



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on Public Accounts

EVIDENCE

NUMBER 150

Wednesday, November 6, 2024

Chair: Mr. John Williamson



Standing Committee on Public Accounts

Wednesday, November 6, 2024

• (1630)

[English]

The Chair (Mr. John Williamson (New Brunswick Southwest, CPC)): Good day, everyone.

[Translation]

I call this meeting to order.

Welcome to meeting number 150 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.

Before we begin, I'd like to ask all in-person participants to read the guidelines written on the updated cards on the table. These measures are in place to help prevent audio feedback incidents and to protect the health and safety of all participants, especially our interpreters.

I have a kind reminder for all those in person and online. For the safety of our interpreters, it is important that your microphone be muted when you're not speaking.

[Translation]

Thank you all for your co-operation.

[English]

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

[Translation]

Pursuant to Standing Order 108(3)(g), the committee resumed consideration of the report 1, ArriveCAN, referred to the committee on Monday, February 12, 2024.

[English]

I'd like to welcome all our witnesses.

From the Office of the Auditor General, we have with us Karen Hogan, Auditor General of Canada. It's nice to see you again.

We have Andrew Hayes, deputy auditor general, as well. It's good to have you back, sir.

We also have with us Sami Hannoush, principal. You've been here before, and it's good to see you again.

From the Department of Public Works and Government Services, we have Arianne Reza, deputy minister. It's nice to see you again. You've also been here previously. It's nice to have you and your team back.

We also have with us Catherine Poulin, assistant deputy minister, departmental oversight branch, and Dominic Laporte, senior assistant deputy minister, procurement branch. It's good to see you as well.

Again, we're going to begin with opening remarks.

Ms. Hogan, we'll kick off—

Mr. Larry Brock (Brantford—Brant, CPC): I have a point of order, Chair.

The Chair: Wait just one second, please, Ms. Hogan. We'll come right back to you.

Mr. Larry Brock: Mr. Chair, today an explosive story from Le Journal de Montréal hit. The headline reads, “Minister Guilbeault holds financial interest in a firm linked to a controversial federal fund” and “His office flatly refuses to give details on the subject”.

As we all know, Minister Guilbeault has held a financial interest in Cycle Capital. Cycle Capital has received well over \$600 million from the scandalous green slush fund. He holds a financial interest as a minister.

This committee passed a motion on October 7, 2024. I'm asking for an update, Mr. Chair. Has he accepted our invitation to attend? He has a lot of questions to answer. If he refuses to answer in the press, he will not be able to use that excuse here at committee.

The Chair: Thank you, Mr. Brock.

I'll provide just a brief update. The clerk and I have extended the committee's motion and request for the environment minister to appear. He has yet to do so. We have sent reminders and we are.... We have made the committee available on dates of his choosing, but we have not heard a response in the affirmative yet.

Mr. Larry Brock: Thank you, Chair.

The Chair: We will keep on it. Thank you very much.

We're turning now to the business at hand.

Ms. Hogan, you have the floor, please.

Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General): Mr. Chair, thank you for this opportunity to discuss our report on ArriveCAN.

I want to begin by acknowledging that we are gathered on the traditional unceded territory of the Algonquin Anishinabe people.

[Translation]

Mr. Chair, we've appeared before this committee a number of times since last February, so I will not make an opening statement today, but you will be able to refer to my previous statements.

That said, we will be very pleased to answer any questions the committee may have.

The Chair: Thank you very much.

Things are moving quickly today.

[English]

Ms. Reza, if you'd like to make an opening statement, you have the floor for up to five minutes, please.

Thank you.

Ms. Arianne Reza (Deputy Minister, Department of Public Works and Government Services): Thank you. I don't know if I can be as succinct as the Auditor General, but I will try.

Mr. Chair, thank you for inviting us here today to discuss the procurement processes related to ArriveCAN.

Let me begin by acknowledging that we are gathered on the unceded territory of the Algonquin Anishinabe people.

Joining me, as you noted earlier, are Mr. Laporte and Madam Poulin, both of whom are assistant deputy ministers at PSPC.

Mr. Chair, in addition to the measures I will describe momentarily, I want to acknowledge how frustrating it is for Canadians and parliamentarians alike not to hear simple and clear answers as they relate to ArriveCAN.

On behalf of PSPC, we remain focused on reinforcing the integrity of the procurement process and what we need to do to regain the trust of Canadians. To do so, we need to demonstrate that the system is fair, open and transparent.

The first contract associated with ArriveCAN was awarded in April 2020, in a period of great uncertainty and risk. Four and a half years later, we're still working with various independent reviewers and oversight bodies to understand the gaps that allowed this situation to occur and to put in measures to prevent this from happening again.

[Translation]

In this vein, PSPC has implemented a series of oversight measures, particularly when it comes to documenting requirements and decision-making during the procurement process.

Late last year, PSPC took the unprecedented step of suspending all departments and agencies' delegated authorities to procure professional services until they formally agreed to a new set of more

rigorous terms and conditions, and were able to demonstrate adherence to PSPC.

● (1635)

To date, 99 departments and agencies, including the Canada Border Services Agency, have now signed on to these agreements that require them to include provisions in their solicitations which will result in increased transparency from suppliers on their pricing and their use of subcontractors.

[English]

Some of the other changes we've made to address recommendations from the procurement ombud and the Auditor General include the following. There are four: first, improving evaluation requirements to more effectively validate that suppliers have the necessary qualifications and proven work experience; second, improving documentation requirements to enhance the tracking of work progress and delivery timelines; third, requiring clients to review invoices in greater detail; and finally, improving training and assistance for contracting authorities within both PSPC and client departments.

In addition, we have created the contract quality assurance and record compliance office to review the completeness and accuracy of files as a proactive measure to address documentation shortcomings.

Mr. Chair, I would also like to say a few words regarding one of the methods of supply for professional services that has been the subject of much discussion in committee.

The task-based informatics professional services method of supply, or TBIPS, as it's commonly known, enables the government to pre-qualify suppliers and categorize their services into specific streams, enabling us to efficiently match government needs with service providers. Through TBIPS, the government buys IT services, such as software development, project management, cybersecurity, network support, database management, business analysis, quality assurance and technical support for government departments. TBIPS supports the participation of small and medium-sized enterprises, because it breaks projects down into smaller, task-based components, providing more opportunities to compete for government contracts. This, in turn, is a key enabler of economic growth in Canada.

[Translation]

Let me now move to our efforts to prevent and detect fraud, and address wrongdoing.

As you know, PSPC has been using data analytics to uncover a number of instances of individual subcontractors fraudulently billing the Government of Canada. We are currently in the process of seeking restitution to the Crown in these cases.

In this regard, PSPC has taken steps to further strengthen oversight of federal procurement with the establishment of Office of Supplier Integrity and Compliance. In addition to expanding our data analytics capacity, the new office has enabled us to better identify and mitigate the risk associated with suppliers of concern.

The office promotes fair competition and upholds public trust in federal procurement by boosting our capacity to better know with whom we are doing business.

[English]

In closing, my department is responsible for managing procurements and establishing contracts on behalf of departments and agencies. These, collectively, are worth \$27 billion each year. We take this responsibility seriously, and I know our procurement officers work diligently every day to fulfill these important responsibilities. We remain committed to working to continue to improve and safeguard the integrity of the government's procurement system.

I close where I left off: For the trust of parliamentarians and Canadians, the integrity of the procurement system needs to be reinforced and become open, fair and transparent once again.

The Chair: Thank you very much, Ms. Reza. I appreciate those opening comments.

We're turning now to our first round for members. They will have six minutes each.

Mr. Brock, you'll lead things off for us today.

• (1640)

Mr. Larry Brock: Thank you very much, Mr. Chair.

Thank you to all of the witnesses for their attendance today and for their previous attendance at numerous committees.

What we are talking about today, at least from my perspective, is the ongoing examination and prosecution of the ArriveCAN scandal. It clearly exposed the failures of Canada's broken procurement system and the fraudulent misuse of hard-earned taxpayer funds. One consistent response I get from Canadians from coast to coast is that they're demanding accountability, consequences and recovery. It is the two latter points, consequences and recovery, that will be the focus of my first round of questions.

Deputy Minister Reza, you've appeared numerous times at this committee and at government operations. A question was put to you when you appeared last June at government operations with respect to the total cases of contracting fraud that had been referred to lawful authorities, particularly the RCMP. I have your response to that question. You said, "We have previously referred many fraudulent overbilling cases from 2022, 2023 and 2024 to the RCMP," but it was devoid of details.

I'm asking whether you could explain what you meant by "we have previously referred many...cases". What does that mean? Can you give me a number, please?

Ms. Arianne Reza: I certainly will. Thank you very much for the question.

I want to give you a baseline. The procurement system within the Government of Canada, both at PSPC and more broadly, does about 400,000 procurement transactions. Those are contracts and contract amendments.

Since 2022, under the auspices of PSPC, we've started to use data analytics and mining approaches to be able to look at contracting data. At that time—and I think we'll have to break it into two—when I indicated the ones that had been referred, four cases had been referred. That was from 2022. We provided, in camera, to OG-GO the names that were referred to the RCMP.

Since that time, there have been three further referrals to the RCMP, in October, for similar overbilling to the Government of Canada.

Mr. Larry Brock: That's seven in total.

Ms. Arianne Reza: That is correct.

Mr. Larry Brock: Okay. Is that for the year 2024, or does that include from 2022 to 2024?

Ms. Arianne Reza: It includes everything we've found since 2022. We're constantly looking, but this is what's been found to date.

Mr. Larry Brock: All right.

You gave us the names. There was a bit of push-back, I believe, particularly from Ms. Poulin. There was some push-back. Eventually, you gave us the names.

I would like the names, then, of those additional four referrals. If you have that information now, please share it. If you need to table it at a later date, I'll allow you to do that.

Is that something you're prepared to do?

Ms. Arianne Reza: Absolutely.

When it was asked of us the last time, we provided it within 21 days. We will provide it in the same format to this committee.

Mr. Larry Brock: Okay. Thank you for that.

I'm also mindful of the fact that in late spring, Minister Duclos and Minister Anand were quite concerned about the level of contracting fraud with subcontractors. Minister Duclos indicated that the initial three were simply the first wave of suspected fraudulent billing. He indicated very clearly that there would be additional waves.

Do I take that to mean that the four additional referrals represent that additional wave?

Ms. Arianne Reza: That is my high-level understanding, but we can get some details from Madame Poulin.

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

There were three referrals made in October. There are three new cases, and this represents the second wave of fraudulent billing cases.

Mr. Larry Brock: Will there be further waves? Are you still examining in fine detail, from top to bottom, any other potential criminality, particularly in contracting?

Ms. Arianne Reza: Let me start by answering this. It's going to be something that is evergreen and ongoing.

We look for the best ways to inform Canadians and parliamentarians about it, but to think that it's one wave after another... As I indicated, we do 400,000 procurement transactions a year. We've started to really review it using data analytics. We have, since 2022, now found a total of seven cases. We can talk about restitution.

It would be inconceivable to me not to think that we are going to continue to do this type of work and continue to uncover over-billing.

• (1645)

Mr. Larry Brock: Okay.

I'll dovetail on the Auditor General's report, which provided some detailed examples of the potential criminality, in my opinion, of certain contractors. GC Strategies, or Government of Canada Strategies, was one of them, led by Kristian Firth. He's completely under RCMP investigation. In fact, his home was raided the night before he was to testify at the bar of the House of Commons. He's definitely looking at fraud charges.

