

**The Curious Case of Disappearing Financial Crime Regulators in B.C. and
Ontario Amidst Rising Financial Crimes:**

A Micro and Macro Examination of the Systemic Issue of Disbandment of Public
Forensic Accounting and Financial Crime Units

**Research Project for Emerging Issues/Advanced Topics Course
Master of Forensic Accounting Program University of Toronto**

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Introduction

In the recent years, there has been a series of disbandment of government's forensic accounting and financial crime units across Canada. More remarkably, these disbandments resulting in **reduced** enforcement efforts tend to take place in the midst of and in spite of increasing frauds and financial crimes, which call for the **opposite** response of **strengthened** enforcement efforts. As such, there is a **significant misalignment** between the government's enforcement response and the economic trend.

Objective

The **primary objective** of this research paper is to perform a detailed examination of this phenomenon as an attempt to determine the **root cause(s)** that might be driving this misalignment of government's enforcement response with economic trends. This objective will be performed against the backdrop of the B.C. Government's *Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters* ("Misfire") case as well as 4 other disbandment of forensic accounting and financial crime unit cases in B.C. and Ontario.

The **secondary objective** of this research paper is to draw attention to the B.C. Government's *Misfire* case, where a fraud investigation that was **improperly** conducted by the government's forensic accounting unit led to **devastatingly severe** consequences including the **loss of a human life**. The aim of drawing attention to this case is to serve as an important reminder to all IFAs of their **heavy duty** to conduct their forensic accounting work properly and a lesson of what could be the potential consequences that **go beyond financial losses**.

Structure

The **structure** of this research paper will be divided into **Micro-examination** and **Macro-examination** sections. The **Micro-examination** section takes an internal perspective to perform a detailed examination of an individual disbandment case examining the **internal events** leading up to the disbandment of a particular forensic accounting unit. The **Macro-examination** section takes a high-level perspective of examining the multiple disbandment cases across Canada to identify the common causal factors leading to the disbandment in an attempt to determine the root cause driving these disbandments in the midst of and in spite of rising frauds and financial crimes.

Lastly, based on the root cause(s) identified in the **Micro-examination** and **Macro-examination** sections, this research paper will propose recommendations that are targeted to remediate the root causes to prevent further disbandment of forensic accounting and financial crime units and to realign government's enforcement response with the economic trends, so that the appropriate enforcement oversight efforts can be deployed in response to the economic trends, as it should be.

Approach

In performing the examinations with the goal to determine the root cause of the disbandment issue, this research paper will take the **approach** of the **Root Cause Analysis**, which comprises of the following 5 Steps:

Step #1 – Define the Problem

Step #2 – Gather Data

Step #3 – Identify Causal Factors

Step #4 – Determine the Root Cause(s)

Step #5 – Recommend Solutions

Summary of Findings and Arguments

Based on the results of our Micro-examination and Macro-examination performed using the Root Cause Analysis approach, we have determined the following **findings** under each section. Based on our findings, we also propose **arguments** pertaining to the suspected root cause, with the ultimate goal of proposing **recommendations** that target the suspected root cause.

Step #1 – Define the Problem

Problem Statement

Multiple forensic accounting and financial crimes units (“financial crimes units”) across Canada were disbanded, despite the opposing trend of rising fraud and financial crime activities.

Step #2 – Gather Data

Section 1

N/A – No findings or arguments for Section 1.

Section 2

F1	<p>Based on our overall Micro-examination conducted, out of the 38 requirements in the IFA Standard Practices that are applicable to IU's PSD investigation engagement and can be evaluated based on publicly available information, IU was only in compliance with 14 requirements in their performance of the PSD investigation.</p> <p>As such, the IU investigators were in non-compliance with majority (less than 50%) of the IFA Standard Practices requirements, thereby not meeting the minimum standard practices required of forensic accounting practitioners.</p>
F2	<p>Based on the Ombudsperson's detailed review of IU's PSD investigation work as well as multiple extensive interviews conducted with the IU investigation team, there were no traces that any of the IU members were aware of the existence of the IFA Standard Practices and its mandatory application to their forensic investigation work. This was likely the reason for IU's major non-compliance with the IFA Standard Practices requirements.</p>
A1	<p>The IU investigators' lack of knowledge of the existence of the IFA Standard Practices and its mandatory application to their forensic investigations indicated that they did not receive adequate specialized training in conducting forensic investigations, which in turn resulted in their unsatisfactory performance on the PSD investigation and ultimately the disbandment of IU.</p>

As such, based on our Micro-examination of the disbandment issue, this research paper argues that the **lack of adequate specialized training** provided to the IU staff was the **root cause** of the disbandment of IU as a standalone forensic accounting unit in the B.C. Government.

Section 3

F3	Based on our analysis of 5 disbandment cases across B.C. and Ontario, the following similarities in the events surrounding their disbandment are observed: <ol style="list-style-type: none">1) These disbanded units were all standalone dedicated units that adopted the specialist model of having a cadre of staff with specialized knowledge in the subject matters being investigated;2) The disbandment tends to take place in the midst of increasing financial crimes; and3) The alternative solution implemented by the government to replace the dedicated units was to change the model of conducting the financial crimes investigations.
F4	Based on our analysis of 5 disbandment cases across B.C. and Ontario, the following common causal factors leading to their disbandment are observed:

	<ol style="list-style-type: none"> 1) Resource constraints within the unit; 2) Performance issues of the unit; and 3) Government's de-prioritization of financial crime investigations.
F5	<p>Based on our analysis of 5 disbandment cases across B.C. and Ontario, the following common impacts of their disbandment are observed:</p> <ol style="list-style-type: none"> 1) Continued increase in financial crimes; 2) Download of responsibilities to other parties; and 3) Criminal migration.

Step #3 – Identify Causal Factors

Section 4

A2	<p>Based on the pros and cons evaluation of various unit models conducted in this Section 4, this research paper argues that in light of the significant drawbacks of the Outsourcing Model and Integrated Unit Model such as inherent conflict of interest between private firms and public regulators, as well as dilution of specialized knowledge that is</p>
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	<p>required to conduct financial crime investigations, these alternative models are not suitable substitution to Dedicated Unit Model nor long-term viable solution to addressing financial crimes.</p> <p>This is also evident from the fact that, as outlined in previous Section 3, after the disbandment of dedicated units and implementation of alternative arrangements, there is a consistent trend of increase in financial crimes in the specific risk areas previously governed by the disbanded dedicated units. This indicates that the alternative arrangements are not effective enforcement response to financial crimes.</p> <p>This is further apparent from the 2 cases of IIGET and IPOC, where after the government tried out the alternative arrangements after their disbandment, the enforcement response was proven to be not effective, and therefore the government has re-adopted the Dedicated Unit Model and established JIGIT and FIU as successor dedicated units to IIGET and IPOC respectively.</p>
A3	<p>As we have established that the alternative models of outsourcing and integrated units were not effective long-term enforcement response to financial crimes, this research paper further argues that government's solution of changing the model of conducting financial crime investigations only addresses the symptoms, but not the root cause, of the systemic issue of disbandment of financial crime units in the midst of and in spite of increasing financial crimes.</p>

Section 5

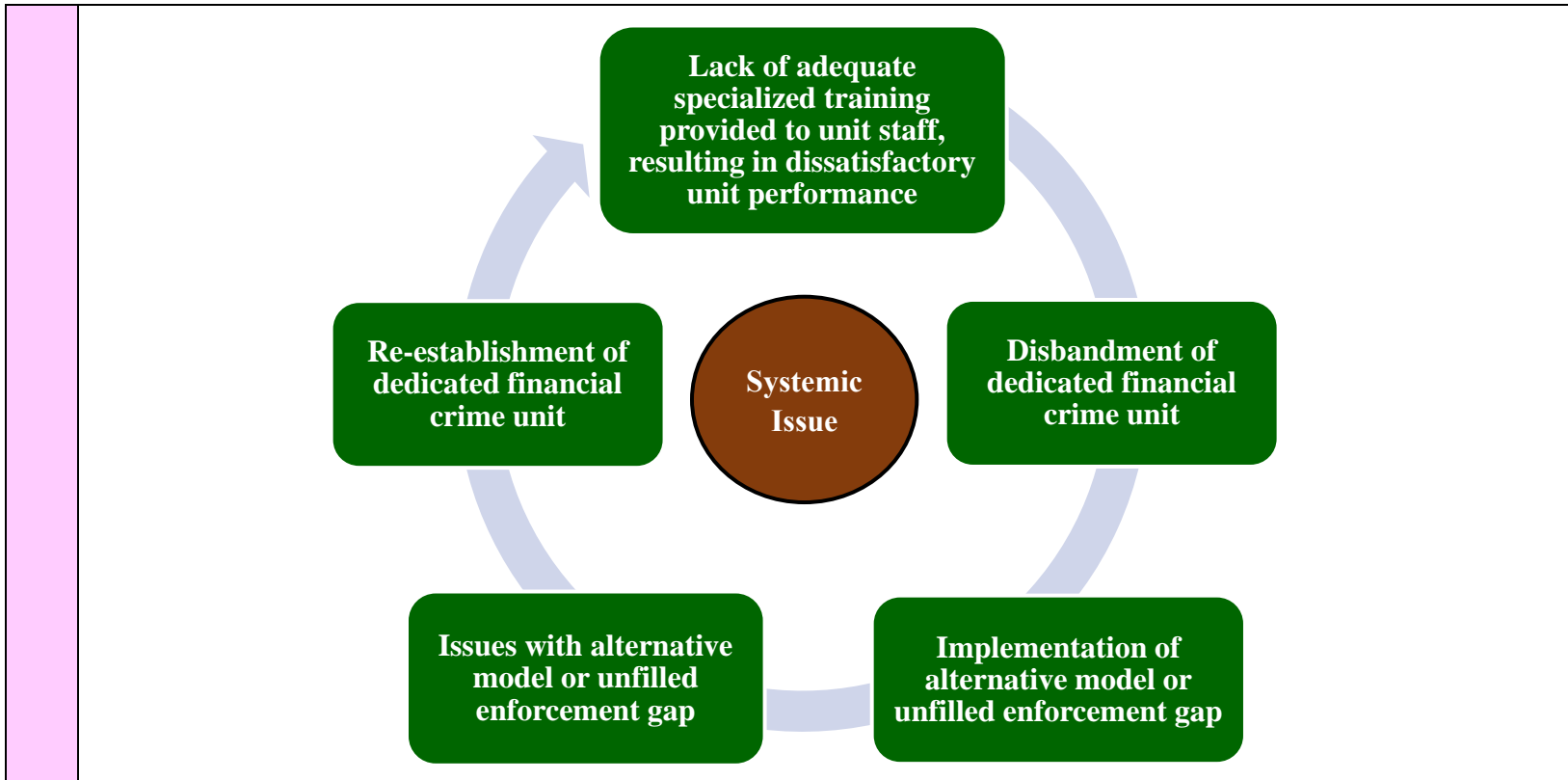
F6	<p>Based on our analysis performed above, the disbandment of dedicated financial crime unit issue is a systemic issue as it met the definition of being a recurring or persistent issue that affected more than one individual. Further, the disbandment issue also exhibits the following multiple indicators of a systemic issue as outlined in the Systemic Issues Framework:</p> <ol style="list-style-type: none">1) The problem has a pattern;2) Stress and pressure;3) Wrong goals and weak goals;4) Rule and process evasion;5) Shifting the burden;6) Obsessions to external solutions; and7) Problems keep coming back
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A4 Given that the disbandment of dedicated financial crime units is a systemic issue, this research paper argues that if the root cause of the systemic issue is not fixed, the disbandment issue will keep recurring and there will be future disbandments of dedicated financial crime units.

As we have established in previous **Section 4** that in light of the complex nature of the financial crime investigations that require specialized competencies to perform, the Dedicated Unit Model of conducting the investigations would be the most effective. As such, when alternative models are shown to be ineffective in addressing the continued increase in financial crimes, the dedicated units will likely be reinstated, which will present the effect of an **endless cycle** of disbandment and re-establishment of dedicated financial crime units – unless, the root cause of the disbandment is fixed, discontinuing the cycle once and for all.

This cycle of disbandment and re-establishment of dedicated financial crime units is exemplified in the case of IIGET, where the disbandment of IIGET as a dedicated financial crime unit created an enforcement gap that failed to address the continued increase in financial crimes, thereby leading to the re-establishment of JIGIT as the new successor dedicated financial crime unit.

The recurring and cyclical nature of the systemic issue of disbandment and re-establishment of dedicated financial crime units is portrayed in the following diagram:



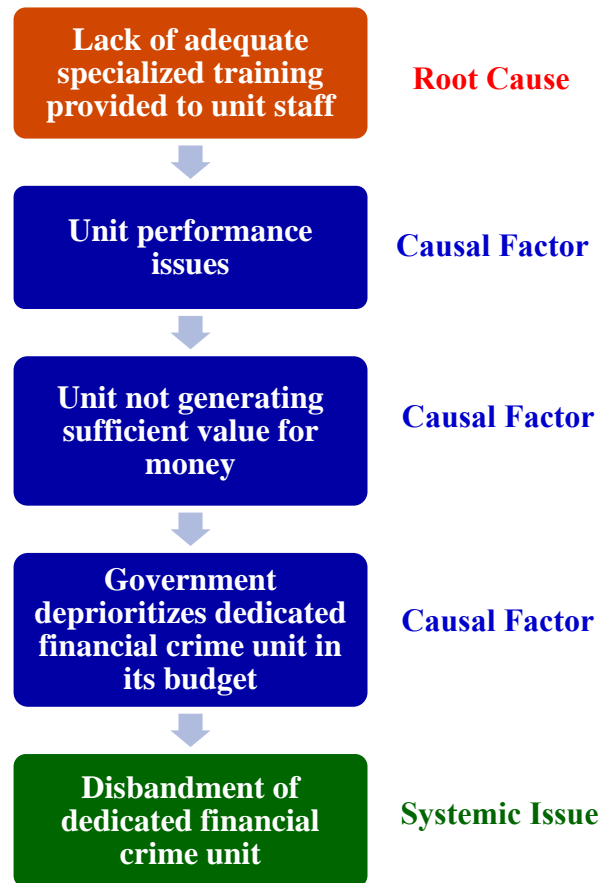
Step #4 – Determine the Root Cause

Section 6

F7	Based on our root cause analysis performed above, we have identified the root cause of the systemic issue to be a lack of priority assigned by the dedicated financial crime units to providing adequate specialized training to their
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inexperienced staff for them to acquire the necessary competencies to properly conduct the financial crime investigations.

Specifically, this **root cause** drives the **systemic issue** of disbandment of financial crime units in the following manner as portrayed by the diagram and elaborated below:



- 1) Financial crime investigations are inherently complex and require specialized knowledge and skills to perform. Therefore, it is crucial for the staff conducting these financial crime investigations to possess the necessary specialized competencies to be able to properly perform the investigations.
- 2) Ideally, hiring specialist staff with pre-existing competencies that can perform the engagements right at the commencement of their employment would be preferred. However, there is a **limited availability** of such specialist staff in the market and the availability is dependent on market demand and economic conditions that are not readily controllable by the government.
- 3) As such, an alternative staffing approach would be to hire staff with limited competencies and then for the financial crime units to provide adequate specialized training to equip them with the necessary competencies to be able to properly conduct the financial crime investigations.
- 4) However, financial crime units failed to provide the necessary training to their inexperienced staff, and therefore the staff were unable to properly conduct financial crime investigations. This in turn affected the overall performance of the financial crime units, causing them to be unable to effectively fulfill their mandate. As such, the root cause is a **lack of priority** assigned by the dedicated financial crime units to providing **adequate specialized training** to their inexperienced staff in order for them to acquire the necessary competencies to properly conduct the financial crime investigations.

5) On a **budgetary level**, when government reviews their budget, they look at whether a unit is providing value for money to justify continuing to be a priority in the limited government budget. When a unit is not delivering satisfactory performance results that justify the expenditure of sustaining it, it does not make sense from a **budgetary** perspective for the government to continue prioritizing and allocating the already limited resources to sustain the underperforming unit. Hence, the government made the decision to disband the dedicated financial crime units.

For some disbandment cases, to fill the enforcement gap, the government implemented an **alternative model** of conducting financial crime investigations such as outsourcing to private sector or integrating the financial crime units with non-financial crime units. However, as evident from the **continued increase** in financial crimes, the Dedicated Unit Model adopted by the financial crime units is not the issue, and therefore the government's solution of changing the model of conducting financial crime investigations did not solve the root cause of the systemic issue.

