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Final Report

2011-612

Evaluation of the Forensic Accounting Management Group

Office of Audit and Evaluation

June 13, 2013



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MAIN POINTS

What was examined

- i. This evaluation examined the ongoing relevance and performance of Public Works and Government Services Canada's (PWGSC) Forensic Accounting Management Group (FAMG). Located within Departmental Oversight Branch, the program has an annual A-base budget of \$2.3 million, plus cost-recovery revenue of \$3.2 to \$3.9 million per year. The program provides independent forensic accounting services to law enforcement agencies and prosecution services on criminal investigations with financial components. FAMG's work includes specialized advice, reports, and expert witness testimony on the financial aspects of criminal investigations in white-collar crimes (e.g. commercial crimes, money laundering, securities fraud) organized crime, drug trafficking, and terrorist financing activities. The services provided by FAMG are included in the 2009/10ⁱ Program Activity Architecture under sub-activity 1.7.9 (Specialized Programs and Services).

Why it is important

- ii. The Royal Canadian Mounted Police reports that technological advances over the past 20 years have made national borders irrelevant to telecommunications and financial transactions, and have enabled the globalization of criminal activity. Transnational crime groups have acquired large sums of money that they need to launder; it is estimated that billions are laundered in Canada each year.ⁱⁱ
- iii. In addition, Canadian law enforcement authorities have identified a number of terrorist organizations operating in Canada. Investigations have shown that terrorist cells have a tendency to remain self-sufficient by generating funds locally. In some instances, cell members have started businesses as fronts to perpetrate identity theft and fraud, and have engaged in drug trafficking.
- iv. The Forensic Accounting Management Group provides federal, provincial, and municipal law enforcement, as well as other security, defence, and intelligence agencies, with the tools and expertise required to assist in the effective combat of white-collar crimes, organized crime, drug trafficking, and terrorist financing activities. By providing law enforcement agencies the ability to link suspected criminals to their financial assets generated through criminal activity, PWGSC helps contribute to Canadian law enforcement officials being able to obtain convictions against key criminals, disrupt the flow of illegal funds within Canada, and dismantle organized crime syndicates and terrorist cells operating within Canada.

ⁱ The 2009/10 version of the Program Activity Architecture was used because the most current version had not been approved as of the writing of the report.

ⁱⁱ Canadian Security Intelligence Service, Transnational Criminal Activity, www.csis-scrs.gc.ca/prts/trnsntnl/index-eng.asp

What we found

- v. There is a continuing need for FAMG's services. The original rationale for the program remains sound. Since 2001 federal financial crime legislation has been expanded from combating white-collar crime and proceeds of crime to encompass terrorist financing, resulting in an expanded scope of work for FAMG. Over the past five years, demand for services has remained constant, with law enforcement organizations anticipating increasing use of forensic accounting services in the future.
- vi. FAMG supports both federal and departmental priorities. The forensic accounting services provided by FAMG, which supply law enforcement organizations with the necessary tools to carry out their mandates are aligned with the federal government's crime agenda and priorities on safety and security. FAMG aligns with PWGSC's strategic outcome by providing high-quality, centralized services to other federal organizations.
- vii. FAMG's activities remain relevant in a federal context; however, the program falls outside PWGSC's core business lines and derives no unique benefits from its location within PWGSC. FAMG is currently committed to a high volume of work from a single client: the RCMP accounts for 84% of FAMG's work.
- viii. The demand for forensic accounting services is greater than the capacity provided through A-base funding. The program also undertakes work on a cost-recovery basis, recovering between \$3.2 and \$3.9 million annually. This is done through Specific Service Agreements and Service Level Agreements with federal clients and Memoranda of Understanding with provincial and municipal clients for the provision of forensic accounting services.
- ix. The evaluation found that while the Forensic Accounting Management Group is progressing towards achieving its intended outcomes, the program lacks a formalized performance measurement strategy.
- x. To ensure consistency across the country, FAMG has developed quality assurance and quality control processes based on internationally recognized standard practices for investigative and forensic accounting engagements. Its processes, however, have not been validated by an independent third-party to confirm if they respect relevant standards.
- xi. FAMG is currently operating on a cost neutral basis, however it operates in an efficient manner, generating a small annual surplus through cost-recovery operations.
- xii. Alternative delivery options exist within the federal government; a department or agency other than PWGSC may be better suited to deliver the program. However, the evaluation did not assess the optimal location for FAMG within the federal government.

- xiii. Private sector delivery options exist, raising the possibility of out-sourcing forensic accounting services, however this option could create several issues for existing clients, including timely access to services, confidentiality and information security, and potential conflicts of interest.

Management Response

- xiv. Overall, the evaluation found that the rationale for FAMG was valid and that there continues to be a clear need for the services it provides to clients. The evaluation further concluded that FAMG was achieving its objectives by serving the Canadian Criminal Justice system and the courts by identifying, analyzing and explaining complex financial and accounting elements of criminal activities in an objective, independent and non-technical manner, thus helping judges and juries make informed decisions.

We agree with these key findings and are pleased to present the following management response to the specific recommendations in the report. The recommendations essentially pertain to two areas:

- Performance measurement strategy; and
- Validation of internal processes by an independent third party expert to ensure compliance with forensic accounting standards.

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Departmental Oversight Branch, should develop a performance measurement strategy for the Forensic Accounting Management Group to allow the organization to properly monitor and report on the results achieved.

Management Action Plan 1.1: The Departmental Oversight Branch (DOB) agrees with this recommendation and has committed to the development of a performance measurement strategy for FAMG in order to have a single framework document to report on and consolidate all existing and potential key indicators for reporting on the progress of the Program. FAMG will work to ensure that these key indicators will continue to be monitored appropriately and results will be reported through future departmental performance reports.

Recommendation 2: The Assistant Deputy Minister, Departmental Oversight Branch, should ensure that existing internal processes are validated by an independent third-party to ensure compliance with established Investigative and Forensic Accounting standards.

Management Action Plan 2.1: DOB agrees that FAMG's engagement and quality assurance process be validated by an independent third-party. The process including all documents used at each step of an engagement will be validated by an independent third-party in order to establish compliance with the standard practices for investigative and

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forensic accounting engagements issued on November 2006 by the Institute of Chartered Accountants of Canada.

INTRODUCTION

1. This report presents the results of the evaluation of the Forensic Accounting Management Group (FAMG). The Deputy Minister for Public Works and Government Services Canada (PWGSC) approved this evaluation on recommendation by the Audit and Evaluation Committee, as part of the *Departmental Risk-Based Multi-Year Audit and Evaluation Plan*.

PROFILE

Background

2. The Forensic Accounting Management Group of the Departmental Oversight Branch provides forensic accounting services to law enforcement agencies and prosecution services on criminal investigations with financial components. These include white-collar crimes, organized crime, drug trafficking, and terrorist financing activities.
3. FAMG was created in 1998, in response to demand for forensic accounting services created by the *Proceeds of Crime Act*. FAMG is mandated to provide high quality, independent, and timely forensic accounting services to law enforcement and other government clients at the federal, provincial, municipal, territorial, and aboriginal levels. These services consist of specialized advice, reports, and expert witness testimony on the financial aspects of criminal investigations.

Authority

4. The principal authority for the operation of the Forensic Accounting Management Group is derived from the *Department of Public Works and Government Services Act*. Within this Act, there are three key sections which pertain to FAMG.
5. Section 15(c) of the *Department of Public Works and Government Services Act* states that “the Minister may, on request of a department, board or agency of the Government of Canada, provide it with accounting services,” while Section 16 of the *Department of Public Works and Government Services Act* authorizes the Minister to provide services to “any department, board or agency of the Government of Canada or Crown corporation, or, with the approval of the Governor in Council, and government, body or person in Canada or elsewhere” that requests these services, authorizing PWGSC to provide forensic accounting services to federal clients.
6. Section 17 of the *Department of Public Works and Government Services Act* provides the Minister of PWGSC with the ability to “charge for services provided by the Department pursuant to this Act or any other Act in force at the time this section comes into force.” This provides the Minister with the authority to offer forensic accounting services on a cost-recovery basis to federal clients.

7. While these provisions only cover services provided to federal organizations, an Order in Council on March 11, 2002, allowed for “the provision of forensic accounting services for fraud, proceeds of crime, and money laundering investigations by the Minister of PWGSC to provincial, territorial, municipal, and aboriginal governments and their police forces, and foreign governments, upon request by these governments for such services.” This authorizes FAMG to provide services on a cost recovery basis to other levels of government.

