

## SECTION FOURTEEN

**DETAILED FINDINGS—  
COFFIN COMMUNICATIONS****14.1****Business Background**

Coffin Communications (2794101 Canada Inc.) ("Coffin") commenced business in 1992 and is 100% owned and operated by Mr. Paul Coffin. During the period Coffin obtained GOC business, it had two full time salaried employees, Paul Coffin and his son, Mr. Charles Coffin. Mr. P. Coffin's business relied on subcontracted expertise for purposes of fulfilling mandates, particularly for creative design and development. In addition to his interest in Coffin, Mr. P. Coffin was president of a number of real estate holding companies.

## I4.2

### GOC Selection Process

Coffin was selected as agency or part of a consortium of agencies, to provide services to the GOC as a result of the following selection processes.

#### I4.2.1 1997 Agency Selection Process

For purposes of this process, Coffin submitted its response as a venture with SOS Communications, a company owned by Mr. Robert Wolowich. All resulting work generated from this process was in the name of Coffin.

#### I4.2.2 May 2001 Agency Selection Process

Coffin qualified for a second time to provide services related to SPS activities as part of this process. Coffin significantly decreased its rates as part of the process.

#### I4.2.3 September 2000 Canadian Information Office

Coffin was part of a consortium of firms, consisting of Groupaction, Vickers and Benson, Compass and Focus that qualified as Ensemble Consortium to provide services to the CIO. Based on documentation reviewed, Coffin's role was to be "Special Projects". However, Coffin received no work through Ensemble Consortium.

## I4.3

### Contracts with GOC

#### I4.3.1 SPS Contracts

As identified in Schedule 3 to this report, Coffin received some 80 SPS contracts during the period of GOC fiscal 1994-95 and 2002-03. Coffin faces criminal charges in respect to 32 of these contracts.

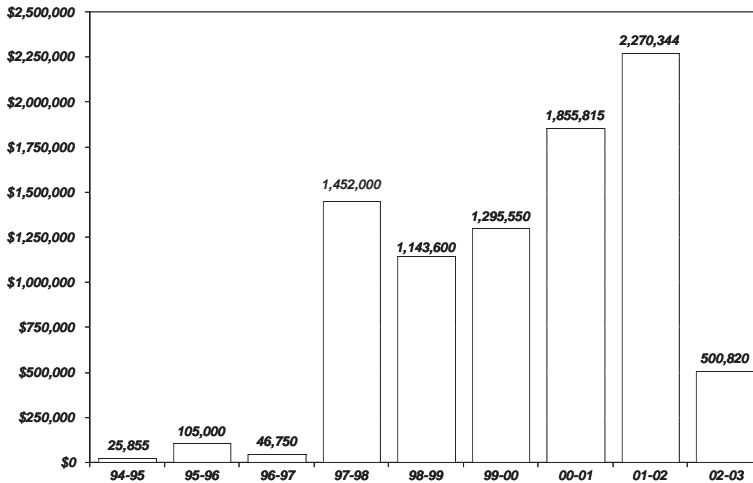
Table I03 lists by year and category of expenditure the total value of the SPS contracts received by Coffin:

**Table I03: Communication Coffin - Total Value of SPS Contracts**

<u>Year</u>	<u>Sponsorship</u>	<u>Communication Agency Commissions</u>	<u>AOR Fee</u>	<u>Production/ Professional Fees</u>	<u>Total</u>
1994-95	-	-	-	25,855	25,855
1995-96	-	-	-	105,000	105,000
1996-97	-	-	-	46,750	46,750
1997-98	835,000	100,200	-	516,800	1,452,000
1998-99	565,000	67,800	16,050	494,750	1,143,600
1999-00	630,000	75,600	18,000	571,950	1,295,550
2000-01	1,157,000	138,840	33,000	526,975	1,855,815
2001-02	1,775,500	213,060	53,265	228,518	2,270,344
2002-03	<u>430,000</u>	<u>51,600</u>	<u>12,900</u>	<u>6,319</u>	<u>500,819</u>
<b>Total</b>	<b><u>\$5,392,500</u></b>	<b><u>\$647,100</u></b>	<b><u>\$133,215</u></b>	<b><u>\$2,522,918</u></b>	<b><u>\$8,695,733</u></b>

