phoenix pay system in the previous government or with GC Strategies now, the vulnerability is the same. The government does not have the ability to secure the kind of IT specialists who are required in the country, to ensure good work and to ensure that value for money is met.

To me, this vulnerability is critical. It is a systemic condition of this ongoing tragedy, which I want to be able to explore and actually fix. I don't want to see this continue to happen. We need to become more competitive when it comes to securing IT specialists within the government. We actually have retention strategies, such as the ones the Public Service Alliance of Canada has often talked about. We have the important ability to secure that talent, to retain that talent and to execute that talent in a way that actually provides value for money at the rate that's discussed in this report.

In the time I have remaining, Mr. Mills, do you have any final comment on your actions to ensure that this problem, this incredibly difficult and generational systemic problem, will be fixed?

Go ahead, please.

The Chair: I'm sure Mr. Desjarlais meant your department's response.

Mr. Blake Desjarlais: Yes.

I'm sorry, Mr. Chair.

Mr. Michael Mills: As we move increasingly into a data-driven digital age, it's important that public servants across all different categories have a much stronger digital background. One of the areas we're really focused on is what we need to do in terms of digital competency across our labour force, particularly those who are specifically in the IT space. We're thinking through, with our IT departments, what core competencies we need and what kinds of training and development programs we need going forward in a sustainable manner to make sure that we're always upscaling our IT professionals.

• (1155)

The Chair: Thank you very much.

I'm just using my discretion. I want to go back to Nathalie, who asked a question. It was misunderstood. There was translation.

[Translation]

Ms. Sinclair-Desgagné, could you please repeat your question to Mr. Laporte? Please be brief.

Ms. Nathalie Sinclair-Desgagné: Sure. Thank you for this opportunity.

Mr. Laporte, thousands of contracts have been awarded in a non-competitive manner. First, it's hard to believe that all those contracts were awarded for completely legitimate reasons. Secondly, the ombudsman's and Auditor General's reports give us every reason to believe that there's a serious lack of documentation. As a result, Quebecers and Canadians have no guarantee that this money is being spent properly.

Why has there been a surge in non-competitive awarding of contracts since 2017?

Mr. Dominic Laporte: As I mentioned, I can't comment on the validity of the reasons given for non-competitive awarding of contracts. I mentioned earlier that there are sometimes very good reasons or valid reasons based on trade agreements that will allow the government or an institution to award contracts in a non-competitive manner, particularly to meet urgent needs.

I would need more information if I wanted to take a position on the propriety of action taken or determine whether or not a contract was awarded in a non-competitive manner. I don't want to dodge the question, but I can't comment on all past contracts Public Services and Procurement Canada has awarded.

The Chair: Thank you very much.

We now go to Mr. Barrett for five minutes.

[English]

Mr. Michael Barrett: In her report, the Auditor General said, "in our review of task authorizations that were issued by the Canada Border Services Agency and co-signed by Public Services and Procurement Canada, we found 2 resources being charged at the rate that required a minimum of 10 years of experience even though the resources did not have this level of experience."

In a word or phrase, how would you characterize that, Mr. Mills? Is that an example of bait and switch, or is that fraud? What is that?

Mr. Michael Mills: Mr. Chair, certainly it is a requirement of those who are administering those contracts to ensure that the people being put forward meet the minimum requirements. In that case, they should have verified, if the requirement was 10 years, that the individual had it.

Mr. Michael Barrett: So, it's fraud. They lied about the workers' experience to charge a higher rate.

Mr. Michael Mills: I'm not in a position to opine whether it's fraud.

Mr. Michael Barrett: Are you in a position to say whether or not it was honest? My question is this: Was it a lie? The Auditor General wasn't opining. She analyzed the information and determined that what was said, what was signed off on, was not true—a minimum of 10 years of experience that did not exist. Is that honest or dishonest?

Mr. Michael Mills: I would not be able to opine whether it was honest or dishonest or an administrative error.