6) On an **economic level**, the trend of increasing financial crimes continued and the disbandment of the government's financial crime units exacerbated the issue as it conveyed weakened enforcement oversight on the part of the government. The systemic issue of disbandment of financial crimes unit in the midst of and in spite of rising

	<p>financial crimes is ultimately driven by the disconnect between the government’s budget priorities and the actual economic trends.</p>
F8	<p>Our Micro-examination of the systemic issue using the IU case as a backdrop in Sections 1 and 2 also arrived at the same root cause that the lack of adequate specialized training provided by IU to their staff ultimately led to the disbandment of IU as the dedicated forensic accounting unit in the B.C. Government. Therefore, given that both our Micro-examination of the issue from an internal perspective within an individual unit and Macro-examination of multiple disbandment cases across various units arrived at the same root cause, this further substantiates that this is the true root cause of the systemic issue.</p>

Step #5 – Recommend Solution

Section 7

F9	<p>Based on the analysis performed above, we have proposed several recommendations to target the root cause of lack of priority assigned by dedicated financial crime units to providing adequate specialized training to staff, while taking into consideration of the resource constraints prevalent in the government sector. The premise of the proposed</p>
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	<p>recommendations is for the dedicated units to leverage the existing resources and opportunities the government already has to procure the required specialized training for their staff:</p> <ol style="list-style-type: none">1) Existing extensive training resources offered by the government – in the forms of a vast training courses database, standalone budget designated for professional development, and various training grants and bursaries offered for government employees to obtain and maintain the necessary skills for their positions;2) Training opportunities provided by the existing widespread network of the government – in the forms of intraprovincial, interprovincial, and international cross-training and complimentary training, as well as secondment and shadowing opportunities;3) Private sector training – in the forms of private sector trainer and supplementary training on specific areas of expertise lacked by the dedicated units on engagements; and4) Financial recovery – in the forms of forfeiture of assets and fraudulent proceeds, as well as imposing penalties for committing financial crimes.
A5	<p>This research paper argues that the implementation of proposed recommendations at the Micro-level within the individual dedicated financial crime units will effect re-alignment at the Macro-level of government’s enforcement</p>

response with the economic trend of rising financial crimes. The **effect of the recommendations** in resolving the underlying **root cause** and **ending the cycle of systemic issue** is portrayed in the following diagram:



Micro-Examination of An Individual Disbandment Case

Section 1 – Case Study: Disbandment of B.C. Government’s Investigation and Forensic Unit

1.1 Section Objective and Approach

1.1.1 Objective of Section

Our **micro-examination** of the emerging trend of forensic accounting and financial crimes units in the government sector being disbanded in spite of rising financial crimes trend will start with an in-depth examination and analysis of one of such cases that ultimately led to the **disbandment** of the B.C. Government’s Investigation and Forensic Unit (“IU”).

The **objective** of this Section is to provide a summary of background information **leading up to** the disbandment of IU in order to provide the necessary and sufficient context for subsequent analyses conducted in this research paper. The details of the circumstances surrounding IU’s disbandment will be discussed and analyzed in **Section 3** of this research paper.

1.1.2 Approach of Section

As the disbandment of IU stemmed from a high-profile case that garnered significant media attention and was extensive in its scope and complexity, there was a large volume of public information released by various parties about this case. In its entirety, the case took place over the course of 5 years from 2012 to 2017, which commenced when the whistleblower’s complaint was received in March 2012¹ and concluded with the release of the Ombudsperson’s investigation report in April 2017.²

¹ “Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters,” The Office of the Ombudsperson, April 2017, p. 69. Accessed online on April 21, 2023 at https://bcombudsperson.ca/investigative_report/2022-final-assessment-misfire/, p. XVIII.

² Ibid., Letter to Speaker of the Legislative Assembly.

This Section will take the **approach** of providing a **high-level synopsis**, followed by a **detailed narrative** of the case events. As one of the objectives of this research paper is to convey the **devastating consequences** that could result from an **improperly conducted** fraud investigation, relevant background information that can facilitate the attainment of such objective will also be included in the narrative. Further, highlights of the Ombudsperson’s findings pertaining to each of the events will be inserted to convey a complete picture of the subsequent findings discovered by the Ombudsperson about the events. An overview of the key entities involved in this case is provided in **Appendix A**.

The foundational **source material** for this Section will be the comprehensive 510-page Ombudsperson’s investigation report titled *Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters*, which details each of the events that transpired during the 5-year duration of the case. Information and publications from other sources internal and external to the B.C. Government will also be used to supplement the background information as necessary.

1.2 Case Synopsis

In 2012, the B.C. Government’s Investigation and Forensic Unit (“IU”) conducted a fraud investigation into a whistleblower’s complaint alleging wrongdoing in the Ministry of Health.³ The investigation findings resulted in various significant consequences including the suspension and termination of multiple government employees, contractors, and external

³ Ibid., p. 69.

researchers, one of whom committed suicide⁴ 4 months after the dismissal.⁵ Subsequently in 2017, the Office of the Ombudsperson deemed IU’s fraud investigation as improperly conducted with findings and conclusions that were inaccurate and incomplete,⁶ and that the terminated employees were wrongfully dismissed.⁷ The improper fraud investigation conducted caused an uproar both within the public sector and among the general public and received significant media attention, which ultimately contributed to the disbandment of IU in 2020.⁸ Since then, government fraud investigations have been outsourced to be conducted by external third-party investigation firms,⁹ and there has been a lack of a dedicated forensic accounting unit in the B.C. Government.

1.3.1 The Whistleblower’s Complaint

On March 21, 2012, a whistleblower made an anonymous complaint to the Office of the Auditor General alleging that several employees and contractors at the Pharmaceutical Services Division (“PSD”) of the Ministry of Health (“MoH”) had engaged in various wrongdoing.¹⁰ Specifically, the allegations were as follows:

⁴ Ibid., p. 327.

⁵ Ibid., p. xviii.

⁶ Ibid., p. 303.

⁷ Ibid., p. 193.

⁸ “*Fraud Risk Management: Office of the Comptroller General*, Office of the Auditor General of British Columbia,” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 6.

⁹ Ibid., p. 7.

¹⁰ “Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters,” The Office of the Ombudsperson, April 2017, p. 69. Accessed online on April 21, 2023 at https://bcombudsperson.ca/investigative_report/2022-final-assessment-misfire/, p. XVIII.

- Inappropriate data access, use, and disclosure;
- MoH employees were offered money by an external contractor in exchange for data;
- Unauthorized work by employees with external stakeholders;
- Breaches of the government’s Standards of Conduct;
- Inappropriate hiring practices; and
- A \$1 service contract established for the spouse of a PSD employee by another MoH division to facilitate direct contractor data access for a project funded by a health authority.¹¹

1.3.2 Internal Investigation by Ministry of Health

Initial Review by Ministry of Health

Upon receiving the complaint from the Auditor General, the Ministry of Health (“MoH”) commenced an **initial review** of the whistleblower’s complaint. However, MoH assigned an employee with **limited experience** to perform the initial review, and some critical procedures such as assessing the **factual validity** of the complaint was not performed as part of the review.¹² Further, the employee also frequently engaged and sought the complainant’s inputs in conducting this initial review, which

¹¹ Ibid., p. 198.

¹² Ibid., p. VIII.

impaired the **independence** of the employee as the reviewer and **objectivity** of the review findings. During the course of the review, the complainant was heavily involved in the process and expanded the scope of the allegations beyond her original complaint.¹³

Based on the results of the initial review, the MoH executives made the decision that there was cause for concerns and a **further internal investigation** into the alleged wrongdoing was necessary. 3 Assistant Deputy Ministers at MoH signed the Terms of Reference on May 31, 2012 approving the internal investigation and appointing the investigation team.¹⁴ However, the executives made this decision solely based on the review findings, without knowing that the review did not perform the basic and critical procedure of fact-checking to verify the validity of the complaint.¹⁵

Ombudsperson’s Findings – MoH’s Initial Review
1) The complainant was uninformed and her assertions were mostly wrong ;
2) The complainant was deeply involved in and heavily influenced the initial review; and
3) The initial reviewer was overwhelmed by the task and ill-equipped to address the complex issues raised by the complainant. ¹⁶

¹³ Ibid., p. VIII.

¹⁴ Ibid., p. XVIII.

¹⁵ Ibid., p. VIII.

¹⁶ Ibid., p. 84.

Internal Investigation by Ministry of Health

The scope of investigation as stated in the Terms of Reference was **not clearly defined**, and therefore MoH's internal investigation quickly expanded beyond its original objective.¹⁷

Further, the investigation was initially set to be of **1-month** duration to be concluded by the end of June 2012, but due to the expansion of scope, the investigation lasted for **16 months (approx. 1.5 years)** and ended in October 2013. During the 1.5 years, there was frequent staff turnover on the investigation team, thereby disrupting the continuity of knowledge of the investigation.¹⁸

Although the investigation was **presented** as being independent from the Ministry of Health, there were several **internal staff** from the Ministry of Health assigned to the investigation team and therefore the team was **not independent in fact**.¹⁹

The investigators were **not sufficiently trained** to conduct an investigation of this size and complexity, and there was a **lack of expertise** on the team pertaining to the subject matters under investigation. There was also **no clear policy** that the team could

¹⁷ Ibid., p. viii.

¹⁸ Ibid., p. viii.

¹⁹ Ibid., p. viii.

use as guidance and direction in the conduct of their investigation. Senior management was also not providing sufficient and effective **oversight** over the investigation.²⁰

The evidence gathering process of the investigation was **undisciplined** and **disorganized**, and the investigators were **biased** in their investigation approach. A significant part of their investigative work comprised of conducting a comprehensive review of emails and interviews with the individuals under investigation and other MoH's employees. When reviewing the emails, it appeared that the investigators were **not objective** in their approach and were attempting to build a case instead of engaging in neutral fact-finding exercise, which undermined the **reliability** of their work. Similarly, when conducting interviews, the investigators did not display the required **open mind** and **neutrality** to appropriately consider the evidence provided by the witnesses. MoH also did not provide the investigation team with a structure for conducting the interviews and failed to take substantive actions when concerns about the fairness of the interviews were brought to their attention.²¹

Ombudsperson's Findings – MoH's Internal Investigation
1) The planning of the investigation and composition of the Ministry of Health investigation team was procedurally flawed , and therefore improper , in that: a) The terms of reference for the Ministry of Health investigation did not clearly define its scope;

²⁰ Ibid.,p. ix

²¹ Ibid.,p. X

- b) The team **lacked effective oversight**, and it acted **without** appropriate policy direction and guidance in the conduct of the investigation;
- c) The team included members who were **not sufficiently trained** for an investigation of this complexity; and
- d) The investigation was **not conducted independently** from the Ministry of Health despite being represented as being led on behalf of Office of the Chief Information Officer.

2) The Ministry of Health's investigation was **procedurally flawed**, and therefore **improper**, as the investigation:

- a) Lacked organization and appropriate division of roles.
- b) Had no investigative plan that the team followed.
- c) Failed to adequately and appropriately assess the information it obtained.
- d) Failed to adequately document its activities.

3) The **interviews** conducted by the investigation team were improper as they had the following **procedural flaws**:

- a) The interviews were not conducted objectively and failed to adequately obtain or record exculpatory as well as inculpatory evidence.
- b) The employees were not consistently provided notice of the allegations against them.

- c) Employees were not always provided an adequate opportunity to provide a full response.
- d) Employees were not provided an adequate opportunity to review relevant documents in advance of the interviews.

4) In addition, there were **other procedural flaws**, as some of the **interviews** were:

- a) Not conducted appropriately in that investigators were unnecessarily argumentative and aggressive when it served no investigative purpose.
- b) Conducted in disrespectful manner or inappropriate location.
- c) Purportedly conducted as informational interviews when in fact the interviewee was suspected as having committed wrongdoing even before the interview took place.
- d) Conducted without having afforded individuals the opportunity to have representation present.

5) In 2012 ministry executives had some awareness of the **concerns** being expressed by ministry staff about the conduct of the **interviews** and the direction of the investigation but took **no substantive action** to determine whether the concerns were valid.

6) Regarding the **investigation** of contractors and researchers:

- a) The Ministry of Health's decisions about which contracts and researchers to include as part of the investigation were wrong as they lacked adequate evidence or justification.
- b) The investigation team failed to adequately familiarize itself with the contractual relationships between the ministry and its contractors.
- c) The Ministry of Health unduly delayed its investigation into the matters relating to the contractors, researchers, and universities without due regard for the impacts of the delay on health research and individual livelihoods.

Draft Investigation Report by Ministry of Health

In July 2012,²² MoH released a draft investigation report titled *Internal Review: Ministry of Health, Pharmaceutical Services Decision, Research and Evidence Development*.²³ The draft report contained findings and conclusions that were **unsubstantiated** by evidence, and most of the report's findings were just a **reiteration** of the complainant's allegations and did not result from investigative procedures and analyses performed by the investigation team.²⁴

²² Ibid., p. ix.

²³ Ibid., p. 103.

²⁴ Ibid., p. ix.

The draft report also contained **recommendations** related to MoH’s contracting practices, data use, and the conduct of employees that did not result from a careful analysis of the underlying evidence.²⁵ The entire draft report appeared to portray that there was **widespread misconduct** within MoH, but failed to provide any evidence to substantiate that.²⁶

Despite the draft report not being finalized yet, it was used by the decision makers to make **suspension and termination decisions** about MoH’s employees and contracts. The draft report was also used by the MoH investigation team as a briefing document and shared with various parties including the RCMP, the Office of the Auditor General, and the Investigation and Forensic Unit at the Office of the Comptroller General.²⁷ Further, the unsubstantiated findings in the draft report also influenced and misled the direction of the rest of MoH’s investigation.²⁸

Ombudsperson’s Findings – MoH’s Draft Report
1) The draft investigation reports produced by the investigation team in July and August 2012: <ul style="list-style-type: none">a) Made findings unsupported by the evidence; andb) Significantly influenced the direction and timing of the employment decisions which followed.

²⁵ Ibid., p. ix.

²⁶ Ibid., p. ix.

²⁷ Ibid., p. 103 to 104.

²⁸ Ibid., p. ix.

1.3.3 Investigation by Investigation and Forensic Unit

Investigation and Forensic Unit (“IU”) is the B.C. Government’s forensic accounting unit that is established in the Office of the Comptroller General under the Ministry of Finance. IU’s mandate is to provide an effective response to allegations of financial improprieties contrary to the government’s policy.²⁹

IU’s involvement in the PSD case initially began with a **monitoring role** when MoH informed IU about the whistleblower’s complaint and IU started to monitor MoH’s internal investigation for the period May 2012 to October 2012. During this period, IU provided MoH’s investigation team with functional advice, guidance, and support including attendance at informational meetings, conference calls, as well as liaising with RCMP. In turn, MoH’s investigators provided IU with documents and information that they believed were evidence wrongdoing, as well as a copy of their draft report.³⁰

Based on the information received from MoH, IU become increasingly concerned that there was validity to the complainant’s allegations and that there was a widespread fraud scheme within PSD.³¹ In October 2012, the Office of the Comptroller

²⁹ “Investigation and Forensic Unit (IU) Professional Development Framework and Plan for Fiscal 2018/19,” The Office of the Comptroller General, April 26, 2018, accessed online on April 24, 2013 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewi_87rG0bf_AhUIFTQIHev3Ad4QFnoECBAQAQ&url=https%3A%2F%2Fwww2.gov.bc.ca%2Fassets%2Fgov%2Fbritish-columbians-our-governments%2Forganizational-structure%2Fpublic-service%2Fiu_professional_development_framework_and_plan_updated_april_26_2018.pdf&usg=AOvVaw1A5A1LROT04u4MOQE017-e, p. 4.

³⁰ “Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters,” The Office of the Ombudsperson, April 2017, p. 69. Accessed online on April 21, 2023 at https://bcombudsperson.ca/investigative_report/2022-final-assessment-misfire/, p. 303.

³¹ Ibid., p. 304.

General approved the Terms of Reference for IU to take on a **larger role** to commence their independent investigation to confirm or dispel the complainant's allegations.³²

Collaboration between IU and MoH

At the beginning, the IU's investigation occurred **in parallel** to the MoH's ongoing internal investigation. The two teams adopted a **collaborative approach** to their investigations, where MoH provided information and documents to be used for IU's investigation, and IU provided their advice about the suspension and termination of MoH's employees and contractors. They also held regularly joint update and strategy meetings to discuss IU's investigation strategy and what areas and individuals would be an appropriate focus of IU's investigation.³³

While collaboration between investigation teams on an investigation of this size and complexity could be appropriate and even beneficial to avoid duplication of effort, the collaboration lacked the required structure and conflict management mechanisms that would need to be put in place to preserve IU's independence in conducting their investigation.³⁴

³² Ibid., p. 305.

³³ Ibid., p. 312.

³⁴ Ibid., p. 312.