Table I04 illustrates the total value of SPS contracts for each fiscal year for 1994-95 to 2002-03:

**Table I04 - Communication Coffin - Total Value of SPS Contracts**



In addition to the 80 SPS contracts, Coffin was also a subcontractor to Lafleur Communication Marketing in relation to the project/event "Sur la route d'Atlanta", which was included in Lafleur's contract EN771-6-0030. In 1996 Coffin was not an SPS agency and Lafleur was the contracting vehicle. Mr. P. Coffin billed \$225,000 in respect of this work.

#### 14.3.2 Advertising Contracts

As set out in the listing of advertising contracts attached as Schedule 10, Coffin was the communication agency in respect of \$7,838,639 worth of advertising contracts. Coffin's involvement in advertising consisted of two events: (i) advertising for the Clarity Act and (ii) advertising for the Canada Health Care campaign, referred to in testimony as the "Gingko Contract".

### 14.4 Management of Contracts

#### 14.4.1 General Observations

As a result of our review of Coffin's billings to the GOC and our review of other available documentation obtained during the course of our mandate, we note the following significant issues regarding Coffin's management of GOC contracts:

- i) On October 2, 2002, in response to a request by Consulting and Audit Canada to conduct a time audit related to time charges against sponsorship contracts, Mr. P. Coffin wrote to Ms Myra Conway of PWGSC and indicated that Coffin did not have a time and billing system until the summer of 2000;
- ii) In spite of not having a time and billing system, Coffin billed the GOC during the period April 1, 1997 and May 31, 2001 a total of \$1,295,395 for agency time charges;
- iii) We note that Coffin's billing practice changed in GOC fiscal 2001-02. Coffin billed a minimal amount as agency time charges.

#### 14.4.2 Example of a Specific Contract Related Issue

In GOC fiscal 1999-2000 Coffin was the communication agency contracted with for purposes of production and media placement in respect of the Clarity Act. Documentation related to this contract has been filed before the COI as Exhibit C-373.

In reviewing Coffin's invoicing to PWGSC in respect to this advertising initiative we noted the following issues:

- i) Coffin issued invoice #782 in the amount of \$28,308.19, before GST, which included the following details:

	<u>Estimate</u>
Subcontracted cost	\$18,521.62
Agency commission of 17.65%	3,269.07
Agency production re: professional fees for 39.5 hours (Account Services Team)	<u>6,517.50</u>
Total	<u>\$28,308.19</u>

The subcontracted cost was supported by invoice #01013 from Eminence grise Inc. in the amount of \$18,521.62 for 50% of the 11.75% commission to be earned by the communication agency on the media placement. Details of the calculation were provided on the invoice. Coffin was to receive from Média/I.D.A. Vision 11.75% of media placement. Coffin's invoice #782 was submitted to the GOC and paid.

As the GOC was already paying the media commission to Coffin via Média/I.D.A. Vision, Coffin should not have also been billing the GOC for a media commission sought by a subcontractor. Therefore, while we can not comment on the appropriateness of the \$6,517.50 of professional fees billed by Coffin on invoice #782, we can state that the remaining \$21,790.69 (Eminence grise Inc. fee of \$18,521.62 plus the agency commission of 17.65%) should not have been billed to the GOC.

- ii) The amount of the overcharge was then compounded when Coffin also submitted invoice #782R. The Coffin invoice details were the same as #782, however, the supporting invoice #01013 from Eminence grise Inc. did not disclose the details of the basis of the \$18,521.62 charged. Coffin's invoice #782R was also paid by the GOC. The GOC issued payment for invoice 782 and 782R on the same cheque. One of the payments made by the GOC of \$28,308.19 plus taxes was treated by Coffin's accountants as being a duplicate payment and was identified as an amount payable to the GOC as part of Coffin's financial statements.

