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Standing Committee on Public Accounts

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• (1115)

[*Translation*]

The Chair (Mr. John Williamson (New Brunswick South-west, CPC)): I call the meeting to order.

Welcome to meeting number 98 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 possibly over the Zoom application.

[*Translation*]

Pursuant to Standing Order 108(2), the committee is meeting today as part of our study of the first report of the Auditor General of Canada on ArriveCAN.

[*English*]

I'd now like to welcome our witnesses. From the Office of the Auditor General, we have Karen Hogan, Auditor General; Andrew Hayes, deputy auditor general; and Sami Hannoush, principal.

It's nice to see all of you.

Ms. Hogan, you have the floor now for your opening comments, and then we'll turn to questions from members.

Thank you.

Ms. Karen Hogan (Auditor General, Office of the Auditor General): Mr. Chair, I am pleased to be here today to discuss our audit report of the ArriveCAN application, which was just tabled in the House of Commons.

I wish to acknowledge that the lands on which we are gathered are part of the traditional, unceded territory of the Algonquin Anishinabe people.

Our audit of the ArriveCAN application looked at how the Canada Border Services Agency, the Public Health Agency of Canada and Public Services and Procurement Canada managed the procurement and development of the application and whether they spent public funds in a way that delivered value for money.

I will discuss our findings, but first I have to say that I am deeply concerned by what this audit didn't find. We didn't find records to accurately show how much was spent on what, who did the work or how and why contracting decisions were made. That paper trail should have existed.

Overall, this audit shows a glaring disregard for basic management and contracting practices throughout ArriveCAN's development and implementation.

[*Translation*]

Government organizations needed to be flexible and fast in responding to the COVID-19 pandemic, but they still needed to document their decisions and demonstrate the prudent use of public funds. In this audit, we found disappointing failures and omissions everywhere we looked.

The fact that the Canada Border Services Agency did not have complete and accurate financial records was the most concerning of our findings. Because of this, we were unable to calculate the exact cost of the ArriveCAN application. By matching the little information available, we estimated that ArriveCAN cost approximately \$59.5 million.

There was confusion right from the beginning. From April 2020 to July 2021, we found that the Public Health Agency of Canada and the Canada Border Services Agency did not work together to establish each agency's responsibilities for ArriveCAN. In this accountability void, neither organization developed and implemented good project management practices to develop objectives and budgets and cost estimates, for example.

In the course of our examination of contracting practices, we saw little documentation to support how and why the Canada Border Services Agency initially awarded GC Strategies the ArriveCAN contract through a non-competitive process. Only one potential contractor submitted a proposal, and that proposal did not come from GC Strategies.

• (1120)

[*English*]

Also concerning is that we found evidence that GC Strategies was involved in the development of requirements that were used when the agency later moved to a competitive process to award a \$25-million contract for work on the ArriveCAN app. The requirements were very specific and narrow. This gave GC Strategies an advantage that other potential bidders did not have.

We also found that the Canada Border Services Agency's overall management of contracts was very poor. Essential information was missing from awarded contracts, such as clear deliverables and the qualifications required of workers. When we looked at invoices approved by the agency, details about the work performed and who did the work were often missing. This greatly contributed to our conclusion that the best value for money was not achieved.

[Translation]

Finally, we found no evidence that Canada Border Services Agency employees disclosed invitations to private functions they received from contractors, which is mandatory under the agency's code of values and ethics. This created a significant risk or perception of a conflict of interest or bias around procurement decisions.

Public servants must always be transparent and accountable to Canadians for their use of public funds. An emergency does not mean that all the rules go out the window and that departments and agencies are no longer required to document their decisions and keep complete and accurate records.

As I said earlier, I believe that this audit of ArriveCAN shows a glaring disregard for basic management practices. As a result, many questions that Parliamentarians and Canadians are asking cannot be answered. The lack of information to support ArriveCAN spending and decisions has compromised accountability.

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

The Chair: Thank you.

[English]

We'll turn now to our first round of questions. Each member will have six minutes, beginning with the official opposition.

Mr. Barrett, you have the floor for six minutes. I understand you wish to split your time. It's over to you.

Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC): Auditor General, thank you very much for being here today.

Did Canadian taxpayers get value for money from Prime Minister Justin Trudeau's government on the \$60-million ArriveCAN app?

Ms. Karen Hogan: We concluded that the public service did not ensure that Canada received the best value for money. I would tell you that we paid too much for this application.

Mr. Michael Barrett: You described it as the Trudeau government having a “glaring disregard” for management practices, poor record-keeping and a lack of basic due diligence, and that you were “unable to determine a precise cost for the ArriveCAN application”.

That \$60 million is an estimate. Is that correct?

Ms. Karen Hogan: Yes. We estimated that it cost around \$59.5 million. There could be amounts that should not be linked to ArriveCAN, but there could also be amounts that are linked to ArriveCAN that were not flagged in the books and linked to that project.

Mr. Michael Barrett: It's reasonable to say that it could be more than \$60 million.

Ms. Karen Hogan: It's reasonable to say that we've put together the best estimate, but it took a lot of effort. We had to go through many journal entries, all the way back down to task authorizations, to see whether or not items were linked to ArriveCAN. Professional judgment was needed, yes.

