

H

APPENDIX H

DEMERS ADMINISTRATIVE REVIEW

H. PIERRE TREMBLAY

P. Tremblay now occupies a position of vice-president at the EX-04 level at the Canadian Food Inspection Agency. During the period under review, he occupied a position of director at the EX-02 level, and then (interim) executive director at the EX-04 level.

The Committee met Pierre Tremblay on two occasions, on October 20 and 27, 2003. At the first meeting, P. Tremblay asked the Committee for a version of the Kroll Report in both official languages. The Committee said there was no French version. P. Tremblay asked that the Kroll Report and the Committee Report be made available in the two official languages, as the law provides for. He specifically required that it be mentioned in this report. At the beginning of the October 20 meeting, P. Tremblay said his lawyer could not attend the meeting, that he had not had time to read the excerpt from the Kroll Report and had advised him to note the questions likely to overlap

the RCMP investigation so they can be analysed and answered in written form. P. Tremblay said he was ready to cooperate with the Committee to allow the administrative review to go forward. At the October 27 meeting, P. Tremblay said his doctors recommended against his taking part, but that he wanted to attend to show his cooperation and honesty.

P. Tremblay began the interview by tracing the history of his career and his arrival at Communication Coordination Services Branch (CCSB). About 1980, P. Tremblay was working for MP Jean-Robert Gauthier while completing a PhD. About 1985, after completing his thesis, P. Tremblay received an offer from MP Gauthier, then Chief Government Whip, who asked him to help him computerise the recording of House debates. During his work in Parliament from 1985 to 1994, P. Tremblay got to know Alphonso Gagliano. About 1994, Mr. Gagliano, then Chief Whip, was appointed Labour Minister. Minister Gagliano then hired P. Tremblay as executive assistant. When Minister Gagliano changed portfolio to head Public Works and Government Services Canada (PWGSC) in 1997, P. Tremblay followed him as executive assistant. When he arrived at PWGSC, according to P. Tremblay, Minister Gagliano asked Deputy Minister Ranald Quail to review the delegation of authority. Assistant Deputy Ministers Allan Williams and Jim Stobbe were in charge of the project. P. Tremblay said that in the spring of 1998, he himself did the monitoring with them to ensure the delegation was reviewed. Therefore, P. Tremblay said, he was reasonably familiar with the matter of delegation of authority at PWGSC.

P. Tremblay specified that Minister Gagliano asked Deputy Minister R. Quail to set up CCSB. In 1998, J.C. Guité asked P. Tremblay for the names of persons who could be good candidates to replace him as he was preparing for his retirement. He was looking for someone likely to get along well with the Minister. P. Tremblay himself was then considering a transfer into the civil service, so he informed Messrs. Gagliano and Quail of his interest in moving to CCSB. P. Tremblay said Messrs. Gagliano and Quail made sure he passed all the necessary tests (language, in-basket test, interview with CSC) to abide by the standards of eligibility for a CCSB position. In February 1999, P. Tremblay was appointed director of strategic communications, an

EX-02 level position, at CCSB. His work was to assist the Cabinet Committee on Communication on behalf of CCSB for the PWGSC Minister. This committee was made up of representatives from CCSB, the Privy Council Office and the Canada Information Office and met once a week.

P. Tremblay emphasizes that most of the events involving him in the Kroll Report occurred about April 1999, a few weeks after his arrival at CCSB, when J.C. Guité was still executive director. P. Tremblay says he signed for J.C. Guité when the latter was absent, but also sometimes when he was present because J.C. Guité was grooming him to take over the Sponsorship Program. P. Tremblay explains that, up until the time he arrived, there was no set budget for sponsorships. The person responsible for national unity in the Prime Minister's Office decided at year's end what sums were to be allocated to the Sponsorship Program. P. Tremblay claims the budget allocated to sponsorships since 1993 was hidden and that even the Auditor General had not been able to identify it. J.C. Guité, therefore, could not promise sponsorships for the next fiscal year, but would still negotiate them, confident he would later get the necessary budget. This is, he believes, why so many sponsorships were signed at the beginning of the fiscal year, in April. P. Tremblay says that, when he was appointed interim executive director in September 1999, he asked Deputy Minister R. Quail to change this method of accounting. With the help of Ralph Sprague (DG, Finance), P. Tremblay prepared a submission for the Treasury Board (TB). This submission was signed by Minister Gagliano and Prime Minister Jean Chrétien because the money came from the Unity Reserve. For the following years starting in 2000/2001, CCSB received an annual budget of \$40 million for three years, which made it possible to improve the management of sponsorships.