Further, IU assumed that MoH investigators had already done significant investigative work to arrive at the findings in their draft report and therefore placed reliance on their findings. However, the findings in MoH’s draft report were actually unproven allegations that could not be substantiated by evidence.³⁵

The **close collaboration** between the two investigation teams as well as IU’s **reliance** on MoH’s **unsubstantiated** draft report findings had influenced the way IU assessed the issues raised in the complainant’s allegations and compromised IU’s objectivity in conducting its investigation, thereby undermining the reliability of IU’s findings. This was evident by the fact that both IU and MoH’s investigation teams developed the same view and theory of the alleged wrongdoing, including who was responsible, and the means by which it should be investigated.³⁶

Ombudsperson’s Findings – IU’s Collaboration with MoH
1) The unstructured collaboration between the Ministry of Health and IU investigations created objectivity risks . ³⁷

IU’s Investigation Approach

Audit-Style Analyses

³⁵ Ibid.,p. 312

³⁶ Ibid.,p. 312

³⁷ Ibid.,p. 326

The IU investigators who conducted the PSD investigation had extensive audit experience, but minimal recent experience in conducting large-scale complex fraud investigations.³⁸ As such, they adopted an **audit-style** approach to investigating the PSD matters that capitalized on their extensive audit experience.³⁹ Specifically, they performed the following audit-style analyses:

- 1) **Contract Compliance** – Compare MoH’s **research contracts** that were suspected to contain improprieties to the government’s procurement and contracting policies, namely the Core Policy and Procedures Manual and the Research Relationships Tool Kit, to verify whether the contracts were in compliance with the government’s policies;⁴⁰
- 2) **Internal Control Testing** – Compare MoH’s **procurement process** to the government’s procurement and contracting policies to identify any gaps in MoH’s contracting controls that could have allowed improper practices to have occurred; and⁴¹
- 3) **Financial Reconciliation** – Reconcile the financial accounts related to the MoH’s contracts using extracts from the government’s accounting system and financial information obtained from the contractors, to verify the accuracy and validity of the costs and funding related to the contracts.⁴²

Emails Review

³⁸ Ibid., p. 308.

³⁹ Ibid., p. 306.

⁴⁰ Ibid., p. 306.

⁴¹ Ibid., p. 306.

⁴² Ibid., p. 306.

The IU investigators recognized that performing the abovementioned **audit-style** analyses was unlikely to uncover the wrongdoing that they believed was occurring below the surface of the contracts. Therefore, they undertook a mass review of emails involving the parties of interest as they believed that the emails might show the real decision-making processes within PSD, the relationships between the parties of interest, and how contract funds were being used and distributed.⁴³

However, the IU investigators did not assess the accuracy, completeness, and reliability of the information contained in the emails, and also did not corroborate such information with supporting evidence and consider whether the totality of the available information proved or disproved any material facts at issue.⁴⁴ Further, as the MoH investigators already performed the same investigative procedure of reviewing emails involving parties of interest, it was a duplication of effort on the part of IU to undertake the same procedure that took up a significant amount of their investigation time and also subject IU to the same risks as MoH of misinterpreting the content of those emails.⁴⁵

Interviews

Due to their lack of experience and training received in conducting interviews, the IU investigators only interviewed the complainant and several other MoH employees. Further, during the interviews, IU only asked some basic questions to gather background information about PSD and did not ask detailed questions about the specific concerns raised in the complaint.

⁴³ Ibid., p. 307.

⁴⁴ Ibid., p. 307.

⁴⁵ Ibid., p. 307.

Other than these few interviews, IU did not conduct other detailed interviews with any of the individuals under investigation nor with other MoH employees that had in-depth knowledge about PSD's procurement practices and the research contracts in question.⁴⁶ Therefore, IU's failure to conduct interviews with key individuals compromised its ability to fully assess the validity of the complainant's allegations and deprived IU of the information that it required to reach accurate conclusions.⁴⁷

IU's Internal Processes

In addition to ineffective investigative approach, there were also several significant gaps in IU's internal processes that undermined the investigators' ability to properly conduct the PSD investigation and the accuracy of the conclusions reached by IU. Specifically, the internal process gaps include the following:

- 1) Insufficient resources to conduct an investigation of this length and complexity;
- 2) Lack of investigative policies;
- 3) Lack of training provided to the IU investigators; and
- 4) Lack of substantive interviews.⁴⁸

⁴⁶ Ibid., p. 309.

⁴⁷ Ibid., p. 311.

⁴⁸ Ibid., p. 308.

Highlights of Ombudsperson's Findings – IU's Internal Processes

- 1) The IU investigation suffered from **numerous internal process gaps** including insufficient resources, lack of policies and training, and lack of substantive interviews that undermined the accuracy of the conclusions contained in the IU report.⁴⁹

Draft Investigation Report by IU

In April 2015, IU provided a copy of the draft investigation report to the following parties and here's the outcome:

- 1) **RCMP** – Upon receipt of the draft report from IU, RCMP completed a detailed analysis of whether RCMP should commence a criminal investigation into the PSD matters, and concluded that no such criminal investigation was warranted.
- 2) **Ministry of Health** – IU provided the draft investigation report to MoH to elicit their feedback on the draft report before it was finalized. MoH passed on the draft IU report to their external legal counsel, who advised MoH that he had serious concerns about the **factual inaccuracies** contained in the IU's conclusions. The counsel also expressly cautioned MoH that

⁴⁹ Ibid., p. 326.

if IU report was released publicly, it could expose the government to legal claims of defamation because the report asserted conclusions that certain branches of government knew were untrue.

Despite the counsel's provision of his feedback to MoH shortly after receiving the draft IU report, MoH did not share the counsel's feedback with IU until July 2015, 3 months after the draft report had been provided to MoH. By then, IU had already finalized the report and MoH's delay in relaying the counsel's feedback deprived IU of the opportunity to look into the counsel's concerns and make the necessary revisions to their conclusions before the report was finalized.

Highlights of Ombudsperson's Findings – IU's Draft Investigation Report
1) The Ministry of Health failed to give timely and effective feedback on the draft IU report when it was provided to them in April 2015. This was a missed opportunity for both the ministry and the IU to address shortcomings in the report. ⁵⁰

Final Investigation Report by IU

Prior to finalizing the investigation report, IU hired an external contractor to perform a quality control review on its final report.⁵¹ While having the report reviewed by an independent experienced contractor could have helped IU reach more accurate conclusions, the contractor was not given enough time to review the evidence collected by the IU team and familiarize

⁵⁰ Ibid., p. 326.

⁵¹ Ibid., p. 322.

himself with the facts of the investigation that was significant in size and complexity. Therefore, the contractor was unable to perform a complete quality control review to ensure that IU's report conclusions were accurate.⁵²

The contractor also felt that the significant scope limitations had impeded IU's ability to fully investigate into the alleged wrongdoing.⁵³ He expressed concerns that IU report resembled more of a working paper summary than a final report, and that the layout of the report could create the incorrect impression that IU had uncovered more wrongdoing than it actually had. He advised IU that the report should contain an explicit statement outlining that there was no evidence uncovered of anyone benefitted financially, which would have countered the incorrect impression given by the report that wrongdoing had occurred.⁵⁴

As a result of various scope limitation issues and internal process gaps including a lack of sufficient resources, clear policies, adequate training, as well as over-reliance on emails review and insufficient interviews performed, IU was unable to properly conduct the PSD investigation, which led to its final report containing many inaccurate inferences and findings.⁵⁵

Highlights of Ombudsperson's Findings – IU's Final Investigation Report
1) The IU had an insufficiently robust quality assurance process;

⁵² Ibid.,p. 323

⁵³ Ibid.,p. 323

⁵⁴ Ibid.,p. 322 to 323

⁵⁵ Ibid.,p. 324

- | |
|---|
| 2) The IU final report contained inaccurate statements and improper inferences ; and |
| 3) The scope limitations cited in the report were significant and limit the utility of the report. The quality assurance advisor who internally reviewed the report for the Comptroller General considered the document more in the nature of a summary working paper than a final report. ⁵⁶ |

1.3.4 Impacts of MoH and IU’s Investigations

A list of individuals and research contracts impacted by the results of MoH and IU’s investigations is included in **Appendix B**.

Suspensions of Data Access

In June 2012, 1 week into MoH’s internal investigation, MoH **suspended the data access** for individuals identified in the whistleblower’s complaint. Prior to making the decision to suspend data access, the decision-makers did not properly assess and document whether there was any evidence that would pose a risk of improper use of data. 5 of the data suspensions were not based on any evidence of improper data use that would support a valid suspicion and justify the data suspensions.⁵⁷

⁵⁶ Ibid., p. 326.

⁵⁷ Ibid., p. viii.

Further, MoH also did not provide adequate explanations to the affected individuals about the reason for their data access suspensions.⁵⁸ MoH also delayed its investigation into some of the individuals' cases, which resulted in their data access suspensions remained in place for over a year.⁵⁹

Ombudsperson's Findings – Suspension of Data Access

- 1) The Ministry of Health's June 2012 decisions to **suspend data access** for various individuals:
 - a) Were wrong because those decisions lacked adequate justification or sufficient documentation explaining the rationale;
 - b) Were unrelated to the three suspected privacy breaches later discovered and reported to the Information and Privacy Commissioner; and
 - c) Went on too long because the ministry unduly delayed investigating its concerns about the contractors' data access and use.⁶⁰
- 2) In most cases, the ministry **suspended data access** of contractors and researchers on suspicion alone.⁶¹

⁵⁸ Ibid., p. viii.

⁵⁹ Ibid., p. ix.

⁶⁰ Ibid., p. 123.

⁶¹ Ibid., p. 289.

Suspensions of Excluded Employees

In July and August 2012, based on MoH's **draft report findings**, MoH with the advice of the Public Service Agency (i.e. human resources agency of the B.C. Government) made the decision to suspend **4 excluded (i.e. non-union) employees without pay** pending investigation. These 4 employees were Dr. Malcolm Maclure, Dr. Rebecca Warburton, Mr. Ron Mattson, and Mr. Robert Hart.

However, the suspension decisions were made without an evidentiary basis nor consideration of whether lesser measures were available to mitigate any perceived risks to the government. Further, MoH did not have the contractual nor statutory authority to suspend excluded employees **without pay**, and therefore the suspensions were made **contrary to the law**.⁶²

Ombudsperson's Findings – Suspensions of Excluded Employees

- 1) The **suspensions of the four excluded employees** suspended in July and August 2012 were contrary to law because they were without pay, and were wrong because:
 - a) They lacked sufficient evidentiary basis.
 - b) They were made without due regard for whether lesser measures were sufficient to address the perceived risk to the ministry.

⁶² Ibid., p. ix.

Suspensions of Included Employees

In August 2012, based on MoH's **draft report findings**, MoH and PSA further suspended **3 included (i.e. union) employees without pay**. These 4 employees were Mr. Ramsay Hamdi, Mr. David Scott, and Mr. Roderick MacIsaac.

The suspension decisions for each of the 4 employees resulted from a procedurally flawed and improper process, and MoH did not have valid grounds to conclude that these employees posed a serious risk. Further, as they were union employees, PSA did not follow the appropriate labour relations practices to consider whether lesser measures than suspensions could mitigate any perceived risks to the government.

Ombudsperson's Findings – Suspensions of Included Employees

- 1) The August 2012 employment **suspensions of the three included employees** were improper because:
 - a) They lacked sufficient evidentiary basis.
 - b) They were made without reasonable grounds that their continued presence constituted a reasonably serious and immediate risk.
 - c) They were made without due regard for whether lesser measures were sufficient to address the perceived risk to the ministry.

Terminations of Employment

Pursuant to the suspension of the 7 employees (4 excluded and 3 included), in September 2012, MoH **terminated** 6 of the suspended employees for **just cause**. These 6 employees were Dr. Rebecca Warburton, Mr. Ron Mattson, Mr. Robert Hart, Mr. Ramsay Hamdi, Mr. David Scott, and Mr. Roderick MacIsaac.

However, the **termination for just cause** decisions were made without sufficient evidentiary basis, and none of the dismissed employees engaged in misconduct that justified their terminations. The decision-making process for the termination was unnecessarily rushed, and MoH was under the mistaken belief that legal advice on termination for just cause had been provided.

Although the termination decisions were **initiated** based on MoH's investigation findings, the fact that IU's investigation also produced the same conclusions that the employees had engaged in wrongdoing confirmed and validated MoH's investigation and the termination decisions that followed. The senior executives who made the termination decisions also relied on IU investigation report to defend their decisions.⁶³

On September 6, 2012, MoH issued a **news release** announcing the existence of an investigation of inappropriate conduct, contracting and data management practices in the ministry. The news release also announced the suspensions and terminations

⁶³ Ibid., p. 303.

that had taken place, and although the news release did not disclose the individuals' names, the identity of the suspended and terminated employees soon became publicly known.

One of the terminated employees, Mr. Roderick MacIsaac, **committed suicide** on January 8, 2013, 4 months after he was dismissed from his position with MoH. Mr. MacIssac was a PhD student at the University of Victoria and was doing his co-op position at MoH. The suspension and subsequent termination of his employment was particularly punitive given that his co-op term with MoH was ending in a few days. Subsequent to his termination, Mr. MacIssac's name was publicly associated with the allegations of wrongdoing that accompanied the other public terminations. He applied for other positions in the government, but was not hired for any of the positions despite being well-qualified due to the circumstances surrounding his dismissal. As Mr. MacIssac was unable to complete his PhD research due to the loss of his co-op position at MoH,⁶⁴ he also withdrew from his PhD program with the University of Victoria after his termination.

The Ombudsperson noted in his investigation findings that "it is an inescapable conclusion that the Ministry of Health's investigation into Mr. MacIsaac's conduct, the decision to suspend and later fire him, and the decision to ban him from any future access to data had a significant negative impact on Mr. MacIsaac's well-being. Mr. MacIsaac never had an opportunity to fully understand why he was fired."

⁶⁴ "Fired researcher was evaluating province's anti-smoking program," Lori Culbert and Rob Shaw, November 21, 2014, accessed online on April 28, 2023 at <https://www.timescolonist.com/bc-news/fired-researcher-was-evaluating-provinces-anti-smoking-program-4616152>.

Ombudsperson's Findings – Terminations of Employment

- 1) Deputy Minister Whitmarsh made the decision to **terminate the employment** of David Scott, Roderick MacIsaac, Ramsay Hamdi, Ron Mattson, Robert Hart and Dr. Rebecca Warburton. There was no political interference in the dismissal decisions.
- 2) The ministry **did not have just cause to terminate** any of the dismissed employees, though Deputy Minister Whitmarsh believed that the issue of just cause had been considered by government legal counsel. However, in the case of Mr. Mattson, Deputy Minister Whitmarsh should have followed up to address the conflict between his belief that legal advice had been provided and his advice from the Public Service Agency that valid grounds likely did not exist to dismiss Mr. Mattson.

Suspensions of Researchers' Data Access and Terminations of Research Contracts

While the MoH's internal investigation was ongoing, MoH also conducted a parallel investigation into **contractors** and **external researchers** who were linked in some way to the terminated employees. Based on the results of its parallel investigation, MoH made the decisions to **suspend** the data access of several external researchers and the health research contracts with the University of British Columbia and the University of Victoria, as well to **terminate** the contracts with Blue Thorn Research and Analysis Group Inc., Quantum Analytics Inc., and Resonate Solutions Inc.

The suspension and termination decisions were arbitrarily made without any evidence of inappropriate conduct and based on suspicion alone. The decisions caused the contractors and external researchers to be unable to carry out their employment and other obligations with MoH, and were made without giving adequate consideration to the impact of the decisions on MoH's objectives and health research, as well as the livelihoods and reputations of the individuals affected by the decisions.

Ombudsperson's Findings – Suspensions of Researchers' Data Access and Terminations of Research Contracts

1) Regarding **contract suspensions and terminations**:

- a) The ministry wrongly suspended the ADTI, TI, and Blue Thorn contracts and wrongly effectively suspended the EQIP contract in the absence of evidence of wrongdoing.
- b) The ministry's decision to suspend the ADTI and TI contracts were wrong as they were based on suspicions about data use by Dr. Dormuth and there was no evidence that he had inappropriately used ministry data.
- c) The suspension of the Blue Thorn contract was not based on evidence of wrongdoing and was not in the ministry's own best interests.
- d) The ministry's Blue Thorn contract administrator was improperly led to believe by ministry officials that the suspension would be short-lived, and through no fault of his own advised the Blue Thorn associates of this. As a result, some Blue Thorn associates did not look for alternate employment sooner.

- e) The ministry's decision to terminate the Resonate contract was wrong because it was based on suspicions regarding Contractor 1 and Contractor 2. There was no evidence that either had inappropriately used ministry data.
- f) The ministry improperly suspended the data access for Contractor 1 and Contractor 2.
- g) The Ministry of Health acted improperly when it terminated Dr. W. Warburton's contract based on a misunderstanding of the relevant facts and by treating him unfairly.
- h) It was wrong for the ministry to suspend and later terminate the Quantum Analyzer's contract, based on an incorrect determination that Mr. Isaacs had done something wrong. The software was in active use at the time and the ministry had no replacement product ready. As a result, terminating the contract was not in the ministry's own interest.
- i) The EQIP initiative was not renewed as a result of the ministry's investigation. Minister Lake was wrong when he suggested that the decision not to continue EQIP beyond August 31, 2012 was a timing coincidence.

