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Integrity Services offered by Public Services and Procurement Canada

November 22, 2017



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of Canada

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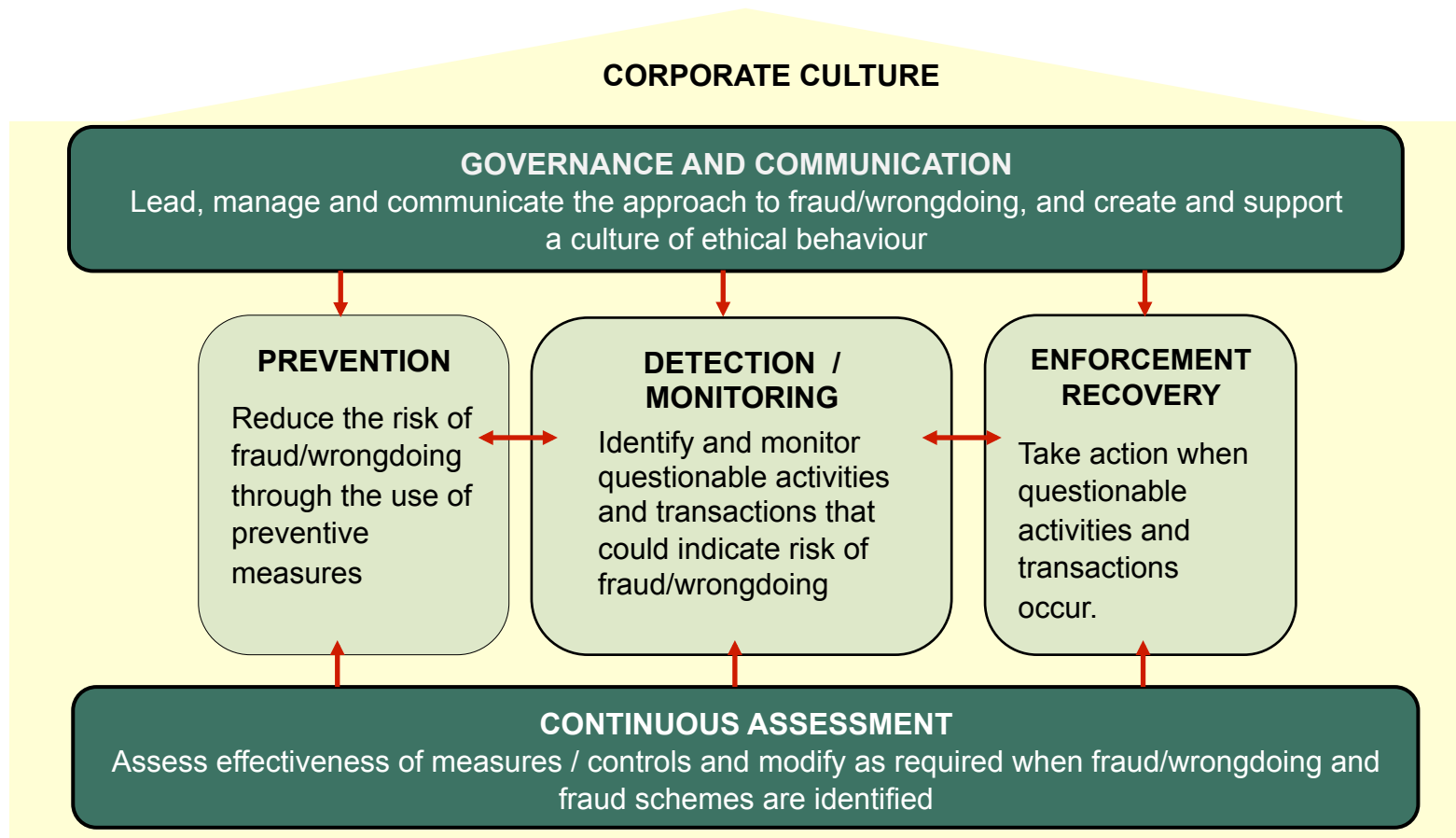
Canada 

Public Services and Procurement Canada (PSPC) is taking measures to mitigate the risk of fraud and wrongdoing

- As a common service provider, PSPC supports federal departments and agencies achieving their objectives as their central purchasing agent, linguistic authority, real property manager, treasurer, accountant, integrity adviser, and pay and pension administrator.
- Government institutions operations are not immune to fraud or wrongdoing as demonstrated by the Sponsorship Scandal, the Charbonneau Commission, and various cases involving former federal employees and senior officials.
- Fraudulent activities undermine fair competition, threaten the integrity of the markets, are a barrier to economic growth, increase the cost and risk of doing business, and undermine public confidence in government institutions.
- PSPC works with the private sector, industry associations and civil society to increase awareness of fraud related issues.
- PSPC continues to work with its government partners to improve the ability to detect and prevent fraud, collusion and corruption in contracts and real property agreements awarded by the Government of Canada.