Based on a review of the accounting records of Coffin, Eminence grise Inc. did not receive a second payment from Coffin in respect of media commissions.

As invoice #782R appears to be a double billing, the total amount of the overcharge to the GOC in respect of these two invoices was, at a minimum, \$50,098.88 plus tax (\$21,790.69 from invoice #782 discussed above, plus the full value of invoice #782R).

## 14.5

### Financial Impact of Advertising and SPS Contracts on Results of Coffin Communication

#### 14.5.1 Revenues

The following Table summarizes Communications Coffin's revenue by year and the amount of revenue which is related to GOC contracts for the years ended October 31, 1996 to October 31, 2002 based on accounting records prepared by Coffin's outside accountants:

Table 105: Comparison of Coffin Total Revenue to Revenue from GOC 1996-2002

<b>Year</b>	<b>Total Revenue</b>	<b>Revenue from GOC</b>
1996	\$641,443	\$288,470
1997	723,495	671,641
1998	1,310,572	1,117,872
1999	811,601	675,016
2000	1,239,590	1,049,355
2001	1,023,392	893,214
2002	<u>277,990</u>	<u>212,833</u>
<b>Total</b>	<b><u>\$6,028,083</u></b>	<b><u>\$4,908,401</u></b>

## 14.6

### Notable Uses of Funds by Coffin Communications

#### 14.6.1 Income to Coffin Family

Coffin effectively paid the majority of earnings to Mr. P. Coffin and Mr. Charles Coffin via salary and dividends. We note that in addition, based on the summary of financial statements, Coffin's retained earnings within the company rose from negative \$820 at October 31, 1996 to a high of \$324,648 on October 31, 2001.

The following table summarizes the yearly income of Communication Coffin, dividends paid to Mr. P. Coffin and the salaries paid to Mr. P. Coffin ("PC") and Mr. Charles Coffin ("CC"):

Table 106: Summary of Coffin Earnings and Dividends and Salaries Paid

<b>Year</b>	<b>Earnings</b>	<b>Dividends – PC</b>	<b>Salary – PC</b>	<b>Salary – CC</b>
1996	(\$40,406)	\$130,595	\$24,000	\$4,500
1997	77,049	-	70,300	12,500
1998	130,698	-	161,800	40,619
1999	61,524	-	131,600	58,720
2000	119,706	63,500	182,411	46,617
2001	7,222	-	167,706	73,915
2002	<u>1,780</u>	<u>29,000</u>	<u>17,265</u>	<u>20,950</u>
<b>Total</b>	<b><u>\$357,573</u></b>	<b><u>\$223,095</u></b>	<b><u>\$755,082</u></b>	<b><u>\$257,821</u></b>

### 14.6.2 Payments to Political Parties

Coffin made the following payments to federal political parties:

**Table 107: Summary of Payments Made to Federal Political Parties**

<u>Year</u>	<u>Progressive Conservatives</u>	<u>Liberal</u>
1996	300	-
1997	-	-
1998	100	-
1999	-	14,000
2000	-	8,300
2001	-	5,500
2002	-	<u>1,500</u>
<b>Total</b>	<u>\$400</u>	<u>\$29,300</u>

### 14.6.3 Payments to Mr. Guité and Oro Communications

Coffin and Oro, a company owned by Mr. J.C. Guité, entered into an agreement dated January 2, 2000 whereby Oro would be paid \$15,000 to "provide marketing services to develop private sector sponsorship in support of the Atlantic Formula Series in Trois-Rivières, Montréal, Toronto and Vancouver." The full value of the agreement was paid to Oro. In addition, Oro was paid \$5,600 in respect of an invoice for services provided regarding "H2O Recreation".

Mr. P. Coffin also paid \$27,000 to Mr. J.C. Guité for the purchase of a boat.