Mr. Michael Barrett: If we have a basic misunderstanding of what is honest and what is dishonest, that might be part of the problem. I think that maybe we should take a separate look at that. The procurement ombudsman found that named resources did not do the work that was stated at the skill level that was required 76% of the time. You said that the skill level of replacement workers had to match that of the workers who were originally authorized to do the work. Has an audit or a review been done to ensure that this was the case, having just noted that there was fraud committed as outlined by the Auditor General in the case I mentioned?

Mr. Michael Mills: I do believe that the procurement ombudsman said that 76% of names that were proposed at the bidding stage did not subsequently do work or have work billed against them. This is something that we are very focused on in terms of when people are being proposed so that we ensure that those being proposed are most likely to do the work and so that we verify that they do.

Mr. Michael Barrett: When they bait the hook with the skill set that they say they're offering and then switch it out and make sure that they get the maximum price possible and that Canadians get the least value possible, this is something that we would expect your department is safeguarding against.

Ms. Hogan, is it common practice across government contracting that high-priced consultants carry out a bait and switch, as has been identified in the procurement ombudsman's work, where they present experienced workers to get the contract and charge a higher rate and then actually swap them out for less experienced workers who can be paid less, and then they pocket the difference?

Ms. Karen Hogan: I can't comment on whether it's common practice. I can tell you that we saw it in some of the samples we looked at where the contract called for 10 years or more of experience and the individual who performed the work was not that way. But there is a mechanism in place in the public service when an individual who's put forward under a contract or task authorization needs to be switched. That should have happened, and we did not see that happening.

• (1200)

Mr. Michael Barrett: Right. Thank you very much.

I'll give my time to Mr. Brock, please.

The Chair: You have a minute and a half.

Mr. Larry Brock: Auditor General, does the PSPC need a court order from the RCMP to share their findings and suspicions?

Ms. Karen Hogan: It's my understanding that anyone can refer a matter to law enforcement, but typically we wait for law enforcement to ask us for a production order to provide evidence.

Mr. Larry Brock: There would be nothing stopping them from doing that today, for instance, would there, to share their suspicions?

Ms. Karen Hogan: Not to my knowledge, no.

Mr. Larry Brock: Okay.

Only under a Justin Trudeau government would public servants get a bonus for failing so badly. It's been discovered that PHAC paid out \$340,000 in bonuses. How many hundreds of thousands of dollars were paid out to PSPC?

Mr. Michael Mills: I do not have the specific number about how much performance pay was paid out to executives. It's a normal part of the compensation package for executives within the Government of Canada. It's paid—

Mr. Larry Brock: Were bonuses paid out during the “arrive scam” fiasco, yes or no?

Mr. Michael Mills: During the years of the government's COVID response, there were executives within the department of PSPC who did receive performance pay. That pay has been published on the website, and it's available to—

Mr. Larry Brock: Did Deputy Minister Reza receive a bonus?

Mr. Michael Mills: Mr. Chair, I would not be able to speak to her individual case—

Mr. Larry Brock: Will you provide to the committee details of who received bonuses and in what quantum, please, within 14 days?

Mr. Michael Mills: We have already provided information on the performance pay that is paid by our department. It is publicly available on the website. We'll provide the links for that information.

The Chair: I'm afraid that is your time, Mr. Brock.

I recognize the response that it is publicly available. I will appreciate getting those links from you forthwith. Thank you.

Ms. Bradford, you have the floor for five minutes.

Ms. Valerie Bradford: Thank you, Mr. Chair.

Returning to Ms. Poulin, thank you for clarifying your responsibilities and how the oversight works in your department. You did mention that you have the authority to take action to recover funds if you feel that you've been overcharged for something. Will you be doing that in this particular case?

Ms. Catherine Poulin: We will have to interact with CBSA to see if they need help in completing the work. One of the points I mentioned is that in order to do so, we need to finalize analysis that will demonstrate that we have been—talking about the government—overcharged or overbilled. We need to quantify that amount. It will be important to be able to prove that those events have occurred and to associate a number with it.