P. Tremblay explains that traditionally, in this type of industry, communication agencies (CAs) contact event organizers and get a commission (approximately 25%) for finding them sponsorships. P. Tremblay says that in October 1999, soon after his appointment as interim executive director, he sent a letter to all event organizers who had received sponsorships in the past, saying all sponsorship applications from then on should be sent to him directly instead of through CAs. CAs were also informed of this new rule, and afterwards

the call for tenders was changed accordingly. The Committee pointed out to Mr. Tremblay that documents on file showed these letters were in fact sent in the fall of 2000, that is, after the internal audit report. P. Tremblay replies that he thought he had sent the letters in the fall of 1999, but his memory may be failing him.

P. Tremblay explains that, for a number of years, every department had sponsorship budgets and that all was not perfectly coordinated. Indeed, he says that, in some cases, CCSB talked with Sport Canada and Heritage Canada to ensure that all three did not sponsor the same event.

P. Tremblay says that as soon as he was appointed interim executive director, he kept Deputy Minister R. Quail informed of his activities in regular personal meetings. In the matter of sponsorships, he also met Minister Gagliano just as regularly. The Committee asks Mr. Tremblay to specify the reason for these meetings and what information was shared. P. Tremblay says he met the Deputy Minister and the Minister, not necessarily in that order, on a weekly basis and presented them with the list of events proposed, rejected or accepted, with the dates, the location, the amount of sponsorship and commissions to be paid to the distribution agency (DA) and the CA, for the Minister's approval.

P. Tremblay says that, since Minister Gagliano was responsible for the Program, it was normal to share with him the list of events to make sure the sponsorships were congruent with the situation of the moment and would not cause any political problems. As an example, P. Tremblay says that if the cause of women in the regions was the topic of the day, an event targeting women in a region would be encouraged. Other types of events for which a federal government sponsorship might cause a controversy were also discussed with the Minister to see if he had any objection. He adds that there were at times mixed sponsorships, for instance Via Rail and the Government of Canada, which sponsored the National Hockey League. P. Tremblay stresses that R. Quail never commented on his delegation of authority with regard to the points raised in the Kroll Report. P. Tremblay says R. Quail concerned himself mainly with the amounts of the sponsorships, not the choice of events, to make sure everything stayed within the limits of the budget.

The Committee asks P. Tremblay to explain his understanding of the delegation of authority. P. Tremblay says the process he put into place after the CCSB 2000 audit gave him the delegation necessary for the competitive markets granted through the electronic media. He adds that the action plan of this 2000 audit included the training of employees and the increase in resources.

The Committee asks P. Tremblay to explain why so many sponsorships were directed to Quebec. P. Tremblay replies that Prime Minister Chrétien himself said in the House that it was to ensure greater visibility for the federal government in Quebec following the referendum. On the other hand, P. Tremblay says Minister Gagliano did not prevent him from accepting sponsorships outside Quebec. P. Tremblay says he tried to be fair in considering similar applications from other provinces. P. Tremblay says there were no guidelines for selecting the sponsorships until Evelyn Marcoux in 1999 proposed some that were approved by the Minister and the Deputy Minister a little later. These guidelines did not include any national unity criteria, but referred rather to what the Government of Canada had to offer Canadians.

P. Tremblay continues, saying that when he became interim executive director, he also did some housecleaning of promotional items (T-shirts, flags, lapel pins, etc.). He gave the entire CCSB stock to embassies and other organizations. To replace these assorted items, he had T-shirts made to distribute to CAs.

The Committee asks P. Tremblay to explain Huguette Tremblay's role in the Sponsorship Program. P. Tremblay replies that she handled contract documents, finances and was in contact with the DAs and CAs. He says that, when she initialled a document, it was to confirm that everything was according to standards. The Committee asks how the invoices were presented to him. P. Tremblay says he would receive the request for goods and services and the invoice, but does not remember whether the contract was attached. In any case, he says the contracts were standard. P. Tremblay says he could not check the detail of every invoice and he had to trust someone. The Committee asks if he checked the invoices before signing them as required by Section 34 of the *Financial Administration Act* (FAA). P. Tremblay says that before he was appointed executive director, that is, from February to August

1999, he did not really check them because he trusted the system put into place by J.C. Guité and he trusted Huguette Tremblay in general. P. Tremblay says that after his appointment as interim executive director in the fall of 1999, he required post-mortems for every contract. Records show that this requirement was set rather in the fall of 2000, after the controlled audit.

1. General: Elements of non-compliance with market policies/rules relating to calls for tenders and selection of bid:

The Committee asks P. Tremblay what his involvement was in the development of the CA list established in 1999. P. Tremblay says he received the list J.C. Guité had drawn up and continued to use it until a new process was set up to improve the selection system. He says that, as far as he knows, seven of the list of ten CAs mentioned in the Kroll Report were used. He explains that sponsorship applications were submitted to J.C. Guité by CAs and it was generally those agencies that got the contract. He adds that sometimes J.C. Guité would ask a CA to sound out an event organizer, and he sometimes did the same thing.