Lawsuits and Grievances

Out of the 7 suspended employees, 6 were subsequently terminated. The remaining 1 **excluded employee**, Dr. Maclure, claimed that his suspension without pay constituted a **constructive dismissal**, and therefore MoH did not have to formally terminate his employment. In September 2012, Dr. Maclure commenced a **wrongful dismissal** lawsuit against the government.

Subsequent to their terminations, **excluded employees** Dr. Rebecca Warburton and Dr. Hart, and **contractor** Dr. William Warburton also filed **wrongful dismissal** lawsuits. **Included employees** Mr. Hamdi, Mr. Scott, and Mr. MacIsaac filed **grievances** with respect to their terminations.

On June 10, 2013, a new Deputy Minister of Health, Dr. Stephen Brown, was appointed. At the time he joined MoH, the MoH's internal investigation was still ongoing, and the government faced 4 outstanding wrongful dismissal lawsuits filed by the excluded employees and 3 grievances filed by the included employees. Deputy Minister Brown started asking questions about the ongoing MoH's internal investigation and began to question its usefulness. By October 2013, Deputy Minister Brown instructed MoH's investigators to discontinue their internal investigation and MoH's lawyers to settle the outstanding lawsuits and grievances. However, the lawsuits and grievances were settled before MoH and PSA recognized that there were significant flaws in their investigative process, and there the employees did not have a fair opportunity to have their claims fully considered on the merits.⁶⁵

⁶⁵ Ibid., p. xii.

By August 2014, all 7 outstanding wrongful dismissal lawsuits and grievances were settled. Deputy Minister Brown along with other senior executives also apologized publicly on behalf of the government to Mr. MacIsaac’s family and admitted that the termination of Mr. MacIsaac was “heavy-handed.” However, there was no clear acknowledgment in the public apology statement that Mr. MacIsaac had not committed wrongdoing and that he was wrongfully terminated.⁶⁶

Ombudsperson’s Findings – Lawsuits and Grievances
1) The Ministry of Health had no lawful basis to constructively dismiss Dr. Maclure.
2) Deputy Minister Stephen Brown acted appropriately when he discontinued the Ministry of Health investigation.
3) The grievances were settled on the basis of information provided by the province to the BCGEU before the government recognized that there were significant flaws in its own investigative process.
4) Government took too long to issue an apology to the family of Mr. MacIsaac. The apology was in response to the family’s September 30, 2012 press conference, and in issuing the apology government did not clearly state that Mr. MacIsaac had done nothing wrong.

⁶⁶ Ibid., p. 333.

Leak of IU Final Report to Media

Upon finalization of the report in June 2015, the IU final report was leaked to the media in February 2016 and received significant public attention. By then, the government had already settled all the outstanding lawsuits and grievances. Therefore, the **inconsistency** between **IU's report conclusions** that the PSD employees had engaged in wrongdoing and the **government's public position** on the settlements had created significant public concerns regarding the accuracy of the MoH and IU's investigations conducted that had supported the termination decisions.

Further, as the IU report contained **inaccuracies** that the government knew were untrue, and that the terminated employees were identified by name in the report, the leak of IU report to the public exposed the government to new legal claims of defamation.⁶⁷

Impacts on Other Employees and Contracts

In addition to the terminated employees, there were also a large number of government employees that were involved in investigations conducted by MoH, IU, and the Ombudsperson. The multiple investigations that took place over 5 years as well as RCMP's involvement in the case created fear, anxiety, loss of income, financial uncertainty, damages to relationships, reputations, and careers, as well as health problems amongst some of the government employees. Subsequent to the

⁶⁷ Ibid., p. 324.

investigations, there were still ongoing impacts including a loss of productivity, morale, and engagement within the government.⁶⁸

Further, various health research projects, evaluation, as well as educational initiatives and analyses were also delayed or discontinued due to the suspension of researchers' data access and termination of research contracts. Overall, there were pervasive significant negative impacts of the events at both the personnel and organizational level within MoH and across the government.

Ombudsperson's Findings – Impacts on Other Employees and Contracts
1) Many staff across the Ministry of Health were negatively affected by the investigation, the dismissals, and the aftermath. Common impacts included fear, anxiety, loss of productivity at work, risk-aversion and, for some, health problems.
2) A number of projects in the fields of health research, evaluation, health education and public health were delayed or never completed due to suspension of data access.

⁶⁸ Ibid., p. xiv.

1.3.5 Investigation by Ombudsperson

In response to public interest in wanting to know what happened, who made the decisions and why,⁶⁹ the Select Standing Committee on Finance and Government Services referred the PSD matters to the Office of the Ombudsperson for an independent investigation on July 29, 2015.⁷⁰

The Ombudsperson conducted a large-scale comprehensive investigation, obtaining over 4 million records from various different ministries, agencies, other public bodies, and individuals, as well as interviewing 130 witnesses.⁷¹ Pursuant to the Ombudsperson’s investigation findings, 41 recommendations were made to address the findings and conclusions in the report. Highlights of the Ombudsperson’s recommendations are provided below:

Individual Recommendations

The Ombudsperson recommended for the government to take the following actions focused on the **impacted individuals** in order to contribute to the broader organizational reconciliation process that needs to occur:

⁶⁹ “Flawed 2012 Investigation, Rushed Decisions had Widespread Repercussions: Ombudsperson Recommendations Will Address Harms, Strengthen System,” Ombudsperson British Columbia, April 6, 2015, accessed online on April 27, 2023 at https://bcombudsperson.ca/news_release/flawed-2012-investigation-rushed-decisions-had-widespread-repercussions-ombudsperson-recommendations-will-address-harms-strengthen-system/

⁷⁰ “Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters,” The Office of the Ombudsperson, April 2017, p. 69. Accessed online on April 21, 2023 at https://bcombudsperson.ca/investigative_report/2022-final-assessment-misfire/, Letter to the Speaker to the Legislative Assembly.

⁷¹ “Government implements majority of BC Ombudsperson’s recommendations following investigation into health ministry firings,” Ombudsperson British Columbia, October 30, 2018, accessed online on April 27, 2023 at https://bcombudsperson.ca/news_release/government-implements-majority-of-b-c-ombudspersons-recommendations-following-investigation-into-health-ministry-firings/

- 1) **Public Apology** – Acknowledge publicly the harm done by its actions and to accept responsibility for what happened.⁷²
- 2) **Individual Apologies and Ex Gratia Payments** – Issue individualized apologies and ex gratia payments to the 7 terminated employees, including the estate of Mr. Roderick MacIsaac, other public servants, as well as contracted researchers harmed by the government actions.⁷³
- 3) **Withdrawal of IU Report** – Issue a public statement confirming that that the IU final report has been withdrawn and acknowledging that the report contains inaccuracies and will not be relied on. Further, the government should also send a letter of apology to each of the individuals named in the IU report confirming that the IU final report has been withdrawn and the report will not affect the ability of those individuals to work for the government in the future if they choose to do so.⁷⁴
- 4) **Scholarship in Memory of Roderick MacIsaac** – Fund an endowment to establish a scholarship for PhD students at the University of Victoria and establish an annual staff award for excellence in training, mentoring, and supporting co-op students.⁷⁵

⁷² “Interim Assessment of Implementation of Recommendations *Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters*,” The Office of the Ombudsperson, October 2018, accessed online on April 28, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewiJ14nI07f_AhUOHTQIHQ11CXsQFnoECBQQAQ&url=https%3A%2F%2Fbcombudsperson.ca%2Fassets%2Fmedia%2FOMB-Misfire-Update-2018.pdf&usg=AOvVaw3Xsash3W9btLRu0s_SnyBD, p. 8.

⁷³ *Ibid.*, p. 8.

⁷⁴ *Ibid.*, p. 9.

⁷⁵ *Ibid.*, p. 10.

Systemic Recommendations

To **address** the systemic issues and **prevent** similar events from recurring, the Ombudsperson made a number of **systemic recommendations** in relation to the following issues:

- 1) **Standards for Public Service Investigations** – Investigative processes to focus on the outstanding issues in relation to public service investigations that needed to be remedied: executive accountability for investigations, compliance with policies, IU’s investigative policies, and referring matters under investigation to the police.⁷⁶
- 2) **Standards for Public Service Employees** – Develop and implement a policy framework for assessing situations to determine whether a real or perceived conflict of interest exists.⁷⁷
- 3) **Data Access Suspensions** – Create new guidelines for making decisions about suspending access to administrative health data that should address the flaws in MoH’s practices that were identified in the Ombudsperson’s investigation.⁷⁸
- 4) **Employment Suspensions and Terminations** – Establish steps that are required to occur before dismissing an employee for just cause, suspending excluded employees without pay, oversight of dismissal decisions, internal and external

⁷⁶ “Interim Assessment of Implementation of Recommendations *Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters*,” The Office of the Ombudsperson, October 2018, accessed online on April 28, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewiJ14nI07f_AhUOHTQIHQ11CXsQFnoECBQQAQ&url=https%3A%2F%2Fbcombudsperson.ca%2Fassets%2Fmedia%2FOMB-Misfire-Update-2018.pdf&usg=AOvVaw3Xsash3W9btLRu0s_SnyBD, p. 13.

⁷⁷ *Ibid.*, p. 12.

⁷⁸ *Ibid.*, p. 16.

communications about personnel matters, as well as a policy on announcing police referrals related to the conduct of a public servant.⁷⁹

To **remediate** some of the boarder impacts of the MoH and IU’s investigations, the Ombudsperson made a number of **systemic recommendations** in relation to the following issues:

- 1) **Public Interest Disclosure Legislation** – Establish public interest disclosure legislation that provides for the reporting, assessment, fair investigation, resolution and independent oversight of the allegations about wrongful conduct within the B.C. Government.⁸⁰
- 2) **Organizational Reconciliation at MoH** – Develop and implement a carefully designed organizational reconciliation program with the goal of re-establishing positive, respectful professional relationships with staff and contractors who will productively support MoH’s mandate going forward.⁸¹

⁷⁹ Ibid., p. 16.

⁸⁰ Ibid., p. 19.

⁸¹ Ibid., p. 25.

In the 2017 news release, the Ombudsperson expressly acknowledged that MoH and IU’s flawed investigations resulted in far-reaching and harmful consequences that represented a “dark chapter” to the government. He hoped that by implementing the recommendations that he had set forth, the government would take the opportunity to close this dark chapter.⁸²

Subsequent to the Ombudsperson’s investigation and recommendations, IU underwent a series of significant changes in its structure, internal policies, and investigation process, which ultimately concluded with its disbandment. The changes made to IU subsequent to the flawed investigation incident will be discussed in **Section 3** of this research paper.

Section 2 – Evaluation of IU’s Compliance with IFA Standard Practices

2.1 Section Objective and Approach

2.1.1 Objective of Section

In the performance of investigative and forensic accounting engagements (“IFA engagements”), forensic accounting practitioners are required to comply with the *Standard Practices for Investigative and Forensic Accounting Engagements* (“IFA Standard Practices”, “SP”), which were developed by the Alliance for Excellence in Investigative and Forensic Accounting as

⁸² “Flawed 2012 Investigation, Rushed Decisions had Widespread Repercussions: Ombudsperson Recommendations Will Address Harms, Strengthen System,” Ombudsperson British Columbia, April 6, 2015, accessed online on April 28, 2023 at https://bcombudsperson.ca/news_release/flawed-2012-investigation-rushed-decisions-had-widespread-repercussions-ombudsperson-recommendations-will-address-harms-strengthen-system/

minimum standard practices with **mandatory** application to all forensic accounting engagements commencing on or after March 1, 2007.⁸³

In the case narrated in the previous Section 1, the Ombudsperson concluded that the forensic accounting investigation performed by the B.C. Government’s Investigation and Forensic Unit (“IU”) had procedural flaws and its final report contained a number of inaccuracies and unsupported findings and inferences.⁸⁴ This Section will focus on determining the elements that gave rise to IU’s flawed investigation in the context of its compliance with the IFA Standard Practices.

2.1.2 Approach of Section

We will start off this Section by exploring whether the IU’s investigation into the matters relating to the Pharmaceutical Services Division (“PSD”) at the Ministry of Health met the definition of IFA engagements and was subject to the mandatory compliance with the IFA Standard Practices. If the applicability of IFA Standard Practices was established, we will adopt an **objective** approach to identify and evaluate IU’s instances of compliance and non-compliance with the IFA Standard Practices.

Note: In addition to the professional standards per IFA Standard Practices, there are also legal standards and ethical standards that IFA practitioners are required to comply with. The applicable legal standards are specific to the individual forensic accounting engagement, and ethical standards govern the ethical conducts and behaviors of individual practitioners. Given that

⁸³ “Standard Practices for Investigative and Forensic Accounting Engagements,” Chartered Accountants of Canada, November 2006, preamble.

⁸⁴ “Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters,” The Office of the Ombudsperson, April 2017, p. 69.

Accessed online on April 21, 2023 at https://bcombudsperson.ca/investigative_report/2022-final-assessment-misfire/, p. 369.

the focus of this research paper is to evaluate the **systemic issue** that is applicable across **all** forensic accounting and financial crime engagements instead of individual engagements or practitioners, the scope of this Section will focus on professional standards per IFA Standard Practices.

2.2 Analysis

2.2.1 Applicability of IFA Standard Practices

Purpose: To evaluate if the IFA Standard Practices (“SP”) were specifically applicable to the IU’s PSD investigation engagement.

Definition of IFA Engagements	SP Met?
<p>1) SP100.08 – The IU’s PSD investigation engagement met the SP100.08 definition of an “investigative and forensic accounting engagement” in the following manner:</p> <ul style="list-style-type: none"> • SP100.08(a) – The IU’s PSD investigation required the application of professional accounting skills, investigative skills, and an investigative mindset as defined per SP100.09, SP100.10, and SP100.11. A discussion of SP100.09, SP100.10, and SP100.11 is included below. • SP100.08(b) – The IU’s PSD investigation involved risks, concerns, and allegations of fraud and other unethical conduct expressed by the whistleblower including inappropriate data access arrangements, 	Yes

<p>intellectual property infringement, and code of conduct conflicts with employee contractor relationships including preferential treatment.⁸⁵</p>	
<p>2) SP100.09 – The IU’s PSD investigation required an application of professional accounting skills as defined by SP100.09 in the following manner:</p> <ul style="list-style-type: none"> • SP100.09(a) – An understanding of how operational activity and contracting controls at the Ministry of Health are documented, recorded, reported, managed, and controlled in order to determine whether control gaps existed that could have allowed improper contracting practices alleged by the complainant to have occurred.⁸⁶ • SP100.09(b) – The ability to identify, obtain, examine, and evaluate relevant information including emails sent and received by the parties of interest under investigation, MoH’s research contracts that were alleged to contain improprieties, government’s procurement and contracting policies governing those contracts, extracts from the government’s accounting system and financial information obtained from the universities pertaining to the contracts etc.⁸⁷ 	<p>Yes</p>

⁸⁵ Ibid., p. 88.

⁸⁶ Ibid., p. 306.

⁸⁷ Ibid., p. 307.

- **SP100.09(c)** – The ability to reconcile the **financial accounts** and quantify the **financial impact** of any deviations pertaining to the contracts in question, using extracts from the government’s accounting system and financial information obtained from the University of Victoria and the University of British Columbia.⁸⁸
- **SP100.09(d)** – The ability to perform and interpret **relevant analyses** of information including performing analysis of the conflict of interest allegation,⁸⁹ as well as comparing MoH’s specific contracts that were alleged to contain improprieties to the government’s contract and procurement policies including the *Core Policy and Procedures Manual* (“*CPPM*”) and the *Research Relationships Tool Kit* to identify and analyze any non-compliance issues.⁹⁰
- **SP100.09(e)** – The ability to document and explain the results of its PSD investigation in the IU draft report for the RCMP’s decision-making purpose to determine whether the RCMP should start its own criminal investigation.⁹¹

⁸⁸ Ibid., p. 306.

⁸⁹ Ibid., p. 319.

⁹⁰ Ibid., p. 306.

⁹¹ Ibid., p. 323.

<ul style="list-style-type: none"> • SP100.09(f) – The ability to render relevant and appropriate opinions and conclusions that the MoH’s contracts examined by IU were in compliance with the applicable government’s procurement and contracting policies based on the findings and results of IU’s analysis. 	
<p>3) SP100.10 – The IU’s PSD investigation required an application of investigative skills as defined by SP100.10 in the following manner:</p> <ul style="list-style-type: none"> • SP100.10(a) – An understanding of the context within which the IU’s PSD investigation is to be conducted, including MoH’s contracting process and specific contracts, as well as the government’s procurement and contracting policies in the <i>Core Policy and Procedures Manual</i> and the <i>Research Relationships Tool Kit</i> that were relevant to the investigation.⁹² • SP100.10(b) – The ability to identify, obtain, examine, and assess information relevant to the PSD investigation including the gathering and evaluation of information related to MoH’s contracting practices, financial controls, documentation and records on specific contracts, grants and agreements under investigation, as well as emails of MoH staff, public sector officials, and other parties of interest involved in the investigation.⁹³ 	<p>Yes</p>

⁹² Ibid., p. 65.