Roles and Responsibilities

8. FAMG’s main role and responsibility is to support law enforcement across Canada in criminal investigations by providing forensic accounting services. Forensic accounting services include advice during the investigation, forensic accounting reports and expert testimony in court on financial aspects of criminal investigations.
9. The organization currently has approximately 50 full-time equivalents located in 17 cities across Canada. Of these, 43 are forensic accountants; the remaining staff are comprised of one Director General and six administrative positions across Canada. The FAMG management team is comprised of a Director General (EX-02), a Forensic Accounting Specialist (AU-06) who reviews reports as part of the quality control process, and six regional Managing Forensic Accountants (AU-05) who manage their regional staff and provide quality assurance. The six Managing Forensic Accountants are co-located with their regional RCMP counterparts, as follows:
 - Atlantic Region – Halifax, RCMP Division H
 - Quebec Region – Montreal, RCMP Division C
 - National Capital Region – Ottawa, RCMP Division A
 - Ontario Region – London, RCMP Division O
 - North-West Region – Regina, RCMP Division F
 - Pacific Region – Surrey, RCMP Division E

Resources

10. The Forensic Accounting Management Group is funded through three channels. FAMG receives \$1.7 million in A-base funding from the Integrated Proceeds of Crime Initiative (IPOC). The objective of the IPOC program, is to actively pursue investigations related to money that has been laundered as a result of Criminal Code offences. These funds are provided to FAMG to support IPOC units by providing forensic accounting services.
11. FAMG also receives \$600,000 in A-base funding from the National Anti-Drug Strategy (NADS). The strategy funds an increase in capacity to participate in and support Integrated Proceeds of Crime investigations and prosecutions related to the production, distribution, and possession of illicit drugs, specifically related to marijuana grow-ops and clandestine laboratories.

12. In addition, FAMG generates between \$3.2 million and \$3.9 million on an annual basis through cost-recovered work to federal, provincial, and municipal clients.

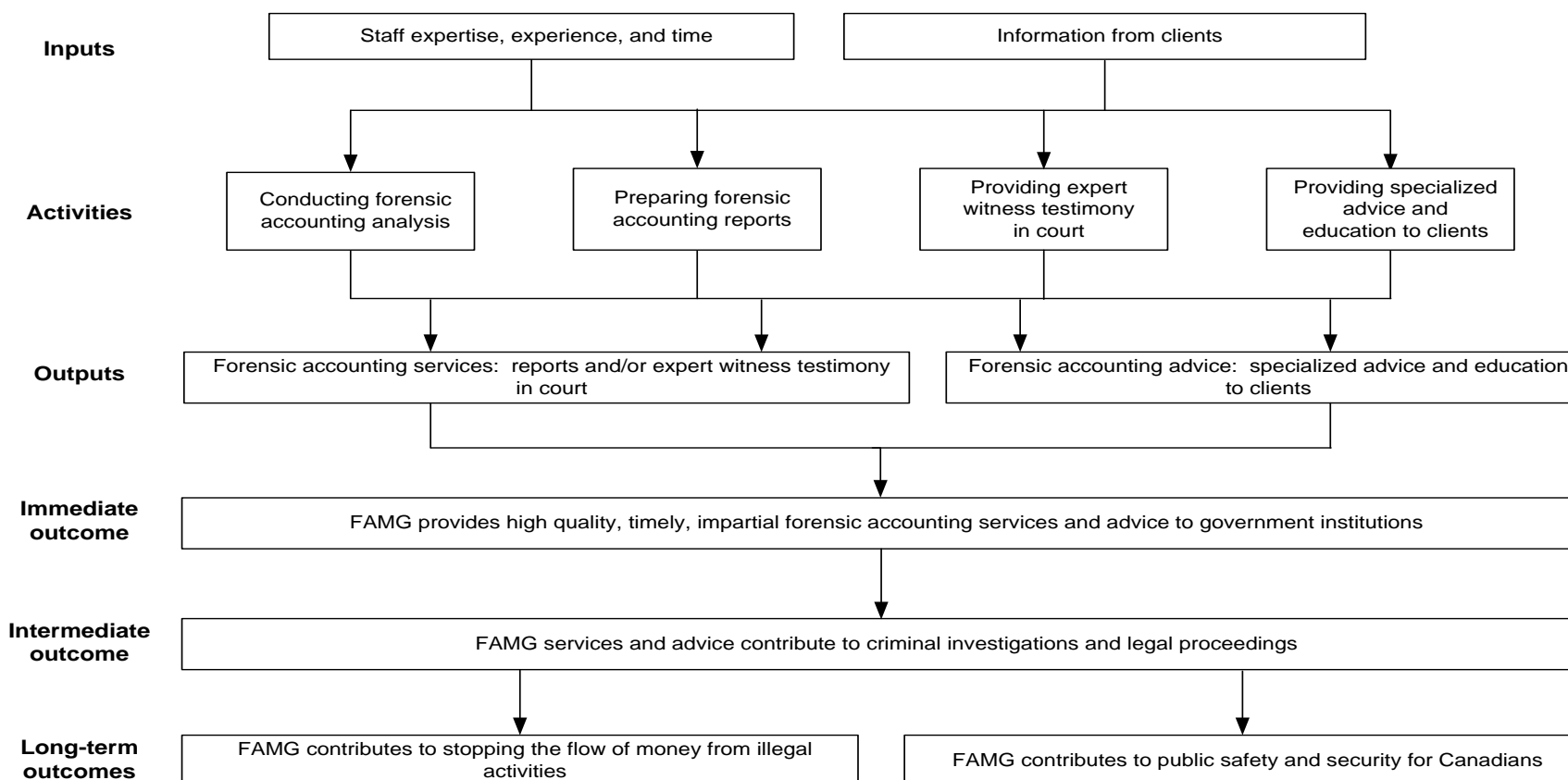
Logic Model

13. A logic model is a visual representation that links a program's activities, outputs and outcomes; provides a systematic and visual method of illustrating the program theory; and shows the logic of how a program, policy or initiative is expected to achieve its objectives. It also provides the basis for developing the performance measurement and evaluation strategies, including the evaluation matrix.
14. A logic model for the program was developed based on a detailed document review, meetings with program managers and interviews with key stakeholders. It was subsequently validated with program staff. The logic model is provided in Exhibit 1.

EXHIBIT 1: LOGIC MODEL

Logic Model for the Forensic Accounting Management Group

Objective: To serve the Canadian criminal justice system and the courts by identifying, analyzing, and explaining complex financial and accounting elements of criminal activities in an objective, independent, and non-technical manner, thus helping clients, partners, judges and juries make informed decisions.



PROGRAM ACTIVITIES

Conducting forensic accounting analysis

15. FAMG provides forensic accounting analysis services, such as asset tracing and examination of bank records, to federal, provincial, and municipal clients based on information gathered during criminal investigations.

Preparing forensic accounting reports

16. FAMG produces forensic accounting reports, when requested, to federal, provincial, and municipal clients. These are comprehensive reports that are commonly designed to identify the links between a suspected criminal and their proceeds of crime. These reports provide law enforcement personnel and crown attorneys with additional evidence with which to charge suspected criminals.

Providing expert witness testimony in court

17. FAMG provides expert witness testimony in court by explaining their findings and conclusions in a clear, non-technical manner to judges, juries, and opposing counsel and providing advice on forensic accounting issues to federal, provincial, and municipal clients.

Providing specialized advice and education to clients

18. FAMG provides specialized advice as well as education and training activities to federal, provincial, and municipal clients.

FOCUS OF THE EVALUATION

19. The objective of this evaluation was to determine the program's relevance and performance in achieving its planned outcomes in accordance with the Treasury Board *Policy on Evaluation*. The evaluation assessed the program for the period from 2007/08 to 2011/12.
20. An evaluation matrix, including evaluation issues, questions, indicators and data sources, was developed during the planning phase (see Appendix A). More information on the approach and methodologies used to conduct this evaluation can be found in the "About the Evaluation" section at the end of this report.

FINDINGS AND CONCLUSIONS

21. The findings and conclusions below are based on multiple lines of evidence used during the evaluation. They are presented by evaluation issue (relevance and performance).

RELEVANCE

22. Relevance is the extent to which the program addresses a continuing need, is aligned with federal priorities and departmental strategic outcomes, and is an appropriate role and responsibility for the federal government.