On the question of recovery, there was a motion passed in the House toward the latter end of the last session, which demanded that the government provide details on what steps it was taking for recovery. I have since asked a number of ministers, through a number of mediums, what steps they're taking for recovery, and I never get a clear answer. There's been no answer at all.

Ms. Reza, what instructions have you been given by Minister Duclos, or any other minister, or the Prime Minister or the PMO, on recovery efforts?

Ms. Arianne Reza: As far as recovery efforts are concerned, we have made the commitment to the minister to look at how we can recover the funds that were spent on the contract. We have written to GC Strategies and other companies related to ArriveCAN, to put them on notice that we're reviewing this and working with the CBSA.

The CBSA is the client in this. We're helping it go through invoices. We're helping it look at whether there was overbilling or fraud.

Let me pause here.

[Translation]

Do you have anything to add, Ms. Poulin?

[English]

Ms. Catherine Poulin: No. I think the answer is complete.

Each client department is responsible for recovering the funds if it thinks it has been fraudulently overbilled or if it hasn't received the service it paid for.

The Chair: Thank you. That is the time, Mr. Brock.

We're moving on to Ms. Yip now.

You have the floor for six minutes, please.

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

Thank you, witnesses, for coming today.

Ms. Reza, I'm wondering if you could tell us a bit about your background in procurement.

Ms. Arianne Reza: I started in December 2016. I won a competition, and I was appointed to be the ADM of procurement. I had to look up exactly what procurement meant, not from a tendering perspective, but from a contract life cycle perspective, looking at the different elements of it.

I've been at PSPC since 2016 in a variety of roles, and at the end of the month, hopefully, I will be celebrating one year as the deputy of PSPC. My experience is now not limited to procurement per se, but it's also looking across the business lines and the back-office functions of the Government of Canada.

Ms. Jean Yip: Where were you employed before your role at PSPC?

Ms. Arianne Reza: I've been a public servant for approximately 27 years. I started my career at Health Canada. I went to the central agencies and spent some time at Treasury Board, and then I spent nine to 10 years at Canada Border Services Agency, where I had responsibility for everything from regions—being operationally responsible for the front line—to some of the headquarter work.

Ms. Jean Yip: Could you tell us how long Diane Daly worked at PSPC?

Ms. Arianne Reza: On that, I would have to come back to you, unless one of my colleagues knows. Ms. Daly, I believe, worked at PSPC until 2018. I think she started in 2008 as a senior procurement officer, and in 2018, she went on secondment, which is like going on an assignment in the Government in Canada, to go to CBSA. She recently returned to us in midsummer 2023.

Ms. Jean Yip: What was the working relationship like with Ms. Daly?

Ms. Arianne Reza: I'm sorry. I've never met Ms. Daly. I've never worked with her directly. I have no information. I don't know if any of my colleagues... Would you like to know what she does at PSPC, in terms of her responsibilities?

Mr. Dominic Laporte (Senior Assistant Deputy Minister, Procurement Branch, Department of Public Works and Government Services): I'm happy to jump in.

Ms. Daly is a PG-5, and previously, she was with the real property sector of our department, so that's with procurement.

Ms. Arianne Reza: We use the term "classifications". The PG-5 is a relatively senior officer. They have authority to award contracts up to \$30 million and to set up supply arrangements. This is someone with a lot of training and expertise to offer.

• (1650)

Ms. Jean Yip: Ms. Poulin and Mr. Laporte, did either of you have a working relationship with Ms. Daly?

[Translation]

Ms. Catherine Poulin: Thank you for the question.

[English]

No, I have not had any relationship with Ms. Daly, within PSPC.

Mr. Dominic Laporte: I also never met or talked to Ms. Daly.

Ms. Jean Yip: I'm sure you've read the Auditor General's report on ArriveCAN. Do you agree, Ms. Reza, with her findings and recommendations?

Ms. Arianne Reza: I absolutely agree. As an individual and as the deputy head of PSPC, we have responded. We have responded to the recommendation that was really focused on PSPC. There was a whole series of recommendations. One was directed to us.

We have put in a lot of controls and a lot of review now, in having the oversight, the transparency and the documentation. You asked me about being in procurement. From my perspective, we perennially fall down on file records. With a new e-procurement system, with a new compliance structure to make sure there are full file reviews for decision-making and accountability, we're really hoping to be able to turn the corner and provide more confidence in that file management.

Ms. Jean Yip: Was the filing the most pressing of the recommendations, or is that what you've prioritized?

Ms. Arianne Reza: I wouldn't say it's the most pressing. Maybe we can turn here to the Auditor General. From my perspective, really, on the roles and responsibilities between the client and the procurement department, my understanding, as it was pointed out to us, is that we had to challenge function a lot of the decisions. There's a lot of grey space where we need to figure out how to proceed, in terms of decision-making.

May I turn here to the AG?

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

A number of our recommendations deal with fundamental findings and areas for improvement. I say "fundamental" because they should be in place. For example, these include the importance of documenting the procurement file, the importance of ensuring that records relating to the payment of invoices are clear and that coding of expenses is clear, the importance of conflict of interest forms, and the importance of proper project management documents like budgets and oversight evidence.

That was the focus of many of our recommendations, and I would say that it's difficult to put one as a priority. They are all important.

Ms. Jean Yip: Has an action plan been put in place?

Ms. Arianne Reza: Maybe we can describe that, because it's the most rigorous action plan we've put in place. We're hoping it will yield value for the departments and PSPC.

I'm going to turn to Dominic.

Mr. Dominic Laporte: Several measures have been put in place in light of the OAG report on ArriveCAN. I would say that task authorizations are clearly defined. In the past, maybe we had task authorizations that were vague. Now they're clearly defined.

Our deputy also spoke about the huge effort we've made in terms of quality assurance and records compliance. We've done three cycles of review, and 450 files have been reviewed by directors. The directors themselves are now personally committed to looking into files, in order to make sure the appropriate information is there. Basically, we learned from some of the challenges we were confronted with in the OAG report.

Also, I would say that a big, key take-away is the challenge function PSPC is playing. I'm asking our procurement officers to challenge the client. If, for example, we have a concern about a procurement strategy that is brought forward and non-compulsive, I say, "Please go ahead, challenge your client and make sure the procurement strategy is documented in its own file."

A lot of key take-aways have been implemented in light of this OAG report.

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

Thank you very much to the witnesses for being with us today.

Our committee is coming to the end of its study on the ArriveCAN application, nearly a year after it was launched.

It's a good time to take stock, as a number of measures were announced when the Auditor General's report was tabled. Almost a year later, we should be seeing the first results. I will focus on that to begin with.

Before continuing, Ms. Reza, I would like to say that I found my colleague Ms. Yip's question about your background interesting.

Before you came to PSPC, you spent many years at CBSA. The issues raised by the Auditor General in her report couldn't have started in 2016. They likely go back to when the processes were in place—you were probably at CBSA. Is that your experience as well in terms of processes?

According to the Auditor General, the bookkeeping was among the worst she had seen in a number of years.

The problems probably didn't start in 2016. Did you notice the same problems when you were at the agency?

• (1655)

Ms. Arianne Reza: Thank you for the question.

I did not observe those issues when I was at CBSA.

In the end, when I was acting assistant deputy minister, I was responsible for managing expenses related to border processes for travellers. As part of my accountability mandate, I was also responsible for ensuring that budgets were properly prepared. So I haven't experienced that situation; I haven't seen the same thing.

I think it's very important to point out that the awarded contracts did not concern the ArriveCAN application file. The purpose of those contracts was to increase the number of consultants to help us manage the budget. I think that was among the points that were raised.

Currently, I am responsible for managing professional services contracts.

Ms. Nathalie Sinclair-Desgagné: I understand what you're saying, but the ArriveCAN application file is the tip of the iceberg in terms of processes and record keeping. These processes must exist elsewhere; they were not put in place for a single project.

We noted that this practice was quite widespread within CBSA. I'm surprised to hear you say that you had a diametrically different experience. Generally speaking, when there is a problem in an organization, it is not necessarily related to a single team. This was a problem with people at a fairly high level within CBSA. So I'm a bit surprised by your answer.

During our study, allegations were made that there was a toxic culture at CBSA. You were there while Luc Sabourin was working there.

Haven't you ever heard of Luc Sabourin? Are you aware of that case?

Ms. Arianne Reza: I did not hear about it when I was at the agency. I'm learning about it from your comments. I checked the period in question, and I think it was after I left the agency. It has been—

Ms. Nathalie Sinclair-Desgagné: This happened between 2009 and 2016.

Ms. Arianne Reza: All right.

Ms. Nathalie Sinclair-Desgagné: That happened precisely during the years when you were at the agency. I'm obviously not saying there's a connection. So you have no knowledge of that.

Mr. Sabourin pointed out that there is a toxic culture within the agency. We've heard about a possible toxic culture in the human resources department. We've also heard about possible criminal activity. In fact, an RCMP investigation is under way. We learned that bookkeeping was deplorable.

Quite a few issues were raised about CBSA, and they are unlikely to have surfaced only after you left.

Ms. Arianne Reza: I would add that the results of the public service employee survey are still very weak when it comes to CBSA. The survey is conducted at all federal government departments and agencies.

That continues to be a concern for us. Let's not forget that many CBSA officers provide frontline services. Accordingly, when an agency achieves such results, there is always some concern about what should be improved. I agree with that.

Ms. Nathalie Sinclair-Desgagné: Thank you very much.

With respect to PSPC, you've already mentioned a number of measures that were put in place, and I commend you for that. Those include specific processes and eliminating certain framework agreements with companies, which could be tantamount to a free pass. You suspended several departments' ability to award contracts without due process.

What is the current situation? Have you already achieved results?

Have any departments told you that they want to recover funds?

Can you provide statistics on that?

Ms. Arianne Reza: There are two parts to your question. First, you're asking what we've seen in terms of a culture change in the procurement process. Then you're asking if we've recovered any funds.

I will give the floor to Ms. Poulin and Mr. Laporte. They will be able to provide more details.

Ms. Catherine Poulin: Thank you very much.

We were able to recover some funds. That sum amounts to about \$800,000, of which \$400,000 has already been received and \$380,000 is in the process of being finalized in the form of agreements. For that last amount, we're just waiting for payment.

These recovered funds are related to three fraudulent billing cases that were announced by the Minister in March 2024.

Ms. Nathalie Sinclair-Desgagné: Can you tell me which company that was? Is that confidential information?

Ms. Catherine Poulin: It is indeed confidential information. You will understand that we want to avoid compromising ongoing negotiations on restitution agreements.

That said, we are very pleased to see that everyone has been contacted and that most of the people we call for reimbursement are collaborating. They understand the importance of maintaining a good relationship with the federal government. They also understand their contractual obligations.

They're not necessarily happy to talk to us about reimbursing the funds, but we're having success, and we're satisfied with the progress so far.

• (1700)

Ms. Arianne Reza: I would like to add that, in the past, it was usually up to each department to go and recover funds. However, it was not effective. We're going to have this new data analytics capability, and we've asked Treasury Board to give us that responsibility.

This is just the first wave, if I can put it that way. We're going to try to recover all the funds.

Mr. Dominic Laporte: I'm very proud of the work done by our procurement officers. There's a great deal more transparency than there has been in the past.

Some of the things we've done include, for example, requiring suppliers to disclose the names of their subcontractors and their profit margins. There's also much more rigour in terms of the requirements for task authorizations. For example, the job description needs to be more specific than it used to be. What we saw with the ArriveCAN app must not reoccur. The job description was so vague that we weren't sure we could link what was expected of this app to another IT project.