⁹³ Ibid., p. 305.

- **SP100.10(c)** – The ability to analyze and compare **various types and sources** of information including MoH’s contracts, extracts from the government’s accounting system, government’s contracting and procurement policies, emails involving parties of interest, records obtained from the universities etc.
- **SP100.10(d)** – An understanding of the types of information that would assist in **establishing motivation, intent and bias** including a review of the emails sent and received by the parties of interest in order to “uncover the wrongdoing that they believed was occurring below the surface of the contracts...[and to] show the real decision-making processes within PSD, the relationships between the people of interest, and how contract funds were being used and distributed.”⁹⁴
- **SP100.10(e)** – An understanding of the ways in which information could be **fabricated or concealed** by conducting a “forensic analysis of emails for clues that might illuminate the allegations of wrongdoing [in order] to **uncover** the wrongdoing that [the IU investigators] believed was occurring **below the surface** of the contracts.” Further, the IU investigators remarked that “without the emails, they could not know what the universities or researchers were **hiding**.”⁹⁵

⁹⁴ Ibid., p. 307.

⁹⁵ Ibid., p. 307.

<ul style="list-style-type: none"> • SP100.10(f) – The matters under investigation were already reported to RCMP prior to IU commencing their investigation, and RCMP indicated that they would not make a decision whether to conduct their own criminal investigation until the government’s investigation was concluded and a final report was provided to the RCMP.⁹⁶ It was evident that the IU investigators demonstrated an understanding that their information collected and work performed, including MoH’s investigative work and draft report that IU relied on, might become subject to disclosure to RCMP⁹⁷ and be tendered as evidence in court if the case proceeded to litigation. • SP100.10(g) – The IU investigation team has demonstrated ability to document and present PSD investigative findings and conclusions for RCMP’s decision-making purpose to determine whether the RCMP should start its own criminal investigation.⁹⁸ 	
<p>4) SP100.11 – The IU investigation team conducted their PSD investigation in accordance with the <i>ACFE Investigative Standards</i>, which outline a process for conducting fraud examinations based on the principle of “professional skepticism.”⁹⁹ Therefore, IU investigators were required to apply an “investigative mindset” as defined by SP100.11 and adopt a skeptical attitude in the identification, pursuit, analysis, and</p>	<p>Yes</p>

⁹⁶ Ibid., p. 154.

⁹⁷ Ibid., p. 312.

⁹⁸ Ibid., p. 323.

⁹⁹ Ibid., p. 305.

<p>evaluation of information relevant to the PSD investigation in order “[to ensure] that the skepticism can be dispelled only by the evidence.”¹⁰⁰</p>	
<p align="center">Definition of IFA Practitioners and Applicable Standards</p>	<p align="center">SP Met?</p>
<p>1) SP100.02 – The two IU staff investigators who conducted the PSD investigation were professional accountants.¹⁰¹ Further, as demonstrated above, the PSD investigation engagement met the SP100.08 definition of an IFA engagement. Therefore, the IU investigators who were CPAs conducting the IFA engagement were qualified to be “IFA practitioners” as defined by SP100.02, and were required to comply with the IFA Standard Practices as the minimum standard practices in conducting the PSD investigation.</p> <p>2) SP100.03, SP100.17 – As IFA practitioners performing an IFA engagement, the IU investigators in their performance of the PSD investigation were required per SP100.03 and SP100.17 to comply the IFA Standard Practices, the <i>CPA Code of Professional Conduct</i> established by CPABC (given that the PSD investigation took place in B.C.), as well as any other regulatory and legal requirements that might be applicable to the PSD investigation engagement.</p>	<p align="center">Yes</p>

¹⁰⁰ Ibid., p. 305.

¹⁰¹ Ibid., p. 308.

<p>3) SP100.20 – The IU investigation team selected the <i>ACFE Investigative Standards</i> to use for the PSD investigation, as those were the standards that IU typically used for conducting complex investigation work. Per SP100.20, IFA Standard Practices are not intended to supersede the <i>ACFE Investigative Standards</i> that were selected by IU as their investigation framework, and the IU investigators should refer to both the IFA Standard Practices and the <i>ACFE Investigative Standards</i> to support their work.</p>	
<p style="text-align: center;">Common Objective</p>	<p style="text-align: center;">SP Met?</p>
<p>1) SP100.04 – As the B.C. Government’s forensic accounting unit, IU was required to satisfy the government’s objective to “protect the public interest” in conducting their forensic investigation engagements.¹⁰² This objective is consistent and aligns with the primary purpose of the IFA Standard Practices to “protect the public interest by ensuring consistency to a minimum standard of practice.” Therefore, the IFA Standard Practices were particularly applicable and relevant to the IU’s PSD investigation and should be applied as the minimum standard of practice to attain the common objective of protecting the public interest.</p>	<p style="text-align: center;">Yes</p>
<p style="text-align: center;">Effective Date of IFA Standard Practices</p>	<p style="text-align: center;">SP Met?</p>

¹⁰² Ibid., p. 408.

1) SP Preamble – The Preamble to the IFA Standard Practices states that “All Chartered Accountants performing IFA engagements commencing **on or after March 1, 2007** will be **required** to follow these Standard Practices.” Therefore, as the IU’s PSD investigation commenced on **October 3, 2012** upon signing of the Terms of Reference,¹⁰³ the IU investigators as professional accountants would be required to follow the IFA Standard Practices in conducting the PSD investigation, which qualified to be an IFA engagement.

Yes

Conclusion: Based on the analysis above, IU’s PSD investigation met **all** of the requirements to be qualified as an IFA engagement and the IU investigators also qualified to be IFA practitioners as defined by IFA Standard Practices Section 100. As such, the IU investigators were required to comply with the IFA Standard Practices in conducting the PSD investigation engagement.

2.2.2 Engagement Acceptance

Purpose: To evaluate if IU complied with the **engagement acceptance requirements** per the IFA Standard Practices in conducting the PSD investigation engagement.

¹⁰³ Ibid., p. XVII.

Terms of Reference	SP Met?
<p>1) SP200.01, SP200.02 – In its capacity as the internal authority in the B.C. Government that has the legislated responsibility for the overall quality and integrity of the financial management and control systems for the government,¹⁰⁴ the Office of the Comptroller General (“OCG”) engaged IU to conduct an investigation into the complainant’s allegations involving PSD at MoH. As such, as defined by the IFA Standard Practices Footnote 4, OCG is the “client” as referenced in the standards.</p> <p>On October 3, 2012, the IU investigation team established and documented the parameters of their PSD investigation engagement in the form of a Terms of Reference with OCG as part of their initial engagement acceptance.¹⁰⁵ The Terms of Reference included the following parameters as required per SP200.01:</p>	<p>Yes</p>

¹⁰⁴ “*Fraud Risk Management: Office of the Comptroller General*, Office of the Auditor General of British Columbia,” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 4.

¹⁰⁵ “Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters,” The Office of the Ombudsperson, April 2017, p. 69. Accessed online on April 21, 2023 at https://bcombudsperson.ca/investigative_report/2022-final-assessment-misfire/, p. 302.

- **Role** – From May 2012 to October 2012, IU’s **initial role** was to **monitor** MoH’s internal investigation and to give the MoH investigation team “functional advice, guidance and support, including attendance at informational meetings, conference calls and liaising/involving the RCMP.”¹⁰⁶ Starting October 2012, there was a **change** in IU’s role from monitoring to **conducting their own investigation** into the complainant’s allegations.¹⁰⁷ This new investigator role was stated in the Terms of Reference.

- **Purpose** – IU’s investigative mandate and objective was to **confirm or dispel** the allegations made by the complainant to the Office of the Auditor General through a comprehensive examination of suspected procurement and contracting improprieties involving PSD.¹⁰⁸

Specifically, IU’s investigative objective was “to determine the propriety of specific procurement and payment practices of PSD staff (past and present) involving certain entities, as identified by the anonymous complainant and subsequently requested for follow up by the ministry’s internal investigation team; and determine the *appropriateness of PSD staff (past and present) relationships with*

¹⁰⁶ Ibid., p. 303.

¹⁰⁷ Ibid., p. 301.

¹⁰⁸ Ibid., p. 305.

<p><i>specific individuals, businesses and other entities to assess the allegations involving conflict of interest situations.</i>”¹⁰⁹</p> <ul style="list-style-type: none"> • General Scope of Work – IU’s investigation approach into the alleged contracting issues would include gathering information related to contracting practices, processes and financial controls; reviewing documentation and records on specific contracts, grants and agreements as necessary; obtaining and analyzing emails of ministry staff and other public sector officials; conducting interviews as necessary; and performing any necessary corporate registry searches.¹¹⁰ • Nature of Report – IU will provide interim reports to the Office of OCG and the Ministry of Health’s investigation team, as well as a final report to the Office of OCG, the Deputy Ministry of Health and other appropriate officials.¹¹¹ 	
Resources, Competencies, Expertise, and Time	SP Met?
1) SP200.04 – It appears that IU did not meet the SP200.04 requirement to have reasonable assurance that the PSD investigation engagement team would collectively have the necessary expertise, competencies,	No

¹⁰⁹ Ibid., p. 304.

¹¹⁰ Ibid., p. 305.

¹¹¹ Ibid., p. 305.

and resources to perform the investigation prior to accepting the PSD investigation engagement.

Specifically:

- **Resources** – It was evident from the IU Director’s email correspondence with OCG dated **September 5, 2012** that **even prior to** accepting the PSD investigation engagement, the IU Director was aware that IU had a “resourcing issue”¹¹² and informed OCG that the decision of whether IU would accept the investigation engagement would be “based on resourcing discussions/decisions.”¹¹³ However, without addressing and in spite of this known resourcing issue, IU accepted the PSD investigation engagement a month later on **October 3, 2012**.¹¹⁴
- **Expertise** – The two staff investigators who conducted the PSD investigative work had **minimal recent** experience in conducting an investigation similar in size and complexity as the PSD investigation before taking on the engagement.

Further, as neither of them was Certified Fraud Examiner accredited by the Association of Certified Fraud Examiners (“ACFE”), they lacked the knowledge and experience of how to apply the *ACFE Investigative Standards* to their investigative work.

¹¹² Ibid., p. 304.

¹¹³ Ibid., p. 305.

¹¹⁴ Ibid., p. VIII.

The lack of investigation expertise issue was also exacerbated by the lack of **training materials** and **investigative policies and procedures** in IU for the investigators to use as guidelines to assist them with conducting the PSD engagement. The IU Director also commented that “it was tough having inexperienced investigators on his team.”¹¹⁵

- **Competencies** – Although **conducting interviews** was identified as one of the investigation procedures in the Terms of Reference for the PSD engagement,¹¹⁶ the investigators on the PSD engagement team did not possess **skills and competencies** in conducting interviews. This was evident from the IU Director’s acknowledgement that his investigators were inadequately trained to conduct detailed interviews,¹¹⁷ which indicated that he was aware that the IU investigators lacked competencies in conducting interviews **even prior to** the engagement acceptance.

Although the IU Director and IU Manager did have extensive experience with conducting investigations into financial improprieties and both of them were ACFE accredited, their heavy workload prevented them from being actively involved in the PSD investigation. Therefore, in spite of the IU Director and IU Manager’s

¹¹⁵ Ibid., p. vi.

¹¹⁶ Ibid., p. 305.

¹¹⁷ Ibid., p. vii.

<p>qualifications, IU did not have the reasonable assurance that the PSD engagement team collectively has the necessary expertise, competencies, and resources to perform the PSD investigation as required by SP200.04.</p>	
<p style="text-align: center;">Independence Issues Prior to Engagement Acceptance</p>	<p style="text-align: center;">SP Met?</p>
<p>1) SP200.05 – There were couple circumstances where IU should have been aware even prior to the engagement acceptance that their independence might reasonably be questioned if they undertook the role of investigator on the PSD investigation. Therefore, IU’s failure to disclose these circumstances to OCG at the engagement acceptance stage put them in violation of the SP200.05 requirement. Specifically, the circumstances where IU’s independence might reasonably be questioned are as follows:</p> <ul style="list-style-type: none"> • Change from Advisory to Investigator Role – For the PSD matters, IU initially took on a monitoring role similar to an IFA consultant where IU investigators monitored and frequently provided MoH investigation team with “functional advice, guidance and support.”¹¹⁸ <p>Subsequently, there was a change in IU’s role to commence their own investigation into the complainant’s allegations in parallel to MoH’s internal investigation. However, the advisory and consultation duties that IU already performed in their prior monitoring role on the same PSD matters</p>	<p style="text-align: center; color: red; font-weight: bold;">No</p>

¹¹⁸ Ibid., p. 303.

already impaired IU's independence in fact and in appearance that was required in their investigator role.

Further, during the monitoring phase, MoH investigators provided IU with documents that highlighted the suspected wrongdoing and a copy of their draft investigation report, which contained MoH's developed theory of the alleged misconduct. All of these would have **biased** the IU investigators and **created independence risks** in their subsequent undertaking of the investigator role.

It would be reasonably expected that IU should have been aware of these independence issues associated with their changed role and should have disclosed them to OCG at the engagement acceptance stage.

- **Collaborative Approach to Investigation** – Prior to the engagement acceptance, the IU team planned to commence their investigation with a **collaborative approach** with MoH investigation team.¹¹⁹ While collaboration between different investigation teams is typical in the government and often necessary for large-scale complex investigations to avoid duplication of effort, the breach of

¹¹⁹ Ibid., p. 305.

<p>independence issue arose because there was a lack of safeguards or conflict management mechanisms that should have been built into the collaboration arrangement to preserve IU’s independence.</p> <p>Further, the lack of independence in fact and in appearance issue was also exacerbated by the fact that MoH was also the entity under investigation.</p> <p>It would be reasonably expected that IU should have been aware of this independence issue that could arise from their planned collaborative approach with MoH, and therefore should have disclosed this circumstance to OCG at the engagement acceptance stage.</p>	
Engagement Acceptance	SP Met?
<p>1) SP200.06 – In light of the lack of necessary expertise, competencies, and resources to conduct the PSD engagement as required by SP200.04, as well as the lack of independence in their investigator role on the engagement as required by SP200.05, IU should not have accepted the PSD engagement in accordance with SP200.06 requirement. Therefore, IU’s acceptance of the PSD engagement in spite of these known constraints at the engagement acceptance stage that would prevent their completion of the engagement in accordance with IFA Standard Practices, put them in violation of the SP200.06 requirement.</p>	No
Ability to Continue Engagement	SP Met?

1) SP200.07 – During the course of conducting the PSD investigation engagement, IU encountered various constraints and limitations that brought into question their ability to continue with the engagement. However, they did not follow the **SP200.07** requirements to consider their professional responsibilities, obtaining legal advice, and/or the possibility of withdrawing from the engagement. Specifically, the constraints and limitations encountered during the PSD engagement are as follows:

a) Inability to recruit staff – IU was unable to **recruit** experienced investigators to properly conduct the PSD investigation engagement. During the course of the engagement, the IU Director attempted to add more experienced investigators to the team by requesting for experienced staff from the Office of the Auditor General, running 2 hiring competitions, as well as considering the possibility of adding external contracted resources to the PSD team.¹²⁰ However, all of these endeavors to procure more experienced investigators were unsuccessful.

b) Inability to retain staff – IU also had difficulty **retaining** the staff that were assigned to the PSD investigation. IU was a small unit comprised of 5 personnel: 3 staff investigator, 1 Manager, and 1 Director. During the course of the PSD engagement from October 2012 to June 2015, all 3 staff investigators and the Manager left IU and were not able to be replaced. Therefore, the IU Director was

No

¹²⁰ Ibid., p. v.

left with no staff for 4 months and no work relating to the PSD investigation was able to be performed during that time period.¹²¹

c) Inability to provide training and guidance – Although the IU Director and Manager were experienced in conducting fraud investigations, both management personnel’s heavy workload at the time prevented them from being actively involved in providing the necessary training and guidance to the inexperienced staff investigators who were conducting the PSD investigative work. Without such supplementary training, the inexperienced investigators lacked knowledge of how to properly apply the *ACFE Investigative Standards* to their PSD investigative work.