Continuing Need

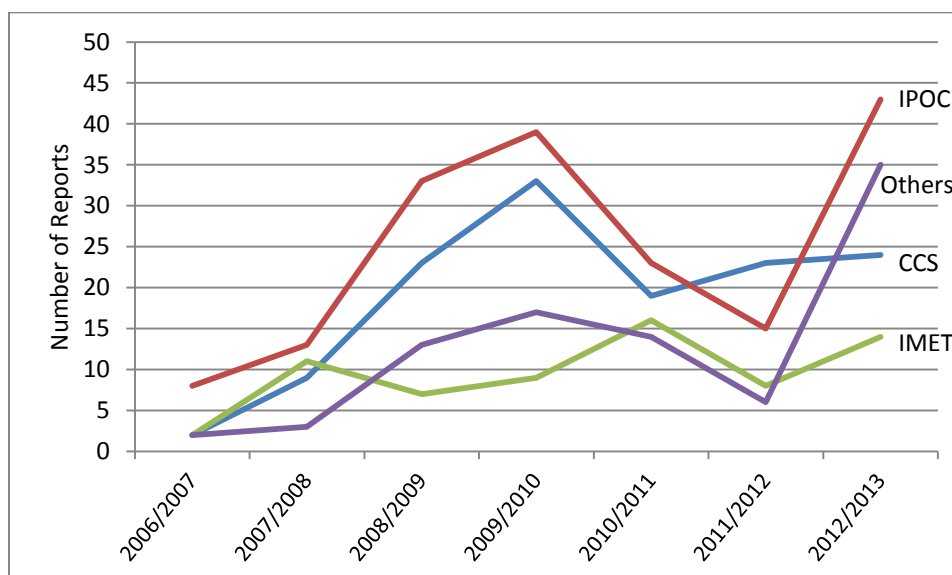
23. Continuing need assesses the extent to which the program continues to address a demonstrable need and is responsive to its clients. Lines of evidence utilized to evaluate continuing need of the Forensic Accounting Management Group included the continued relevance of the original program rationale; legislative and policy requirements; and demand for services. Based on these criteria, the evaluation found that there is a continuing need for FAMG's services within the federal government.
24. FAMG was created in 1998, in response to demand for forensic accounting services created by the *Proceeds of Crime Act* as a result of the Integrated Proceeds of Crime initiative. FAMG's original rationale was to provide forensic accounting services to Integrated Proceeds of Crime (IPOC) units through specialized advice, forensic accounting reports and expert witness testimony on the financial aspects of criminal investigations and prosecutions.
25. Since then, the scope of FAMG's activities has increased. Subsequent to the September 11th, 2001, terrorist attacks in the United States, the Government of Canada passed the *Proceeds of Crime and Anti-Terrorist Financing Act*. This piece of legislation expanded the original *Proceeds of Crime Act* to include counter-terrorist activities with a financial component. Consequently, the scope of FAMG's work has grown to include terrorist financing cases. The original program rationale for the Forensic Accounting Management Group remains valid, as the original mandate remains in force, albeit with an enlarged scope.
26. Authority to provide the services derives from Sections 15, 16, and 17 of the *Department of Public Works and Government Services Act*, as well as the *Common Services Policy*. Through an Order in Council, FAMG was given the authority to provide forensic accounting services for fraud, proceeds of crime, and money laundering investigations to provincial, territorial, municipal, and aboriginal governments and their police forces, and foreign governments, upon request. However, there are currently no legislative or policy requirements that require PWGSC to provide forensic accounting services through the Forensic Accounting Management Group.
27. Surveys were conducted by the Office of Audit and Evaluation with FAMG's external stakeholdersⁱⁱⁱ and employees. With a response rate of 95% and 100% respectively, respondents to both surveys indicated that there is a continued need

ⁱⁱⁱ External stakeholders includes crown attorneys and members of the RCMP and OPP.

for the services of Forensic Accounting Management Group. Eighty-five percent of external stakeholder survey respondents stated that as long as there is criminal activity, there will be a continued need for forensic accounting.

28. In addition to surveys, interviews were conducted with key stakeholders. All external stakeholders interviewed indicated that demand for FAMG's services has increased over the past five years. According to stakeholders, the increase in demand is due, in large part, to shifting government priorities and a change in strategic thinking and tactical-level operations by law enforcement to focus less on seizures of illicit goods (e.g., narcotics or contraband weapons) and more on seizures of criminal assets and proceeds of crime. Furthermore, according to the survey conducted by the Association of Certified Forensic Examiners in 2012, the percentage of fraud cases referred to law enforcement agencies has been increasing in recent years.
29. The Royal Canadian Mounted Police (RCMP) is FAMG's principal client, representing 84% of its revenue and 82% of total cases. Administrative data demonstrates that in the past seven years the caseload of the RCMP has significantly increased with an exception of 2011/2012. Exhibit 2, below, shows an increase in forensic accounting reports prepared for law enforcement agencies over the last seven years with the exception of 2011/2012. In addition to the increase already experienced, 85% of external stakeholder survey respondents agreed that the need for forensic accounting services in their organization was likely to increase in the next five years.

Exhibit 2: FAMG Final Reports by Client, 2006/07 to 2012/13



Source: FAMG, Project by years Master List

Note: Commercial Crime Section (CCS), Integrated Proceeds of Crime (IPOC), and Integrated Market Enforcement Team (IMET) are RCMP divisions, others are OPP, Service de Police de la Ville de Montréal, CBSA, DFO, DND and the St. John's Police Department.

30. Interviewees reported that illicit proceeds from a variety of criminal activities contribute to the ongoing money laundering situation in Canada. While there are no estimates for the total annual proceeds of crime, drug sales are estimated by a PricewaterhouseCoopers report to amount to several billion dollars, while the Canadian Security and Intelligence Service estimates that billions are laundered in Canada each year.
31. External stakeholder interviews with senior law enforcement officials, as well as crown attorneys with the Public Prosecution Service of Canada stated that forensic accounting is an important weapon in the law enforcement arsenal, allowing police investigators to link the proceeds of crime to the criminal and assets to be seized or frozen.
32. In addition, many police investigators acknowledged that criminal organizations are increasing in complexity and that to dismantle these organizations, the need for trained forensic accountants to link criminals to their assets is on the rise. Files that would have been handled by a non-specialist two decades ago now require considerable expertise to trace an ever growing, complex web of offshore bank accounts, electronic money transfers, money laundering schemes, and other asset-masking techniques employed by criminals to disguise the source and confuse the attribution of illegal funds.
33. There remains a continuing need for FAMG's services. The original program rationale remains valid, and the scope has expanded to include terrorist financing measures. Although there are currently no legislative or policy requirements that mandate the federal government provide forensic accounting services, there has been strong, increasing demand for FAMG's services by the RCMP, other federal partners, and provincial and municipal police services.

Alignment with federal priorities and departmental strategic outcomes

34. Program alignment is determined by assessing program linkages with federal government priorities and with departmental strategic outcomes. The evaluation found that FAMG is aligned with federal priorities and by supporting law enforcement agencies whose responsibilities include ensuring a safe and secure country, protecting law abiding Canadians by combating white-collar crime, organized crime, drug trafficking, and terrorist financing activities. It is aligned with departmental strategic outcomes related to the provision of services, but the nature of the services provided is outside PWGSC's core business lines.
35. FAMG supports the Government of Canada's priority to ensure a safe and secure country. Through the provision of forensic accounting services to law enforcement agencies, FAMG assists crown attorneys in charging criminals with various money laundering, corruption, and fraud-related offences. Criminal charges may discourage future crimes, leading to increased security for Canadians.

36. FAMG's services support the Government of Canada's priorities on protecting law-abiding Canadians, as outlined in the 2011 Speech from the Throne, where the Government of Canada committed to "quickly reintroduce comprehensive law-and-order legislation to combat crime and terrorism...[to] give law enforcement officials, courts and victims the legal tools they need to fight criminals and terrorists."
37. FAMG also supports Government priorities announced in earlier Speeches from the Throne, such as the 2007 speech in which the Government announced the implementation of the National Anti-Drug Strategy (NADS), "giving law enforcement agencies powers to take on those who produce and push drugs on our streets."
38. In addition, Budget 2007 supported a safer Canada by launching the National Anti-Drug Strategy to combat illegal drugs and white-collar crime though attracting and retaining the best-qualified police and other expert resources to the RCMP's Integrated Market Enforcement Teams.
39. FAMG's services to its clients support Budget announcements that reduce crime and increase the safety of Canadian citizens. In Budget 2006, cracking down on crime was a priority, with "\$161 million for 1,000 more RCMP officers and prosecutors to focus on such law-enforcement priorities as drugs, corruption and border security (including gun smuggling)." The Budget also provided "\$64 million to enhance Canada's anti-money laundering and anti-terrorist financing regime and \$9 million to fund integrated enforcement teams to combat currency counterfeiting."
40. The IPOC initiative and the NADS Enforcement Action Plan are essential components of Canada's anti-organized crime strategy and play a key role in protecting the integrity of the Canadian economy. FAMG, through the services it provides to these two initiatives, supports the Government's priority to eliminate proceeds of crime.
41. FAMG aligns with PWGSC's departmental strategic outcome to provide "high quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions." PWGSC's authority to provide services is derived from the *Department of Public Works and Government Services Act* and the *Common Services Policy*. By providing high-quality, specialized accounting services FAMG contributes to the Department's strategic outcome.
42. Based on the above, FAMG fulfills PWGSC's mandate and strategic outcome to provide centralized services, although these services flow primarily to a single organization. Further, while they align with federal priorities, they support a priority that lies outside what is generally considered to be PWGSC's core business lines. FAMG's forensic accounting services support the Government of Canada's crime and law enforcement agenda by providing law enforcement

agencies with the tools necessary for the deterrence and apprehension of criminals.

Appropriate role and responsibility for the federal government

43. To determine if the program is an appropriate role for the federal government, three elements were reviewed: decentralization to other federal departments and agencies; devolution of program responsibility to another level of government; and outsourcing to the private sector. Based on these criteria, the evaluation found that while the continued provision of forensic accounting services remains an in-demand necessity at the federal level, options exist for shifting responsibility for the function to a different federal organization.
44. Decentralization to other federal departments or agencies is feasible. Based on the literature review of forensic accounting programs in the United Kingdom, the United States, and Australia, Canada is different in how its federal government forensic accounting system is structured. While the other national governments have their forensic accounting capacity integrated within their principal law enforcement agency, and in some cases shared with their Financial Intelligence Unit (i.e., their national equivalent to the Financial Transactions Reports Analysis Centre of Canada), Canada has FAMG attached to PWGSC, a department otherwise unrelated to this aspect of law enforcement.
45. The majority of external stakeholders indicated they would have no concerns if another federal organization was responsible for FAMG, provided that service levels are not affected. However, external stakeholders and FAMG employees were in unanimous agreement that, should responsibility for the program be shifted, it remain external to the RCMP. The majority of interviewees, both external and internal, stated that a move to the RCMP would be inappropriate, as it could affect the perception of independence the program currently benefits from. It would make being declared an expert witness by the courts increasingly difficult since the forensic accountant would be an integral part of the organization presenting the case, which could be perceived as biased and dependent. All interviewees, including law enforcement officials and crown attorneys, indicated the need for forensic accountants to be perceived as independent and credible in the eyes of the Court: an expert who is too closely involved in a police investigation may jeopardize the court case.
46. Some FAMG's personnel indicated that it is appropriate to have this function situated in PWGSC, arguing that forensic accounting services support PWGSC's strategic outcome to "provide high-quality, central programs that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions." Other FAMG's personnel could find no justification for the current placement of FAMG within PWGSC, while several were not aware of FAMG's relationship to the Department, and stated that FAMG could be located in any other federal department.