Specific analysis/conclusion: Although P. Tremblay could have changed the system in place upon his appointment as executive director, well before it was recommended by the 2000 internal audit, the Committee finds that P. Tremblay had been led to believe sincerely the system was adequate. Consequently, the Committee feels he could not be held responsible for this.

2. General: Elements of non-compliance with delegation of authority and splitting of contracts:

In short, P. Tremblay says he used the delegation grid applicable to competitive markets granted by the electronic media. He consulted the Deputy Minister and the Minister every week and submitted for their approval a detailed report on sponsorship applications. Because of this, he feels, policy requirements and rules applicable to the approval of markets were respected.

3. Specific events in the Kroll Report:

P. Tremblay reminds us that his superiors never indicated to him that he went beyond his delegation of authority as he reported to them in detail every week on the sponsorship applications. That is why he rejects the findings of the Kroll Report in this matter. He adds that, given his consultations with the Minister, he rejects any element of non-compliance indicating that the Minister had apparently not been informed as prescribed by the conditions of the delegation of authority.

Events 37, 41, 40, 43, 35, 32, 29, 26, 48, 47, 45, 44, 38, 39
(re-numbering applied in the Kroll Report of June 2003)

(Contracts #EPO43-9-0005, 0013, 0010, 0006, 0016, 0011, 0012, 0015, 0002, 0003, 0008, 0004, 0001, 0007)

Salons/Soirées/Magazines/Almanach

These files concern Section 34 of the Financial Administration Act (FAA). The Kroll Report revealed full payment was made on April 20, 1999, while the contract was dated April 1, 1999. Nothing in the file indicates the event was held prior to April 20. According to the contract, only 80% of the amount was to be paid before the event.

P. Tremblay explains that he had been in his position only a few weeks when he signed these invoices while he was DG of strategic communications under J.C. Guité. The invoices had been initialled by Huguette Tremblay. J.C. Guité then instructed him on what he had to do and he confirmed that everything was in accordance with rules and policies. Since these contracts had been negotiated and signed by J.C. Guité himself, P. Tremblay says he did not question the invoices submitted. He now realizes he should have. P. Tremblay cannot offer any evidence confirming the dates and the actual staging of those salons/soirées because he verified none of these files that were initiated by J.C. Guité. The Committee asks whether it was possible those invoices dated April 20, 1999, were for events held the previous year. P. Tremblay says it is not impossible, but he believes they were for the current year. He adds that J.C. Guité often exceeded the budget of the Sponsorship Program, but did not worry because he was confident he would obtain the necessary funds. The Committee asks P. Tremblay to comment on the value of these

sponsorships compared with other similar events in Canada. P. Tremblay replies that the value depends on many criteria, such as the targeted public and the kind of vehicle used.

Specific analysis/conclusion: Taking into account the findings described in C-3 (Section C), added to the following attenuating factors:

- The invoices were submitted to him shortly after P. Tremblay arrived at CCSB while he was still in a period of apprenticeship under J.C. Guité;
- the fact that J.C. Guité, according to Huguette Tremblay, authorized single, full payments only exceptionally.

The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by the above-mentioned circumstances.

Event #30 (contract # EPO43-9-0014) National Magazines:

Section 34 of the FAA: The element of non-compliance is the same as in the previous case, except for a third-party invoice dated after April 20, 1999. P. Tremblay does not remember the details of this case, but remembers discussing it with J.C. Guité.

Specific analysis/conclusion: The Committee's conclusions are the same as for the previous event.

Event #33 (contract # EPO43-9-0009) Production and Planning Cost:

Section 34 of the FAA: This concerns production/planning for all previous events.

P. Tremblay notes Huguette Tremblay did not initial this invoice of May 3, 1999, but adds that, in this case, J.C. Guité would have indicated to him that he could sign. P. Tremblay says that, in the case of production/planning, it is possible the work was carried out by the CA before the May 3, 1999, signature. In contrast, P. Tremblay confirms that, according to him, all the salons/soirées in question were not held in April, but rather in the course of the year.

Specific analysis/conclusion: The Committee notes that Huguette Tremblay did not initial this item. In addition, contrary to the payment of the sponsorship itself, it seems the CA work could not be adequately assessed. The Committee must take into account the fact that these invoices were submitted to P. Tremblay shortly after he arrived at CCSB while he was still in a period of apprenticeship under J.C. Guité. The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by the preceding.

Event #160 (contract # EN771-8-0077) 125th Notre-Dame du Laus:

Section 34 of the FAA—Contract of \$21,000 value; some items in one invoice are for work carried out after the period covered by the contract.

P. Tremblay does not remember this small event. Here again, the invoice of August 30, 1999, bore the initials of Huguette Tremblay. However, he did not check the details.

Specific analysis/conclusion: Taking into account the findings described in C-3 (Section C), added to the following attenuating factors:

- These invoices were submitted to him while he was still in a period of apprenticeship under J.C. Guité;
- the relatively low value of these invoices.