Further, the IU Director was also unable to provide the necessary guidance to the staff investigators in conducting interviews, and therefore there was a lack of substantive interviews performed for the PSD engagement, which would have been a crucial investigation procedure.

d) Decision to not use Treasury Board Directive – When investigating into the conflict of interest allegation relating to the universities’ health research contracts, IU submitted a request to obtain the Treasury Board Directive that would allow them to obtain **unrestricted** access to all of the universities’ digital and financial information. In its request, IU repeatedly emphasized that “without

¹²¹ Ibid., p. v.

the Treasury Board Directive, it would be unable to adequately conclude on the allegations due to a **significant scope limitation**, and that limiting access to key evidence would **obstruct** the conduct of a professional investigation.”¹²²

Although IU was successful in obtaining the Treasury Board Directive, the IU Director subsequently decided not to use the Directive due to the “potential impracticability of implementing it, the length of time it took to obtain it and concerns about the IU’s own lack of resources given the departures of the [staff investigators] and the IU Manager.” The IU Director also indicated that “the absence of more detailed information from the universities hampered the investigation,” which indicated that he was aware that not using the Treasury Board Directive would bring into question IU’s ability to continue performing the PSD investigation engagement and should have considered their professional responsibilities, obtained legal advice, and considered the possibility of withdrawing from the PSD engagement in accordance with **SP200.07** requirements.

Conclusion: Based on the analysis above, IU met **some, but not all**, of the engagement acceptance requirements per IFA Standard Practices Section 200. Therefore, IU **should not have accepted** the PSD investigation engagement in light of their

¹²² Ibid., p. 314.

known resource constraints and independence risks at the engagement acceptance stage. Further, even if they had accepted the engagement, they should not have **continued** performing the engagement in light of the confirmed significant resource constraints and scope limitations that arose during the course of conducting the PSD engagement.

2.2.3 Planning and Scope of Work

Purpose: To evaluate if IU complied with the engagement planning requirements per the IFA Standard Practices to adequately plan for and provide proper supervision for the PSD investigation engagement.

Engagement Planning	SP Met?
<p>1) SP300.01 – In light of IU not meeting all of the SP300.02 engagement planning requirements as demonstrated below, they did not adequately plan for their PSD engagement work and were therefore in violation of the SP300.01 requirement.</p>	No
<p>2) SP300.02 – IU’s planning for the PSD investigation engagement met some, but not all, of the SP300.02 requirements as follows:</p> <ul style="list-style-type: none"> • SP300.02(a) – The Terms of Reference established by the IU investigation team with OCG on October 3, 2012 identified that the objective of the PSD investigation engagement was to “confirm or dispel the allegations made by the complainant to the Office of the Auditor General through a comprehensive 	No

examination of suspected procurement and contracting improprieties involving the [PSD].”¹²³

Therefore, the **SP300.02(a)** requirement to identify objectives of the PSD engagement during the planning stage was met.

- **SP300.02(b)** – During their **monitoring stage** of MoH internal investigation, IU was in regular communication with the MoH investigation team and frequently attended their “informational meetings, conference calls and liaising/ involving the RCMP.” The MoH investigation team also provided IU with documents that highlighted the suspected wrongdoing and a copy of their draft investigation report.¹²⁴ Therefore, when IU changed to the **investigator role**, they would have already obtained during the engagement planning stage **sufficient understanding** of the **circumstances** of the PSD engagement and the **events** giving rise to the engagement, thereby meeting the **SP300.02(b)** requirement.
- **SP300.02(c)** – The Ombudsperson identified that IU investigation into the conflict of interest allegation did not take into consideration of the **conflict of interest policies** established in the *Standards of Conduct for Public Service Employees*, which are the fundamental standards to apply when assessing

¹²³ Ibid., p. 305.

¹²⁴ Ibid., p. 303.

whether a public servant is in a conflict of interest.¹²⁵ It appears that the IU investigators were unaware of such policies that were highly relevant to the PSD investigation.

Further, the IU investigators were also not familiar with the *ACFE Investigative Standards* that were selected to be used as the **investigation framework** for the PSD investigation engagement. Therefore, the IU investigation team did not obtain sufficient understanding of the **context** within which the PSD engagement was to be conducted during the engagement planning stage as per **SP300.02(c)** requirement.

- **SP300.02(d)** – IU identified the **significant limitation of scope** that would arise if they could not obtain unrestricted access to all of the universities’ digital and financial information, and planned accordingly to apply for the Treasury Board Directive to obtain unrestricted access to the information. Therefore, the IU investigation team met the **SP300.02(d)** requirement.
- **SP300.02(e)** – IU did not evaluate the **resources necessary** to complete the PSD investigative work nor identify a **suitable engagement team** with adequate competencies and experience to conduct the PSD investigation. Specifically, the engagement team lacked experience with conducting large-scale complex fraud investigations and effectively performing interviews as an investigation procedure, as well as

¹²⁵ Ibid., p. 315.

<p>knowledge with the <i>ACFE Investigative Standards</i> that were selected to be used as the investigation framework for the PSD engagement. Therefore, the IU investigation team did not meet the SP300.02(e) requirement.</p>	
<p>Scope of Work</p>	<p>SP Met?</p>
<p>1) SP300.03 – When planning the extent of the scope of work for the PSD investigation engagement, the IU investigators considered some, but not all, of the following SP300.03 requirements:</p> <ul style="list-style-type: none"> • SP300.03(a) – IU did not meet the SP300.03(a) requirement to develop their own hypotheses for the purpose of addressing the circumstances and context of the PSD investigation engagement. Rather, they adopted the hypothesis of the alleged misconduct developed by the MoH investigation team, which influenced the IU investigators’ assessment of the matters and compromised the objectivity of their investigation.¹²⁶ • SP300.03(b) – During the engagement planning stage, IU identified their investigation approach in the Terms of Reference for the PSD engagement to “include gathering information related to contracting practices, processes and financial controls; reviewing documentation and records on specific contracts, grants and agreements as necessary; obtaining and analyzing emails of ministry staff and other public 	<p>No</p>

¹²⁶ Ibid., p. 312.

sector officials; conducting interviews as necessary; and performing any necessary corporate registry searches.”¹²⁷ Further, IU identified the fraud examination approach outlined by the *ACFE Investigative Standards* to be used for the PSD engagement. These approaches, procedures and techniques developed by IU would have allowed them to meet the engagement objectives to “confirm or dispel the allegations made by the complainant to the Office of the Auditor General,” and therefore IU met the **SP300.03(b)** requirement.

- **SP300.03(c)** – The IU investigation team identified that obtaining access to the universities’ digital and financial information would be of critical importance and high relevance to the PSD engagement to conclude on the conflict of interest allegations relating to the universities’ health research contracts.¹²⁸ Further, IU investigation team held **strategy** meetings with the MoH investigation team to discuss **access** to the universities’ **digital and financial information**,¹²⁹ thereby meeting the **SP300.03(c)** requirement to identify financial and other information relevant to the PSD engagement, and develop a strategy to acquire such information.

¹²⁷ *Ibid.*, p. 305.

¹²⁸ *Ibid.*, p. 314.

¹²⁹ *Ibid.*, p. 312.

<ul style="list-style-type: none"> • SP300.03(d) – Prior to the commencement of IU’s PSD investigation, IU and MoH had already contacted the RCMP about the PSD matters, and RCMP indicated that they would not make a decision about whether to commence their own criminal investigation until they received a final report from the government investigators. During the engagement planning stage, IU held strategy meetings with MoH investigation team to discuss the disclosure of information to the RCMP,¹³⁰ thereby meeting the SP300.03(d) requirement to determine the impact of the nature and timing of the reporting requirements to RCMP. 	
Additional Expertise	SP Met?
<p>1) SP300.04 – Even prior to the engagement acceptance, the IU Director was aware of the resource constraints that the IU investigators lacked sufficient experience with performing large-scale complex fraud investigations similar to the PSD engagement and effectively conducting interviews as an investigation procedure. This was evident from his remarks that it was “tough having inexperienced investigators on his team” and that he lacked confidence in the IU investigators’ ability to conduct interviews effectively unless he also participated.¹³¹</p>	No

¹³⁰ Ibid.,p. 312

¹³¹ Ibid.,p. 309

<p>However, IU failed to inform OCG that they required expertise beyond their own and accepted and continued with the PSD engagement in spite of the known insufficient expertise on his team, thereby not meeting the SP300.04 requirement.</p>	
<p>Independent Legal Advice</p>	<p>SP Met?</p>
<p>1) SP300.05 – IU appropriately sought legal advice on specific matters pertaining to the PSD investigation engagement, including IU’s legislative authority to interview terminated or departed employees who no longer worked with the public service,¹³² government’s authority to compel the contracting universities to provide unrestricted access to their electronic and financial information,¹³³ as well as suspended employees’ obligations to attend interviews and cooperate with their investigation.¹³⁴ Therefore, IU met the SP300.05 requirement.</p>	<p>Yes</p>
<p>Supervision</p>	<p>SP Met?</p>
<p>1) SP300.06 – As the IU staff investigators lacked the required experience with conducting large-scale complex fraud investigations similar to the PSD investigation as well as knowledge of the <i>ACFE Investigative Standards</i> that were selected to be the investigation framework for the engagement, the staff</p>	<p>No</p>

¹³² Ibid., p. 310.

¹³³ Ibid., p. 312 to 313.

¹³⁴ Ibid., p. 310.

investigators were not considered to be **appropriately qualified assistants**. Therefore, the IU Director and Manager’s delegation of the PSD investigative work to the staff investigators was in violation of the **SP300.06** requirement.

- 2) **SP300.07** – Over the course of IU’s PSD investigation, given the heavy workload of both the IU Director and Manager to balance multiple overlapping commitments, they were “often not available to oversee the [PSD] investigation”¹³⁵ and were therefore unable to provide **proper and timely supervision** for the staff investigators’ work. Further, as the PSD investigation engagement was significant in size and complexity, and that the staff investigators lacked experience conducting such engagement, this would require more timely supervision to a greater extent. Therefore, given that the nature, timing, and extent of the supervision provided for the PSD investigation engagement **was not commensurate** with the size and complexity of the engagement, as well as the experience of the staff investigators assigned to the engagement, IU was in violation of the **SP300.07** requirement.

¹³⁵ Ibid., p. 309.

Conclusion: Based on the analysis performed above, IU met **some, but not all**, of the planning and scope of work requirements per IFA Standard Practices Section 300. As such, IU **did not adequately plan** for the PSD investigation engagement **nor provide proper supervision** of the inexperienced staff investigators’ PSD investigative work.

2.2.4 Information Collection and Analysis

Purpose: To evaluate if IU complied with the information collection and analysis requirements per the IFA Standard Practices in conducting the PSD investigation engagement.

Investigative Mindset in Information Collection and Analysis	SP Met?
<p>1) SP400.01 – It appears that IU investigators did not use an investigative mindset for all the information relevant to the PSD investigation engagement as per the SP400.01 requirement. Specifically, the IU investigators did not contemplate that the following information might be biased, false, unreliable and/or incomplete:</p> <ul style="list-style-type: none"> • Information received from MoH – The IU investigation team received a large amount of information and documents from the MoH investigation team that “highlighted the wrongdoing [MoH] believed they had uncovered” and a copy of their draft investigation report.¹³⁶ Based on the information provided by the MoH investigation team, “IU became concerned about potentially serious problems 	<p>No</p>

¹³⁶ Ibid., p. 303.

with PSD’s contracting practices and the existence of possible conflicts of interest...[and] the potential existence of a widespread fraud scheme within PSD.”¹³⁷

It appears that IU did not adopt an **investigative mindset** when evaluating the information provided by the MoH investigation team as they did not contemplate that the information provided by MoH could be **biased and incomplete** to support MoH’s findings in their draft report. Without conducting their own independent assessment of the accuracy and completeness of MoH’s information, IU developed serious concerns about the PSD matters and formulated their decision to commence their own investigation into the alleged wrongdoing based solely on the information provided by MoH.¹³⁸

- **Whistleblower’s complaint** – IU also did not adopt an **investigative mindset** contemplating that the allegations contained in the whistleblower’s complaint might be biased, false, unreliable and/or incomplete. Without first assessing the validity of the complainant’s allegations, IU developed serious concerns based solely on the allegations¹³⁹ and also drafted their report focusing primarily on the allegations made by the complainant.¹⁴⁰

¹³⁷ Ibid., p. 307.

¹³⁸ Ibid., p. 306.

¹³⁹ Ibid., p. 306.

¹⁴⁰ Ibid., p. 309.

<ul style="list-style-type: none"> • Emails involving parties of interest – Reviewing emails involving parties of interest was one of the primary investigative procedures conducted by IU for the PSD engagement. However, IU did not adopt an investigative mindset when reviewing and analyzing those emails, as the Ombudsperson noted that reviewing emails “were insufficient in this context to support proper investigative conclusions...[as IU did not] assess whether the information contained in emails was accurate, complete, reliable and corroborated by additional evidence.”¹⁴¹ 	
<p>2) SP400.02 – Throughout the PSD engagement, IU investigators did not appear to have used an investigative mindset to assess the nature of their investigation approaches, procedures, and techniques per SP400.02 requirement. Specifically, the IU investigators did not contemplate that their following approaches, procedures and techniques undertaken for the PSD engagement might be biased, false, unreliable and/or incomplete:</p> <ul style="list-style-type: none"> • Emails review – The Ombudsperson commented that IU’s investigative approach of reviewing emails for indicators of alleged wrongdoing “effectively mirrored the approach used by the [MoH] investigators and exposed the IU investigation to the same risks that they might misinterpret the content of those emails.”¹⁴² Therefore, it did not appear that IU adopted an investigative mindset to 	<p>No</p>

¹⁴¹ Ibid., p. 307.

¹⁴² Ibid., p. 307.

assess whether their use of the **same** investigative approach of reviewing emails as the MoH investigation team was appropriate to their objective of performing an **independent** investigation from the MoH investigation to “confirm or dispel the complainant’s allegations.”¹⁴³

- **Lack of substantive interviews** – Due to the IU staff investigators’ lack of experience with conducting interviews and the IU Director’s inability to supervise those interviews in light of his heavy workload, IU’s investigation approach for the PSD engagement entailed very few interviews. Specifically, the IU team only interviewed the complainant and several MoH employees, and did not interview the individuals under investigation as well as other government employees who were familiar with the relevant research programs and contracts under investigation.¹⁴⁴

The Ombudsperson determined that “the **failure** to conduct more extensive interviews of people with direct knowledge of the program areas **deprived** the IU of information that would have enabled it to reach **accurate conclusions**...[and] compromised the investigative process because the IU was **unable** to fully assess the validity of the allegations the complainant had made, to ensure they had **all of the relevant information** about PSD’s procurement practices and were **properly** informed about the

¹⁴³ Ibid.,p. 323

¹⁴⁴ Ibid.,p. 309

<p>conduct of the suspected individuals.”¹⁴⁵ As such, it appears that IU did not adopt an investigative mindset to assess that the lack of substantive interviews in their investigation approach might result in biased, false, unreliable and/or incomplete findings and conclusions.</p>	
Type of Information Obtained	SP Met?
<p>1) SP400.03 – IU met this SP400.03 requirement as they obtained the type of information that related to the facts pertaining to the underlying alleged issues of the PSD investigation engagement as well as factors relating to motivation, intent and bias of the parties involved in the investigation. Specifically:</p> <ul style="list-style-type: none"> • Facts pertaining to alleged issues – IU obtained a variety of information related to the facts pertaining to the alleged wrongdoing involved in the PSD investigation engagement including background information of the PSD initiatives identified in the complaint, emails of the parties of interest, specific contracts, grants and agreements that were alleged in the complaint to contain improprieties etc. • Factors relating to motivation, intent and bias – IU also obtained information that they believed would reveal the motivation, intent and bias of the parties of interest involved in the investigation, including emails sent and received by these parties in order to determine “what was actually going on...below the surface of the contracts...the real decision-making processes within PSD, the 	Yes

¹⁴⁵ Ibid.,p. 311

relationships between the people of interest, and how contract funds were being used and distributed...[in order to] know what the universities or researchers were hiding .” ¹⁴⁶	
Relevant Information	SP Met?
<p>1) SP400.04 – The Ombudsperson’s investigation revealed that “in many cases, the IU had obtained evidence that could have dispelled allegations that the IU was investigating, but the report appeared not to include an analysis of this evidence.”¹⁴⁷ As such, IU did not meet the SP400.04 requirement to consider the relevance of all information that arose during the course of the PSD investigation engagement.</p>	No
<p>2) SP400.05 – IU did not identify, analyze, assess and/or compare all relevant information for the purpose of evaluating the alleged wrongdoing issues in the PSD investigation engagement, thereby violating the SP400.05 requirement. Specifically, the relevant information that was not identified, analyzed, assessed, and/or compared included the following:</p> <ul style="list-style-type: none"> • Universities’ information – IU self-identified that the universities’ digital and financial information were highly relevant to the objective of the PSD engagement as they believed that “obtaining information from the universities was an important step in enabling [them] to understand [MoH]’s 	No

¹⁴⁶ Misfire Report: Page 307

¹⁴⁷ Ibid.,p. 315

research contracts and its wider relationship with the universities.”¹⁴⁸ Further, the IU Director repeatedly emphasized that it would be critically important to obtain the Treasury Board Directive to get unrestricted access to the universities’ information because without them, IU “would be unable to adequately conclude on the allegations due to a significant scope limitation.”¹⁴⁹

This view was also supported by the external contractor that IU hired to perform quality control on their final investigation report. The contractor commented that “[consistent] with the beliefs of the IU team he felt the fact that more information was **not obtained** from the universities **impeded** the IU’s ability to **fully investigate** the financial questions”,¹⁵⁰ which resulted in significant scope limitations.