47. In contrast, devolution of responsibility to the provinces was not viewed as a feasible alternative by interviewees. They believe distributing responsibility for forensic accounting services across the provinces and territories may serve to dismantle a valuable body of knowledge and expertise, as well as hinder communication and working relationships. Furthermore, in Canada, only two provinces (Ontario and Quebec) have a provincial police force; the other provinces and territories are served by the RCMP. Devolution of responsibility could simply result in a provincial organization being responsible for a function that exists principally to serve federal law enforcement agencies.
48. In terms of shifting responsibility to the private sector, interviewees believe that a complete transfer of responsibility would be impractical as the services FAMG provides are a necessary component of criminal investigations. Responsibility for delivering such services to federal law enforcement agencies, such as the RCMP, as well as provincial, municipal, and other clients needs to remain with the Crown. Barriers to private sector delivery of forensic accounting services are discussed in greater detail in the “Alternative Delivery” section of the report.
49. Forensic accounting plays an important role in prosecuting financial crimes, and there is a continued need for a centralized forensic accounting service. However, it is possible that FAMG is not optimally positioned within PWGSC, and that options exist for shifting responsibility for the function to a different federal organization. In terms of the private sector, forensic accounting services need to remain within the federal government, as it is a critical component of criminal investigations carried out by federal law enforcement agencies. The federal government needs to retain its forensic accounting capacity due to the multi-jurisdictional nature of some of the cases and federal law enforcement responsibilities in all provinces, except Ontario and Quebec where provincial police forces are present. The evaluation did not assess the optimal location for FAMG within the federal government.

Conclusions: RELEVANCE

50. There is a continuing need for FAMG’s services. The original rationale for the program remains sound, and has even taken on greater importance as the federal government’s crime agenda has expanded to encompass terrorist financing. Demand for services remains strong.
51. In addition, FAMG supports federal priorities on safety and security by supplying their clients with the services necessary to carry out their mandates. Although FAMG provides high-quality, centralized services to other federal organizations consistent with departmental strategic outcomes, its work falls outside of PWGSC’s core business lines.
52. Responsibility for delivering such services to federal law enforcement agencies, such as the RCMP, as well as provincial, municipal, and other clients needs to remain with the Crown. More importantly, the security of Canadians and criminal convictions are the responsibility of the federal government. FAMG’s activities

remain relevant in the federal context. Consequently, it would not be possible to completely outsource the responsibility for providing forensic accounting services to another level of government or the private sector, as FAMG was created to fulfill the demand generated by federal initiatives, namely IPOC and NADS. However, the potential exists for forensic accounting services to be relocated to another department better aligned within the federal government's criminal justice system, which could allow for closer integration with law enforcement and key federal, provincial, and municipal partners.

PERFORMANCE

53. Performance is the extent to which a program is successful in achieving its objectives and the degree to which it is able to do so in a cost-effective manner that demonstrates efficiency and economy. Potential alternative delivery options explore other means to achieve program outcomes and reduce program costs.
54. At the time the evaluation was conducted, FAMG had not developed a formal performance measurement strategy. The absence of a formal performance measurement strategy means that systematic performance measurement was not a part of regular program management, i.e. performance data was not collected nor analyzed on an on-going basis to assist in program decision-making.
55. In the absence of a formal performance measurement strategy, several evaluation methodologies were deployed to gather critical performance information to assess the program's performance against its expected outcomes. The absence of a performance measurement framework presented challenges in concluding on the immediate and intermediate outcomes and prevented the evaluation from definitively concluding on the long-term outcomes.

Outcome Achievement

56. The evaluation examined the degree to which FAMG has achieved its intended immediate, intermediate, and long-term outcomes. The intended outcomes of the program are identified in italics below, followed by an assessment of the extent to which they have been achieved.

Immediate Outcome: FAMG provides high quality, timely, impartial forensic accounting services and advice to government institutions

57. Although there is no formal performance measurement strategy in place, the evaluation found that FAMG provides high-quality, timely, and impartial forensic accounting services to its clients.
58. FAMG's personnel have acquired a high level of education and operate under a model of continuous learning required to maintain their certifications. All forensic accountants (who are responsible for providing analysis, advice, and expert witness testimony on the financial aspects of criminal investigations) hold an accredited accounting designation, such as chartered accountant (CA), certified

management accountant (CMA) and certified general accountant (CGA), in addition FAMG's personnel also hold specialised certifications such as certified fraud examiner (CFE), certified forensic investigator (CFI), and/or Diploma in Investigative & Forensic Accounting (DIFA) (DIFA). Forty-three forensic accountants hold a total of 61 accounting designations and 43 specialized certifications. This ensures all FAMG's personnel have the up-to-date knowledge required to provide the high quality services and advice required by their clients.

59. In addition to their credentials, FAMG's personnel have extensive experience in the field of criminal forensic accounting, with 76% of staff possessing an average of six to more than ten years of experience in the field, with 38% having more than ten years experience. This provides FAMG's personnel with exposure to a wide variety of cases and enables them to provide knowledgeable, efficient service during criminal investigations.
60. During the file review, the evaluation team selected a random sample of cases. The selected sample was based on a population of 597 (all cases worked on by FAMG over the last five years).
61. The selection of cases was slightly impeded, as a number of the cases originally selected could not be reviewed because they were either not public or still within the legal system (Exhibit 3 below shows the status of FAMG's files). Approximately 45% of cases selected were not available due to security reasons. In the end, we examined 44 case files of 330 files where reports were issued.

Exhibit 3: Project Status

Status of Files	Number
Reports issued	330
Active files	208
Closed without report	59
Total	597

Source: FAMG, Project List Data (Final)

62. FAMG's procedures include a quality assurance process that involves the review of the work of subordinates by the regional managers. This review consists of the regional manager examining the findings of the report; determining whether the evidence supports the findings and assumptions; and ensuring that the report follows FAMG's standard reporting format. Prior to releasing the final report to the police investigator or Crown attorney, a final assessment is made by the forensic accounting specialist who is responsible for the final report. The role of the forensic accounting specialist is to provide a second level of quality control by reviewing the quality of the report with an eye to maintaining national standards, as well as challenging the assumptions made throughout the report. The established internal process allows the regional managers and the forensic accounting specialist to review the compliance of work and reports with Investigative and Forensic Accounting standards. Alongside these formal quality

assurance and quality control processes, forensic accounting reports are subjected to further scrutiny within the Canadian criminal justice system. The facts and findings of each forensic accounting report must meet the standards of not only their clients, but those of crown attorneys, opposing counsel and their expert witnesses, and judges and juries.

63. Based on the file review, all case files were assessed by regional managers as complying with established Investigative and Forensic Accounting standards and in 96% of cases, a quality assurance checklist and a quality control checklist were present and complete. It was also found that 88% of cases in the file review included engagement letters, while 12% of case files included a planning memo and an acceptance/planning checklist. During the examination phase of the evaluation, FAMG's personnel affirmed the existence of these documents, but were unable to provide the evaluation team with further documentation.^{iv}
64. FAMG has implemented a quality control process, however the evaluation did not attempt to assess if the process respects the relevant standards, as this would be outside of our mandate. The evaluation noted that the process had not been independently validated by a third party, to confirm if it respects the relevant standards. An external validation would provide management with assurance that its processes respect the relevant standards. Such an external validation is a common practice in sector accounting firms and public sector internal audit organizations.
65. External stakeholders interviewed acknowledged that FAMG provides high-quality, timely, and impartial forensic accounting services to its clients. One hundred percent of external stakeholders surveyed agreed that FAMG's personnel possessed the required financial skills, knowledge and expertise to assist in criminal investigations. One hundred percent of external stakeholder survey respondents indicated that FAMG's personnel fully understood the issues surrounding their investigations; 97% of external stakeholders indicated that FAMG's personnel were responsive to the needs of their organization during an investigation; and 98% of external stakeholders indicated that the work was of high quality.
66. The file review conducted by the evaluation found that where an engagement letter was on file, the letter stated that "FAMG will use all reasonable efforts to complete [work] within any agreed upon time frame." The evaluation team was unable to access the complete RCMP files to review the projects in their entirety as a result of security concerns. As a result, the evaluation was unable to determine if FAMG contributed to, or was the cause of, any delays. Eighty-eight percent of external stakeholder survey respondents agreed that deliverables were

^{iv} The evaluation team confirmed the existence of these documents however; law enforcement agencies did not want to release the documents due to security reasons, including the sensitive information contained within these documents and the fact that it could jeopardize future cases and reveal police techniques used in criminal investigations

completed in a timely fashion, with some clients indicating that, on occasion, forensic accounting reports were slow to be produced. We were informed that due to the nature of criminal investigations and court proceedings, delays are often the result of extenuating circumstances.