The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by the above-mentioned circumstances.

Event #75 (contract # EPO43-9-0133) Jeux de la Francophonie:

Section 34 of the FAA: Indication of double payment.

P. Tremblay never realized anything was wrong with this \$4,950 invoice of June 4, 1999. He believes it may have been an administrative error.

Specific analysis/conclusion: The other invoice was paid by David Myer on June 14, 1999. The Committee is of the opinion that it is indeed an administrative error and the signatory here was not negligent.

- Non-compliance with conditions of delegation of authority:

P. Tremblay notes that, while J.C. Guité was executive director and he was in the Minister's office, J.C. Guité met the Minister every three or four weeks, almost always in his presence. Exceptionally, in the minister's absence, J.C. Guité would meet with P. Tremblay or his successor, Jean-Marc Bard. P. Tremblay says that he discovered only later, after his transfer to CCSB, that J.C. Guité did not inform the Minister of all the events.

Specific analysis/conclusion: The Committee applies the findings described in C-I to this element of non-compliance. The Committee does not conclude there was any negligence.

- Elements of non-compliance concerning competitive markets:

P. Tremblay says that in the minds of CCSB employees, the system in place complied with rules applicable to the state's competitive markets. He adds the short time limits in which the contracts were granted would not have allowed competitive bids; besides, the 12% rate provided in the contract was fixed. He says the distribution of markets among CAs improved with time.

The Committee wonders whether the decisions to grant a contract to one CA or another were motivated by political considerations. To this, P. Tremblay replies that CAs were paid for their work and that, if any of them contributed to political parties, they had to declare it to Canada's Chief Electoral Officer, as the applicable legislation requires. P. Tremblay goes on to say some agencies were known to have ties with different political parties. P. Tremblay adds that he never took into account the CA's political affiliations in his choices and that the minister never told him to which CA a contract should be given. The minister, he believes, was only interested in the visibility of the

sponsorship and its importance. He further says that it was the same when J.C. Guité met the minister while he was his executive assistant.

Specific analysis/conclusion: The Committee applies the findings described in C-I to this element of non-compliance. The Committee does not conclude there was negligence here.

Event #9 (contract # EP043-9-0037) Pan American Games:

Contract exceeding the level of delegated authority and non-compliance with conditions of the delegation of authority.

About this September 10, 1999, change in the contract, P. Tremblay says he believes he had the Minister's verbal approval, given at the weekly meetings. The latter was also informed of the changes later brought to the contracts.

Specific analysis/conclusion: Further to the explanations given by P. Tremblay, the Committee finds he had the necessary authority for the changes granted through the electronic media. The Committee applies the findings described in C-I to the elements of non-compliance. The Committee does not conclude there was any negligence.

Event #16 (contract # EN771-7-0027) Hot Air Balloon Leases:

Payment possibly made twice.

P. Tremblay does not remember this invoice which apparently was paid twice; the other signed by Mario Parent. P. Tremblay explains that Christiane Bouvier, under Ralph Sprague, was the person in Finance paying these invoices.

Specific analysis/conclusion: The Committee checked this case with Finance. They said upon verification that only one payment was made for this transaction. The Committee, therefore, withdraws this element from the list included in the Kroll Report.

Event #31 (contract # EP043-9-0166) Atlantic Salmon:

Section 34 of the FAA—Lump-sum payment lacking a basis for confirming whether the rate of payment authorized in the contract is respected.

P. Tremblay signed this invoice on May 31, 1999. It does not bear Huguette Tremblay's initials. P. Tremblay claims he had instructions from J.C. Guité before signing it. He adds that this event (Atlantic salmon) is one of the first he eliminated when he became interim executive director. Having attended one of these events with J.C. Guité, he could see the visibility offered by the sponsorship was too limited.

Specific analysis/conclusion: The Committee notes Huguette Tremblay did not put her initials here. The Committee must take into account the following attenuating factors:

- The fact that these invoices were submitted to P. Tremblay shortly after his arrival at CCSB while he was still in a period of apprenticeship under J.C. Guité;
- the relatively low value of this invoice.

The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by the above-mentioned circumstances.

Event #94 (contract # EP043-9-0040) CFL:

Section 34 of the FAA—Lump-sum payment lacking a basis for confirming whether the rate of payment authorized in the contract is respected.

P. Tremblay signed this invoice on December 31, 1999. P. Tremblay trusted Huguette Tremblay's initials. He claims he discussed it with her and told her to make sure everything was in order. She had done the same work for J.C. Guité, and P. Tremblay asked her to continue. Sometimes, Huguette Tremblay would question an invoice and P. Tremblay asked her to check with the CA.