• (1125)

Mr. Michael Barrett: To quote the key facts from your report, this made it “impossible” to accurately attribute costs to projects with respect to the poor record-keeping.

You've investigated billions of dollars in government spending over your tenure as Auditor General. Would you say that the Trudeau government's ArriveCAN is the worst you've seen?

Ms. Karen Hogan: I looked at a lot of contracting that happened during the pandemic when the public service was asked to act quickly and serve the public. This would probably be the first example that I've seen where there is such a glaring disregard for some of the most basic and fundamental policies and rules and controls.

Mr. Michael Barrett: Okay. I'll turn it over to Mr. Berthold, please.

[Translation]

The Chair: Mr. Berthold, the floor is yours for three and a half minutes.

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you, Mr. Chair.

Thank you for your report, Ms. Hogan.

First, let me tell you that I am shocked, not to say scandalized, by the way the government of Prime Minister Trudeau has fallen down on the job. I am going to quote what you said in your news release: “Glaring disregard for basic management and contracting principles surrounds the government's ArriveCAN application.”

I would then like to point out that had it not been for a motion introduced by the Conservatives, we would not be here today to see the extent of the corruption and the disrespect for taxpayers shown by the government. I would remind you that the Liberal members all voted against this investigation, which today is revealing disturbing facts.

Ms. Hogan, my question is the same as the one my colleague asked: did Canadians get value for money in the case of the ArriveCAN app?

Ms. Karen Hogan: We have concluded that the value received did not correspond to the funds spent. The government spent too much money for the app. There are several reasons for stating that finding: the ongoing dependency on external suppliers; the absence of reasons to justify choosing certain contractors, and always requiring ten or more years' experience. There is no documentation showing that the right decision was made.

Our conclusion is that despite the lack of competition in certain processes, the government did not receive value that corresponded to the money spent.

Mr. Luc Berthold: Ms. Hogan, you also said, regarding the ArriveCAN app:

... the exact cost was impossible to calculate because of the Canada Border Services Agency's poor financial record keeping.

So it is possible, in your opinion, that the Prime Minister's app, ArriveCAN, cost much more than \$60 million.

Ms. Karen Hogan: It is also possible that it cost less.

The record keeping is among the worst I have seen in several years. We are talking about a lack of information to support the work performed and determine whether it was linked to ArriveCan. The fact that we are unable to tell you an exact cost perplexes me. I do not know why we have got to this point. The documentation should have existed. The public service has done much better than that in the past.

The Chair: You have one minute left, Mr. Berthold.

Mr. Luc Berthold: Ms. Hogan, given all your experience and all the cases you and your team have worked on, would you have imagined that you would one day find, in the federal public service, and more specifically this government, a worse example than this when it comes to violations of basic accountability principles?

Ms. Karen Hogan: It is really surprising to see the extent to which basic policies were not followed in the case of the management of the ArriveCan application.

Mr. Luc Berthold: Do you think that you might someday be able to identify the person who awarded a contract to an outside firm with a total value of \$19 million?

Ms. Karen Hogan: We do not have evidence to show who made this decision. However, we have found a job description, or a contract. At Public Works and Government Services Canada, the request for the contract to be issued came from a director in the department. In my opinion, when a public servant exercises their delegated authority by signing that kind of request, it comes with a responsibility. I would have expected, if the public servant was not comfortable signing the document or did not want to do it, they would have consulted their supervisor or explained their reasons in the files.

The files are very thin, however. The important decisions, the basic decisions, were not well documented in the contracting file.

• (1130)

The Chair: Right. Thank you, Mr. Berthold.

[English]

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

Mr. Charles Sousa (Mississauga—Lakeshore, Lib.): Thank you very much, Mr. Chair.

Thank you again for your presentation, your work and your contribution in trying to determine how best to proceed as we go forward.

Notwithstanding the deficiencies that you've encountered, we're more concerned about the pervasive nature of what can take place. Certainly, CBSA and the internal review that's being done... They've agreed with your recommendations. I believe they've had ongoing discussions with you to try to find appropriate measures to go forward, but I have a couple of questions as it relates to this particular instance at this point in time.

Did resources exist in government to turn around the ArriveCAN application at the time under the time constraints that were evident?

Ms. Karen Hogan: We found that the agency's head made an assessment that they did not have the skills or the capacity to deliver the ArriveCAN app, when we were going back to the early parts of the pandemic. In my view, it's a reasonable decision to use an external party, given all that was going on at that time. I would have, however, expected to see less of a long-term dependency on external resources as time went on.

We didn't see that transition, whether it be that the public service takes over some of the operations of the application or that there be a transfer of some knowledge or skill, so that the public service could be in a place down the line to take care of the application. It's also a demonstration that the agency is approaching this with due regard for value for money. That transition just didn't happen.

Mr. Charles Sousa: I appreciate that.

One reason our committees have been engaged with this file and the CBSA has been doing an internal investigation—and one of the reasons it was submitted to the RCMP initially—was due to some of the concerns that were shared as well.

Have you had a discussion with Ms. O'Gorman or Michel Lafleur, who was in charge of the investigation and the integrity component of this?