67. The investigative and forensic accounting standards also require that a forensic accountant's "work should be adequately planned." The evaluation team was not able to examine samples of the work plans as a result of RCMP operational security concerns. The plans may contain sensitive information and investigative techniques that are part of the criminal investigation file.

68. All FAMG's personnel interviewed during the evaluation emphasized the importance their independence plays in court, stating that it allows them to produce an independent report and provide credible and neutral testimony in court. According to investigative and forensic accounting standards,

"Tribunals generally allow expert testimony to provide impartial and objective assistance in understanding matters beyond the expertise of the trier of fact. Given the significance of such reliance, Tribunals have consistently required of expert witnesses a level of transparency in their decision-making and impartiality in their testimony that satisfies the requirement that they not be seen as advocating for one side, i.e., that their primary duty is to the Tribunal."

69. In addition to impartial testimony, external stakeholders indicated that the forensic accounting reports were impartial, that FAMG's staff were confident in their findings, and that they were determined to present an unbiased report, even if it should contradict the client's investigation.

70. Based on the information gathered by the evaluation, FAMG has been found to have achieved its immediate outcome by providing high quality, timely, impartial forensic accounting services and advice to government institutions. The evaluation noted, however, that the quality control process for the program has not been independently validated by a third party, to confirm if it respects the relevant standards.

Intermediate Outcome: FAMG's services and advice contribute to criminal investigations and legal proceedings

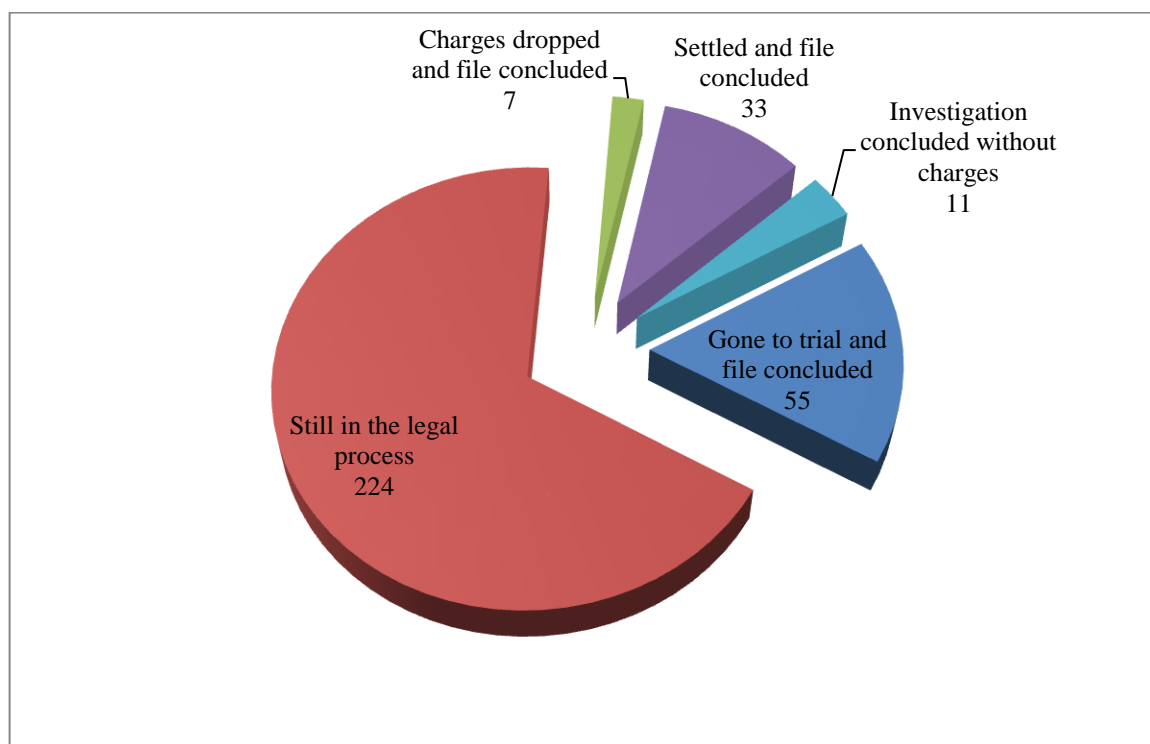
71. The evaluation found that FAMG's services contribute positively to criminal investigations and legal proceedings. FAMG's personnel have produced independent forensic accounting reports, provided expert advice and assistance, and provided expert witness testimony in court in support of criminal investigations and legal proceedings.

72. FAMG's reports are used to explain complex financial transactions in court to judges and juries. Law enforcement personnel have indicated, through the

external stakeholder survey and external stakeholder interviews that forensic accounting reports are virtually a requirement for crown attorneys to lay charges in financial crime cases. Crown attorneys were in full agreement, stating that the forensic accounting report produced by FAMG is often the backbone of the Crown's case. For example, in the case of *Regina v. Black*, the presiding judge in his decision to convict the accused on charges related to illegal drug activities relied heavily on FAMG's expert testimony and forensic accounting report. The judge concluded that the report and testimony provided "graphic evidence of the magnitude of [the defendant's] illegal drug activities."

73. Below, Exhibit 4 illustrates the results of cases in which FAMG has participated. Based on the administrative data review of the 330 projects with reports issued by FAMG, the accused was found guilty in 46 of the 55 cases that went to trial. When presented with the evidence compiled in the reports, the defense often decides to settle: of the cases settled, 32 out of 33 were settled out of court, with the remaining file being settled during the trial. Over the past five years, a large number of cases (224 out of 330 total cases) have remained in the legal process, even though a forensic accounting report has been produced. This is not a reflection of the quality of work performed by FAMG or law enforcement agencies, but serves to illustrate the fact that a typical timeframe for these cases, as verified by law enforcement officials and crown attorneys, is three to five years.

Exhibit 4: Status of 330 Cases with Reports Issued by FAMG, 2007/08 to 2011/12



Source: FAMG, Project List Data (Final)

74. FAMG also provides advice and assistance to police investigators during criminal investigations. Ninety-four percent of external stakeholder survey respondents agreed that FAMG's services are an integral part of their investigations. FAMG personnel participate with police investigators during search warrants. In order to optimize searches and seizures of documents, FAMG forensic accountants are often asked to participate in searches. By identifying crucial documents required to link financial crimes to suspects, FAMG's forensic accountants economize police resources by focusing the scope of searches and seizures. Law enforcement personnel have also indicated as part of interviews, that having a forensic accountant available to provide expert advice during witness interviews is extremely valuable. In addition, law enforcement personnel indicated, during external stakeholder interviews, that FAMG's personnel aid in obtaining favourable settlements and plea bargains by providing expert advice.
75. In conjunction with their forensic accounting reports, FAMG's staff assist crown attorneys by serving as expert witnesses in court. By providing credible, neutral testimony, forensic accountants reinforce the Crown's case. Both FAMG's clients and staff indicated that judges rely heavily on their expert testimony and have cited the important, decisive nature of these reports in several judgements. For example, in *Regina v. Nghiep Minh Truong, Hon Thi Nguyen, Nhut Minh Truong and Barbara Tam Truong*, in his closing statements the judge stated that, "more significantly, on the whole of the evidence, including the evidence of [the forensic accountant] about the relatively meagre incomes of [the accused] from 2003 to 2006 and the evidence of large amounts of cash found, only one reasonable conclusion is possible: that the cash seized from both locations was obtained as a result of trafficking in marijuana." Of external stakeholder survey respondents, 76% agreed that FAMG's reports and testimonials were critical factors in the judicial decision.
76. Based on the information gathered during the evaluation, FAMG's services and advice have been found to be making a contribution to criminal investigations and legal proceedings.

Long-term Outcome: FAMG contributes to stopping the flow of money from illegal activities

77. By assisting law enforcement agencies and prosecution services in identifying and stopping the flow of money criminals generate from illegal activities, FAMG supports Canada's efforts in fighting crime. FAMG assists law enforcement in tracking down and identifying criminal assets that are directly or indirectly linked to criminal activities. FAMG's reports, through the provision of additional evidence linking criminals to illegal assets, have been instrumental in the successful execution of warrants for numerous high-profile seizures and arrests. However, the evaluation was unable to measure how FAMG contributes directly to the outcome of stopping the flow of money from illegal activities, as amounts recovered as part of successful convictions are currently not tracked by FAMG.