Overview of PSPC's fraud/wrongdoing risk management approach



PSPC offers a suite of integrity services along the chain of procurement and real property activities

The department operates the following programs and services to mitigate risks that could undermine the public procurement and real property system:

- **Fairness Monitoring** provides independent assurance of fairness, openness, and transparency during the solicitation period.
- **Business Dispute Management** offers neutral and confidential services to help manage conflicts informally as early as possible to minimize the risk of unnecessary escalation.
- Government-Wide **Integrity Regime** offers supplier verification services prior to contract / real property agreement award.
- **Federal Contracting Fraud Tip Line** receives information from suppliers, their employees and competitors on unethical business practices.
- **Forensic Accounting Management** provides forensic accounting services, including expert testimony, mainly for criminal investigations.

4



Fairness Monitoring and Business Dispute Management



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Mandate of Business Dispute Management Program

- Business Dispute Management (BDM) was created to modernize PSPC's approach to managing business disputes and to provide departmental-level coordination and tracking of alternative dispute resolution (ADR) services.
- The program provides neutral and confidential ADR services upon request to contractors, other government departments and PSPC employees when they experience difficulties or issues with procurement where PSPC is the contracting authority.
- Services are designed to help resolve conflicts or disagreements without having to go through a costly and lengthy litigation process.



BDM assistance during procurement lifecycle

Consultation, Advice and Guidance, Conflict Coaching, Facilitation & Training

Facilitated Discussion, Mediation, and Arbitration

Pre- Contractual Phase

Contractual Phase

Contract Administration Phase

Post Contract Phase

ADR Clauses and Policy Framework

Group Facilitated Session on Lessons Learned



The Department has adopted a formalized approach to fairness monitoring

- The Fairness Monitoring Program was established in 2005 and a departmental policy has been in place since 2009
- Over 190 fairness monitoring engagements have been completed; currently 75 active procurements being monitored by FMs, of which 5 are done for OGDs where PSPC is not the contracting authority.
- Management of fairness monitoring engagements is segregated from the operational branches carrying out the activities being monitored.
- There are formal criteria for how and when the use of fairness monitors must be considered.
- A consistent mandate for fairness monitors is established through a standard Terms of Reference and Statement of Work.
- The departmental policy establishes a mechanism for FMs to communicate their findings while the procurement is ongoing, and to report their opinions publicly at the conclusion of their mandates through web posting of Final Reports.



Fairness Monitoring at PSPC

- An FM is an independent third party engaged to observe a Departmental activity, to render an impartial opinion that the process established by the Department is adhered to and that decisions taken do not jeopardize the fairness, openness and transparency of the process.
- The FM provides ongoing feedback during the course of the monitored activity, particularly with respect to potential fairness deficiencies, so that issues may be resolved in real time rather than after the fact.
- The vast majority of Fairness Monitoring engagements result in unqualified attestations from the FM.
- In order to maintain their independence and objectivity, the FM will not:
 - Offer subject matter expertise, advice and or guidance on how to conduct the procurement process or how to address issues of fairness openness or transparency;
 - Assume the role or responsibility of Departmental officials.

Do I Need a Fairness Monitor?

- Whether an FM is warranted depends on:
 - Sensitivity – e.g., potential media or political interest
 - Materiality – e.g., TB or Ministerial approval
 - Complexity – e.g., multi-faceted procurement process
 - If there is a request by a client or management.
- The FM Policy (DP098) requires a mandatory assessment for FM coverage if the activity is subject to:
 - Ministerial approval or Treasury Board approval;
 - Other activities where the risk in relation to sensitivity, complexity or materiality is such that Branch-level risk instruments indicate assessment of FM coverage is warranted.
- An optional assessment for FM coverage may be completed for any other departmental activity where an enhanced assurance of fairness, openness and transparency is desired

Process for Engaging an FM

- The client works with the FM Directorate to customize the FM SOW to the project (context of the monitored project, deliverables, etc.).
- Based on the procurement process for the activity, a Level of Effort for an FM is estimated and the client provides the FM Directorate with a Promise of Funding to reimburse for costs of FM contract.
- Once all required documentation has been provided, a call-up against the FM Standing Offer is requested.
 - Or a Request for Proposal is issued to Supply Arrangement holders – this is done when there is a need for a specific expertise, cost is a factor, security clearance levels are higher / greater than the SO, etc.