Ms. Karen Hogan: Throughout the audit, I did have a few conversations with the president of the Canada Border Services Agency, as did my deputy auditor general. I have not talked with the investigator.

The team has seen the preliminary facts. I didn't want to compromise my impartiality by looking at something that was not yet complete, so I haven't had more fulsome conversations with the president.

Mr. Charles Sousa: We're concerned about that integrity and that impartiality. We're trying to not obscure or obstruct the nature of his investigation, because he's going into something even more specific about the conduct of individuals as well. This is the issue that we're concerned about. We want to ensure that people didn't do work...or somehow got paid all this extra money for work not being done.

Did that come across in your investigations?

Ms. Karen Hogan: Many times when we looked at invoices, some of the most basic support was missing, such as an indication on the invoice as to what IT project the work related to. There were several IT projects under way at the Canada Border Services Agency at the time. When we don't have that information when we're looking at it after the fact, it's hard to know what project it related to. It's also hard for individuals who are trying to maintain accurate financial records to know where to charge that invoice.

Really, I think our biggest finding is that there was lack of documentation that should have been there and traditionally is there to support invoices, task authorizations or contracts.

Mr. Charles Sousa: A TA comes into place and they have a determination that they want to do a contract. They have skills and so forth that they have identified, but suddenly things are moving around. Certainly that was the case here.

Is it uncommon for people then to be moved into other contracts and other opportunities?

I believe the ombudsman made reference to this quite a bit.

Ms. Karen Hogan: I would say that there are many reasons why sometimes the resources you list in a task authorization may not be available or may be asked to work on different projects, but there are mechanisms in the government to make sure that the work you expect to happen, whether it's a contract or a task authorization, is clear. Then, when the invoice comes in, you can validate that the government received the services that it contracted out and paid at the right rate.

A lot of that information was missing here. While you might switch a resource or ask them to do something else, it should be documented. Those are just basic expectations to demonstrate due diligence and prudent use of public funds.

• (1135)

Mr. Charles Sousa: In your report and in your discussions with CBSA, there is some discrepancy in terms of the overall costs of ArriveCAN, because you can't reconcile what has taken place here. There is \$16 million or so that they've identified as being other applications.

Did you see value for money in those contracts?

Ms. Karen Hogan: The agency raised concerns around about \$12 million that was included in the \$59 million, because it was, they felt at times, of a general nature or it wasn't clear that it related to ArriveCAN. I think that's exactly our main finding: Their records should be better to demonstrate that.

When we looked more specifically at that \$12 million, we felt that about half of it was clearly linked to the ArriveCAN application. In fact, half of it had been provided to another parliamentary committee previously as expenses linked to ArriveCAN.

This just speaks to why it's important to document as you go. Make sure that the work is clear and that the evidence you have to support that the work took place is fulsome. Then, there are no questions when we come in and look to audit or raise questions around value for money.

The Chair: Thank you very much.

[*Translation*]

The floor is now yours, Ms. Vignola.

You have the floor for six minutes.

Mrs. Julie Vignola (Beauport—Limoilou, BQ): Thank you, Mr. Chair.

Ms. Hogan, like Mr. Hayes and Mr. Hannoush, I want to thank you for being with us.

Is it usual for a company to prepare the requirements that an agency, in this case the Canada Border Services Agency, includes in the final version of its request for proposals?

Is it common practice for a company to tell the Agency what it should do?

Ms. Karen Hogan: No, it is not.

We found that GC Strategies had been involved in the development of the requirements in a competitive contract. That should not have been done. It meant that the Canada Border Services Agency gave a potential supplier a competitive advantage. In fact, GC Strategies was the only company that responded to the solicitation.

Mrs. Julie Vignola: Let's talk about precisely those very restrictive requirements, more specifically concerning the people's experience in human resources.

It says in your report that certain tasks required ten years of experience, but they were ultimately not performed by people who had that experience.

What kind of problems can that cause in terms of the quality of the work and the requirements, in particular?

Ms. Karen Hogan: We might expect that the requirements relating to the skills of the resources selected for a contract would be clear and exhaustive, either in the contract or in the job description.

We often found that these requirements were not clear, either in the job descriptions or in the contracts. As well, there was no supporting evidence to explain why the Agency had selected resources who had less than ten years of experience.

In my opinion, the problem that can arise in such a case is that the best possible value for the services performed or the price paid is not achieved. In fact, we then saw situations where that was the case.

I would therefore have expected that the government would question whether these resources really worked and ask itself why it had paid such a high price.

Mrs. Julie Vignola: Essentially, if I understand correctly, when a contractor who does nothing but recruit resources, which is in fact what GC Strategies does, says that its resources cost \$1,500 per day and takes a 30% cut for itself, there is much more incentive for it to recruit only higher level resources.

Does that sum up what we have to take from this? If it suggests only higher level resources, the total amount it receives is going to be higher.

Ms. Karen Hogan: In this case, it is the Canada Border Services Agency that asked for the resources selected to have at least ten years of experience. We wondered about the reasons for that request.

We would have expected that the resources needed for implementing the application would not all have the same number of years of experience, but there was no supporting evidence to explain why the Agency always required resources who had acquired at least ten years of experience.