P. Tremblay says he believes she did her best in the circumstances, but resources were insufficient given the workload.

Specific analysis/conclusion: The Committee considers that from September 1999, when P. Tremblay became interim executive director, he was responsible for making sure he assigned very clear tasks to his staff concerning their financial and contract responsibilities. He also had to make sure they carried out their tasks appropriately. As a consequence, the Committee does not accept P. Tremblay's defence that he believed Huguette Tremblay's initials meant the invoices complied on every point, including financially, with the contract. The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent.

Event #97 (contract # EP043-9-0046) Attractions Canada:

Four items under Section 34 of the FAA:

1. A sum totalling \$62,000 in profit margin (spread over 28 invoices) was paid for services rendered by an agency strategically allied to the CA under contract, contrary to the terms and conditions of the contract.
2. A sum totalling \$10,000 in profit margin was paid to an agency for 6 invoices covering work carried out by an agency strategically allied to the CA under contract, contrary to the terms and conditions of the contract.
3. Lump-sum payment lacking a basis for confirming whether the rate of payment authorized in the contract is respected.
4. Certain items in one invoice are for work carried out before or after the period covered by the contract.

P. Tremblay asks that a copy of his statement on Bill C-5 to the June 6, 2000, meeting of the Industry Committee, in which he commented on the *Attractions Canada* file, be appended to the report. He adds that the *Attractions Canada* file had been specifically assigned to Huguette Tremblay. He repeats that he did not check the invoices in detail. The invoices are dated from June 1999 to June 2000 and bear Huguette Tremblay's initials. Huguette Tremblay has confirmed that she checked the invoices and the calculations, and that she

knew also that the agencies that received such a profit margin had a strategic alliance with the CA.

Specific analysis/conclusion: The Committee considers that from September 1999, when P. Tremblay became interim executive director, he was responsible for making sure he assigned very clear tasks to his staff concerning their financial and contract responsibilities. He also had to make sure they carried out their tasks appropriately. As a consequence, the Committee does not accept P. Tremblay's defence that he believed Huguette Tremblay's initials meant the invoices complied on every point, including financially, with the contract. Therefore, the Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent with regard to invoices signed after September 1, 1999.

As to invoices prior to September 1, 1999, the Committee accepts as an attenuating factor the findings described in C-3, added to the fact that P. Tremblay was still in a period of apprenticeship under J.C. Guité. With regard to these invoices, the Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by these circumstances.

Event #112 (contract # EP043-9-0057) Canadian Grand Prix:

Section 34 of the FAA. The Kroll Report indicates full payment was made on June 1, 1999, when the event had not yet been held. According to the contract, only 80% of the amount should have been paid before the event took place.

P. Tremblay says that, when he signed this invoice on June 1, 1999, the Canadian Grand Prix event was to take place soon after, early in June, and all the advertising was already on the site. There again, he says he trusted J.C. Guité and Huguette Tremblay, who put her initials on the invoice.

Specific analysis/conclusion: Taking into account the findings described in C-3 (Section C), added to the following attenuating factors:

- These invoices were submitted to P. Tremblay shortly after he arrived at CCSB and while he was still in a period of apprenticeship under J.C. Guité;
- the fact that J.C. Guité, according to Huguette Tremblay, on an exceptional basis authorised single, full payments.

The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by the above-mentioned circumstances.

Event #113 (contract # EP043-9-0066) VIA Magazine:

Section 34 of the FAA—Payment of 9 invoices at a rate not provided in the contract; no information indicating what portion of the payment went to the CA and to VIA; no copies of the magazine in the file to confirm that the advertising was indeed placed in it.

P. Tremblay says that, in the case of VIA Magazine, he saw the finished product because VIA regularly sent them copies. In contrast, he says he did not look at each magazine specifically when he signed the invoices. The invoices, dated July 1999 to March 2000, all bore Huguette Tremblay's initials.

Specific analysis/conclusion: P. Tremblay did not make any detailed check when he signed the magazine's invoices. The Committee got a note from a VIA representative indicating all the magazines were published as expected during the fiscal year in question and he gave us two copies (June and November 1999). The Committee considers that from September 1999, when P. Tremblay became interim executive director, he was responsible for making sure he assigned very clear tasks to his staff concerning their financial and contract responsibilities. He also had to make sure they carried out their tasks appropriately. As a consequence, the Committee does not accept P. Tremblay's defence that he believed Huguette Tremblay's initials meant the invoices complied on every point, including financially, with the contract. Therefore, the Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent with regard

to non-compliance, except for the reservation expressed above concerning the proof of publication of the magazine.

Event #126 (contract # EP043-9-0048) China Project:

Section 34 of the FAA—Payment made without documents to determine whether the invoice was in accordance with the terms of the contract.

P. Tremblay signed this invoice on August 1, 1999, and Huguette Tremblay put her initials on it. He says that Andrée LaRose was almost exclusively in charge of this file. He adds that this project did not really constitute a sponsorship because, in his view, it was more a TV production. It refers to a Canadian living in China who gave English courses on Chinese television and had a considerable audience. P. Tremblay does not remember the details of this payment, but he says it would have been made in three stages. The Committee asks P. Tremblay how he could check the payment since there is no written proof in the file. P. Tremblay says he does not know why there is no written proof in the file, but adds that Huguette Tremblay checked before he signed. P. Tremblay repeats that this was specifically a TV production in spite of the fact that the budget came from the Sponsorship Program.