Recognizing that CBSA has the invoices and time sheets, it will be for us to see if they require help in order to complete that work and, upon completion, to share best practices and how they can recover those funds from their contracts.

Ms. Valerie Bradford: Are you confident that they do have the invoices and time sheets to be able to track that?

Ms. Catherine Poulin: My understanding is that when you manage a contract, you have access to the invoices and the time sheets associated with the contract.

Ms. Valerie Bradford: Are you currently working with them on that? Is that process under way?

Ms. Catherine Poulin: I think there's a lot of process under way within CBSA. At this moment, we are not providing support in that specific area of the work.

Ms. Valerie Bradford: Okay. Thank you.

Mr. Mills, clearly there are security considerations to be taken into account when the government contracts with the private sector to work on behalf of the government. What does PSPC do to ensure that the contractors and subcontractors have valid security clearances on file prior to starting any work? How does that process work?

Mr. Michael Mills: Thank you for the question.

I'll turn to Catherine Poulin to answer it. She is actually responsible for this.

Ms. Catherine Poulin: Thank you for the question, Mr. Chair.

As I mentioned previously, the responsibility for the contract security program falls under my authority, and we're doing many things to make sure that this is occurring.

First, we're working with the client departments to identify their needs in terms of security for the specific contracts they want to put forward. It's super important to identify this at the outset, at the beginning of the work, to properly identify the security requirements of the contract that will be issued.

Once this is established, between a discussion with the client and with the procurement authority, we are starting by doing the security clearance of an organization. In order to contract with the government when there are security requirements, you need to hold a designated security clearance for your organization. We're looking at many aspects. We are looking at key senior officials and we're also asking the supplier to identify a chief security officer. Once they get that security clearance for their organization, we can start clearing the employees who will work under those contracts. An employee can only be cleared up to the level of an organization. If the organization has a “secret” clearance, we cannot clear the employees up to “top secret” clearance, for example.

Then, we work with procurement authorities to make sure that we include in the contracts the proper security clause to monitor the security requirement throughout the life of the contract. It's important to know that those security clauses also need to be put in the subcontractor contracts. If the prime contractor is using a subcontractor as part of his work, the subcontracting contracts need to have the same clauses as the prime contractor clause.

Finally, in doing the work—let's assume that the contract has been awarded and there are security requirements—it will be the responsibility of the contractor to make sure that the resources working under that contract have the proper security clearances to work on that contract and, if they add resources during the management of the contract, that those people also have the proper security clearances. It's how we make sure that security requirements are taken care of.

• (1205)

Ms. Valerie Bradford: The security certificates for the subcontractors who carried out the work on ArriveCAN weren't properly kept with the appropriate file, which is an issue for both PSPC and CBSA. Has that been addressed? Also, can you confirm that every subcontractor who worked on this file did in fact have the appropriate security clearance?

Ms. Catherine Poulin: As mentioned in the Auditor General's report, there's a greater need for documentation, so we're working in partnership with clients and procurement to make sure that the contracts with those security clauses will be shared with us moving forward. This will allow us to make sure that the final version of the contract has the proper security clearances.

Also, to your second question, I think it was noted—and I don't remember if it's in the AG report or the OPO report—that a subcontractor may have used uncleared resources. It was put to our attention in the beginning of January that some resources of the subcon-

tractor did not have the proper security clearances. We take such allegations very seriously, and we are looking into the security compliance of all the parties involved within those allegations at this time.

The Chair: Thank you very much.

That is our time for today.

I want to thank you, Ms. Hogan, and your team for being here yet again today.

I want to also thank you, Mr. Mills, and your team for being here today as well as answering some questions.

I believe that's it for today. I don't think I will have any opposition to adjourn this meeting. We can all get back to work.

Thank you very much.

This meeting is adjourned.

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