• (1140)

Mrs. Julie Vignola: Did the agency request that initially or did it do so in response to a suggestion by another company?

Ms. Karen Hogan: Once again, the supporting documents we would have expected to see in the files are so scarce that we are missing a lot of information about the interactions and discussions that took place between the Agency and the supplier.

Mrs. Julie Vignola: I find what I read in paragraph 1.64 of your report rather troubling. In fact, several paragraphs have that effect on me.

That paragraph says that no requirements were found in the non-competitive contracts that the resources' skills had to be demonstrated.

So I understand that the non-competitive contracts did not contain any requirement that the resources selected had to demonstrate their skills.

That paragraph also says that there was no evidence to demonstrate that the resources' skills met the requirements in the competitive contracts. So something was required and we do not know whether the resources selected have the skills to meet the requirements or they have been over-valued.

Have I understood correctly?

Ms. Karen Hogan: Yes.

When the contracts do not stipulate the skills required, no evaluation of the individual's skills is done.

That evaluation was not done when the non-competitive contracts were awarded. For the competitive contracts, we still found the requirement of ten years or more, with no explanation given. That comes down to important decisions made in respect of a contract not being documented in the Agency's files.

Mrs. Julie Vignola: To sum it up, they did it without really knowing why or how.

Ms. Karen Hogan: It was neither requested nor explained. No evaluation was done, since it was not a contract requirement. When it comes to procurement, the procedures are basic. We did not see them.

The Chair: Thank you.

[English]

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

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

I, too, want to thank you, Ms. Hogan, Auditor General of Canada, for your work and for tabling this report. I think it's important to mention that your reports and the work your office does are incredibly valuable to this institution. They ensure we have an opportunity to rebuild public trust.

Your facts here outline, I think, a very disturbing trend and reality that Canada will continue to be vulnerable to should we continue on this path absent the recommendations you made here, which I completely agree with. I noticed that the CBSA also agreed with all of them. However, at the end of my remarks, I hope to find ways to go further into that advice, see what systemic changes may be required—beyond some of the CBSA changes—and look, for example, at our public service and the work they could do.

You mention the deficits and the work these contractors did, which resulted in immense costs to Canadians. We don't deal particularly with the strength of our own public service. What I see here is an incredibly difficult and challenging truth facing Canadians: dealing with the terrible consequences of a bloated shadow public service. The consequences or results are invoices that are immense in terms of the duties they're being asked to do in relation to what they're invoicing. It's completely different. You mention that in regard to the 10-year requirement for some projects. There is a reality that much of the work didn't require 10 years of expertise in order to conduct some of what was being invoiced to the government, which created a larger and ever-expanding issue of cost.

I want to turn to the graph on page 7, "Exhibit 1.2—The Canada Border Services Agency continued to rely heavily on external resources to develop ArriveCAN from April 2020 to March 2023". It makes an important note of the cost differential between the average per diem cost for equivalent IT work and.... You estimated that the cost for ArriveCAN external resources was \$1,090, "whereas the average daily cost for equivalent IT positions in the Government of Canada was \$675."

In your opinion, would it have reduced the costs to Canadians had the public service been given the opportunity to do some of this work? Not all, perhaps.... I recognize the need, at times, for contracts. However, in this particular instance, do you think value for money was lost because the work the public service could have done was neglected?

• (1145)

Ms. Karen Hogan: I think, here, we were trying to highlight.... I want to be clear that it's not a very linear thing. It wasn't about using an external resource or an internal one. It was just demonstrating how continued reliance on external resources can start to hinder the value that taxpayers receive for money spent.

It was reasonable, in our view, at the start of the pandemic, to seek help outside of the public service. What I would have expected, however, as time went on, was dependency being reduced and a transition to internal resources, either to operate the application or to transfer knowledge.

Your question started off with this: What could we do, going forward, as a public service to improve things? I think having this worked into some of the contracts is a great place to start. Recognize that the public service might need to upskill, or that it might not have certain needed skills or skills that aren't needed every day. How do you transition some of that knowledge from the private sector to the public service so that, going forward, you can have options available that might be less costly and result in better value for money?

Mr. Blake Desjarlais: Thank you for that, Ms. Hogan.

I think there are two aspects that I want to focus on in my rounds to continue. One is the actual existence of the shadow public service, this network of contractors who seem to have preferential access to the CBSA in this instance. You have noted in your report that there were many instances where there were individuals who received gifts or invitations to events that would have otherwise enabled contact with these contractors. The lack of evidence that is documented suggests that they were influenced by these gifts or these events.

Would you say that's an immense concern that you also have?

Ms. Karen Hogan: I think it was clear here that there were existing relationships between the public service and some of the vendors, and that the invitations that were received to attend events are likely more common in the private sector than they are in the public sector, but they exist. That's why there's a code of conduct, and the agency's code of conduct required that individuals notify their supervisor that they received these invitations. That's done in order to eliminate a real or perceived conflict of interest and to remove any bias that may have existed in the contracting.

We saw no evidence that individuals who had been invited had followed the code of conduct and reported to their supervisors. Perhaps it happened but there was nothing documented. It really raises the risk that there is a conflict of interest or bias in some of the procurement decisions that were done.