Working with the FM

- A kick off meeting is held to introduce parties, discuss the project requirements, the procurement process and the explain roles and responsibilities of key players in an FM engagement.
- The FM works directly with the CA of the monitored activity and provides fairness comments.
- The CA shares documents and any other relevant materials with the FM in a timely fashion (before communicating with the industry).
- The FM attends any meetings, site visits, etc., at which industry will attend
- The FM also attends key procurement meetings, such as consensus meetings.
- The FM Directorate manages the FM contract: pays invoices, amends contracts, deals with potential fairness issues that can't be resolved between FM and main project team.
- The FM Directorate is the main point of contact in the event there is an issue with the Fairness Monitor.

Reporting on FM Activities

- The FM provides ongoing feedback to the CA on the fairness, openness and transparency of the activity therefore there should be no surprises in the reports.
 - Goal is to have an unqualified report meaning the activity/process was conducted in a fair, open and transparent manner.
 - If potential qualification/fairness deficiency is raised by FM and is not resolved by project team, the FM Directorate gets involved to assist in the real time resolution of the potential deficiency.
 - If there is no resolution at FM Directorate level, the issue is escalated to ADM level followed by DM level if necessary.
 - The DM is responsible for rendering a final decision regarding the Department's response to a fairness deficiency.
- The interim reports are provided to the FM Directorate at pre-defined stages.
- The Final Report is provided after evaluation stage (before TB Submission).
- The Addendum to Final Report is provided after contract award and debriefings.
- The Final Report and Addendum are distributed to EXCO members and sent to the Minister's office for information.
- All Final Reports are published on the PSPC website.

Lessons Learned

- Typical issues that are resolved in real time at the FM Specialist and Contracting Authority level include:
 - Communication with vendors during industry consultations
 - Clarity and/or consistency in bid documentation
 - Evaluation criteria involve imprecise language, are not granular enough or give rise to hidden criteria
 - Evaluator training not planned
 - Debriefings not planned
- SMART procurement and the early engagement of FMs ensures there is adequate time to address any potential fairness issues.
- Communication
 - For a full attestation, the FM must have access to information and an opportunity to comment prior to posting.
 - All communications with bidders must go through formal channels to ensure that all potential bidders receive the same information at the same time.
- Bidders Package
 - Standard templates, wording and clauses do not constitute reasons not to address potential fairness issues.
 - The rules specified in the solicitation should be clear and not arbitrary and it must be clear what actions Canada will take in specific scenarios.

Conclusions

- An FM is engaged based on the risk criteria of sensitivity, materiality and complexity.
- The CA and FM work very closely together – the FM reviews all activity documentation, attends all interactions with bidders and key procurement meetings.
- The FM provides real time feedback on the fairness, openness and transparency of the monitored activity.
- The Final Reports are posted on the PSPC website in order to provide the Department's clients, industry, Parliament and Canadians with the assurance that the Department is fair, open and transparent in carrying out its activities.
- The results of fairness monitoring has been influential:
 - FM opinions have been an important consideration when decisions are made during significant initiatives; and
 - Procurement policy improvements have resulted from fairness monitor opinions.

Integrity Regime



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Integrity Regime

- The Integrity Regime is centrally administered by PSPC, and applies to all other government departments and agencies through bilateral Memoranda of Understanding. Other federal organizations (i.e., Crown Corporations) are encouraged to opt-in.
 - Suppliers who have been convicted of certain listed offences in the past three years are ineligible to contract with the Government for ten years, which can be reduced by five years.
 - If a supplier is charged of a listed offence, they may be suspended from doing business with the Government for up to 18 months.
 - Suppliers are no longer automatically ineligible for the action of their affiliates, unless it can be demonstrated that they had a degree of control over the convicted affiliate.
- The Regime also provides for new tools such as independent third-party assessments, and administrative agreements that will specify required corrective actions and ensure their effectiveness.

The Integrity Regime is a key element of the Government of Canada's framework to support accountability and integrity in procurement and real property transactions.

- The Integrity Regime aims to reduce the risk of the Government of Canada entering into contracts or real property agreements with unethical suppliers, and to:
 - Protect the integrity of procurement and real property agreements;
 - Hold suppliers accountable for their actions, while encouraging them to cooperate with authorities when problems arise and to quickly take corrective actions; and
 - Ensure consistency in application across all contracts and real property agreements issued by the Government of Canada.
- Unethical business behaviours undermine fair competition, threaten the integrity of the markets, are a barrier to economic growth, and reduce public confidence in government institutions.