78. FAMG does not specifically track the sentences or fines that individuals or businesses have received as a result of the work completed by FAMG. From the point of view of FAMG's personnel, having a report presented as evidence or testifying as an expert, their primary objective is to be recognized as credible, neutral and professional in the conduct of their work. FAMG has no vested interest in the specific outcome of the trial. The role of FAMG ends once they have provided testimony in court. However, through stakeholder interviews the evaluation has determined that by assisting law enforcement agencies and crown attorneys identify assets gained through criminal activities and convicting criminals, FAMG does indirectly contribute to stopping the flow of money from illegal activities.
79. During external stakeholder interviews, senior law enforcement personnel acknowledged that direct seizures of criminal assets are more effective than direct seizures of illicit goods (e.g., narcotics, firearms) in reducing crime and restricting operations of organized crime syndicates. Through the successful prosecution of criminals and the resulting seizure of assets and proceeds of crime, FAMG aids in reducing the flow of funds from illegal activities.
80. While it is not possible to either compare or attribute changes in conviction/seizure rates to FAMG's work, all stakeholders interviewed during the evaluation indicated that FAMG has a significant, positive impact on the outcome of financial crime cases. Eighty-eight percent of external survey respondents indicated that FAMG's advice, reports, and expert testimony have an impact on the cases in which it is involved. Of the cases for which FAMG has produced reports, 83% of the cases that have gone to court have resulted in a conviction.
81. Through the successful prosecution of criminals, based on evidence and analysis conducted by FAMG, they act in support of federal initiatives to prosecute white-collar crime by providing unbiased and independent forensic accounting reports and expert testimony.
82. Overall, the evaluation found that FAMG has been contributing to stopping the flow of money from illegal activities through its assistance of law enforcement agencies..

Long-term Outcome: FAMG contributes to public safety and security for Canadians

83. FAMG's services provide critical support to federal departments and law enforcement agencies involved in supporting several key pieces of legislation and other key policy initiatives, including the *Proceeds of Crime and Anti-Terrorist Financing Act*, the National Anti-Drug Strategy, and the Integrated Proceeds of Crime initiative. In addition, FAMG supports other federal organizations involved in combating terrorist activity by providing intelligence and law enforcement agencies with financial analysis of terrorist financing activities, allowing them to either cut off funding or attack terrorist cells directly.

84. By providing the financial analysis necessary for law enforcement officials to investigate proceeds of crime cases and other financial crimes, FAMG increases the ability of Canadian law enforcement agencies to arrest criminals and seize assets crucial to the continued operations of organized crime networks. By providing high quality, timely, impartial forensic accounting reports and expert witness testimony in court, FAMG aids crown attorneys in obtaining convictions for these criminals. Also, with a stronger case to present to the court, crown attorneys are often able to seize more assets and push for tougher sentences for those criminals convicted of an offence. External stakeholders have stated that these efforts, by aiding law enforcement and crown attorneys in arresting and convicting criminals, serve to reduce the overall crime rate and contribute to the safety and security of Canadians.
85. Overall, the evaluation found that FAMG has been contributing to increasing public safety and security for Canadians through its assistance of federal departments and law enforcement agencies.

Conclusions: Outcome Achievement

86. FAMG is making progress in the achievement of its immediate and intermediate outcomes and is contributing to the achievement of its long-term outcomes. The absence of a pre-existing performance measurement framework for the program and limited data availability presented challenges to the evaluation in concluding on immediate and intermediate outcomes and prevented definitive conclusions on the achievement of the long-term outcomes. Nevertheless, the evaluation found that FAMG provides high quality, timely, impartial forensic accounting services although the quality control process for the program has not been independently validated by a third party, to confirm if it respects the relevant standards. Through its forensic accounting services, FAMG contributes to criminal investigations and legal proceedings; stopping the flow of money from illegal activities; and increasing public safety and security for Canadians.

Efficiency and Economy

87. Demonstration of efficiency and economy is defined as an assessment of resource utilization in relation to the production of outputs and outcomes. Efficiency refers to the extent to which resources are used such that a greater level of output is produced with the same level of input or, a lower level of input is used to produce the same level of output. Economy refers to minimizing the use of resources. A program has high demonstrable economy and efficiency when resources maximize outputs at less cost and when there is a high correlation between minimum resources and outcomes achieved.
88. To address the issue of cost-effectiveness, the evaluation compared FAMG's costing model with private sector costs. FAMG developed a costing model which fixes the cost of the organization's services at \$140/hour. This costing model factors in quality assurance, quality control, employee benefits plan, administration, and operating expenses.

89. Below, Exhibit 5 summarizes private sector costs for forensic auditing work based on the Professional Audit Support Services Supply Arrangement. FAMG charge-out rates are compared to the estimated cost of private sector work.

Exhibit 5: Private Sector Cost Comparison, Per Diem Rates

FAMG (AU04) ^v	Per Diem	Private Sector (Senior Forensic Accountant) ^{vi}	Per Diem
\$140/hour	\$1050/day	\$213/hour	\$1600/day

90. As outlined in Exhibit 6, billable hours over the past five years were calculated to have averaged 21,122 hours per year. The total cost of these billable hours was \$2.95 million per year, on average. Hiring a senior forensic accountant from the private sector to perform similar work at the average rate of \$1600 per diem, as determined by the Professional Audit Support Services Supply Arrangement, would cost \$4.50 million per year.

Exhibit 6: Private Sector Cost Comparison, Average Annual Costs by Billable Hours^{vii}

Number of billable hours	FAMG	Private Sector	Difference
21,122 hours ^{viii} (regular rate)	\$2,957,080	\$4,498,986	\$1,541,906

^v FAMG's methodology to calculate hourly rates includes: direct salary, overhead salary, operations and maintenance, employee benefits, however it does not include liability insurance or the cost of accommodation due to co-location within the clients offices (FAMG's Annual Revenue Plan 2013-14).

^{vi} The hourly rate for the private sector senior forensic accountant is calculated using the median of daily charge-out costs. These rates include accommodations although the private sector forensic accountant would be co-located within the client's offices and liability insurance which are normally included as overhead in private sector rates.

^{vii} To compare the cost of FAMG's services with those of the private sector the following assumptions were taken into consideration: FAMG services recover on average \$3 million per year in cost recovery over the last five years (Cost recovery model August 2012). Therefore, the average billable hours per year is 21,428 hours (\$3 million divided by \$140/hour). The same number of hours or days were used to arrive to the total costs for the private sector.

^{viii} The difference between billable hours and 70% utilization is the result of work completed by FAMG employees under A-base funding provided by agreements such as IPOC, which is non-billable time.

91. FAMG has 43 Full Time Equivalents (FTE), of which 12 FTEs are supported through A-base funding, while 31 FTEs (nine of which are allocated to administration and overhead) are funded through cost-recovery operations.
92. On average, FAMG cost recovers 57% of their annual budget and operates on a principle of cost neutrality. FAMG has been generating a small surplus, on average \$280,000 annually, or 5% of their overall budget over the past five years. Any small surplus accumulated throughout the year is returned to the Department.
93. While FAMG currently operates on cost-recovery, tight margins and a high billable utilization target leave little in the way of spare capacity within the organization. Senior managers have expressed concerns over the inability of FAMG to hire sufficient staff as a result of the existing funding model. As a large portion of their budget originates from cost-recovery, a temporary reduction in demand can quickly lead to revenue shortfalls.
94. The existing funding model and the shortage of available forensic accountants has resulted in FAMG having to prioritize contracts and requests for work with law enforcement agencies, as the organization is currently running at maximum capacity.
95. Below, in Exhibit 7, the gap in maximum available hours versus actual billable hours is outlined. From 2007/08 to 2011/12, FAMG averaged 84.4 hours of spare capacity per year over the five years. From 2008/09 to 2010/11, FAMG billed over their maximum capacity by working overtime or through a reduction in training and/or vacation time.

Exhibit 7: FAMG Billable Hours, 2007/08 to 2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12	Total
Revenues (Millions)	\$3.54	\$3.78	\$3.67	\$3.80	\$3.14	\$17.93
Hours Invoiced^{ix}	25,322	27,023	26,251	27,208	22,489	128,293
Maximum Theoretical Utilization^x	26,220	26,220	26,220	26,220	23,835 ^{xi}	128,715
Spare Capacity	898	-803	-31	-988	1,346	422

Source: Revenues FAMG's Budget

Conclusions: Efficiency and Economy

96. The evaluation found that FAMG is currently operating in an efficient manner, and that over the last five years has been generating a small annual surplus through its cost-recovery operations. Work conducted by FAMG personnel shows potential efficiencies when compared to estimated private sector costs for similar work.

^{ix} 'Hours Invoiced' was derived by dividing total cost-recovery revenue by the hourly charge-out rate (\$140/hour). This calculation does not include additional costs resulting from overtime.

^x 'Maximum Theoretical Utilization' is based on the maximum number of days worked less statutory holidays, fifteen days vacation, personal and volunteer days, and family-related leave, and assuming a 70% billable utilization rate for an employee's remaining available time. This results in a maximum theoretical utilization of 227 days per year, or 26,220 hours, based on 22 FTEs (the portion of the staff covered by cost-recovery revenue) and a standard 7.5 hour day. The employee training and administrative function was factored in as part of the 30 percent non-billable time.

^{xi} In 2011/12 the Hours Invoiced and the Maximum Theoretical Utilization are lower because two employees were away on maternity leave and their available billing time was not included in the calculation.