So I'm very happy to say that we have done a lot of outreach with our clients. The Treasury Board Secretariat has also helped us a great deal in raising awareness among managers, who are primarily responsible for defining needs when they request funds. So the Treasury Board Secretariat has issued guidance to managers. In short, many measures have been taken.

As I mentioned, 450 procurement files were audited, and the compliance rate on those files was high. When we realize that certain things need to be improved, such as if we notice that a document was missing, we take a very constructive approach to our procurement officers. We've also created checklists to make sure that all the pieces of information that need to be in the procurement file are there.

I'm very impressed with the culture change we're seeing. All of this is being done in parallel with training activities. We have about 1,000 procurement officers who have completed our training on file management quality. All these things are moving us in the right direction.

The Chair: Thank you very much.

[English]

Next, we have Ms. Zarrillo, joining us online.

Welcome to the committee, Ms. Zarrillo, and you have the floor, for six minutes, please.

Ms. Bonita Zarrillo (Port Moody—Coquitlam, NDP): Thank you, Mr. Chair. My questions today will be for witness Hogan.

There are so many additional important issues that the Auditor General's office needs to audit to serve Canadians with better transparency and oversight. One of those that I and my NDP colleagues are seized with is the financialization of housing and how the federal pension plans are contributing to the displacement of renters through the Public Sector Pension Investment Board, the PSPIB, as they contract out landlords to manage their multi-family real estate assets.

I want to refer to the PSPIB special examination report out of witness Hogan's office in 2021. We know that the PSPIB is a Crown corporation. The report stated, "During our audit, the secretariat communicated the government's funding risk tolerance and long-term real rate-of-return objective for the pension assets that the corporation managed." They were told what those risk tolerances and rate-of-return objectives were. The report also said, "the government's real rate-of-return objective was 3.6% for the following 10 years and 4.0% thereafter."

That was in 2021. Today, just recently, the PSPIB annual report shows that their 10-year net annualized return is 8.3%, more than double those objectives. Those returns are partially coming off the backs of displaced renters. In fact, ACORN Canada protests that the Public Sector Pension Investment Board's stake in exploitative financialized housing is causing harm.

If we think about the PSP investment board being one of the largest billion-dollar corporate financialized landlords, it certainly requires oversight, as this is happening under the government's watch. Who is overseeing renters and protecting people from private investment and tactics like the ones the PSP Investment Board is engaging in?

I would say they're engaging in it because we know, according to documents released in response to a recent access to information request, that the PSP Investment Board owns around half of Starlight Toronto's portfolio. Starlight is actually Starlight Investments, one of the largest landlords in Canada, a privately held real estate investment and asset manager that manages over 65,000 units. Prior to founding Starlight, their CEO ran TransGlobe, which earned a reputation for ignoring tenants' requests for maintenance and faced hundreds of charges for failing to do repairs and for violations of the fire code. Starlight has also applied for more above-guideline rent increases than any other landlord in Toronto. It was one of the top evictors during the pandemic and has targeted tenant organizers with evictions.

Witness Hogan, this is the government's partner in the pension funds. Are you aware of this reality?

• (1705)

Ms. Karen Hogan: Mr. Chair, I pride myself on coming prepared to answer just about any question a committee member may have, but I have to admit that I did not anticipate this.

I would offer up that I will happily consult with my audit team on the PSPIB special examination, including the joint auditor. This is an audit that we do jointly with the private sector.

Could I provide a written response back to you, Mr. Chair, that you could share with the committee member?

The Chair: I think that would be fine.

Ms. Zarrillo, you have the floor again.

Ms. Bonita Zarrillo: Thank you.

The very pensioners that this fund is supposed to protect are asking for oversight, so I'm happy to hear this from witness Hogan. I'll be looking forward to that.

This comes from The Hill Times. The headline reads:

Union urges public sector pension fund not to pursue rent increases, mass evictions at Toronto apartment buildings

It goes on:

A union representing federal public servants says the pension fund that manages its members' retirement savings has joined with one of Canada's largest real estate firms to evict tenants who are resisting proposed rent increases at three rental...buildings in Toronto.

Union representatives and tenant organizers have criticized the Public Sector Pension Investment Board (PSPIB) and its operational arm...for its role in the joint venture with Starlight Investments, a global asset management company that is one of the largest privately held real estate firms in Canada.

I want to share this, witness Hogan, and I want to ask this question. I've tried to reach out to the newly appointed board chair. I have been refused a number of times any access to the PSP Investment Board chair. They've pushed me off to some other operational pieces. Obviously, there is no accountability for Canadians.

I just want to understand why a parliamentarian is not allowed access to the board of this Crown corporation, when this is exactly who they report to. They report to parliamentarians.

Ms. Karen Hogan: Mr. Chair, I echo the fact that boards of directors oversee the operations of Crown corporations. A Crown corporation is at arm's length from the government, but ultimately it accounts back to the government.

What I can offer up and encourage is this: If this or another parliamentary committee would like to study our special examination and invite witnesses from the Crown corporation, our office and among the joint auditors, I'm sure we would all be prepared to support the committee in studying important matters linked to PSPIB.

The Chair: Thank you very much.

That is the time for this exchange.

Beginning our second round, Mr. McCauley has the floor for five minutes.

Mr. Kelly McCauley (Edmonton West, CPC): Thanks, Chair.

Witnesses, welcome.

Ms. Reza, during one of your previous appearances, you noted that GC Strategies had been given a suspension for 180 days.

The 180 days are up. Are they still suspended?

Ms. Arianne Reza: They are no longer eligible to do business with the Government of Canada. I think they're permanently removed.

Mr. Kelly McCauley: They've been permanently removed.

Ms. Arianne Reza: I'm going to confirm this, so I don't....

[Translation]

Ms. Catherine Poulin: Thank you for the question.

[English]

GC Strategies no longer holds a security clearance with the contract program. This means they cannot access secure procurement on our side.

Mr. Kelly McCauley: Can they access any other procurements?

Ms. Catherine Poulin: I will turn to my colleague.

Mr. Dominic Laporte: Thank you.

They've been disqualified. There was a breach of the code of conduct for procurement, so they've been disqualified from all supplier arrangements. This usually applies across all departments.

Mr. Kelly McCauley: How many companies similar to them have been suspended or lost security and, therefore, cannot bid or have lost access because of misconduct?

Mr. Dominic Laporte: I'm aware of three companies. We have Dalian, Coradix and GC Strategies. Those are the three that have been suspended. I would need to go back to the records to provide you with an exact number and time frame. However, since February and March, those have been the three companies.

• (1710)

Mr. Kelly McCauley: I would assume that it's also the companies involved with the ones referred to the RCMP.

Is it not?

Ms. Arianne Reza: Perhaps I can take a crack at answering that.

I want to distinguish this: When it comes to overbilling and time theft, it is usually at the resource level. The supplier, while held responsible through the code of conduct—

Mr. Kelly McCauley: These are subcontractors referred to the RCMP. Are there systems set up to ensure that these subcontractors are never used again?

Ms. Arianne Reza: We're mapping that out. As I indicated, this is a whole new set of.... First, we need to find them, refer them, get restitution and put out what their requirement is. They lose their security clearances. There are other elements to it, depending on whether or not it was an error and whether or not they're paying it back.

It's not "one size fits all".

Mr. Kelly McCauley: Thanks.

You mentioned restitution. The comment to my colleague Ms. Sinclair-Desgagné was that restitution agreements are being negotiated.

Why would we be negotiating restitution if they owe taxpayers money? Would it not be, "You overbilled us, so pay us back," period?

Ms. Arianne Reza: As a result of the time theft, we've reached out to the suppliers. They themselves don't know. We've given them a methodology for the money they owe. We've started—

Mr. Kelly McCauley: I'm sorry. Let me stop you there.

You said you reached out to suppliers about time theft—money stolen from taxpayers—and that they don't know. Why are we at the point of even having such a discussion? If we've identified time theft—money stolen from taxpayers—should we not just be stating to these suppliers, "Here is the bill, and pay us back immediately"?

Ms. Catherine Poulin: In fact, that's exactly what we have done. We wrote them a letter—

Mr. Kelly McCauley: Let me stop you there, then.

You said that you're negotiating restitution agreements.

Ms. Catherine Poulin: This is the settlement agreement that goes with the payment.

We told them, "Please pay us that money." They are paying it back, but they are putting legal conditions on the confidentiality of the agreement and the fact that they are not agreeing to their liability. I think there's a specific word. They are saying, "This does not constitute an admission of liability. However, because we want to keep our relationship with you, we understand it's our responsibility, as part of the contract. Here's your money. It's the full amount of the money that was overbilled."

Mr. Kelly McCauley: How is it that the government is finding time theft among subcontractors, but the main contractor is not? I understand you are saying that the company is saying, "Well, we're not liable and we're not admitting guilt." Did the time theft not happen through the contractor, billing the taxpayer?

Ms. Catherine Poulin: Maybe I have to explain those over-billing cases a little more. Individual people, through multiple contracts, with multiple departments, are concurrently billing the same hours of work.

Mr. Kelly McCauley: I see. That sounds like fraud.

A voice: That is fraud.

Ms. Catherine Poulin: Yes, exactly, and that's why the—

Mr. Kelly McCauley: Let me just stop you.

The Chair: You have time for a quick question, Mr. McCauley.

Mr. Kelly McCauley: If it's fraud, why is this not going directly to the RCMP and the money being demanded back immediately instead of through a negotiation?

Ms. Catherine Poulin: We should forget the word "negotiation" here, because they paid back the entire amount. They are negotiating the terms of the settlement. These are two different concepts.

Mr. Kelly McCauley: I understand that. People are defrauding us, but we're giving them terms—

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

Up next, we have Mr. Drouin.

[*Translation*]

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

[*English*]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

Ms. Reza, I have a question with regard to something you alluded to in your opening statement. You mentioned procurement vehicles and TBIPS. In ArriveCAN's case, was TBIPS a procurement vehicle that was used?

Ms. Arianne Reza: I think what's interesting is that there were, I think, three or four sole-source contracts where TBIPS was not used. In hindsight, that is one of the key issues. Had it gone through TBIPS, we may have had a very different outcome.

The contract referred to in the Auditor General's report, as well as the procurement ombudsman's report, where there were some irregularities, was actually through TBIPS, and work is under way there.

In general, TBIPS does a lot of business, and there's a lot of control and oversight. There are two separate streams. One is open to all vendors on the list. The list is periodically updated. I think it's an interesting opportunity, as well, to understand that there's a whole continuum of suppliers, from the micro suppliers, which have one to four employees, to the very large firms. We recently did an overview of the number of Canadians employed on government contracts through the SME lens and through TBIPS. I think, for all professional services, 280,000 Canadians were employed, providing service through SMEs to the Government of Canada through this vehicle.

• (1715)

Mr. Francis Drouin: In the Auditor General's Report 1, we've read that there was a bit of back-and-forth between PSPC and CBSA. I think PSPC's role is always to push its clients to move to a competitive process, but at the time, CBSA had said, "Well, we don't have time for that." When vendors are registered on TBIPS, does that shorten the procurement cycle or do we embark on a song and dance with an open competitive process once we are on the supply arrangement?

Mr. Dominic Laporte: It does indeed shorten the procurement process. Usually, you would have to post for at least 40 days. The solicitation process takes time. Having pre-qualified suppliers really fast-tracks the procurement process.

Ms. Arianne Reza: There's an efficiency to having it, and they've already gone through some of the solicitation process. They also have to guarantee various insurance, capacity and security elements. It certainly does accelerate it, which is why almost all professional services go through TBIPS or a supply arrangement of that nature. The fact that in the case of CBSA there was staff augmentation in April 2020 was almost unique during the pandemic.