However, after expending great effort and at least 6 months of paperwork to obtain the Treasury Board Directive, IU’s decision not to use the Directive to obtain those **highly relevant** universities’ information¹⁵¹ put them in breach of the **SP400.05** requirement.

- **PSD’s procurement practices and suspected individuals’ information** – The lack of substantive interviews conducted by IU also “compromised the investigative process because the IU was **unable to**

¹⁴⁸ Misfire Report: Page 312

¹⁴⁹ Misfire Report: Page 314

¹⁵⁰ Misfire Report: Page 323

¹⁵¹ Ibid.,p. 314

fully assess the validity of the allegations the complainant had made, to ensure they had **all of the relevant information** about PSD’s procurement practices and were properly informed about the conduct of the suspected individuals.”¹⁵²

- **Conflict of interest information** – Further, in regard to the conflict of interest allegations, the fact that IU did not interview the individuals suspected to be in the conflict of interest as well as other government employees with relevant knowledge also prevented IU from obtaining the highly relevant information. For example, in the case of the suspended employee Dr. Maclure, the lack of substantive interviews with the individuals involved in the PSD initiative prevented IU from discovering that Dr. Maclure had in fact disclosed the potential conflicts of interest as required, his supervisors had already removed the potential conflicts, and Dr. Maclure’s involvement in the PSD initiative was expressly approved by management.¹⁵³
- **Various relevant information** – The Ombudsperson found that IU did not identify and consider important relevant information including the “Ministry of Health’s research objectives, the prevailing health research policy environment in existence at the relevant time, the complete history and context of the research agreements, the timeline of events” when evaluating the allegations for the PSD

¹⁵² Ibid.,p. 311

¹⁵³ Misfire Report: Page 317

<p>engagement. This contributed to IU reaching incorrect conclusions or drawing unjustified negative inferences in their report.¹⁵⁴</p>	
<p style="text-align: center;">Information Collection Approach</p>	<p style="text-align: center;">SP Met?</p>
<p>1) SP400.07 – IU’s final investigation report about the PSD matters was leaked to the media without authorization. This indicates that IU did not establish the appropriate control and management procedures to safeguard the confidentiality of their investigation report and potentially other documents and materials that were created or come into their possession during the course of the PSD engagement, which was in violation of the SP400.07 requirement.</p>	<p style="text-align: center;">No</p>
<p>2) SP400.09 – It appears that IU maintained records of their interview notes, as the Ombudsperson was able to review the records of their interview notes with the complainant to obtain an understanding of the complainant’s verbal assertions and allegations made during the interview.¹⁵⁵ As such, IU met the SP400.09 requirement to maintain an appropriate record of all relevant information received orally.</p>	<p style="text-align: center;">Yes</p>
<p style="text-align: center;">Assumptions and Estimates</p>	<p style="text-align: center;">SP Met?</p>

¹⁵⁴ Ibid.,p. 315

¹⁵⁵ Misfire Report: Page 315

<p>1) SP400.10 – The IU Manager made the assumption that MoH investigators’ draft report conclusion regarding the PSD employees had engaged in wrongdoing was substantiated by significant amount of investigative work and supporting evidence.¹⁵⁶ The IU Manager made this assumption without first evaluating the reasonableness and consistency of MoH’s conclusions with the government’s public position on the settlements, which expressed the contradictory view that the terminated employees did not engage in wrongdoing and were wrongfully dismissed.¹⁵⁷</p> <p>Further, given that the IU Manager was a professional accountant and a Certified Fraud Examiner, and that the government’s public position was already announced at the time, it would be reasonably expected for him to have the competencies and expertise, as well as the available relevant information to evaluate his assumption made about MoH’s draft report conclusions and investigative work. Therefore, IU did not meet the SP400.10 requirement.</p>	No
Alternative Approaches	SP Met?

¹⁵⁶ Misfire Report: Page 312

¹⁵⁷ Misfire Report: Page 324

1) **SP400.12** – It appears that IU did not meet the **SP400.12** requirement to review all information received during the PSD engagement and **consider** its relevance, reliability, reasonableness, completeness and consistency with other known engagement information. Specifically:

- **Emails** – As one of their investigative procedures, the IU investigation team reviewed a large volume of emails involving parties of interest. The Ombudsperson noted that “While reviewing emails are a helpful investigative step, they were insufficient in this context to support proper investigative conclusions. The IU **needed to assess** whether the information contained in emails was **accurate, complete, reliable and corroborated by additional evidence** (where possible) and **consider** whether the totality of the available information tended to **prove or disprove** any material facts at issue.”¹⁵⁸

Therefore, IU did not consider whether the information contained in the emails was **relevant** to IU’s objective for the PSD investigation to “confirm or dispel the complainant’s allegations”¹⁵⁹ and also to verify the **reliability, reasonableness, completeness, and consistency** of the information in the emails with other corroborating evidence as required by **SP400.12**.

No

¹⁵⁸ Ibid.,p. 307

¹⁵⁹ Ibid.,p. 323

<ul style="list-style-type: none"> • Other evidence – IU reached an incorrect conclusion in their investigation report regarding an inappropriate transfer of funds by PSD to an outside entity before a contract was in place authorizing the transfer. This incorrect conclusion was drawn because IU focused solely on the emails relating to this transfer and failed to take into consideration of other supporting evidence received during the engagement including the contract signed between PSD and the outside entity that explicitly authorized the funds transfer, information provided by at least 2 Executive Directors within PSD to explain the structure of this contract, as well as a large volume of documentation explaining the history of the funds transfer.¹⁶⁰ <p>As such, IU did not consider the reliability, reasonableness, completeness, and consistency of the information in the emails with the contract and other known documents and information related to the funds transfer, thereby violating the SP400.12 requirement.</p>	
<p>1) SP400.13 – It does not appear that IU investigators considered and addressed reasonable alternative approaches and methodologies that might be relevant to their PSD investigative work, thereby violating the SP400.13 requirement. Specifically, the IU team did not consider reasonable alternative approaches and methodologies for the following:</p>	No

¹⁶⁰ Misfire Report: Page 307

- **Emails review** – IU focused heavily on reviewing emails involving parties of interest as one of their primary investigative procedures. The Ombudsperson remarked that “the IU’s investigative approach [of reviewing emails] effectively mirrored the approach used by the [MoH] investigators and exposed the IU investigation to the same risks that they might misinterpret the content of those emails.”¹⁶¹ As such, it does not appear that IU considered and addressed reasonable alternative approaches and methodologies that might be relevant to the PSD investigation engagement and just used the same investigative approach as MoH’s.
- **Interviews** – Due to the IU investigators’ lack of experience and skills in effectively conducting interviews and that the IU Director was unable to supervise the interviews and provide the necessary guidance in light of his heavy workload, the IU investigators did not conduct substantive interviews as part of their PSD investigative work. It does not appear that IU considered and addressed **reasonable alternative** approaches such as sending written questionnaires or emails that were pre-approved by the IU Director to interviewees to elicit their responses to IU’s questions in lieu of conducting interviews, which would be considered a **more reasonable** alternative approach than not conducting substantive interviews at all.

¹⁶¹ Misfire Report: Page 307

Reliance on Others' Work	SP Met?
<p>1) SP400.14 – During the PSD investigation engagement, IU relied on the work of the following 3 parties in completing their investigative work:</p> <ul style="list-style-type: none"> • Contracted computer analyst who possessed expertise in using specialized software for large volume of digital records management; • External contractor who was a seasoned expert to perform quality control on their final report and provide an independent challenge of the report's conclusions; and • MoH investigation team to provide a significant amount of documentation including emails involving parties of interest for the IU investigators to complete their work and formulate their findings and conclusions. <p>2) SP400.15 – It appears that IU did not perform an evaluation of the nature and level of intended reliance on MoH's investigative work, and therefore was not able to identify the inadequacies and high level of risk associated with placing reliance on MoH's investigative work and conclusions. Specifically, the following factors were not assessed by IU as required by SP400.15:</p>	<p>No</p>

- a) **Knowledge, expertise and competence** – IU relied on MoH’s draft report findings to complete their own investigative work and to formulate their own findings and conclusions, because IU assumed that “the [MoH] investigators had already done significant investigative work to allow it to come to its conclusions.”¹⁶² However, before placing reliance on their work, IU did not first perform an evaluation of whether the MoH investigators had the **knowledge, expertise, and competence** relevant to the PSD investigation. The Ombudsperson subsequently identified that the MoH’s report contained inaccuracies and “presented a developed theory of the alleged misconduct and described unproven allegations as findings.”¹⁶³ Therefore, the fact that IU placed reliance on MoH’s inaccurate report findings also impacted the accuracy of IU’s own findings.
- b) **Reputation** – it appears that IU did not evaluate MoH investigation team’s **professional reputation** before placing reliance on their work or information provided by them.
- c) **Objectivity and independence** – IU did not evaluate MoH investigation team’s **objectivity and independence** in relation to their requirements in order to ensure that MoH’s draft report conclusions and information provided by them were reliable and not tainted by bias. This was an especially important factor to assess given that MoH was the ministry under investigation and the nature of MoH

¹⁶² Ibid.,p. 312

¹⁶³ Ibid.,p. 312

investigation was an internal investigation, and therefore IU should have evaluated whether bias played a factor in MoH's investigative work and findings.

d) Reasonableness of work – The Ombudsperson noted that MoH's findings and conclusions were unproven allegations that were not well supported by evidence. As such, the fact that IU placed reliance on **unsubstantiated** findings in MoH's draft report compromised IU's objectivity as it influenced their assessment of the issues, which ultimately impacted the accuracy and completeness of their own findings and conclusions.

e) Relevance of work – Upon commencing his position as the new Deputy Minister of Health, Dr. Stephen Brown evaluated the necessity of the MoH investigation that was still ongoing a year after the employees' terminations. He questioned the **relevance** of MoH's investigative work to their engagement objective. Specifically, in regard to one of MoH's investigative procedures of attempting to break into a password-protected file created by one of the terminated employees about 10 years ago, Deputy Minister Brown commented that "I was trying to make sense of this, how is that **relevant** to the proximate decision to terminate [the employee]? It made no sense to me as – it just made no sense to me in terms of the **relevance**."¹⁶⁴

¹⁶⁴ Misfire Report: Page 292

1) **SP400.16** – During the course of IU’s PSD investigation, IU and MoH investigation teams met frequently to share information and discuss investigative strategy. However, despite the frequent communication, misunderstanding still existed between the 2 investigation teams as the IU Manager misinterpreted MoH’s draft report findings as proven conclusions substantiated by a significant amount of investigative work and supporting evidence, when in reality they were just unproven allegations.¹⁶⁵

As such, IU did not obtain an appropriate understanding of MoH’s responsibilities relating to the PSD investigation before placing reliance on their draft report findings to complete their own investigative work and conclusions, thereby violating the **SP400.16** requirement.

No

Conclusion: Based on the analysis performed above, IU met **some, but not all**, of the information collection and analysis requirements per IFA Standard Practices Section 400. As such, IU did not fully adopt the appropriate practices and approach to **collect and analyze** information during the PSD investigation engagement.

¹⁶⁵ Ibid.,p. 312

2.2.5 File Documentation

Purpose: To evaluate if IU complied with the file documentation requirements per the IFA Standard Practices to ensure that adequate, accurate, and complete documentation was maintained for the PSD investigation engagement.

Relevant of File Documentation	SP Met?
<p>1) SP500.03 – Based on the Ombudsperson’s review of IU’s working papers, he assessed that the IU investigators documented matters in their working papers that were relevant “to address the questions in the IU’s terms of reference [and their work] demonstrated awareness of the relevant government policies.”¹⁶⁶ As such, the IU investigators met the SP500.03 requirement of documenting matters in their working papers that are important to support their work and relevant in reaching their findings, opinions and conclusions for the PSD investigation engagement.</p>	Yes
Organization of File Documentation	SP Met?
<p>1) SP500.04 – The Ombudsperson also assessed that the IU investigators “did their utmost to conduct the investigation in a detailed and organized way [and their work] was structured, thoroughly documented.”¹⁶⁷</p>	Yes

¹⁶⁶ Ibid.,p. 309

¹⁶⁷ Ibid.,p. 309

As such, the IU investigators met the SP500.04 requirement to maintain their working papers in an organized manner.	
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Conclusion: Given that IU’s internal working papers for the PSD investigation engagement were not publicly disclosed, most of the file documentation requirements per IFA Standard Practices Section 500 cannot be assessed. Based on the information that is publicly available and the analysis performed above, IU met the requirements of documenting matters that were relevant to their engagement objective and maintaining their file documentation in an organized manner.

2.2.6 Reporting

Purpose: To evaluate if IU complied with the reporting requirements per the IFA Standard Practices for the PSD investigation engagement.

Form and Nature of Report	SP Met?
<p>1) SP600.01 – The IU investigators communicated their findings and conclusions in the form of written draft and final memoranda to OCG who engaged them to conduct the PSD investigation engagement.¹⁶⁸ Given that OCG as the recipient would likely have construed the written draft and final memoranda as “reports”</p>	<p>Yes</p>

¹⁶⁸ Misfire Report: Page 314

<p>based on the terms of the PSD engagement, both the draft and final memoranda would have been governed by the IFA Standard Practices in accordance with SP600.01 requirement.</p>	
<p>2) SP600.02 – The external contractor that was hired by IU to perform quality control review on their final report considered the report to be “more in the nature of a summary working paper than a final report.”¹⁶⁹ When assessing the nature of the report to be provided, IU investigators did not appear to have considered the following in accordance with SP600.02 requirement:</p> <ul style="list-style-type: none"> • SP600.02(a) – Prior to the commencement of IU’s own investigation to confirm or dispel the allegations involving the PSD matters, IU and MoH had already contacted the RCMP, who indicated that they would not make a decision about whether to investigate until they received a final report from the government investigators.¹⁷⁰ As such, IU should be aware that their final report would be used by RCMP for the purposes of criminal investigation and potential litigation, and therefore should have assessed in accordance with SP600.02(a) requirement whether it was appropriate for their report to be in the nature of a summary working paper. 	No

¹⁶⁹ Misfire Report: Page 326

¹⁷⁰ Misfire Report: Page X

<ul style="list-style-type: none"> • SP600.02(b) – Given that IU’s draft and final memoranda were governed by the IFA Standard Practices per SP600.01, the IU investigators should have considered the standard practices applicable for the PSD engagement, including the Tribunal proceedings, when assessing whether it was appropriate for their report to be in the nature of a summary working paper. • SP600.02(c) – IU received a large amount of their information used for the PSD engagement including emails involving parties of interest from MoH investigation team. The Ombudsperson noted that IU did not “assess whether the information contained in emails was accurate, complete, reliable and corroborated by additional evidence.”¹⁷¹ Therefore, it did not appear that IU considered the quality, quantity, and reliability of these available information when assessing the nature of their report to be provided as required by SP600.02(c). 	
Content of Report	SP Met?
<p>1) SP600.03 – In relation to the content of IU’s report, the quality control external contractor commented that he was involved in discussions about the sufficiency of some of the evidence supporting the conclusions in IU’s report and he was of the view that “IU focused too heavily on inferences that research money had been misused when there was no clear evidence that any financial wrongdoing actually occurred...the IU</p>	No

¹⁷¹ Ibid.,p. 307

reports should have contained a “louder statement” outlining that there was **no evidence** that anybody benefitted financially.”¹⁷² As such, there was insufficient supporting evidence for the content of IU’s report including their findings and conclusions prior to the issuance of their report, which was in violation of **SP600.03** requirement.

2) **SP600.08** – From the Ombudsperson’s comments about IU’s investigation report, it appears that the IU report did not include the following information as required by **SP600.08**:

- **SP600.08(g)** – During the course of IU’s PSD investigation, IU relied on MoH to provide a significant amount of documentation and information for their investigative work,¹⁷³ as well as MoH’s draft report findings to formulate their own findings.¹⁷⁴ However, it appears that IU **did not disclose** in their report the **extent of their reliance** on MoH’s work.
- **SP600.08(i)** – IU made the **assumption** that MoH’s draft report findings were substantiated by a significant amount of investigative work and supporting evidence, and relied on MoH’s findings to

¹⁷² Ibid.,p. 323

¹⁷³ Ibid.,p. 311

¹⁷⁴ Ibid.,p. 312

formulate their own findings.¹⁷⁵ However, it appears that IU **did not disclose** in their report their **underlying assumption** that MoH's draft report findings were substantiated and reliable.