Alternative Delivery

97. Potential alternative delivery options are examined in this section of the report as a means of achieving program outcomes and of reducing program costs. Alternatives examined include private sector outsourcing and relocating FAMG to another federal organization.
98. Forensic accounting services are available in the private sector. The top eight accounting firms (by market share) in Canada all provide extensive forensic accounting services, mostly to private individuals and corporations. Although the private sector has similar expertise, their operations are concentrated in commercial, rather than criminal forensic accounting. Since FAMG has had, to a large degree, a monopoly on government forensic accounting services for the past 15 years, this experience has remained concentrated within the federal government.
99. There are several issues which may preclude the devolution of government forensic accounting services. There is the potential that the use of private sector firms could result in the accidental or deliberate dissemination of information on police or prosecution approaches, techniques, or practices to other private sector firms or other clients. There is a potential of conflict of interest if a private sector firm that is providing federal organizations with forensic accounting advice, is providing services to an organization under investigation.
100. In addition, ensuring continuity of contracting services throughout an entire file could be problematic. Given that cases, and therefore FAMG's files, remain open and ongoing over a number of years, FAMG fills a need for continuity. Investigators are generally assigned to a case for a period of two years, but FAMG's forensic accountants remain with the case until it reaches the court and they provide expert testimony. The forensic accountant is often the only player in the investigation with knowledge of the case from start to finish. Many cases have remained active for five to seven years. RCMP stakeholders have mentioned that they rely on FAMG's accountants to act as "corporate memory" in some cases.
101. The most frequently cited reason by stakeholders to prefer FAMG over the private sector was not cost or quality, but quick access to services (78%). The largest obstacles to private sector contracting, as outlined by FAMG's clients who responded to the Office of Audit and Evaluation external stakeholder survey, are security clearance issues (63%), high cost of services (54%), and contracting difficulties (46%). Being co-located with the RCMP provides services that are quick and accessible for the investigators. The proximity of the forensic accountant is practical, as investigators have immediate access to forensic accountants and are able to easily conduct consultations on potentially time-sensitive issues.
102. Delivery of forensic accounting services in the short to medium-term by the private sector would be impractical, given the necessary issues to be surmounted.

103. During stakeholder interviews, the evaluation team inquired whether it would be possible to transfer FAMG to a law enforcement agency, such as the RCMP. FAMG personnel indicated that while the suggested alternative may represent a potential option, they believe this approach is not optimal, as they believe the Canadian criminal justice system attaches a significant importance to confidentiality, protection of information, and perceived independence of expert witnesses. However, other external stakeholders, including the RCMP, indicated that FAMG could be more closely integrated into a law enforcement agency without compromising independence through integration with the broader Public Safety or Justice portfolios. Furthermore, the evaluation did not find that the issue of perceived independence has presented any barriers to crown or federal prosecutors in other jurisdictions.
104. In fact, the international trend is toward centralization of forensic accounting services within security and enforcement organizations to increase co-operation, co-ordination, and efficiency. Organizations like the Serious Fraud Office in the United Kingdom present an alternative, integrated model, where forensic accountants, professional investigators, and lawyers work together to investigate and prosecute complex, high dollar-value financial crimes, both nationally and internationally. The Serious and Organized Crime Agency, similar to the RCMP, also highlights the synergies available through closer integration of financial intelligence and forensic accounting. Since FAMG personnel are primarily co-located with law enforcement agencies, the current service delivery model follows this trend, albeit without the formal integration of FAMG within their client organizations.
105. In the United States, forensic accounting expertise is currently distributed across dozens of agencies and departments. Organizations as diverse as the Department of the Treasury, the Federal Bureau of Investigation, the Internal Revenue Service, and the Securities and Exchange Commission all have their own forensic accounting capacity. However, with the establishment of the Financial Crimes Enforcement Network in Washington, D.C., the American government is moving to increase co-ordination and co-operation within these organizations in order to centralize and share forensic accounting resources across the federal government.
106. Based on interviews with key stakeholders and an analysis of international organizations and trends, the evaluation found that there are other organizations within the federal Public Safety and Justice portfolios that have expertise in security, enforcement, and prosecution activities and could potentially accommodate FAMG within their organization. However, integration into other organizations would require thorough analysis of the independence of the function from policing and prosecution.

Conclusions: Alternative Delivery

107. In the short- to medium-term, large-scale private sector outsourcing would be faced with numerous barriers to adoption. The devolution of service delivery to a

provincial organization would likewise be impractical, given the cross-jurisdictional nature of the work, the lack of demand for services at the provincial level, and the absence of provincial law enforcement organizations in most provinces and territories. A small number of organizations within the federal Public Safety and Justice portfolios could potentially accommodate FAMG within their organization. However, integration into other organizations would require thorough analysis of the independence of the function from policing and prosecution.

GENERAL CONCLUSIONS

108. There is a continuing need for FAMG's services. The original rationale for the program remains sound and demand for services is strong.
109. FAMG remains relevant to federal priorities and its mandate is aligned with federal priorities on safety and security. By providing high-quality, centralized services to other federal organizations, FAMG supports PWGSC's strategic outcome, despite being outside PWGSC's core business lines.
110. FAMG's activities are consistent with federal roles and responsibilities. While it would not be feasible to transfer responsibility to other levels of government or the private sector, it would be possible to transfer responsibility for the function to another federal department; however, the evaluation did not assess the optimal location for FAMG within the federal government.
111. FAMG is progressing towards its intended outcomes. A performance measurement strategy would address data limitations and allow for further conclusions regarding the achievement of intended outcomes. FAMG provides high quality, timely, impartial forensic accounting services. FAMG has implemented a quality control process, however, the evaluation did not attempt to assess if this process respects relevant standards, as this would be outside our mandate. We noted that the process had not been independently validated by a third party to confirm if it respects relevant standards.
112. FAMG is currently operating in an efficient manner, generating a small annual surplus through its cost-recovery operations. Work conducted by FAMG personnel shows potential efficiencies when compared to estimated private sector costs for similar work.
113. Alternative delivery options exist in both the private sector and potentially through other federal departments within the Public Safety and Justice portfolios, although in the short to medium-term, private sector outsourcing faces significant barriers to adoption, including operational security concerns relating to criminal investigations. Integration into other federal organizations would require thorough analysis of the independence of the function from policing or prosecution.

MANAGEMENT RESPONSE

114. Overall, the evaluation found that the rationale for FAMG was valid and that there continues to be a clear need for the services it provides to clients. The evaluation further concluded that FAMG was achieving its objectives by serving the Canadian Criminal Justice system and the courts by identifying, analyzing and explaining complex financial and accounting elements of criminal activities in an objective, independent and non-technical manner, thus helping judges and juries make informed decisions.

We agree with these key findings and are pleased to present the following management response to the specific recommendations in the report. The recommendations essentially pertain to two areas:

- Performance measurement strategy; and
- Validation of internal processes by an independent third party expert to ensure compliance with forensic accounting standards.

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Departmental Oversight Branch, should develop a performance measurement strategy for the Forensic Accounting Management Group to allow the organization to properly monitor and report on the results achieved.

Management Action Plan 1.1: The Departmental Oversight Branch (DOB) agrees with this recommendation and has committed to the development of a performance measurement strategy for FAMG in order to have a single framework document to report on and consolidate all existing and potential key indicators for reporting on the progress of the Program. FAMG will work to ensure that these key indicators will continue to be monitored appropriately and results will be reported through future departmental performance reports.

Recommendation 2: The Assistant Deputy Minister, Departmental Oversight Branch, should ensure that existing internal processes are validated by an independent third-party to ensure compliance with established Investigative and Forensic Accounting standards.

Management Action Plan 2.1: DOB agrees that FAMG's engagement and quality assurance process be validated by an independent third-party. The process including all documents used at each step of an engagement will be validated by an independent third-party in order to establish compliance with the standard practices for investigative and forensic accounting engagements issued on November 2006 by the Institute of Chartered Accountants of Canada.

ABOUT THE EVALUATION

Authority

The Deputy Minister for Public Works and Government Services Canada approved this evaluation, on recommendation by the Audit and Evaluation Committee, as part of the *2009/10-2013/14 Risk-Based Multi Year Audit and Evaluation Plan*.

Evaluation Objectives

The evaluation examined the Forensic Accounting Management Group within Departmental Oversight Branch. This evaluation had two objectives:

- To determine the relevance of the program: the continued need for the program, its alignment with governmental priorities, and its consistency with federal roles and responsibilities.
- To determine the performance of the program: the achievement of its expected outcomes and a demonstration of the efficiency and economy of the program.

Approach

The evaluation was conducted in accordance with the *Standard on Evaluation for the Government of Canada*. The evaluation took place between September 2011 and October 2012 and was conducted in three phases: planning, examination, and reporting. To assess the evaluation issues and questions, the following lines of evidence were used.

Document Review: An initial document review provided an understanding of the program and its context to assist in the planning phase. Documents reviewed included documents provided by the program, as well as documents written about the program. Documents analyzed included federal budgets and speeches from the Throne over the past five years, past evaluations conducted on the Integrated Proceeds of Crime Initiative and the National Anti-Drug Strategy, and documentation provided by the program.

Literature Review: A literature review was conducted to: contextualize the program both nationally and internationally; provide theoretical background for the program model; provide baseline data against which the program could be assessed and identify alternative delivery models through an analysis of other jurisdictions.

Interviews: The evaluation team conducted interviews with PWGSC managers and staff, both internal and external to the program (n=23). In addition, the evaluation team conducted interviews with client organizations and with Treasury Board Secretariat staff (n=12). The qualitative analysis of the interviews provided information about the program's activities, outputs, expected outcomes, stakeholders, relevance and performance from the perspective of program managers, client departments, and other related stakeholders. Interview guides were used.