Mr. Francis Drouin: Thank you.

I'll go now to the Auditor General.

[Translation]

I know you're going to do an in-depth analysis of the contracts awarded to GC Strategies since 2011.

Will you audit the kind of procurement process that this company used?

Will you check whether the company was effective and whether it carried out the tasks assigned to it?

Will that be part of your audit, or will you only be looking at contracts that were signed and determine whether they were awarded competitively?

Ms. Karen Hogan: We wrote to parliamentary officials to say that we would begin auditing the other contracts awarded to GC Strategies and the companies related to them.

We have not yet determined the scope or the period of time it will cover.

We are also in the process of determining how many Crown corporations or departments will be included. However, we intend to examine the deficiencies raised, either in the files related to the ArriveCan app or in our report on professional contracts, to verify whether the contracts awarded to GC Strategies have similar deficiencies.

As soon as the scope and an approximate time frame have been set, we will communicate again with Parliament to inform those responsible.

Mr. Francis Drouin: Thank you.

[English]

Mr. Chair, I think I'm out of time. Thank you.

The Chair: Okay. You had a few seconds left. I'll add them on if you're running a little late next time.

[Translation]

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

Ms. Nathalie Sinclair-Desgagné: Mr. Laporte, in terms of the measures taken, you said how proud you were of the work done by certain procurement officers in the departments.

What about Crown corporations, which also award contracts and in which irregularities have also been found quite often?

Mr. Dominic Laporte: Thank you for the question, Mr. Chair.

I have not heard any comments, negative or positive, about Crown corporations. We work very closely with the departments that use our procurement tools.

Crown corporations often launch their own call for tenders. That's why we intervene much less in the client relationship with them.

Ms. Nathalie Sinclair-Desgagné: During the pandemic, irregularities at some Crown corporations were also detected. In fact, they were studied. If you haven't heard of it yet, you will very soon.

One example that comes to mind is the contracts awarded by Export Development Canada, on a non-competitive basis, to Accenture for the management of the QEC method.

The procurement system of this type of Crown corporation also needs serious reform.

Do you have an audit mechanism for that, or is your mandate really focused on departments and agencies?

• (1720)

Mr. Dominic Laporte: We really work with the departments and officers who use our procurement tools. They are all subject to the same standards.

Ms. Nathalie Sinclair-Desgagné: So the answer is that you don't have control.

Okay, thank you.

I'm sorry, but I have so many questions to ask and so little time.

I keep coming back to the issue of non-competitive contracts because I always feel like I'm not getting good answers about that.

Since 2016, the number of non-competitive contracts reported on the open government portal has skyrocketed. It's gone up by about 30%. That's the percentage that was reported for all of 2023, the last full year for which data is available on non-competitive contracts compared to competitive contracts.

It was actually the report on the ArriveCan file that helped uncover the issue. The more we dug into it, the more we realized that the problem was much more widespread.

It is up to your department to resolve the situation by almost systematically awarding contracts competitively in order to obtain the best possible services at the best possible price for taxpayers.

In concrete terms, what are you doing about this?

Ms. Arianne Reza: I'll start by pointing out that, within the department, our objective is to award contracts competitively at a rate of about 80%, at a minimum.

I checked our figures, because I noted that you always talk about the 70-30 ratio, in percentage terms, for all departments.

It turns out that contracts are awarded competitively in approximately 83% of cases. I'm very relieved to see that.

My department handles only 20% of the contracts, because they are high value. I think you made an important point.

I'm looking to see what contracts we can award competitively through the system so that we can always achieve a reasonable level. From my perspective, that would be between 80% and 85%.

Mr. Dominic Laporte: We're always trying to work more with clients to make sure they know that competitive contracts are the norm. Basically, they're the norm, and that's what we want.

However, some contracts are for services and products that are subject to intellectual property rights and licences, so that has to be taken into account as well.

Military procurement is another thing we need to look at. In some emergency situations, we have no choice but to enter into non-competitive contracts. Non-competitive contracts are also permitted under trade agreements and government procurement regulations. When these contracts are entered into, they comply with regulations and trade agreements.

Ms. Arianne Reza: We can provide more detail if there's time.

The Chair: We're out of time. I'm sorry about that. However, we may be able to come back to it later.

[English]

Up next is Ms. Zarrillo for two and a half minutes, please.

You have the floor.

Ms. Bonita Zarrillo: Thank you so much.

Again, my questions are for witness Hogan.

In light of the multitude of audits that are required by your department and your office that protect Canadians, I'm wondering if you think it is a good use of taxpayers' money and also of your time to have you appear here over and over again. I understand you took less time this time because you have been here so many times. Be-

cause there are so many topics that matter to Canadians, I wonder if you wouldn't mind sharing whether you think this is a good use of taxpayers' money and time.

Also, when will be the next update in regard to ArriveCAN? What are the dates and things that are coming up? Then, what is next for Canadians and parliamentarians to hear about from your office in regard to audits? What's next? What's coming up?

Ms. Karen Hogan: It is my responsibility as Auditor General of Canada to serve Parliament and support the House and the Senate. I will appear as many times as committees invite me. I think it's very important for us to talk about our work. The more we can talk about our work and the more committees are interested in our work, I hope the more positive and swift change will happen across the public service to improve the lives of Canadians. I'm always happy to be here.

When it comes to ArriveCAN, at this moment we are not planning on a fulsome follow-up on that audit. I do talk with Deputy Minister Reza occasionally around the progress they're making. We are looking at a way within our office to see how we can follow up on a more regular basis on many of the recommendations that we have issued, but I would expect that the public accounts committee will ask for regular updates on the detailed management action plan that was provided here.

When it comes to work coming up, I am expected to table some reports, hopefully, in December. That is our plan. The exact date is what we're trying to iron out.

There are five audits that are coming up. I'm trying to remember what they all are. For sure, one is on the Canada emergency business account, so CEBA is coming up. There is something on digital identity. There are programs for seniors, the Canada summer jobs program, and industrial and technological benefits. Those would be the five reports that will be tabled in the winter.

• (1725)

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

Mr. Genuis, you have the floor for five minutes, please.

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

I have a quick question for the officials to start off with.

Ballpark, how much has the government lost as a result of contracting fraud in the last nine years?

Ms. Arianne Reza: I don't think we have figures that go back nine years. We can try to come back with an answer. We can tell you that from what we've seen in our referrals to the RCMP, we're at \$4.5 million and counting.

Mr. Garnett Genuis: That's in specific referrals to the RCMP, but we've talked about so many other practices that are fraudulent. Do you have a ballpark sense of how much has been lost as a result of misrepresentation and the breaking of various kinds of rules?

[*Translation*]

Ms. Catherine Poulin: Thank you for the question.

[*English*]

I do not have such information.

Mr. Garnett Genuis: Perhaps you could try to come back to the committee with that. I'll move on.

The arrive scam contractor, GC Strategies, has gotten a lot of attention. Dalian has gotten comparatively less, even though Dalian is also a two-person company involved in the contract. They also appear to have done no actual work on the app.

Dalian had been identified by the government as an indigenous company. They operated in a joint venture with Coradix, which allowed Coradix, a larger, non-indigenous company, to get contracts under the indigenous set-aside. Dalian has now, though, been removed from the indigenous business list.

Can our officials advise as to why Dalian was removed from the indigenous business list? Were they never indigenous? Did they cease to be indigenous? What happened there?

Ms. Arianne Reza: I believe this was raised at OGGO with my colleague, Gina Wilson. She answered the question, as they are the owner of the indigenous business directory, and they are best placed to answer those questions of indigeneity. What I took from the testimony was that they no longer met the corporation structure.

Mr. Garnett Genuis: The testimony we heard from Indigenous Services officials was this:

We noted that Globe and Mail interviews with Dalian referred to changes in his corporation. That affected the "51% owned and controlled" scenario. That was part of the reason we had to remove his business from the directory.

Is The Globe and Mail your usual source for information about who is and is not considered to be eligible for certain procurement programs?

Ms. Arianne Reza: In the case of the indigenous service list or indigenous business list, our source of authority on indigeneity and whether or not they can be on the list is ISC. We get our procurement for—

Mr. Garnett Genuis: I guess what I'm asking is more general.

What was shocking to me about that testimony was that it was like officials telling us, "Well, we pick up The Globe and Mail; we read it, and that's our source for information for deciding eligibility for these procurement programs."

It seems to me that the government should have a way of getting information to verify procurement requirements, rather than hoping that a shady contractor will make the mistake of revealing information to the newspaper. Does this strike you as a flaw in the system?

Ms. Arianne Reza: Well, I can describe, if you permit, some of the work that we do before we do business with a vendor, from a procurement perspective, if that's reasonable. We do—

Mr. Garnett Genuis: Well, I guess I'm just looking for information about the sources of information for this kind of verification.

Mr. Dominic Laporte: What we can do also is that oftentimes they're going to be referred to ISC. Our procurement officers, in the course of their business dealings, are going to be proactively referring contracts for post-award audits to ISC, and ISC will undertake those audits.

Also, in the case of Dalian, it's interesting to note that the reason they got suspended at first was also, irrespective of the IBD, that they found themselves in a conflict of interest situation, so—

Mr. Garnett Genuis: You know what? I agree there were other problems, but they were taken off that list.

I'll just say that on indigenous procurement, very clearly, we have the sort of Spider-Man meme happening, where procurement officials are pointing at ISC, and ISC is pointing back at procurement. I asked a question in the House about this, and it was your minister, the procurement minister, who responded to it. I wonder if this is why indigenous leaders are telling us that the program is such a mess. It's because you have ministers' departments pointing at each other and not getting it done.

On this point, I want to ask the Auditor General this, quickly. You've been asked by indigenous leaders to investigate abuses of the indigenous procurement program, abuses that indigenous leaders say are rampant. Can you give us an update on your plans and prospective timelines around investigating the indigenous procurement program?

• (1730)

Ms. Karen Hogan: We have begun the work on indigenous procurement, and we're looking at either the fall of 2025 or the spring of 2026 to make that report public. I think it will depend on access to information and timing, but it's in the works. It has begun.

Mr. Garnett Genuis: Is there any way you can get that out by, say, August 2025? Indigenous leaders say that a majority of these contracts are problematic, and I think it's the sort of thing that Canadians might want to see before having to make any major decisions—

Ms. Karen Hogan: I don't think I have the parliamentary calendar committed to memory, but I do not believe that Parliament sits in August, and Parliament needs to be sitting for me to be able to provide reports.

The Chair: Thank you. That is the time.

Up next is Mr. Erskine-Smith.

You have the floor for five minutes, please.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): Thanks so much, Chair.

Auditor General, you testified previously on ArriveCAN. I was not here when you testified, and I know that there have been many, many meetings on ArriveCAN at this committee, but it strikes me as odd that, from what I can glean from the evidence and testimony after all those meetings, we still don't know—at least, I still don't know, but maybe someone knows—who is ultimately responsible for having approved.... Where does culpability lie here, on an individual basis?

We've got Cameron MacDonald and Antonio Utano on the one hand. There have been allegations against Minh Doan. In all the reviews you've done.... I mean, can you give us a read from your perspective, given that you've done a deeper dive than we have?

Ms. Karen Hogan: I think I would start off by a general statement, and then I'll give you a bit more detail, but when so much goes wrong, every layer of management has to take some responsibility for the significant weaknesses that we found, whether it be in procurement, contract management, project management, budget management or record-keeping.

There are many layers of management that need to take responsibility here, but when it comes to who actually decided that GC Strategies was the right vendor, it's a question that we were not able to answer. I can tell you, though, that there was a contract requisition—the document that indicates that a contract should be issued—that was signed by the executive director over at CBSA.