Mr. Blake Desjarlais: I think if I have—

The Chair: I tell you what—you give me this time and I'll give it to you if you go a little longer the next time. Thank you.

Turning to our next round, Mr. Genuis, I understand you're splitting your five-minute slot. The floor is yours.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Madam Auditor General, thank you. I am going to go quickly.

Your report found that the average daily pay rate for each contractor and consultant who worked on the arrive scam was \$1,100 per day. That seems incredible to me. How did these costs compare to what would normally be paid for people working on this kind of project?

Ms. Karen Hogan: That's a difficult question to answer when we really just focused in on the resources who were working on ArriveCAN. That's where the average comes from.

As I answered to a previous question, I would have expected that the dependency on those external resources would have reduced over time, but I also would have expected that the requirement to always ask for resources with 10 years of experience or more would have been better documented or justified. A mix is likely a better combination, of lesser experience and 10 years or more, and that would have resulted in better value for money for taxpayers.

Mr. Garnett Genuis: Thank you. Your report identifies that the \$1,100 per day is substantially more than people working inside the public service would receive.

Your report reveals shocking details about cozy relationships between the Trudeau government and the contractors at GC Strategies who got the ArriveCAN contract. This company was actually involved in the development of the rules and requirements for making proposals. This seems to me akin to having the coach of one of the teams making the rules and directing the referee, an effective rigging of the process.

Liberals didn't want this audit to happen at all, which is why they voted against it in the House of Commons. You found that rules were broken when contracting vendors offered gifts, hospitality and invitations that were not properly reported.

How many public servants received these kinds of gifts, hospitality and invitations from contractors, which were not properly documented or reported?

• (1150)

Ms. Karen Hogan: I'm sorry. I don't have exact figures in my hands, and I probably don't have an exhaustive list. We did see that it was more than one contractor who invited individuals in the branch that developed ArriveCAN, but we saw no documentation that any of those invitations that we saw through emails had been reported to supervisors. That's what is concerning. That would have helped the supervisor put in place measures to make sure that there weren't apparent or real conflicts of interest.

Mr. Garnett Genuis: Roughly how many individuals were there, and also, could you provide the committee with a list of names of those who offered and those who received these kinds of invitations?

Ms. Karen Hogan: We can go back through our file and look at what we have to provide you, but it would be really just links to ArriveCAN. The agency might be able to provide you a more comprehensive list if you want to ask them when they're here.

Mr. Garnett Genuis: Thank you. If I understood right though, you are able to go through and provide what you have to the committee on that.

Ms. Karen Hogan: We'll have that, but it isn't in any way comprehensive. We'll see what we can provide you.

Mr. Garnett Genuis: I just have a final comment.

I think the reason that this is important is that it's clear from what we're hearing from the government that they are trying to use an internal investigation to pin this whole affair on one or two individuals. However, the investigator who is supposed to be undertaking their internal investigation is actually subject to the existing chain of command, so that process is just as rigged, just as susceptible to influence, as the original bid was.

With that, I'll end my time.

The Chair: Thank you.

Ms. Kusie, you have the floor for two minutes.

Mrs. Stephanie Kusie (Calgary Midnapore, CPC): Thank you very much.

We've established that this goes far beyond the existing criminal investigation and that there were existing relationships, as you indicated, Auditor General, that could have provided a bias or leaning toward serious contractors. My colleagues have established that there was no value for money for Canadians here. An app that was supposed to cost \$80,000 ended up costing \$60 million. We see \$60 million spent and \$12.2 million potentially unrelated, even, to this application. We see 18% of invoices by contractors who did not provide supporting documentation and even work being completed without security clearances.

Regarding the contracting, Auditor General, when we look at all of this—all of these discrepancies, this incompetence and possible malfeasance—who is fundamentally responsible for the contracting? Who has the final say on overseeing contracting for the ArriveCAN app?

Ms. Karen Hogan: I would back it up to say that fundamentally the deputy head, in this case the president of Canada Border Services Agency, is responsible for all decisions that are made within the department. With that being said, there are delegations of authority that go to other layers of the public service. I draw a difference between individuals who do the work and then individuals who oversee and make decisions. Those individuals are usually in management—director, DG and assistant deputy minister level. They set the tone for making sure that policies and basic requirements are followed.

We found a glaring disregard for that here. We could not find documented evidence as to who made the ultimate decision to choose a vendor or why that vendor was chosen, but we did see a contract requisition that was signed by an executive director in the department. In my view, when a public servant exercises their delegation of authority by signing something, that comes with a responsibility and accountability for that decision being made. If they feel that they've been pressured or didn't want to make the decision, they should have informed their supervisor or they should have documented. There are recourses that public servants can take if they feel they shouldn't be exercising the delegation of authority that's granted to them.

Mrs. Stephanie Kusie: Thank you.

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

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

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

Thank you, Auditor General, for the important work that you've done.

You've suggested that the value for money was not achieved. Did you also investigate the cost of using paper processing versus the cost of using ArriveCAN over time? I know that the CBSA website indicates that paper processing would have been almost \$95 million versus the cost of the ArriveCAN app.

I'm looking for your thoughts on that.