Integrity verifications for the winning bid are done just prior to awarding a contract or real property agreement.

- Verification requests are made by procurement and real property officers through a web-based portal.
 - PSPC offers training and demonstrations on an ongoing basis (over 70 sessions have been delivered to date).
- One of two possible responses will be received within 4 hours for regular requests and 2 hours for urgent requests:
 - The supplier is not ineligible, so the contract / real property agreement may be awarded.
 - Ineligibility confirmed, so the supplier may not be awarded the contract / real property agreement.
- Verification is distinct from the determination of ineligibility.
 - The response is based on the supplier's current status, so verifications do not slow down the procurement process.
 - New or additional information could trigger a determination process, which could see the use of a third party.
- If a supplier becomes ineligible after a contract / real property agreement is awarded, organizations that requested a verification will be informed.



Integrity Regime in Facts and Figures

- Over 239, 850 verifications of supplier compliance with the Integrity Regime from April 1, 2016 to August 31, 2017
- 99.5% of integrity verification checks conducted within 4 hours
- 80 Memoranda of Understanding (MoU) have been signed
- 3 suppliers have been rendered ineligible
- 1 supplier has entered into an administrative agreement in lieu of suspension



Integrity Regime Consultations: expanding Canada's toolkit to address corporate wrongdoing

- Time is right to seek feedback on two elements that relate to Canada's efforts to address corporate wrongdoing: enhancements to the Integrity Regime and the possible adoption of Deferred Prosecution Agreements (DPAs) in Canada.
- After more than two years in operation, it is useful to review whether Regime is achieving its objectives and whether it is efficient in doing so.
- Within the context of the Government's procurement modernization initiative, this assessment is an opportunity to consider how the Regime addresses new trends and risks in a constantly changing marketplace.
- The Government of Canada is seeking views of stakeholders on potential enhancements to the Integrity Regime related to four key themes:
 1. Time periods associated with ineligibility and suspension
 2. Criteria for ineligibility and suspension
 3. Addressing organized crime
 4. Expanding the scope of application
- A single process to seek views on the Integrity Regime and DPAs, conducted by officials from PSPC, DOJ, ISED and GAC, launched on September 25th and will be open until November 17th

21



The Federal Contracting Fraud Tip Line



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The Federal Contracting Fraud Tip Line

- In April 2017, the GoC launched the new Federal Contracting Fraud Tip Line.
 - Partnership between PSPC, the Competition Bureau (CB), and the Royal Canadian Mounted Police (RCMP).
- Partners seek to receive information mostly from **suppliers, their employees and competitors** on unethical business practices in Government of Canada contracts and real property agreements including, but not limited to:
 - Bid rigging
 - Conspiracies, agreements or arrangements between competitors
 - Bribery to influence business decisions
 - Undisclosed conflict of interest
 - Fraudulent contract performance schemes
- The purpose of this initiative is three fold:
 1. Protect government spending from fraud, collusion and corruption;
 2. Provide suppliers and members of the public a centralized point of contact to provide information on suspected wrongdoing in federal contracts and real property agreements;
 3. Allow CB, the RCMP and PSPC to gather information in one central point and allow for sharing information in a cohesive manner.



Reporting fraud, collusion and corruption

- Individuals with information on suspected wrongdoing in a Government of Canada contract or real property agreement have two options for reporting:



Toll-free line: 1-844-365-1616

- Operates Monday to Friday, 8:30 am to 5:00 pm EST
- Answering service is available afterhours
- Phone numbers are not traced



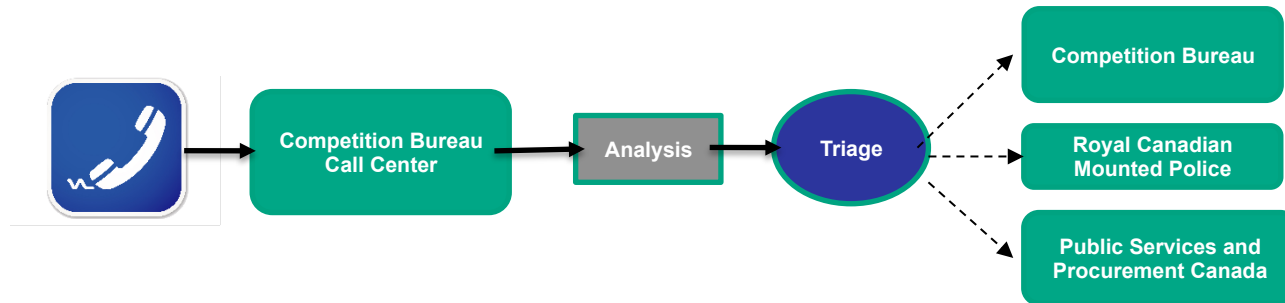
Online form at Canada.ca/contract-fraud-tipline