I think every public servant needs to know that when they exercise their delegated responsibility, signing their name to something comes with accountability and responsibility: If you feel that you're being pressured or you're not at ease with signing that document, then you should raise that with your supervisors. There are mechanisms in place. You shouldn't sign something that you're uncomfortable signing, but in this case the executive director signed the contract requisition.

Mr. Nathaniel Erskine-Smith: To follow up on that, I think you're right that the buck has to stop somewhere. If someone's

putting their name to something and ultimately approving something, certainly, there is responsibility.

When it comes to the potential for intentional deceit here, when you have individuals who are potentially taking kickbacks and potentially framing a requisition to cater to a particular vendor, that may.... In this case, we have Cameron MacDonald and Antonio Utano on the one hand, where there does appear to be a closer relationship with Kristian Firth and GC Strategies.

What can you say about that?

Ms. Karen Hogan: When we did this audit, we didn't uncover evidence of criminality, but we did speak with the RCMP. The RCMP was already investigating a different allegation that involved the same branch at the CBSA, similar vendors and similar individuals. We've had that conversation, and I leave the decision to the RCMP to determine intent, collusion or fraud.

Mr. Nathaniel Erskine-Smith: That's fair.

My last question is in relation to something closer to home and with respect to your role. You've issued recommendations. The government's acted or is acting on those recommendations. In your view today, in terms of your assessment, are you comfortable with where the government is? Would you have criticisms in terms of how it has responded? How would you grade its response?

• (1735)

Ms. Karen Hogan: I'll keep it limited to contracting, because there are so many audits and recommendations that we issued. When it comes to ArriveCAN—and I will also bring in the work that we did on professional services contracts—we saw the departments in question act during our audit. They provided clarification, for example, on the use of national master standing offers while we were doing our work, so there was a swift reaction.

I have said throughout these two audits that I don't believe more rules are needed but that the existing rules need to be better applied. I'm very happy to see that training is happening and that individuals are taking it. Hopefully, they will apply it.

I still believe the government needs to take a step back. Over the course of so many decades of my office issuing audits and internal audits, or the procurement ombud doing work, we always add recommendations that seem to add more layers of rules.

It's time to step back and ask, “Do we have too many rules?” Rules have been overtaken by events. Should we simplify, perhaps, some of the complexity of the rules, so that everyone can understand them and apply them better?

I'm not exactly sure why all of these situations are happening. Is it for speed to move around the rules? Are there too many rules? What exactly it is needs to be ironed out, but taking swift action is always something we're pleased to see.

The Chair: Thank you very much.

Beginning our third round, Mr. Brock, you have the floor for five minutes.

Mr. Larry Brock: Madame Poulin, the collective jaws of all concerned taxpayers hit the floor in your response to my colleague, Mr. McCauley, about the Government of Canada working with fraudsters to pay back what in my view are illegally obtained taxpayer funds. I'm going to do a deeper dive on this.

How did you distinguish between working with potential fraudsters and those individuals whom you referred directly to the RCMP? What was the metric by which you determined you would work with them on a civil basis versus a criminal basis?

[Translation]

Ms. Catherine Poulin: Thank you for the question.

It is important to note that the investigations targeted subcontractors. The fraud and the elements of criminality that were uncovered are in relation to the actions of those individuals. There was no evidence of criminality related to main contractors.

[English]

Mr. Larry Brock: You're not a criminal investigator. You have responded to Mr. McCauley that the individuals you are working with, in terms of a repayment agreement, have signed a document that absolves them of any liability, any criminality and any responsibility. In essence, they chose, intentionally, to double, triple or perhaps quadruple time for the work they did. The Government of Canada paid them for those services. That, by its very definition, Madame Poulin, is fraud. That's an intentional act to deprive the taxpayer of funds.

How many of those subcontractors is the Government of Canada working with currently? How many? I would just like the number.

[Translation]

Ms. Catherine Poulin: Before concluding that fraud occurred, you should know that no main contractor submitted an invoice for more than 7.5 hours. That's important to note.

[English]

Mr. Larry Brock: Madame Poulin, this is my time. The question was very specific and direct.

How many subcontractors who doubled, tripled or quadrupled billing to the Government of Canada are you working with on repayment agreements? Give me just the number, please.

[Translation]

Ms. Catherine Poulin: Thank you for the question.

The answer is zero.

[English]

Mr. Larry Brock: Zero. Who are you working with, then? What agreements are you trying to have them sign and repay?

Ms. Arianne Reza: Perhaps you'll permit me to add clarity to this.

We have referred seven cases to the RCMP, as we've described. These are individuals, consultants, who have committed time theft. We are negotiating with or seeking restitution from the prime. That

is our contractual relationship. They are paying us back. The negotiation settlement agreement is with the prime, who's also been defrauded. We are not negotiating with the consultants. They're going right to the RCMP.

• (1740)

Mr. Larry Brock: Thanks for the clarification, Ms. Reza, because the impression I received—and I'm sure taxpayers have received—is that you're cutting breaks for potential fraudsters. That is not the case. The Government of Canada is not doing that.

Where there is a suspicion of fraudulent activity or any criminal activity, you are defaulting to the RCMP. Is that correct?

[Translation]

Ms. Catherine Poulin: That's correct.

[English]

Mr. Larry Brock: Regarding the contractors you're working with on repayment agreements, how much money has been recovered?

[Translation]

Ms. Catherine Poulin: Mr. Chair, I thank the member for his question.

As mentioned earlier, that amount is approximately \$800,000, of which \$420,000 has been reimbursed. We've been told that the remaining \$380,000 would be reimbursed, but we're waiting for the payment.

[English]

Ms. Arianne Reza: That's the first installment. There's more money coming, as we've noted at this committee before, or at OGGO. There's \$4.5 million of fraud. We're not stopping at \$800,000. We're seeking restitution and building the capacity. What was in individual departments is now vested in PSPC to collect it.

Mr. Larry Brock: There's \$800,000, potentially, in total. Half of that has been repaid. Is that correct?

[Translation]

Ms. Catherine Poulin: Thank you for the question.

Yes, we've received \$400,000, and we're waiting—

[English]

Mr. Larry Brock: What's the time frame to recover the balance of the \$800,000?

[Translation]

Ms. Catherine Poulin: We've reached out to all the suppliers. Some of them still have time to respond. I think we should be getting the last of the responses by the end of November.

[English]

The Chair: That's pretty much your time, Mr. Brock. I'll give you a few extra seconds next time to make up for it.

Up next is Ms. Khalid, or will Ms. Yip take the round?

Ms. Jean Yip: I will take her time.

The Chair: Ms. Yip, you have the floor for five minutes, please.

Ms. Jean Yip: This is just so I understand everything. It was mentioned after Mr. Brock's questions that those seven have been referred to the RCMP. The others have paid you back, and you are still negotiating....

Ms. Arianne Reza: Let me start, if you'll permit me, to give a bit of a frame. We now have the data analytical tools to be able to do data mining across the Government of Canada.

Ms. Jean Yip: I'm sorry. I'm having difficulty hearing.

Ms. Arianne Reza: We started to go back. We now have a new set of data analytical tools. We use all kinds of different software. We're now looking holistically across the Government of Canada to see where there is time fraud. We're looking at different contracts. We see the consultants underneath them. We see if they're working concurrently, for example, at the OAG or PSPC, and we identify time fraud. There's a methodology that goes with it.

The cases in which we see it's intentional and there's fraud get referred to the RCMP. Since we started doing this work, Madame Poulin has referred about seven cases to the RCMP.

There is also an association of restitution. They owe us money for the time fraud. Again, we've started to go to the contractors—our relationship is with the prime—to indicate that they had a resource that was cleared and doing work but was defrauding the Crown.

We put together a restitution package, as I noted earlier, before departments go after the fraud individually. It was not an efficient way to do it. Under the leadership of Madame Poulin.... She's put together a team to go out, negotiate with and advise contractors who don't know—I think that has been your experience—that they're involved in fraud or that the resources they've cleared or have working are involved in fraud. We then negotiate to get the monies back. I think this approach started in about June.

[Translation]

Ms. Catherine Poulin: Yes, it started in July.

[English]

Ms. Jean Yip: How far have we gotten in that process?

Ms. Catherine Poulin: There were 35 contractors that we reached out to. I'm pleased to say that...we have communicated with all of the prime contractors. Some contractors have already agreed to pay. Some have said that they will pay, and we're just waiting for the payments. Some have asked to have a meeting with us, because some want to understand a bit more about what happened.

A couple have said that they think they have no responsibilities within that and are basically refusing to pay right now. We are awaiting answers. We have given an end date to some people. They have to respond to us by that date, and they still have time to respond. Nobody is behind their date to reply to us. In fact, we have had great success in getting answers back from those prime contractors.

• (1745)

Ms. Arianne Reza: I think it's important to note that we have a procurement code of conduct, and vendors have to abide by it. They have to act in good faith. They can't be in conflict of interest. They can't be associated with any criminal act or labour violations, and we're holding them accountable to that. That's a really important distinction. That's what we're using to proceed with.

Ms. Jean Yip: How will those vendors who refuse to pay back be dealt with?

Ms. Arianne Reza: Again, I would say that they're a very small portion, but we will develop the muscle. I don't want us to get too ahead of ourselves, but it will likely end up in court.

Ms. Jean Yip: Okay.

I'm looking at your opening statement here. Under some of the changes that you've mentioned, you talk about “improving evaluation requirements to more effectively validate...suppliers”.

How do you propose to do that?

Mr. Dominic Laporte: In the past, for example, resources would be provided. We would get the CV, but it would be at the RFP stage. What we are doing now is that at the task authorization, we want to make sure the people or the names that are provided are going to be the ones actually working on the job.

We have asked, for example, for a signed CV. We want to make sure that the resources are properly evaluated, so those who are going to be effectively doing the work are the ones for which the evaluation took place. This is one step that we're taking.

There's more transparency in terms of resources and the experience of those resources. It's making sure that we validate the experience and that each resource also gives permission. If you're a sub-contractor and your name is going to be used on the bid, we want to make sure that you gave explicit permission to be part of that submission. This is an additional step we are taking.

Also, I did mention the clearer task authorization. We're making sure that we have clear task authorization.

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

[Translation]

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

Ms. Nathalie Sinclair-Desgagné: Ms. Reza, I want to come back to the important issue of non-competitive contracts.

You seem to think that, if about 20% of PSPC's contracts are non-competitive, that's okay. However, the percentage of non-competitive contracts on the open government portal is also the percentage I got in response to a written question I asked you. That question was placed on the Order Paper. That percentage ranged from 1% to 4% prior to 2015.

I doubt the number of files involving intellectual property rights or the number of military procurements was really lower prior to 2015.

Why has the number of non-competitive contracts skyrocketed since then?

Ms. Arianne Reza: We needed those contracts because of the pandemic. That's always what happens with vaccines, and you have to look at the value of the contracts.

Ms. Nathalie Sinclair-Desgagné: Prior to the pandemic, from 2015 to 2019, that percentage was at 18%. There are currently four or five times as many non-competitive contracts as there were before 2015. That was before the pandemic.

What's the rationale for that, if not carelessness?

Ms. Arianne Reza: I'm not sure how to rationalize that. Of course, I can check the military contracts that were awarded. It obviously depends on the value of the vaccine contracts that were bundled, not for the vaccines required during the pandemic, but there is always—

Ms. Nathalie Sinclair-Desgagné: Does Public Services and Procurement Canada award a lot of military contracts?