• (1155)

Ms. Karen Hogan: We did conclude that the best value for money was not achieved here. There was some value. I'll point back to our report in 2021. We issued two reports looking at border measures. The second actually noted that, because of ArriveCAN, the government was able to improve the quality of information collected from travellers, and they were able to follow up with travellers in a more timely way. Now, there were still many travellers who weren't followed up with, but the app sped up the paper process that was originally there.

I would add that there is also an enduring value to this application, as CBSA has now springboarded off what was done here to automate the border, something they had been working on before the pandemic. They used this as a sort of springboard to go there. There is some sort of enduring value left, post its use during the pandemic.

We did look at what it might cost for a piece of paper versus automation. It really isn't a linear calculation. I think we probably would have landed at somewhere around \$3 or so for a piece of paper, but again, I think it's more about the quality of the information and the timing. The paper was making its way to the Public Health Agency 28 days after an individual had crossed the border; that's really hard to follow up on a 14-day quarantine.

I don't think the value should be quantified. It should be in the fact that there was a more timely follow-up with travellers during the height of the pandemic.

Ms. Iqra Khalid: In your report, you identify that the overlooking of it is based on efficiency and about the value and effectiveness of the app itself. Would you say that, between the paper-based and the automated, there was value there?

Ms. Karen Hogan: As I said, there was some value. I would tell you that the government was effective at delivering on this app. It was done very quickly—quicker than you would see most things. Was it efficient and did it provide good value for money? That's where I would tell you no. The government has paid too much for this app. The public service should do better, going forward, on projects like this.

Ms. Iqra Khalid: You also outlined that one of your main concerns was about poor record-keeping practices. Are you concerned that there is widespread corruption that is ongoing?

Ms. Karen Hogan: I think the confusion that we saw with the record-keeping—and I will tell you that it's probably some of the worst record-keeping I have seen in a long time—was because there was no documentation outside of record-keeping.

When an individual receives an invoice and it's not clear what app a worker was working on or what IT project a worker was working on, it's very difficult to allocate it in your records to the best place. We saw journal entries where items were being moved around, and we needed to trace back through many steps in order to get to supporting documentation. At times, it was very clear that it was linked to ArriveCAN. At other times, it required judgment to know whether or not it was of such a general nature that it should be associated with ArriveCAN.

It is about making sure that the public servants have the information they need to make the right decisions. In this case, there was a disregard for some of those really basic elements that we traditionally see.

Ms. Iqra Khalid: You are in communication with the CBSA president. Are you satisfied with the steps that have been taken so far to fix some of these practices that you have outlined?

Ms. Karen Hogan: We haven't really looked at the steps that the agency has taken since.

I do look at the fact that it's receiving many recommendations. There are recommendations from my report as well as recommendations from the ombud. I will tell you that they're aligned and complementary. The agency has a lot of work ahead of it to ensure what I would think are some of the most basic elements of project contract management and record-keeping, which need to be fixed.

Ms. Iqra Khalid: Do you think that people working from home or working remotely had an impact on poor record-keeping, or do you think this is just an oversight on the part of the public service?

Ms. Karen Hogan: I believe that the public service was trying to act quickly in an emergency. I will tell you that, while they were given flexibility from the Treasury Board Secretariat to reduce some of the normal processes and red tape, it also came with a reminder that exercising due diligence and demonstrating prudent use of public funds should be done. I think that, here, an emergency was not an excuse to throw out the window the basic rules that the public service normally follows. I would expect better from the public service, and I have seen the public service do better.

• (1200)

The Chair: Thank you very much.

[Translation]

The next speaker is Ms. Vignola.

The floor is yours for two and a half minutes.

Mrs. Julie Vignola: Thank you, Mr. Chair.

Ms. Hogan, point 1.67 of your report says that times sheets were submitted, authorized and signed and there were no details on the work performed.

Did those time sheets all come from the same company, or was this a generalized problem? As well, was it always authorized by the same person or persons?

Ms. Karen Hogan: No, it did not always come from the same company, and it was not always the same individuals who approved the time sheets.

Sometimes, it was very well done. On the other hand, we found that there was sometimes information missing that would have been essential. It is really not a good practice to approve incomplete time sheets that are then provided as supporting evidence for invoices.

It is really the contractor who should have approved the time sheets, not an employee of the public service.

Mrs. Julie Vignola: In some task authorizations, the deliverables are not clearly defined. We really do not know what is wanted, ultimately. There are no details regarding the tasks to be performed. Nonetheless, the contracts were awarded to GC Strategies and KPMG, among others.

Is this a sign of flexibility or is it simply a great big door, open to loopholes and abuses?

Ms. Karen Hogan: In my opinion, it is not a sign of flexibility. Flexibility might be eliminating a few steps, but not removing information that is essential for managing a contract or a project or for demonstrating proper accountability.

In this case, it really was a failure to abide by the essential elements that should be have been seen in contracting and project management.

Mrs. Julie Vignola: The Canada Border Services Agency and Public Services and Procurement Canada signed contracts for which no amendments were made regarding tasks.

However, there were amendments regarding deadlines and costs.

Do you often see this in doing your audits?