Specific analysis/conclusion: The Committee takes into account the findings described in C-3 as well as the attenuating factor that these invoices were submitted to him while he was still in a period of apprenticeship under J.C. Guité. The Committee notes, however, that the amount in question was very high and that it was also the last payment under this contract. The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent.

Event #28 (contract # EP043-9-0145) Opportunity analysis:

Section 34 of the FAA—Kroll reports that it is impossible to determine whether the agency fulfilled its obligations under the contract at the end of which an analysis report was to be produced (value of \$575,000). Such a report was indeed produced, but it is not clear whether it respects the contract since, for instance, most of the events listed in the report had already been held before the contract came into effect.

P. Tremblay says the RCMP is investigating this file and, therefore, he does not want to talk about it in detail. He says this is the third Groupaction contract checked by the Auditor General in 2002 and the only one that produced a report on file. He also says this project was initiated by J.C. Guité, and that he himself only signed a few invoices. He says J.C. Guité commented afterwards that verbal advice had been given beyond the reports commissioned under these contracts. The Committee questions him about the assessment of this report that the Auditor General described as scandalous and of dubious value. P. Tremblay replies that it seems to him it was was dearly paid for and that he perhaps should not have signed. He trusted J.-C. Guité, who said verbal advice had been part of the product/service received.

Specific analysis/conclusion: The contract itself was signed by J.C. Guité on May 1, 1999, while P. Tremblay occupied the position of DG. P. Tremblay signed the 4 invoices relating to the product in June (\$214,000), August (\$223,000), September (\$164,000) 1999, and in February 2000 (\$12,000). They were all initialled by Huguette Tremblay. The report was sent by Groupaction on October 10, 1999. It is difficult to draw a clear conclusion since P. Tremblay refused to discuss the matter in detail. The Committee is of the opinion that the fact the contract was initiated by J.C. Guité does not discharge P. Tremblay of his responsibility in signing the invoices. J.C. Guité's claim that verbal advice was provided in addition to the report is not a convincing defence since P. Tremblay signed the last two invoices and received the report while he was interim executive director. Consequently, if verbal advice had been provided, P. Tremblay should have been aware of it, which he did not mention. On the basis of the available information, the Committee concludes that P. Tremblay has, at the very least, been seriously negligent in signing the invoices relating to this product, which he himself finds was dearly paid for.

Event #I00 (contract # EP043-9-0234) Canadian Encyclopaedia:

- File about which Kroll says it is not clear whether Section 34 of the FAA was respected. The Office of the Millennium circumvented the restrictions within its mandate by using CCSB to achieve its goal:

The Committee requests an explanation of why a contract of zero value (\$0) was concluded. P. Tremblay explains the context of this file: J.C. Guité, along with P. Tremblay, met Janice Oliver who worked for Minister Herb Gray. She wanted CCSB to take care of the translation and distribution of an encyclopaedia since this was not within the mandate of the Office of the Millennium. P. Tremblay met with Mr. Gray's Deputy Minister and his Assistant Deputy Minister responsible for finances. The latter made an account transfer to CCSB. P. Tremblay does not remember why the contract was of zero value (\$0). P. Tremblay adds that only a small part of the sponsorship budget was used to ensure delivery and storage through a CA. The Committee asks whether this type of arrangement was frequent and why the DA received 3%. P. Tremblay says he does not remember the administrative details, but that the Office of the Millennium could not do it directly within its mandate. The Committee points out the file shows the CA charged \$100,000 for printing, and that this invoice was rejected. Was it because of the zero-value contract? P. Tremblay says he does not remember the details of this contract which was initiated by J.C. Guité.

Specific analysis/conclusion: P. Tremblay signed this contract on September 1, 1999, the day he became interim executive director. Considering the ambiguity surrounding this case, which Kroll could not resolve either, the Committee cannot conclude there was any form of misconduct respecting Section 34 of the FAA.

- Elements of non-compliance regarding competitive markets given the zero-value contract:

Specific analysis/conclusion: The Committee obtained a legal opinion stating that a zero-value request for goods and services did not relieve CCSB from its obligations with respect to the competitive process on the state's markets. The Committee applies the findings described in C-I to the elements mentioned for this event. The Committee does not conclude there was negligence.

Event #74 (contract # EP043-9-0105) Laszlo 50 Canadians 2000:

Section 34 of the FAA—Payment of 7 invoices between April and November 1999 showing an hourly rate not authorized in the contract.