Ms. Arianne Reza: Yes, PSPC awards a lot of them.

Ms. Nathalie Sinclair-Desgagné: If 20% of the contracts were non-competitive, were the vast majority of them military contracts?

Ms. Arianne Reza: I can tell you that, in terms of the value of the contracts, some were defence-related.

Ms. Nathalie Sinclair-Desgagné: I'm talking about the number of contracts.

Ms. Arianne Reza: I'll ask Mr. Laporte to give you more details about that.

Mr. Dominic Laporte: I think about 20% or 30% of the contracts are military contracts, so it's a significant percentage. I'm not going to debate the 3% or 4%, but I would actually like to look at that number, because if military contracts are excluded, the numbers won't be the same. In many cases, those contracts aren't published, but they are included in the denominator we use. That can change the percentage, too.

To say that 95% of the contracts were competitive seems very high to me. I've never seen anything like that in my career.

Ms. Nathalie Sinclair-Desgagné: That's what's published on the open government portal, which brings me to another question. Some contracts may not be on there. If that's the case, the problem is worse than we thought. That would be a lack of transparency.

Either the problem is a lack of transparency and the contracts are not on the open government portal, as they should be and as the government promised, or the vast majority of contracts are on the portal, and we have to go by the figures provided on that portal. It

shows that about 4% of contracts were non-competitive from 2010 to 2014.

• (1750)

Ms. Arianne Reza: May I suggest that you submit something in writing to explain the trend we're seeing?

The Chair: Yes, you can. Thank you very much.

[English]

Ms. Zarrillo is up next again, for two and a half minutes.

You have the floor.

Ms. Bonita Zarrillo: Thank you.

My questions are for witness Reza.

There were some comments made about the processes when unfair practices are realized and seen. To follow up, there has been action. We know there's still a lot of work to do.

What are some of the processes that have changed in regard to unfair practices, in light of what happened with ArriveCAN? I'm thinking about future contracts.

Ms. Arianne Reza: I'll start, and then I'll turn to Dominic.

I think what's also important to understand is this: As a whole, government does \$37 billion in procurement a year. That's a very big number. PSPC does \$24 billion, mostly in high-value contracts. We look at the procurement process and its integrity. Are we getting competition in? Are we getting information in that can show there is vendor compliance? Do we know who we're doing business with?

I think this is an area where I'd like to turn to Dominic, who can talk a bit about it. One key aspect of ArriveCAN is vendor performance. Who is the Government of Canada doing business with and on what grounds? We're going to be opening work on this.

Dominic, may I turn to you?

Mr. Dominic Laporte: Yes. Thank you very much.

Ms. Bonita Zarrillo: Before that witness speaks, could I ask him to frame it in this way?

We know there are preferred vendors. I know that, in my community, it's difficult. People tell me it's difficult to get contracts with the Government of Canada. I also think about discrimination. I think about who has those networks, who's close to parliamentarians and who's close to people working in the public service. Do they get the first point of access?

How can you level the playing field, whether it's for women, people of colour or indigenous suppliers? I'm interested in that.

Ms. Arianne Reza: I'm interested in sharing some of our experiences in terms of supplier diversity and opportunities across Canada for vendors to compete. I think that's a key piece to it, as well.

Dominic, could you address those three areas?

Mr. Dominic Laporte: Sure. The goal of procurement is to promote more competition. The more competition we get from small and medium-sized businesses across Canada, the more we're going to get the best value for taxpayers. This is key. We mentioned tools like TBIPS, for example. I'm pleased to say that we have over 650 vendors qualified through those. It gives a small business an opportunity to bid on government contracts and get access to those posters. They're going to see the notices. They're going to be aware that the government has needs and requirements. They can also position themselves to be successful with that.

We're also very proud of the procurement assistance Canada group. This is a group that reports to me. We have a DG who's very engaged. What they do is travel across Canada. They want to meet young entrepreneurs from diverse backgrounds and communities, including indigenous- and Black-owned minority businesses. How do we make sure people have the opportunity to bid on Government of Canada contracts?

We've been extremely successful. There's a lot of awareness. We need to demystify procurement. It's not an easy task. We need to make sure we encourage people to become suppliers for the federal government. This is one element we're covering.

I know you wanted me to touch on the—

The Chair: Thank you, Monsieur Laporte. I'm going to stop you there. I'm sure we'll come back to it. I'm just over my time. I like to give witnesses ample time to answer. That was a good break point there. I'm sure there will be a follow-up question for you.

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

Mr. Kelly McCauley: Thanks, Mr. Chair. I just want to get back to the issues I was chatting about before.

Help me out here. How does PSPC discover that there's this time theft, but the general contractor does not? Having done large projects with contractors, I would think that the prime contractor is responsible. How is it that PSPC is finding this fraud and the contractors are not?

As a follow-up, GC Strategies was the prime contractor, and we went after them for a time theft issue and suspended them, but we're not doing it to the other prime contractors who seem to be suffering the same lack of principles.

Just briefly get to it, please.

• (1755)

Ms. Catherine Poulin: Yes. Thank you for the question.

It's important to note that each prime contractor hires the resource. There are multiple prime contractors who have hired the same resource at the same time to work on different contracts. Each of them did not know that the others had hired the same resource.

Since we have access to information on those multiple contracts—

Mr. Kelly McCauley: Let me just interrupt you there. If three of us have hired the same person for the same work, we're not getting the work. How is the contractor not aware that, while they've hired this person for eight hours a day, they're not getting eight hours of work out of them?

Ms. Arianne Reza: Perhaps I could speak to this. I grilled Madame Poulin on this when she first brought it to our attention.

Often, these professional service contracts are awarded on an as-and-when-needed basis, so they're not working.... It's not necessarily transparent to the Crown or to the supplier. It's only through the invoice, the review of the work and the sign-off that these issues come to light.

Mr. Kelly McCauley: The department's not aware that they're getting robbed.

Ms. Catherine Poulin: Of course there's an increased diligence that will need to be applied by the client when looking at the work.

Mr. Kelly McCauley: Let me stop you.

Why now? Why are we just looking at this now? How is it that, with all the resources the government has...? We have chief audit executives for every department who should be looking at risk assessments for large projects like this. How is it that we're figuring this out just now?

Ms. Catherine Poulin: What I can offer is that it's very hard, because, while there is a central repository for all contracts, there is no central repository for individual resources.

Mr. Kelly McCauley: These groups across the whole breadth of government have been billing for services not provided. Every department is just cutting cheques without verifying that work has been done, which taxpayers have paid for. If we did not have this arrive scam issue come before us, we'd be sitting here right now, unaware.

Let me just finish up quickly. I have heard from CFOs who have approached me, saying that this is endemic through government. Large contracting companies and management consultants are billing departments for the same work three times.

It seems to be widely known in the government that this is going on. How is this possible?

Ms. Catherine Poulin: It's what we are trying to do by doing those investigations. It's important to mention, however, that those investigations started way before ArriveCAN. The first investigation that was referred to the RCMP started in 2021—

Mr. Kelly McCauley: It's so widespread that even the procurement ombudsman is looking at it, yet we've found only seven out of how many tens and tens of thousands of contracts? We even have a term for it, the "bait and switch" that the procurement ombudsman is looking into, yet—

Ms. Arianne Reza: We're conflating issues. Resource substitution is not time theft, and—

Mr. Kelly McCauley: There is time theft going on.

Ms. Arianne Reza: This is why we've put in place the data analytics. That's why we have done a total scrub. That's why we're working with every CFO in town. That's why we also agree with what you're saying, in the sense that if you're signing off on it, you need to make sure you're getting the goods. There's an issue there, not just through the procurement lens but throughout the project management and the FAA responsibilities.

Mr. Kelly McCauley: It just seems to be a whole-of-government approach to being ripped off, and poor oversight.

I'm expressing some frustration and also disbelief, because there are a lot of parliamentarians, and probably a lot of people watching, who have a business background and know that they actually have to check that the work is being done that was paid for, even if it's gone through a major contractor. I'm just befuddled, I guess.

The Chair: Thank you, Mr. McCauley.

[Translation]

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

• (1800)

[English]

Mr. Francis Drouin: Thank you, Mr. Chair.

I'm going to build a bit on what my good friend Mr. McCauley was asking with regard to, but I'll go back to the TBIPS procurement vehicle and to SBIPS.

I think, when SBIPS was created, back in around 2009 or 2008, the point was to focus on solutions that... It was easier for the government to manage costs, because I think there may have been some change orders that often happened through TBIPS. I'm just wondering whether or not your department is doing the analysis.

I think the Auditor General touched on a good point as well. I understand and fully respect our obsession to ensure that there is a fair, open, transparent and competitive process, but are the internal processes too long? Do they sort of discourage your client departments across the government, so that they may not be incentivized to use the current processes in place? They may go to you and say, "Well, this is why. We ran out of time. We need to do a sole-source contract."

I hope I was clear enough, but if you can build on that...

Mr. Dominic Laporte: In terms of the TBIPS solution base, I would say that oftentimes it takes a bit more time to do a solution-based contract. You need to properly describe your statement of work. You need to invest in that procurement. Oftentimes, TBIPS is more efficient.

What we've been doing is working with clients to make sure that the resources on TBIPS don't become long-term resources. The TBS also has published guidance on that. When you're going to be procuring professional services, how do you ensure that it's a fly-in, fly-out relationship? This is what we're working on with clients, also questioning the need. Are you able also to source those resources internally as your own FTE?

Those kinds of key questions must be asked before we even think about getting into a procurement.

[Translation]

Mr. Francis Drouin: I'd like to ask a question about task-based informatics professional services, or TBIPS.

Who does the analysis to determine whether the contractual obligations have actually been fulfilled? Is it PSPC or the client who confirms that the task was indeed completed by the IT consultant?

Mr. Dominic Laporte: PSPC provides the platform, but the onus is really on the client to confirm that they received the services for which the TBIPS was set up and a task authorization was issued.

PSPC doesn't necessarily know. We don't get involved in the client's day-to-day activities. It's really up to the client to confirm that the work is done and then make the payment.

It's the client's responsibility to review everything set out in the project's technical specs.

[English]

Ms. Arianne Reza: If I could just add...

If we go back to this question about whose responsibility it is to review and ensure that they are getting the goods and the services they need, we see that this is our clients' responsibility. The fact that we're uncovering fraud is putting a very sharp point on the fact that people need to know and be accountable for what is being signed off on, to ensure.... We have to approach it in terms of finding the fraud, detecting it and deferring it, while also making sure that people are properly trained to discharge their responsibilities under the FAA.

Mr. Francis Drouin: Okay.

I'm just wondering whether or not there's been some analysis done on.... I've heard Mr. Laporte mention the fact that it's longer to go towards an SBIPs procurement model, sometimes, but I'm wondering if PSPC has the capacity to do an analysis in terms of understanding whether the same project or the same results can be achieved through TBIPs or SBIPs. Yes, it may take a little time to go towards a contract award, but taking that little time will manage costs.

I'm wondering whether or not you guys are doing some of these analyses and whether or not you're talking to client departments to find out.... Let's say you had somebody at, for example, Health Canada, working on Oracle or something, or on an IT project, and somebody else was working at ESDC on a very similar project but using the same technology. Are you all doing these analyses, and are you able to compare them to manage costs?

[*Translation*]

Mr. Dominic Laporte: We certainly do analyses, and we're going to be able to do more. TBIPS are very popular. They account for \$1.7 billion worth of business. As I mentioned, there are 650 suppliers. TBIPS also uses categories. I would say that it's much more efficient to use TBIPS than to do your procurement yourself.