Survey: A survey was developed by the evaluation team to capture the clients' perspective on the relevance and performance of the program. The contact list was based

on FAMG's client list, as provided by the program. The survey provided additional depth and evidence to the findings. There were 120 respondents representing 78.2% of the program's client base. In addition, a separate survey of FAMG's employees was conducted. There were 42 respondents representing 82.3% of total staff.

Financial Analysis: Financial and budgetary data provided by the program for the past five years was analyzed, including annual budgets, cost-recovery data, billable utilization, and costing models.

File Review: The evaluation team reviewed a randomized, representative sample of FAMG's case files. Out of a total of 597 files, 44 were reviewed by the evaluation team.

Limitations of the Methodology

File Review: The scope of the file review was limited as a result of security concerns. Although a randomized, statistically significant sample (with a 95% confidence interval) was generated, several files were unavailable, as they remained classified, due to security concerns or ongoing legal proceedings. Initially, the program's quality assurance and quality control process was to have been validated by an independent third-party with expertise in forensic accounting. However, as a result of the program expressing security concerns over their methodology and the contents of the case files themselves, this approach was abandoned in favour of having the evaluation team conduct a file review in-house.

Reporting

Findings were documented in a Director's Draft Report, which was reviewed by the Office of Audit and Evaluation's Quality Assurance function. The Program's Director General was provided with the Director's Draft Report and was requested to validate facts and comment on the report. A Chief Audit and Evaluation Executive's Draft Report was prepared and provided to the Assistant Deputy Minister, Departmental Oversight Branch, for acceptance as the Office of Primary Interest. The Office of Primary Interest was requested to respond with a Management Action Plan. The Draft Final Report, including the Management Action Plan, will be presented to PWGSC's Audit and Evaluation Committee for the Deputy Minister's approval in March, 2013. The Final Report will be submitted to the Treasury Board Secretariat and posted on the PWGSC website.

Project Team

The evaluation was conducted by employees of the Office of Audit and Evaluation, overseen by the Director of Evaluation and under the overall direction of the Chief Audit and Evaluation Executive. The evaluation was reviewed by the Quality Assessment function of the Office of Audit and Evaluation.

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APPENDIX A: EVALUATION MATRIX

Evaluation matrix for the Forensic Accounting Management Group (FAMG)		
Evaluation issues and questions	Indicators	Data sources
Relevance		
1. Does FAMG align with the priorities and objectives of the federal government?	▶ Extent of alignment between FAMG and federal government priorities and objectives	<ul style="list-style-type: none"> • FAMG business plan • Documents related to FAMG's involvement in interdepartmental committees and initiatives such as National Anti-drug Strategy (NADS) and Integrated Proceeds of Crime (IPOC.) • Documentation of government-wide policy commitments (e.g., Budget, policy papers, speeches)
2. Does FAMG align with the priorities and strategic outcomes of PWGSC?	▶ Extent of alignment between FAMG and PWGSC priorities and strategic outcomes	<ul style="list-style-type: none"> • FAMG business plan • PWGSC's client service strategy • Documents describing departmental policy (e.g., RPPs, TB submissions, PAA)
3. Does FAMG align with federal and PWGSC roles and responsibilities?	▶ Feasibility of devolvement of responsibility to: <ul style="list-style-type: none"> - private sector - other orders of government - other federal government departments (i.e., decentralization) 	<ul style="list-style-type: none"> • Document review (legislation and policy documents) • Stakeholder interviews • Order in Council • Memoranda to Cabinet • Memorandum of Understanding with clients
4. Is there a continued need for FAMG?	<ul style="list-style-type: none"> ▶ Trends over time in demand for FAMG services (overall and by region) ▶ Trends over time in FAMG caseloads (overall and by region) ▶ FAMG capacity relative to demand for services ▶ Legislative and policy requirements ▶ Stakeholder views on continued need ▶ Client views on continued need 	<ul style="list-style-type: none"> • Administrative data analysis (for trends in caseloads only; evidence regarding demand for services may be anecdotal only) • Document review • Stakeholder interviews • Client survey • Memorandum of Understanding with clients • Departmental Scorecard (% of Cost Recovery) • Financial documents
• Performance – Effectiveness		

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Evaluation matrix for the Forensic Accounting Management Group (FAMG)		
Evaluation issues and questions	Indicators	Data sources
5. To what extent does FAMG provide high-quality, timely forensic accounting services to government institutions?	<ul style="list-style-type: none"> ▶ Client satisfaction with quality and timeliness of FAMG services, as expressed in testimonials ▶ Level of client satisfaction with quality and timeliness of FAMG services, as expressed in 2008–2009 client survey ▶ Percentage of files completed within mutually agreed upon timelines ▶ Stakeholder views on FAMG advice, reports, and testimony, in terms of: <ul style="list-style-type: none"> - clarity - impartiality - timeliness - responsiveness to needs - overall quality 	<ul style="list-style-type: none"> • 2008–2009 client survey results • Client testimonials (e.g., letters, emails) • Administrative data analysis • File Review • Client survey • Stakeholder interviews • Case studies • FAMG Handbook (IFA Standards) • Memorandums of Understanding
6. To what extent do FAMG reports and testimony support criminal investigations and legal proceedings?	<ul style="list-style-type: none"> ▶ Stakeholder reports of support provided by FAMG reports/testimony, as expressed in testimonials ▶ Stakeholder views on the role of FAMG reports and testimony in criminal investigations and legal proceedings 	<ul style="list-style-type: none"> • Stakeholder testimonials (e.g., letters, emails) and comparative analysis with private sector information (if available) • Client survey • Administrative data analysis • Stakeholder interviews • Case studies
7. Have there been any unintended consequences, either positive or negative, associated with FAMG and/or its activities?	<ul style="list-style-type: none"> ▶ Unintended consequences identified by stakeholders ▶ Unintended consequences identified by clients 	<ul style="list-style-type: none"> • Stakeholder interviews • Client survey • Administrative data analysis • File Review • Case studies
8. What factors are contributing to or constraining the achievement of expected outcomes?	<ul style="list-style-type: none"> ▶ Contributing and constraining factors identified by stakeholders ▶ Contributing and constraining factors identified by FAMG 	<ul style="list-style-type: none"> • Stakeholder interviews • Client survey • Administrative data analysis • File Review • Case studies • DOB Integrated Business Plan (Risk Profile)

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Evaluation matrix for the Forensic Accounting Management Group (FAMG)		
Evaluation issues and questions	Indicators	Data sources
9. Does FAMG have in place appropriate methods and systems for monitoring performance and reporting on outcomes?	<ul style="list-style-type: none"> ▶ Stakeholder descriptions of existing methods and systems ▶ Evaluator review and assessment of existing methods and systems 	<ul style="list-style-type: none"> • Administrative data analysis • Stakeholder interviews (FAMG personnel) • Comparative analysis with private sector information such as professional standards, professional reporting, etc. • FAMG Handbook
• Performance – Efficiency and Economy		
10. Does FAMG operate efficiently and economically?	<ul style="list-style-type: none"> ▶ Percentage of costs eligible for cost-recovery that are recovered from clients ▶ Existence of billable hours targets and degree to which billable hours targets are being met ▶ Comparison of FAMG and private sector costs to deliver similar services ▶ Stakeholder perspectives on advantages and disadvantages of FAMG and private sector delivery of forensic accounting services ▶ Client perspectives on advantages and disadvantages of FAMG and private sector delivery, respectively, of forensic accounting services 	<ul style="list-style-type: none"> • Administrative data analysis (i.e., Time Tracker data) and comparative analysis with private sector information (if available) • Cost analysis • Client survey • Stakeholder interviews • Time Tracker System • DOB Integrated Business Plan (IT Plan) • Internal budgets • Departmental Scorecard
11. Are there alternate ways to deliver forensic accounting services to achieve similar results at lower cost?	<ul style="list-style-type: none"> ▶ Comparison of FAMG and private sector costs ▶ Stakeholder perspectives on advantages and disadvantages of FAMG and private sector delivery of forensic accounting services ▶ Client perspectives on advantages and disadvantages of FAMG and private sector delivery, respectively, of forensic accounting services ▶ International approaches to meeting demand for forensic accounting services and feasibility in Canadian context 	<ul style="list-style-type: none"> • Cost analysis or comparative analysis with private sector information (if available) • Client survey • Stakeholder interviews • Literature review

APPENDIX B: IFA STANDARDS

Standards protect the clients and the public interest by ensuring a minimum standard of practice, and to prohibit negligent and unprofessional practices. The IFA standards are intended to provide conceptual guidance to assist in the application of professional judgment. The FAMG Handbook was created by the FAMG management team as a structured set of procedure, recommendations and practices. Below is a comparison of IFA standards and established FAMG procedures. Each standard below is defined and subsections providing context and direction are elaborated in both manuals.

	Standard	IFA*	FAMG**
1	Engagement Acceptance	√	√
2	Engagement Planning	√	√
3	Information Collection and Analysis	√	√
4	Reporting	√	√
5	File Documentation	√	√
6	Quality Control and Quality Assurance Processes		√
7	Expert Testimony	√	√
8	Best Practices for Forensic Accounting Engagements		√

* Source: *The Canadian Institute of Chartered, Investigative & Forensic Accounting Alliance, Standard Practices for Investigative and Forensic Accounting Engagements, November 2006*

**Source: *Public Works and Government Services Canada, Forensic Accounting Management Group, FAMG Handbook, 2006 (section 4-9)*