The Committee asks why the invoices were paid when the rates were not in accordance with those in the contract. P. Tremblay says he received piles of invoices and trusted Huguette Tremblay to check them. He claims the work was done. He adds that J.C. Guité's custom was to give verbal approval and the relevant papers followed. It is to be noted that 3 of the 7 invoices during the period of April and May 1999 do not bear Huguette Tremblay's initials.

Specific analysis/conclusion: The Committee considers that from September 1999, when P. Tremblay became interim executive director, he was responsible for making sure he assigned very clear tasks to his staff concerning their financial and contract responsibilities. He also had to make sure they carried out their tasks appropriately. As a consequence, the Committee does not accept P. Tremblay's defence that he believed Huguette Tremblay's initials meant the invoices complied on every point, including financially, with the contract. Therefore, the Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent with regard to invoices signed after September 1, 1999.

As to invoices prior to September 1, 1999, on which Huguette Tremblay's initials appear, the Committee accepts as an attenuating factor the findings described in C-3, added to the fact that P. Tremblay was still in a period of apprenticeship under J.C. Guité. The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but this negligence was attenuated by the preceding.

As to invoices prior to September 1, 1999, on which Huguette Tremblay's initials do not appear, the Committee continues to note the attenuating factor that P. Tremblay was working under the direction of J.C. Guité. The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by the above circumstance.

Event #98 (contract # EP043-9-0261) Maurice Richard Production series:

- Elements of non-compliance regarding competitive markets:

Specific analysis/conclusion: The Committee applies the findings described in C-I to the elements mentioned for this event.

- Additional element noticed by the Committee: Demand for goods and services and \$750,000 contract signed by P. Tremblay in December 1999, including an additional commission of \$112,000 to a CA for which there is no documentation proving the product/service was delivered.

The Committee submits to P. Tremblay the QRT (Quick Response Team) note contained in the Kroll Report concerning the invoice signed by David Myer. The note says Huguette Tremblay indicated the amount of \$750,000 was intended to reimburse VIA for its previous year's contribution to the Maurice Richard Series presented by Radio-Canada. P. Tremblay says the *Maurice Richard* file began with J.C. Guité and, as he recalls, the Canada Information Office was involved, having paid for part of the production. The Committee asks P. Tremblay to comment on the QRT note. P. Tremblay replies that, if such were the case, it was for something negotiated by J.C. Guité, but he does not remember. The Committee wonders about the types of financial arrangements between such organizations. P. Tremblay explains that, for instance, to be the main sponsor of an event and thus derive maximum visibility, CCSB and VIA or Canada Post would sometimes pool their contributions to a sponsorship. Afterwards, one of the organizations would take responsibility for the coordination and the others would transfer their contributions to it. The Committee points out a payment for the previous year might indicate the CA had been paid only to transfer a cheque. The Committee wonders about the indication in the contract that it is a production service. P. Tremblay specifies that Robert Guy Scully's agency produced the series, but that the CA perhaps also contributed to it. The Committee points out that, according to the QRT note, this payment was for an event already past and asks whether CAs were ever paid merely to transfer a cheque. P. Tremblay says he does not believe so. The Committee stresses that account transfers cannot be effected with a Crown Corporation and asks

how money is transferred in such cases. P. Tremblay replies that he does not remember because there were about 350 to 400 sponsorships per year and he cannot remember the details of each file. The Committee suggests to P. Tremblay that, given the peculiarity of the transaction relating to this file as described by Huguette Tremblay, he should remember. The Committee finally asks whether this file appeared on the list given to the Deputy Minister and the Minister. P. Tremblay says it did, and he adds that he was not saying Huguette Tremblay was wrong, but he does not remember the details, that's all.

Specific analysis/conclusion: During her interview, Huguette Tremblay recalled having approached P. Tremblay about the request for goods and services because there were no documents to support it. She said P. Tremblay told her to proceed without asking questions. Afterwards, Huguette Tremblay said that when the time came to finalize the file, she had to phone the CA to begin the invoicing. At that point, it became obvious to her that her CA interlocutor did not know how to present this invoice for an event already past. Huguette Tremblay said she believed the CA did not do the work billed in this invoice. The Committee finds this transaction highly questionable. The defence that a special arrangement had been negotiated by J.C. Guité does not stand up to analysis, according to the Committee, since P. Tremblay had well and truly been interim executive director for several months when the request for goods and services and the contract were signed. The lack of documents makes it impossible to draw firm conclusions, but, on the basis of the available information, the Committee concludes that P. Tremblay, at the very least, showed serious neglect by signing the request for goods and services and the contract relating to this event.

Event #25 (contract # EN771-8-0002) Parc des champs de bataille, Quebec City:

Section 34 of the FAA—Some elements of non-compliance appearing in 5 invoices, signed between May and July 1999, concerning work carried out after the period specified in the contract.