I'd like to discuss this in connection with fraud. One thing we've done is implement new time sheets that are much more precise. We encourage all client departments to use them to describe the work done to within half an hour. They are asked not to bill 7.5 hours without justifying what's being billed.

In this context, processes like TBIPS and Solutions-based informatics professional services, or SBIPS, help us prevent fraud and work with the client.

In addition, the Treasury Board of Canada Secretariat does a lot to build managers' awareness. When managers certify that conditions have been met under section 34 of the Financial Administration Act, that means something. They know that comes with a responsibility.

It's up to managers to ask questions to make sure that, when a client signs a time sheet, they've really ensured it is accurate.

We have put in place a number of auditing methods to encourage our clients to be as disciplined as possible with their contractors.

• (1805)

The Chair: Thank you very much.

[*English*]

Beginning our fourth and final round is Mr. Brock.

You have the floor for five minutes, please.

Mr. Larry Brock: Let's recap for Canadians some of the important details of this scandal.

We have former minister of public safety Mendicino, who was quoted as saying that he wanted someone's "head on a platter", in terms of who chose GC Strategies. We have Minh Doan, a former senior executive at CBSA, who deleted four years' worth of emails three days after an ATIP requesting information on GC Strategies was received by the CBSA.

We have the highest level at both CBSA and PSPC involved in what was supposed to be an independent investigation. We've had senior officials, appointed by our very own Prime Minister, come to these committees and mislead, if not outright lie to, committee.

We have all the hallmarks of a cover-up and scapegoating going on in front of us. I say that because I'm mindful of Ms. Hogan's—the Auditor General's—comments that there are multiple layers of responsibility here.

However, I guess I can ask anyone at PSPC. Has anyone has been suspended or fired in relation to the mishandling of the ArriveCAN scandal, yes or no?

Ms. Arianne Reza: We can speak only to the PSPC department.

Nobody has been fired—

Mr. Larry Brock: That doesn't surprise me at all.

What we have are two individuals, two mid- to lower-level individuals at CBSA—Cameron MacDonald and Antonio Utano—who have been scapegoated by the CBSA into accepting responsibility for the multiple problems exposed by this at least \$60-million scandal, according to the Auditor General. It could be substantially more, but because of the abysmal paperwork at the CBSA and PSPC, she could offer only a guesstimate.

Therefore, those two individuals have been suspended and, at one point, suspended without pay. No one else has been suspended. No one else has been terminated. No one else has been outright fired for their incompetence in handling this particular scandal.

I want to spend some time on Minh Doan.

Ms. Hogan, were you made aware, prior to the release of the ArriveCAN report, that there were four years of missing emails from a senior CBSA executive, Minh Doan?

Ms. Karen Hogan: Yes, my audit team was made aware of the fact that there were emails that were no longer recoverable. I think there are many reasons that emails aren't available.

My fundamental view is that a contracting file should be complete, and a public servant should ensure that everything that needs to be maintained is in the contracting file, not in transitory documents and emails.

Mr. Larry Brock: If I can stop you right there, Minh Doan testified at committee. He lied several times at committee and claimed, given his senior level and his experience with computers, that he had to change the battery on his laptop and, mysteriously, four years' worth of emails disappeared. Therefore, he was unable to confirm, through documentary evidence, that he and he alone made the ultimate decision to hire the pariah GC Strategies, which fleeced the taxpayer to the tune of almost \$60 million.

As the Auditor General, do you view the act of the deletion of emails to be a policy breach by the CBSA?

• (1810)

Ms. Karen Hogan: Yes, I think if emails are of value to government business, they should not be deleted. They should be, in fact, saved to demonstrate due diligence and accountability.

Mr. Larry Brock: In the normal course of your duties as Auditor General, would you view that as rising to the level of suspicion—which is your mandate—of criminality, warranting a referral to the RCMP to investigate Minh Doan?

Ms. Karen Hogan: I think the situation with ArriveCAN was unique. The RCMP were already investigating the branch at the CBSA and many of the actors. That's why I did not make any referrals. However, we have been co-operating with the RCMP, and we will continue to do so.

Mr. Larry Brock: Have you co-operated to the extent of raising suspicion about four years' worth of emails being deleted by Minh Doan, someone whose specialty is computers and who would have the responsibility, as one of his mandates, to preserve that level of evidence? Have you made that referral to the RCMP, yes or no?

Ms. Karen Hogan: Out of respect for the ongoing investigation and the RCMP, I would prefer not to comment on the conversations we've been having with them about ArriveCAN.

The Chair: Thank you very much.

That is your time, Mr. Brock. I understand that we'll come back to you.

Following up is Mr. Erskine-Smith.

You have the floor for five minutes, please.

Mr. Nathaniel Erskine-Smith: Thanks very much.

I want to follow up on Mr. Brock's questions, to some extent. I have to be honest that I share the concerns around the deleted emails. I think it's outrageous that emails are deleted and it's not possible to recover them. Similarly, I think it's outrageous that you have apparent kickbacks to civil servants who are responsible for drafting the terms of an RFP in close contact with the very company that ultimately is awarded that procurement and that contract.

The frustration I have is that there are fingers pointed one way and then there are fingers pointed the other way. Multiple internal investigations have been undertaken here. I asked the Auditor General questions, but maybe I could get procurement's perspective.

Deputy Minister, you and your team have presumably done a deep dive to see what happened here. When I ask who's culpable, I don't just mean who's responsible for signing the document. Ms. Hogan sort of said, well, the executive director is ultimately responsible. Yes, sure, but culpability is to assign blame. It's not who is responsible for signing on the dotted line but who is to blame for what happened with ArriveCAN.

Ms. Arianne Reza: That is a very difficult question to parse out. The Auditor General and the procurement ombudsman report did not find the smoking gun of who. I have gone before OGGO committee and indicated that I authorized two of the first contracts. I did it based on a very strong rationale. I've submitted that paperwork to both committees. We spoke earlier about the fact that I used to be at PSPC. Certainly, when I saw the request for, I think, \$2-million and \$4-million contracts each to keep the border open, so that Canadians would have access to critical supplies at the time and to protect the frontline officers, who literally are the first point of interaction, these were things that were on my mind when I looked at that rationale.

I certainly did ask why this company had been chosen. The response back was that CBSA had worked with them and that CBSA had knowledge of them. I took that at face value. What have I learned? Next—

Mr. Nathaniel Erskine-Smith: I'm sorry. That is appreciated, but sitting where you are today, not at the time when you were signing off on it in the first instance, but where you are today, with the benefit of hindsight, the benefit of internal investigations and the benefit of a mountain of testimony and evidence along the way, who is to blame for ultimately having a contractor who inflated their work and cost the taxpayer an insane amount of money for what was ultimately rendered?

Ms. Arianne Reza: As I think you alluded to in some of your commentary, a lot of investigations are ongoing. I am not well placed to provide any further views, because I cannot speculate on it.

Mr. Nathaniel Erskine-Smith: From a procurement perspective, are there investigations under your authority that are ongoing?

• (1815)

Ms. Arianne Reza: Here I'll turn to Catherine.

Ms. Catherine Poulin: Since we received a preliminary fact-finding report from CBSA, many actions have been taken by the department. As was previously mentioned by both the deputy and my colleagues, we have looked into some of those findings. We mentioned that some companies have been suspended from the procurement processes. Some companies have lost their security clearances in the process.

It's also important to mention that many of those investigations are not completed yet. It's an important process to complete an investigation and to wait for those final findings.

Mr. Nathaniel Erskine-Smith: I appreciate that. Just on that, you were able to take some remedial action on the basis of the preliminary fact-findings.

Is there any basis to assign blame to individual civil servants responsible, who participated in the procurement process for ArriveCAN, on the basis of those preliminary fact-findings?

Ms. Catherine Poulin: It would be premature to conclude if we have not completed the investigation.

Mr. Nathaniel Erskine-Smith: That's fair. It's premature.

When can we expect the investigation to be completed?

Ms. Catherine Poulin: I can speak only to what we are doing at PSPC. I'm sure you are aware that the main investigation is under the responsibility of the CBSA. At PSPC, we have some internal investigations, one of which is covering a departmental employee. We are in the final stage of that investigation.

The Chair: Thank you very much.

That is the time.

[Translation]

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

Ms. Nathalie Sinclair-Desgagné: Ms. Poulin, thank you for that clarification.

You said you didn't suspend anyone, which surprised me, because that contradicts what Diane Daly said when she came to testify before the committee. She said she received an email telling her that she was on administrative leave.

It would be semantics to say that an administrative leave is not the same as a suspension. I want to be very clear about that. You did in fact suspend an employee who may be the subject of an investigation at PSPC.

Is that correct?

Ms. Catherine Poulin: Thank you for the question.

Yes, that's correct.

Ms. Nathalie Sinclair-Desgagné: Thank you. I like that kind of answer.

Ms. Reza, I want to follow up on some interesting questions that were asked earlier.

During the pandemic, you provided justifications on several occasions, and you signed contracts with GC Strategies. According to emails between PSPC and CBSA, one of your employees, Angela Durigan, raised concerns about the justifications, which seemed insufficient to award a multi-million-dollar non-competitive contract to GC Strategies.

This employee received a response from CBSA. That answer was dubious, but she thought she had all the answers she needed. It's as if she just needed to get the justifications and check a box, and the substance of the justifications didn't really matter. All it took to approve the PSPC contract was that justification. That's how the contract made its way through the department.

I know you weren't looking at the details at your level, but at some point in the chain of approval, PSPC did not do its duty and failed to ensure that contracts were awarded appropriately.

If an emergency were to arise again, what would be done differently? Obviously, I hope that never happens.

Ms. Arianne Reza: I want to clarify a couple of things before I answer your question.

First of all, I did not sign the contracts. I gave approval.

• (1820)

Ms. Nathalie Sinclair-Desgagné: Your signature is on it, though.

Ms. Arianne Reza: I gave the approval, but I did not award the contracts. There were three levels of approval. I just want to make that distinction; I didn't sign the contracts.

Second, there's the client's responsibility. The Auditor General talked about the executive director. It's the client's responsibility to provide the justification when it's a non-competitive contract. We discussed it, of course, because we were in a pandemic context. It's also important to note that the contracts that were awarded non-competitively did not attract the attention of the procurement ombudsman or the Auditor General. They were interested in the ones that were awarded competitively.

Third, in order to prepare for another such crisis, we've developed a list of situations to avoid, such as those that occurred during the pandemic. The supply chain was interrupted. We looked at what we need to do if that happens again. We know that the risk is real. We also looked at potential disruptions in terms of the quality and the dollar amount of the contracts. We had to think about preventing corruption and fraud.

Last, we had to look at what we should do when a non-competitive contract is renewed, as was the case with GC Strategies.

I know that, in the future, we'll have measures in place to prevent such situations from happening again. I can assure you that, if another crisis arises while I'm deputy minister, and departments ask me to award contracts non-competitively for professional services in an emergency situation, I'll tell them to forget it.

Ms. Nathalie Sinclair-Desgagné: I hope I never see that.

The Chair: Thank you very much.

[English]

Next, we have Ms. Zarrillo, again, for her last questioning period of two and a half minutes, please.

Ms. Bonita Zarrillo: Thank you, Mr. Chair. My questions are again for witness Reza.

There was some mention today about a potential lack of training or following of rules. The Professional Institute of the Public Service of Canada has been talking about this for years—how the knowledge base, especially as it relates to IT, is eroding within the public service and there is more and more reliance on outsourcing.