Ms. Karen Hogan: This is another of our findings that supports our conclusion that the government could have got more for its money.

It is reasonable for extensions to happen, but ordinarily, that should not be used to change deadlines or increase the price of contracts. When the price increases, it is ordinarily because a deliverable has been added.

In the case that concerns us, we found that the extensions were not connected with new tasks and instead pushed the deadlines back, which increased the price of the contracts.

That is why we concluded that the government could have got more for its money.

The Chair: Thank you.

[English]

Mr. Desjarlais, you have the floor for two and a half minutes, and I owe you a few seconds. Just so you know, it's not a lot more, but I will be mindful to give you the time you are owed.

Thank you.

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

I now want to turn to paragraph 1.56, in which you reported that you “found that GC Strategies was involved in the development of the requirements that the Canada Border Services Agency ultimately included in the request for proposal.” That is a deeply troubling fact, and I think Canadians need to reflect on how private actors are able to directly influence the competitive aspect of a bid they are participating in.

That should have been a massive red flag, from my perspective, because not only was it an abuse of the rules and regulations that exist for competitive bids, but it also masked the true intent of the public service in some ways, which just prior to May 2022 had three non-competitive contracts with GC Strategies. Is that correct?

• (1205)

Ms. Karen Hogan: That's correct.

Mr. Blake Desjarlais: Following on that, we then witnessed CB-SA undergo a competitive process to replace those three non-competitive contracts by selecting the very same contractor that was the recipient of the contracts in the non-competitive process. Is that true?

Ms. Karen Hogan: Yes. I think in this case, the contractor was involved in setting some of the requirements, and that should not happen. That really does limit competition. We found that the requirements that were used were so restrictive that the only vendor that responded to the request for proposals was GC Strategies. The Canada Border Services Agency gave them an advantage that other bidders just did not have.

Mr. Blake Desjarlais: What evidence and information did you find in your review of this work that demonstrated that connection and the influences that GC Strategies would have had on CBSA? Was it emails? Was it text messages? Was it documents? Was it letters in which you found evidence to suggest there was a direct influence there?

Ms. Karen Hogan: In this case, it was correspondence, emails, between the vendor and the individuals who were setting out the request for proposals. The exact word-for-word requirements were then used in the process. I would also point you to the report of the procurement ombud, who outlined many other requirements. We just gave you a sample of some, but those were all very restrictive and likely limited competition. In the end, the only vendor who responded was GC Strategies.

The Chair: Do you have a brief question, Mr. Desjarlais? It will need to be brief.

Mr. Blake Desjarlais: Sure. In terms of those documents, would it be possible for some of that correspondence related to the example you outlined to be shared with this committee in advance of our further studies?

Ms. Karen Hogan: We can go back through. I think it might already have been shared with other parliamentary committees. We can go back through our file and see if we can locate that. We will be here tomorrow, but I'm not sure we'll be able to get it to you in advance. We'll do our best.

Mr. Blake Desjarlais: Thank you.

The Chair: Thank you very much.

We will turn now to Mrs. Block.

You have the floor for five minutes. I understand you will be sharing your time as well. I will turn the floor over to you.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Yes, that is correct, Mr. Chair, and thank you very much.

Ms. Hogan, thank you to you and to those joining you for being here today.

From the beginning of the government operations and estimates committee study into ArriveCAN, we have been told by Liberal members across the table that there is nothing to see here. In fact, you could probably look at past committee meetings to see that is exactly what they said when we wanted to undertake this study. Little did they know, I guess, that you would find—and you have mentioned several times—that there was an alarming lack of documentation throughout the procurement process for this app. I think that's in keeping with what the procurement ombudsman stated in his report.

Time and time again we have heard that we should cut the public servants some slack because it was during the pandemic. We even heard it today in regard to public servants working from home.

Do you believe the glaring disregard for basic mismanagement and contracting practices, as well as the lack of documentation, can be sufficiently excused by the fact that it was during a pandemic?

Ms. Karen Hogan: No. I said it in my opening remarks. I do not believe that an emergency is an excuse for throwing the rules out of the window. These are some really basic elements that I would have expected to see, such as documenting a decision on who is being selected and why, and why they have the skills to carry out the work that you need done. There are basic bookkeeping factors that I would expect to see, such as invoices being well supported and making it clear what work should be charged to what project that's ongoing. My advice to public servants would be to document as you go.

We saw in other contracts throughout the pandemic that, while they had opportunities for improvement, they were not as glaring as the lack of documentation that we saw here.

Mrs. Kelly Block: Thank you.

The Chair: Thank you.

I think that's your signal, Mr. Brock. You have the floor for about two minutes and 40 seconds, sir.

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

From \$80,000 to approximately \$60 million, and it will probably continue to be more once we get some documentation, it's now abundantly clear to Canadians why the Liberal government, under Justin Trudeau and his members, did everything in their power to shut down your audit. They voted against your audit. They routinely shut down committees. Just last week they shut down the committee that you and I were involved in when it was revealed that the RCMP were investigating. All of a sudden they brought a motion to adjourn.

Just last week a release of the preliminary report by the CBSA investigator was too scary for some Liberal members, and they required a complete shutdown of witnesses to study ArriveCAN. It's abundantly clear what they were trying to hide. This is a gross misuse of taxpayer funds.