The Committee questions the expenses incurred after the period specified in the contract. P. Tremblay says he trusted Huguette Tremblay, who initialled

the invoices, and that he did not check every single one. The Committee asks what instructions were given to Huguette Tremblay and Isabelle Roy when he became executive director. P. Tremblay says he asked Isabelle Roy to handle negotiations with the CAs while Huguette Tremblay would continue to take care of the administrative part of the invoices and other related matters. The Committee asks if Huguette Tremblay's role included verifying the delivery of the product/service provided for in the contract. P. Tremblay says it did, adding that, after September 1999, she would confirm it by checking if the post-mortem received by Isabelle Roy, who worked next to her, was in the file.

Specific analysis/conclusion: The records indicate that it was rather in the fall of 2000, following the internal audit, that the systematic verification of post-mortems was introduced. Taking into account the findings described in C-3, added to the following attenuating factors:

- These invoices were submitted to him while he was still in a period of apprenticeship under J.C. Guité;
- the relatively low value of these invoices.

The Committee is of the opinion that P. Tremblay did not comply with the provisions of Section 34 of the FAA and, thus, was negligent but the seriousness of that negligence is attenuated by the above-mentioned circumstances.

Event #72 (contract # EP043-9-0050) Promotional items:

Contract exceeding the delegated authority:

P. Tremblay says the Minister's office was aware of this situation. J.C. Guité purchased all kinds of promotional items. P. Tremblay's approach differed from his predecessor's by concentrating on one item per event to simplify and eliminate stocks.

Specific analysis/conclusion: The Committee applies the findings described in C-I to the elements mentioned for this event. The Committee does not conclude there was any negligence.

4 General:

The Committee questioned P. Tremblay on the training he received when he joined the civil service. He said that, before joining CCSB, he took a two-day course on in-house procedure in the federal government, but did not have any training in the management of public finances. In the Minister's office, he had occasional briefings on various topics, such as employment equity, the role of the Auditor General, etc. Finally, he said that at the Canadian Food Inspection Agency, he took part in a one-and-a-half-day course on the *Financial Administration Act* for the first time in his career. The Committee asks whether CCSB employees had the benefit of training programs following the 2000 internal audit. P. Tremblay said he would need to consult the action plan to make sure.

The Committee asks whether VIP passes and other such items were well used and controlled. P. Tremblay replies that some employees attended the events as part of their work to network with the CAs and took this opportunity to check the visibility offered by the sponsorship. When he assumed the post of interim executive director, he made sure those passes would transit by him to control their distribution.

The Committee then sought P. Tremblay's comments on the news story published a few days before the second interview, saying the Auditor General's next report would charge that Crown Corporations had been used to divert money. The same story suggested there were also serious problems with advertising contracts. P. Tremblay replies that he has no idea about it; that he concluded partnerships with Crown Corporations and transferred money in both directions, but always for a legitimate purpose. The Committee asks again whether CAs could receive commissions merely for transferring funds. P. Tremblay answers negatively.

The Committee asks P. Tremblay to explain the fact that in a file initiated under his rule on April 1, 2000, concerning the Old Port of Montreal (EP043-0-0113), we see that sponsorship funds were allotted to the purchase of a giant screen, and therefore, were for a capital expenditure. P. Tremblay replies the screen was used to promote Canada and, as the record shows, it was

considered as a promotional tool for the lifespan of the screen. The Committee then asks why the CA got a commission. P. Tremblay replies that the firm was our intermediary, did design, had negotiated with the Old Port where to locate the screen, in addition to producing elements of visibility that would appear on this screen.

As a general conclusion, P. Tremblay says there may have been some administrative errors and other imperfect transactions, but at any given time he was not the only manager involved. The Treasury Board, the Deputy Minister, the Minister, other agencies like the CIO or the Office of the Millennium were also involved. He says he has a clear conscience because he did not do anything to embezzle Crown money or steal anything. He says he cooperated as best he could with this administrative review.

General analysis/conclusion:

The Committee is of the opinion that P. Tremblay showed unacceptable laxity and lack of rigour for a civil servant of his level.

As director general of strategic communications through the period of February to August 1999, he should have at least questioned established practices. It should be noted that a great number of the offences blamed on him were committed during that period.

Through the period of September 1999 to March 2000, while he was interim executive director, P. Tremblay knew or should have known, having worked for several months with J.C. Guité, that the management of sponsorships was grossly deficient. Nevertheless, he made no substantial changes. He continued to approve poorly documented transactions, thus contrary to the Treasury Board's policy requirements regarding the state's markets and the audit of accounts. He should have understood and clarified the responsibilities of employees under his authority and this, upon his appointment as interim executive director, in addition to making sure there was no misunderstanding in this respect with his other managers.

P. Tremblay has attempted to explain the elements of non-compliance mentioned in the Kroll Report. However, the elements for which his explanations are non-existent or are not convincing are such that they assume great importance and surely constitute very serious negligence deserving a proportionate disciplinary measure.