It said:

Government outsourcing, especially outsourcing of IT personnel, is costing Canadians billions of dollars each year. From time to time, outsourcing may be necessary to augment staff compliments or bring in external skills and expertise. But years of unchecked spending on outsourcing has created a shadow public service of consultants operating alongside the government workforce.

I would add that it goes on to say there is gender inequality across Canada's public service. It said:

In IT, lucrative contracts are doled out to a male-dominant industry that has notoriously struggled with gender equity. While at the same time, lower paid and precarious temporary service contracts are disproportionately filled by women.

What I want to ask is how the hollowing out of expertise in the public service has affected the value for Canadian taxpayers.

Also, how do these “gentlemen's agreements”, as I call them in Parliament, dominate how contracts are handed out and doled out within the public service?

Ms. Arianne Reza: Thank you very much. I'm not crazy about the word “dole”, but we'll come back to that in a moment.

As I have said at previous committees, I look at service delivery to Canadians as a three-legged stool.

There has to be government staffing and HR. Do we have the right complement and training?

There's project management. Especially in the IT space, as you all know, we have many old systems, and transitioning to something new is extremely complex, with risks from cybersecurity and the cloud. We need to make sure that we have the right skill set internally.

We then have the procurement. Where can we augment, where necessary, with professional services to make sure we have that capacity?

I think it's a three-legged stool. We can't bring in the right folks if we don't have the right HR strategy and we're not attracting the right talent. We need to look at our project management, especially in IT, and make sure—in fact, I had this discussion just last week with the unions—that our staff are well trained to avoid having a dependency on professional services.

Since I've been in—

Ms. Bonita Zarrillo: My question is really why this move to outsourcing happened and how it is affecting Canadian taxpayers.

The Chair: I'm afraid, Deputy Minister, you have time for just a brief answer.

Ms. Arianne Reza: I'm not sure it's a move. I think looking at having procurement in terms of having resources for the efficiency of service delivery and mandate development has always been in our tool kit.

The public service is, right now, at a.... Many FTEs are there. It's finding the right balance, the right skill set, the right training and the right rigour to deliver the service to Canadians.

The Chair: Thank you very much.

Mr. McCauley, it's your last five minutes.

Mr. Kelly McCauley: Thanks, Chair.

AG Hogan, can you update us on the progress of the GC Strategies audit you're doing right now? Maybe that's for Mr. Hayes.

Mr. Andrew Hayes: Thank you.

We have started that audit. We've signalled to the central agencies that we are doing it. Indeed, I have to acknowledge that we're very happy with the collaboration we're receiving from Public Services and Procurement Canada on this.

At this point, we are identifying how far back we're going to be able to go on the basis of the records that are retained by the government. Of course, there are document retention policies. There might not be things—

• (1825)

Mr. Kelly McCauley: [*Inaudible—Editor*] the one retaining those documents, I guess, but....

Mr. Andrew Hayes: We're looking across the entire government at the records that are retained. Of course, we will expand to Crown corporations. It's a bit more complex to get all of the Crown corporations, because they are individual, so we will be reaching out to them in the near future.

Obviously, we recognize that there is great interest in understanding the universe of contracts awarded to GC Strategies, its principals and any other derivatives, so we're going to try to accelerate that work as much as we can.

Mr. Kelly McCauley: Do you have a ballpark finish date?

Mr. Andrew Hayes: We're hoping to have some information that would be valuable to Parliament as soon as possible. We recognize the time pressures that parliamentarians are looking at.

Mr. Kelly McCauley: Thanks.

Ms. Reza, as you can probably imagine, I want to get back to this issue of the main contractors being robbed by their subcontractors and, therefore, the taxpayers getting ripped off.

What are the departments saying when they find out they are paying for services that haven't been delivered? What are these general contractors saying?

Ms. Arianne Reza: I can tell you that PSPC was one of the defrauded departments. I'm very interested to understand, when you're signing an invoice and you're signing off that you've received the goods, is there an issue that it is overestimated? Is there an issue that they're working 10- to 12-hour days?

It's getting to the bottom line and reinforcing, because this is about project management and financial controls. It is not necessarily a procurement issue. It is the technical authority.

Mr. Kelly McCauley: If there are general contractors who—say you have three of them—are each getting billed eight hours a day by one person, how are they justifying it?

How are they justifying to the departments, and therefore to the taxpayers, that they've been paying out money on their behalf for work that hasn't been done?

Ms. Catherine Poulin: It's important to mention once again that each prime contractor bills only once for that resource. The resource is being billed for, but it's by another prime contractor to another department.

Mr. Kelly McCauley: That's right, but somewhere along the line, if one scam artist is billing the taxpayers for 24 hours to three different contractors, we are not getting 24 hours of work.

How is it that the contractor is not aware, and how is it the departments are not aware?

If you look at the work being done right now on, say, Centre Block, if you hire a carpenter to do x amount of work, he can't be billing for 24 hours of work for what is obviously just eight hours.

How is this slipping by not only the contractors, but also the departments?

Ms. Catherine Poulin: As you mentioned, it's not happening with carpenters. All that fraudulent billing happens in professional services and IT professional services. Again, each department is looking from its own viewpoint, and each prime contractor—

Mr. Kelly McCauley: What you seem to be missing is that these contractors are paying out for work that is not being done.

Ms. Catherine Poulin: I would agree with you.

Mr. Kelly McCauley: Why are these contractors doing it? This is the contractors either defrauding government or being completely negligent, in which case they should be fired or banned from doing work with government.

How is this going on, and why have we not terminated these contractors?

Ms. Arianne Reza: With the resources, often the prime is unaware, because it goes back to some of the issues we've seen in ArriveCAN. If the deliverables aren't tight and if it's not clear, the contractors themselves may not know. The bill or the invoice is being submitted, and the department is signing off.

What you're pointing to is an issue, one hundred per cent. From a procurement perspective, we're going after restitution.

How we educate the contractors.... It's also their responsibility, as I've alluded to. They have a code of conduct—

Mr. Kelly McCauley: It's the responsibility of the contractor.

Ms. Arianne Reza: I'm saying it's the responsibility of contractors, but—

Mr. Kelly McCauley: You should be going after these—

The Chair: Mr. McCauley, that is your time.

Ms. Arianne Reza: —it's also the responsibility of the Crown to make sure it's signing off and getting the value.

The Chair: I think Mr. McCauley received his answer.

Our last member is Ms. Yip.

You have the floor for five minutes, please.

Ms. Jean Yip: Thank you, Chair.

I'll direct this to PSPC.

Have you been contacted by the RCMP at all?

• (1830)

Ms. Catherine Poulin: Our responsibility, when we find an element of criminality in a case, is to refer that to the RCMP. After that, they are responsible for the file. It's with them to decide the next step in the case.

Ms. Jean Yip: Not in any situation has the RCMP contacted you. It's just in this case, you have reported to the RCMP.

Ms. Catherine Poulin: Yes. We're reporting to the RCMP. If they have questions on the file, they can come to us afterward. They have direct contact with the investigative team.

I will not be aware of those situations, because they have access directly to the investigative team.

Ms. Arianne Reza: If I could add, outside of file-specific, and there are obviously some other elements to it, PSPC, the Competi-

tion Bureau and the RCMP run a tip line for contractors. It's a very important tip line. We've seen an increase. We advertise it. We look at it. It's an opportunity, where there's wrongdoing, fraud or integrity issues, for people to report.

We have a very close relationship with partners in this area.

Ms. Jean Yip: You wouldn't be able to tell us the number for that tip line now, would you?"

Ms. Catherine Poulin: I will have to come back to you. We have a quarterly dashboard but, unfortunately, I didn't think of bringing one with me.

We are monitoring that tip line and reporting on the nature of those steps. Are we seeing trends? Is there valuable information that can be actioned through those tips?

We're paying great attention, and we have a colourful dashboard, but I do not have this with me at the moment. I'm sorry.

Ms. Jean Yip: Thank you.

Is there anything that has been said over so many meetings and testimonies that you would like to clarify, whether it's today or from the past?

Ms. Arianne Reza: That's a very generous offer, because, as you can see, I brought my binders of committee testimony.

There are so many different elements to it, and making sure that we're.... I hear words like "not being truthful". I've been coming to Parliament since 2010. I have told the truth at every committee—my first committee was on organized crime—and I continue to do so. I think that we try to be credible and helpful.

In terms of any specific issue, I do want to go back a bit to one comment about sole-source contracts versus competitive ones. As far as I know, the AG's concern was not in the non-competitive ones. We, of course, look at the various elements. We continually strive to always be competitive. One of the issues I didn't get a chance to come back on was the issue of.... Often, there's so much back-and-forth in the challenge function that it would have been faster to compete it. I think that's a key element.

The other issue I want to get across to parliamentarians and Canadians is that these professional service contracts for staff augmentation don't necessarily have a control—not from a procurement perspective, but from a project management perspective—and that is where I think we need to do a better job being able to articulate and keep very tight in terms of deliverables to avoid situations like the ones we've been talking about.

[*Translation*]

I'll ask Mr. Laporte to provide more details.

[*English*]

Mr. Dominic Laporte: I'll also say that we spoke a lot about vendor performance and value for Canadians, so I'm also very pleased to inform you that we're launching our vendor performance management system, by which we're going to be going after poor performers and also rewarding good performers. It means that, in future contracts for future procurement, your past performance will be a component that will be used for assessment.

We're starting with a few selected for procurement with respect to professional services. This is something that was long awaited by the OPO. It has been brought up. We're going to be launching that this month in terms of implementing vendor performance management, and I'm very pleased to report that to the committee.

Ms. Catherine Poulin: It's important to note that we have a solid framework to combat wrongdoing in procurement. I think I've mentioned that previously in committee. We have three pillars in terms of prevention, detection and response to those incidents.

As mentioned by my colleague, there's a lot of improvement that has been done in many aspects of this. The detection of the cases that are discussed at this committee is a result of those improvements within the system. While we prefer to have preventive measures, detective measures are also part of a great framework.

I will end by saying that, as the deputy minister mentioned in her opening remarks, we launched the office of supplier integrity and compliance back in March, and this is very good progress towards making sure we know the supplier with whom we are doing business and that we're taking action when there's a situation that needs our response, to make sure we offer the best services for Canadians.

Thank you.

● (1835)

The Chair: Thank you very much.

Would you like to speak briefly?

Ms. Arianne Reza: I will be very brief. It's just to say, framing your question, that having responsibility for procurement at the federal level is a big driver for socio-economic change in Canada, and I worry about this view that the procurement system is broken—that it's corrupt and a fraud. It is not the reality.

I just want to be clear. We had two clean audits on PPE and vaccines. This is an area we are continuing to work on, but I do want to make sure that Canadians understand it, because it's an important part of our GDP. Procurement is 14%.

The Chair: Thank you very much.

I want to thank Ms. Hogan, from the Office of the Auditor General, and Ms. Reza, from the Department of Public Works and Government Services, for their testimony and appearance today, as well as for their participation in the study of "Report 1: ArriveCAN".

[*Translation*]

If you have questions or more information to share, please contact the clerk.

[*English*]

Ms. Zarrillo, I want to flag something for you. You had some questions off the top. While witnesses couldn't answer today, I'm going to work with you and Mr. Cannings, because Blake Desjarlais, who's a member of this committee, had some questions around pension investments.

You're at the right place, and I appreciate it. I give members latitude to ask questions. You did so today, but you're at the right place for some of these questions. We have meetings coming up on public accounts, and I'll work with the NDP to try to schedule the right person for your party to ask some questions. You'll hear back from me, the clerk or the analyst on that, and we'll work with Mr. Cannings.

On that note, the meeting is adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :
<https://www.noscommunes.ca>