You indicated the public service should do better. This is an example of the worst record-keeping practices you have seen in your tenure as the Auditor General.

In terms of moving forward, the CBSA has promised to follow your recommendations for changes internally. However, to the Canadians who are watching this who have now realized that this government has abused and misused their taxpayer funds, what civil and criminal consequences should befall this government?

• (1210)

Ms. Karen Hogan: Matters of a criminal nature and decisions in that respect rest with law enforcement. In this case, the RCMP would be the experts to tell you what action, if any, is needed. That is not my place.

Mr. Larry Brock: GC Strategies is under RCMP investigation, not for the ArriveCAN app but in relation to another application involving a software company out of Montreal, and the government as well, including the CBSA. That's the focus. The RCMP has never been focused on the ArriveCAN app.

During the course of your investigation, led by Mr. Hannoush and shared to you, Ms. Hogan, and to Mr. Hayes, did you uncover elements of suspicion with respect to GC Strategies that warranted a potential referral to the RCMP?

Ms. Karen Hogan: This is a bit of an unusual situation. Normally when we're in auditing, the RCMP has not been referred matters. In this case, they were referred in a matter around contracting. I am not aware if they've begun an investigation or where that investigation is going.

I didn't have to turn my mind to if I need to decide if there are other things I should refer. I did have a conversation with the RCMP. It was a very general one because our report was not yet made public. It was made public only today. I told them that, if they would like to have access to our file, they should send me an official request to do so, and we would be happy to provide them with any of the evidence that we have.

The Chair: Thank you very much. I'm afraid that is the time.

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

Ms. Jean Yip (Scarborough—Agincourt, Lib.): It's been quite the morning.

Thank you for coming.

Why was the CBSA's own procurement directorate not involved in the contracting process?

Ms. Karen Hogan: That's an excellent question. I'd encourage you to ask Canada Border Services Agency.

Many departments have their own procurement arm that is there to help ensure policies are followed and best practices are there. Oftentimes, they might work with Public Services and Procurement Canada to ensure there is good competition and the best value for money is achieved, but what we found here, in this case, was that individuals were directly working with Public Services and Procurement Canada and they weren't always involving their own procurement directorate.

We made a recommendation around that being a best practice that really should be used. They're there because they are experts in contracting and can help ensure that a contracting file is well supported and that all of the decisions that should be in there are well documented.

Ms. Jean Yip: In terms of user testing, 12 out of 25 did not complete user testing, while 10 out of 13 had user methodology but the testing results were incomplete. Why did this happen?

Ms. Karen Hogan: This is really a best practice that we would have expected to see when there is an IT project. In this case, there were 177 releases to the application. We focused in on the 25. The numbers you're referring to are really what we focused in on, which was the 25 major releases, which meant that there was a significant change happening to the ArriveCAN application.

You would normally expect to see a plan for good user testing to ensure that the application is operating as intended, and you would document the results of those testings and any corrective measures if needed. When we looked at those 25, we found that 12 of them actually had nothing documented. It doesn't mean the testing didn't happen, but there was no proof that testing had occurred.

What the risk is there is that you release an app that isn't functioning as intended and, in fact, that's what Canada saw at some point, when 10,000 travellers were incorrectly told that they needed to quarantine.

We would expect that the department would have done all this testing and documented it well before releasing a change to the application.

• (1215)

Ms. Jean Yip: How were procurement contracts decided to be tendered on a competitive or a non-competitive basis?

Ms. Karen Hogan: That decision usually rests with the department making the decision.

There are many reasons why you could choose a non-competitive contract. They're allowed in the procurement policies and directives, but when that happens, you would expect that you would have clearly documented your interactions with the vendor and that you would have also documented clearly why you chose them.

Typically, to go non-competitive, there needs to be a really good, valid reason. In this case, there was very little documentation as to why GC Strategies was selected and how they could fulfill the requirements of the contract.

Ms. Jean Yip: Okay.

Was there a deep lack of documentation? There was obviously not enough documentation in bookkeeping practices, and in other departments there were. What do you think made the difference in these bookkeeping practices?

Ms. Karen Hogan: It's a question, again, that I think you should probably ask the department.

When we spoke to many people, what we heard is that they were in the pandemic. It was a never-before-seen situation. The public service was asked to act quickly to support Canadians, but you know, the basic elements that we would expect to see just aren't

there. It's a head-scratcher for me as to why they're not there. I've definitely seen the public service do better.

It isn't just around contracting, but it was around project management—no oversight and no budget. It was around user testing on the applications. There were so many key elements that I would have expected to see documented that just aren't there, and when you don't have the records, many of the questions you're asking just can't be answered.

The Chair: Thank you. That is all the time we have.

Auditor, I want to thank you and your team for coming in today. I've said this before in private, but I do appreciate your coming before this parliamentary committee and arranging for your office to be here for the lock-up this morning for parliamentarians. That is invaluable to us, as well as coming to committee with your opening statements to hear directly from lawmakers.

I know we're going to see you and your team again tomorrow, along with the departmental officials. We look forward to that.

With the committee's approval, the meeting is adjourned.

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