- IP addresses are not traced

- Individuals are permitted to remain anonymous and any information they provide will be treated confidentially.
- Monetary awards will not be provided in exchange for information.

Using information to detect and deter wrongdoing

- Information will be collected by CB and triaged accordingly to PSPC or the RCMP.
 - Tips relevant to a PSPC contract or real property agreement will be analyzed and investigated by the Anti-fraud unit within PSPC. Additional due diligence measures may be applied, where warranted.
 - Where suspected criminal activity is uncovered, CB and/or the RCMP will be involved.
 - It is within CB's discretion to decide how tips relevant to a contract or real property agreement not awarded by PSPC are handled.



Note: Information received will be thoroughly investigated. Accusations will not lead to a supplier being ineligible for contract or real property agreement award or delay procurement processes.

Progress to date

- As of October 16, 2017, 75 tips have been reported through the Tip Line. Of these:
 - 16 tips have been triaged to PSPC for investigation.
- Of the tips received by PSPC, most have been concluded as either unfounded or not relevant.
 - Department continues to investigate the remaining active tips.
- When warranted, PSPC is working with other implicated departments and agencies to refer/transfer allegations to ensure that all tips are examined.



Engaging stakeholders on the Tip Line

- Communications and outreach activities have been targeted primarily at major industry associations, trade associations, unions and licensing bodies through email and social media.
- If requested, a technical briefing will be held.
- PSPC has integrated tip line messaging into Buy & Sell seminars and regular communications with small and medium enterprises.
- OGDs and other stakeholders are encouraged to cross promote the tip line on their respective webpages and communiques.



Forensic Accounting Management Group



Public Works and
Government Services
Canada

Travaux publics et
Services gouvernementaux
Canada

Canada

Who is FAMG

- The Forensic Accounting Management Group (FAMG) was established within PSPC (formerly Public Services and Procurement Canada) in 1998 with the coming into force of the Proceeds of Crime Act.
- The mandate of FAMG is to provide professional forensic accounting services to law enforcement and other government clients (OGD) including consultation and expert testimony.
- Forensic accounting combines accounting, auditing and investigative skills in order to produce results that are suitable to resolve disputes/disagreements/ conflicts or to use in the court of law.
- Operation - Cost recovery basis.



Our Resources

- FAMG is the national leader in forensic accounting in the context of criminal investigations.
- About 40 trained and experienced forensic accountants.
- Accounting professionals (CPA, CA, CMA or CGA).
- Other specialized designations (IFA, CFE, CFF, CFA, CBV, CAMS).
- Independent government employees.
- Role of consultant or expert witness (Several have been recognized by the court)
- The forensic accountants are spread across Canada (from Halifax to Surrey) and are mainly located in the RCMP offices.



Role of the Forensic Accountant

- Understand the financial circumstances
- Determine theories
- Assist investigators in determining avenues of investigation
- Participate in search warrants
- Interviewing witnesses
- Review documents
- Analyse information and prepare reports
- Provide expert witness testimony



Forensic Accounting in support of OGD mandates

Type of mandates

- Conduct financial analyzes to confirm or disprove allegations of fraud.
- Plan and/or participate in interviews.
- Analyze and summarize corporate structures to identify the “ultimate” shareholders and research on the integrity of upper management.
- Review of processes (SOP) to identify potential improvements.
- Examination of bids for signs of bid-rigging or collusion.
- Revision of invoices and/or contracts for errors or anomalies.



Forensic Accounting and the Procurement Process

FAMG has realized multiple mandates in this area over the past years mainly within our department as preventive, detective or reactive measures.

- **Preventive**
 - Fraud Risk Assessment
 - Due Diligence
- **Detective**
 - Data mining and screens
- **Reactive**
 - Analysis in support of an investigation



Questions?

Contact information:

David Naus,
Director

Anti-fraud, Prevention and Detection
Integrity and Forensic Accounting Management Group

david.naus@pwgsc-tpsgc.gc.ca

819-420-6109