- **SP600.08(m)** – The IU's final investigation report was leaked to the media and the media used the IU report to create various stories. Further, many of the people involved in the MoH investigation and dismissal decisions relied on IU report to defend their decisions.¹⁷⁶ Therefore, it appears that IU **did not include** in their report **any restrictions** on the use of their report, as the media and various other government employees were able to use the IU report for purposes other than its intended use to confirm or dispel the whistleblower's allegations.¹⁷⁷
- **SP600.08(n)** – Although IU self-identified and disclosed several scope limitations in their report, there were **additional** significant scope limitations identified by the Ombudsperson that were not disclosed in IU report. The additional scope limitations that were **not disclosed** included the following:
 - Insufficient resources to conduct an investigation of this length and complexity;
 - No investigative policies and a lack of training provided to the IU investigators; and

¹⁷⁵ Ibid.,p. 312

¹⁷⁶ Misfire, Pag 303

¹⁷⁷ Ibid.,p. 305

<ul style="list-style-type: none"> ○ Lack of substantive interviews.¹⁷⁸ <p>3) SP600.09 – The Ombudsperson assessed that IU’s independence was compromised because IU relied on MoH’s draft report findings that were actually unproven allegations, which biased the lens through which the IU investigators assessed the PSD matters.¹⁷⁹ Further, in light of IU’s collaboration approach with MoH from the outset of IU investigation, as well as the number of times that IU and MoH investigation teams met and shared information and discussed investigation strategy, IU’s independence was further compromised.</p> <p>In light of these circumstances where IU independence might reasonably be questioned, IU did not comply with SP600.09 requirement to disclose in their report their role and relationship to MoH, as well as IU’s own conclusion regarding whether they are independent.</p>	
Findings and Conclusions in Report	SP Met?
<p>1) SP600.04 – IU concluded in their report that some of the complainant’s allegations have merit.¹⁸⁰ The Ombudsperson found that “in many cases, the IU had obtained evidence that could have dispelled allegations that the IU was investigating, but the report appeared not to include an analysis of this</p>	No

¹⁷⁸ Ibid.,p. 308

¹⁷⁹ Ibid.,p. 312

¹⁸⁰ Ibid.,p. 318

evidence.”¹⁸¹ Therefore, IU’s **selective inclusion** of only evidence that supported their conclusion about the complainant’s allegations having merit does not meet the **SP600.04** requirement to present their findings and conclusions in the report in an **objective** and **unbiased** manner.

Further, the Ombudsperson expressed concern that IU’s reliance on MoH’s draft report findings that were actually unproven allegations, as well as IU’s collaboration and frequent meetings with MoH investigation team to share information and discuss investigation strategy might have compromised IU’s ability to present their findings and conclusions in an **objective** and **unbiased** manner. This was evident from the **common findings and conclusions** developed by the two investigation teams of the alleged wrongdoing, including who was responsible, and the means by which it should be investigated.¹⁸²

- 2) **SP600.06** – In regard to the complainant’s conflict of interest allegations made against Dr. Maclure, there were multiple instances in IU’s report where **not all the relevant** information that could impact their findings and conclusions were considered as required by **SP600.06**. Specifically, the highly relevant information including the following was not considered:

¹⁸¹ Ibid.,p. 315

¹⁸² Ibid.,p. 312

- **Disclosure and approval of conflict** – The Ombudsperson expressed that “[IU]’s report **does not fully consider** the extent of the evidence that shows Dr. Maclure had **disclosed** potential conflicts of interest as he was required to do, nor the extent to which his involvement on the initiatives were **approved** and potential conflicts were **managed** by his superiors. This is a problem because it leaves the reader with the inference that Dr. Maclure might have done something improper when the **evidentiary basis** to support such a conclusion is **lacking**.”¹⁸³
- **Government standards for conflicts** – *Standards of Conduct for Public Service Employees* are the government’s fundamental standards to apply when assessing whether a public service employee is in a conflict interest. Therefore, the fact that IU **did not consider** this highly relevant information when assessing the conflict of interest allegations against Dr. Maclure was in violation of **SP600.06** requirement. The Ombudsperson expressed that “it is our view that the IU was **obliged** to apply these standards because it was assessing the conduct of individual public servants.”¹⁸⁴
- **Other relevant facts** – The Ombudsperson noted that IU reached incorrect conclusions or drew unjustified negative inferences because they failed to consider **highly relevant information** including MoH’s research objectives, the prevailing health research policy environment in existence at the

¹⁸³ Ibid.,p. 317

¹⁸⁴ Ibid.,p. 315

<p>relevant time, the complete history and context of the research agreements, as well as the timeline of events.¹⁸⁵</p>	
<p align="center">False or Misleading Information in Report</p>	<p align="center">SP Met?</p>
<p>1) SP600.07 – Upon receipt of the draft report from IU, MoH’s Deputy Minister Dr. Stephen Brown consulted with external legal counsel regarding IU’s draft report. The legal counsel expressed serious concerns about IU’s conclusions in the draft report and cautioned MoH that IU’s report contained “factual inaccuracies and could expose government to new legal claims of defamation if it was released publicly, because it asserted conclusions certain branches of government knew were untrue.”¹⁸⁶</p> <p>Although MoH had conveyed the counsel’s concerns to IU, IU did not make inquiries to determine which parts of the draft report the legal counsel thought might be untrue and did not make corrections to their final report.¹⁸⁷ Therefore, upon becoming aware of their names being associated with false or misleading information, IU failed to take appropriate action or alternative action including obtaining their own legal advice as required by SP600.07.</p>	<p align="center">No</p>

¹⁸⁵ Ibid.,p. 315

¹⁸⁶ Ibid.,p. 324

¹⁸⁷ Ibid.,p. 303

Scope Limitations	SP Met?
<p>1) SP600.11 – While IU disclosed some scope limitations of their work,¹⁸⁸ they did not fully disclose all of the scope limitations encountered during the PSD engagement as required by SP600.11 requirement. This is evident by the fact that the Ombudsperson identified the following additional scope limitations that were not disclosed by IU in their report:</p> <ul style="list-style-type: none"> • Insufficient resources to conduct an investigation of this length and complexity – Although IU expended a significant amount of effort and time to obtain the Treasury Board Directive, the IU Director ultimately decided to not use the Directive to compel and obtain information from the universities due to the lack of resources within the IU team to analyze the information obtained in light of the departures of one of the staff investigators and the IU Manager; • No investigative policies and a lack of training provided to the IU investigators – IU did not develop any training materials nor investigative policies for the inexperienced IU staff investigators to use as guidance to conduct their PSD investigative work. Further, due to the IU Director and Manager’s heavy workload during the course of the PSD engagement, they were also unable to provide the necessary training to the staff investigators to properly conduct their PSD investigative work; and 	No

¹⁸⁸ Misfire Report: Page 326

- **Lack of substantive interviews** – Although conducting interviews was a crucial investigative procedure for the IU investigators to obtain the **necessary relevant** information to complete their PSD investigative work in an accurate and complete manner, there were a lack of substantive interviews performed during the PSD engagement. This was due to the staff investigators’ lack of competencies in effectively conducting detailed interviews and the IU Director’s inability to supervise the interviews and provide the necessary guidance in light of his heavy workload.¹⁸⁹

Conclusion: Given that IU had withdrawn all copies of IU report as it contains inaccuracies and cannot be relied on, some of the requirements per IFA Standard Practices Section 600 pertaining to the **contents of the report** cannot be assessed. Based on the Ombudsperson’s review comments pertaining to the IU reports and our analysis performed above, IU met **some, but not all**, of the reporting requirements for the PSD investigation engagement.

¹⁸⁹ Ibid.,p. 309

2.3 Findings and Arguments – Section 2

F1	<p>Based on our overall Micro-examination conducted, out of the 38 requirements in the IFA Standard Practices that are applicable to IU's PSD investigation engagement and can be evaluated based on publicly available information, IU was only in compliance with 14 requirements in their performance of the PSD investigation.</p> <p>As such, the IU investigators were in non-compliance with majority (less than 50%) of the IFA Standard Practices requirements, thereby not meeting the minimum standard practices required of forensic accounting practitioners.</p>
F2	<p>Based on the Ombudsperson's detailed review of IU's PSD investigation work as well as multiple extensive interviews conducted with the IU investigation team, there were no traces that any of the IU members were aware of the existence of the IFA Standard Practices and its mandatory application to their forensic investigation work. This was likely the reason for IU's major non-compliance with the IFA Standard Practices requirements.</p>
A1	<p>The IU investigators' lack of knowledge of the existence of the IFA Standard Practices and its mandatory application to their forensic investigations indicated that they did not receive adequate specialized training in conducting forensic investigations, which in turn resulted in their unsatisfactory performance on the PSD investigation and ultimately the disbandment of IU.</p>

As such, based on our Micro-examination of the disbandment issue, this research paper argues that the **lack of adequate specialized training** provided to the IU staff was the **root cause** of the disbandment of IU as a standalone forensic accounting unit in the B.C. Government.

Macro-Examination of Disbandment Cases in B.C. and Ontario

Section 3 – Disbandment Cases in B.C. and Ontario

3.1 Section Objective and Approach

3.1.1 Objective of Section

In previous **Section 1**, we have looked at the events **leading up to** the disbandment of IU. In this Section, we will examine and analyze the details of the circumstances surrounding IU's disbandment.

In addition to IU, there was also a series of disbandment of other forensic accounting and financial crimes units across Canada in the last 2 decades. Based on research performed for all provinces across Canada, the disbandment of these forensic accounting and financial crimes units took place primarily in B.C. and Ontario. As such, the **scope** of this Section will focus on the disbandment of forensic accounting and financial crimes units in B.C. and Ontario.

The **objective** of this Section is to review sufficient number of disbandment cases to identify and evaluate **any common patterns** exhibited by these cases in order to draw meaningful insights about the factors causing their disbandment, and ultimately with the goal of proposing recommendations to remediate those factors.

3.1.2 Approach of Section

This Section will take the **approach** of providing a narration of the **key facts** pertaining to each of the disbandment cases, with a focus to draw out the **similarities** and **differences** between each of the disbandment cases. An analysis of the **causal factors** leading to the disbandment as well as **impacts** of the disbandment will also be performed.

We will start off this Section with the IU disbandment case, followed by other disbandment cases in B.C. and Ontario. The purpose of this order is to link and facilitate a transition between our **micro-examination** of the individual IU case in the previous Sections and **macro-examination** of other disbandment cases in B.C. and Ontario in this Section and onward.

3.2 Background Information and Context

3.2.1 B.C. Investigation and Forensic Unit (IU)

Diagram – Overview of Disbandment and Subsequent Alternative Model



Disbandment of IU as Dedicated Unit

- **Dedicated unit** – The B.C. Government’s Investigation and Forensic Unit (“IU”) was a provincial **dedicated unit** that was established in 2007 as part of the Office of the Comptroller General (“OCG”) in the Ministry of Finance.¹⁹⁰ IU’s mandate was to provide investigative services and guidance involving fraud and/or financial mismanagement to assist in prevention, detection, investigation, and loss mitigation as directed by OCG.¹⁹¹
- **Specialist model** – IU adopted a **specialist model** comprising of 5 personnel including 3 staff investigators, a Director, and a Manager that were dedicated to conducting fraud investigations involving the government.¹⁹²
- **Disbandment** – During the period 2012 to 2015, IU conducted the PSD investigation as detailed in **Section 1**. In 2017, the Ombudsperson released his investigation report establishing that IU’s investigative findings contained **inaccuracies** and **improper inferences**.¹⁹³ Further, the Ombudsperson also expressed a number of concerns about IU’s investigative practices including its **numerous internal process gaps** that undermined the unit’s effectiveness and ability to carry out

¹⁹⁰ Ibid.,p. 301

¹⁹¹ “Investigation and Forensic Unit (IU) Professional Development Framework and Plan for Fiscal 2018/19,” The Office of the Comptroller General, April 26, 2018, accessed online on April 24, 2013 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewi_87rG0bf_AhUIFTQIHev3Ad4QFnoECBAQAQ&url=https%3A%2F%2Fwww2.gov.bc.ca%2Fassets%2Fgov%2Fbritish-columbians-our-governments%2Forganizational-structure%2Fpublic-service%2Fiu_professional_development_framework_and_plan_updated_april_26_2018.pdf&usg=AOvVaw1A5A1LROT04u4MOQE017-e, p. 4.

¹⁹² Ibid.,p. 308

¹⁹³ Ibid.,p. 326

its mandate.¹⁹⁴ Since 2017, OCG began **outsourcing** forensic investigations to external private investigation firms rather than conducting them internally¹⁹⁵ and **disbanded** IU in 2020.¹⁹⁶

Change to Outsourcing Model

- **New unit with different mandate** – Subsequent to the disbandment of IU, a new unit under the name of Forensic Accounting Services (“FAS”) was established in 2020 replacing IU.¹⁹⁷ FAS was assigned with a different mandate to focus on **fraud assessment, detection, and prevention** activities within government, instead of conducting the **fraud investigations** internally like its predecessor IU.
- **Outsourcing model** – FAS adopted an **outsourcing model** to contract out forensic investigations to external private investigation firms.¹⁹⁸ OCG’s rationale for outsourcing the forensic investigations was “to ensure that investigations were conducted by professionals with the **appropriate skills and expertise.**”¹⁹⁹

¹⁹⁴ Ibid., p. 326

¹⁹⁵ “*Fraud Risk Management: Office of the Comptroller General*, Office of the Auditor General of British Columbia,” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 13.

¹⁹⁶ Ibid., p. 6.

¹⁹⁷ Ibid., p. 6.

¹⁹⁸ Ibid., p. 7.

¹⁹⁹ Ibid., p. 6.

Causal Factors of Disbandment

- **Unit resource constraints** – The Ombudsperson identified that IU suffered from a number of internal process gaps including **insufficient resources** that undermined the accuracy of the conclusions contained in IU’s report for the PSD investigation.²⁰⁰ The resource constraints were in the form of IU management personnel’s heavy workload that impeded the completion of the PSD investigation in a timely manner, as well as difficulties recruiting qualified staff and retaining the staff who were assigned to the PSD investigation. The Ombudsperson further commented that nearly everyone associated with PSD investigation acknowledged that **resource constraints** imposed limits on the IU’s investigation and caused significant difficulties, particularly given the small size and limited resources of the IU to begin with.²⁰¹
- **Unit performance issues** – OCG’s decision to disband IU was primarily driven by the unit’s **dissatisfactory performance**, particularly in relation to the pervasively incorrect PSD investigation findings delivered by IU. The Ombudsperson indicated that IU reached many incorrect conclusions for the PSD investigation based on mistakes of fact and incomplete understanding of the evidence, which ultimately rendered their investigation results unreliable.²⁰² Given that IU investigation findings supported MoH’s terminations of its multiple employees, which were subsequently proven

²⁰⁰ Ibid.,p. 326

²⁰¹ Ibid.,p. 308

²⁰² Ibid.,p. 314

to be wrongful dismissals,²⁰³ IU's performance deficiencies on the engagement had significant negative implications, which ultimately led to the unit's disbandment.

Impacts of Disbandment

There is a lack of public information and media coverage about the **actual** impacts that followed the disbandment of IU and subsequent adoption of the outsourcing model by FAS. This could be because the disbandment took place **relatively recently** in 2020 (as compared to other financial crimes units that were disbanded in the 2000s and 2010s, and received years of media coverage since then) and that IU was a relatively **small provincial unit** comprising of 5 personnel (as compared to other provincial units that were much larger in size and federal units that typically receive widespread national attention).

While the **actual** impacts are unknown due to lack of information, the **potential** impacts of disbanding IU as a dedicated fraud investigation unit and subsequent adoption of the outsourcing model are assessed and discussed in **Section 4** of this research paper.

²⁰³ Ibid.,p. 303

3.2.2 B.C. Integrated Illegal Gaming Enforcement Team (IIGET)

Diagram – Overview of Disbandment and Subsequent Alternative Models



Disbandment of IIGET as Dedicated Unit

- **Dedicated unit** – The B.C. Government’s Integrated Illegal Gaming Enforcement Team (“IIGET”) was a provincial **dedicated unit** established in 2003 that **specialized** in investigating illegal gaming operations in order to maintain the integrity of public gaming in B.C.²⁰⁴ The scope of IIGET’s mandate included illegal lotteries, common gaming houses, video lottery terminals, animal fights, bookmaking, and internet gaming.²⁰⁵

²⁰⁴ “Commission of Inquiry into Money Laundering in British Columbia,” Commission of Inquiry into Money Laundering in British Columbia, June 3, 2022, accessed online on April 24, 2013 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwioL53L2rf_AhWjITQIHcXnCaYQFnoECBoQAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2Freports%2FCullenCommission-FinalReport-Full.pdf&usg=AOvVaw1_cK2lvapFv9h9LFJGoFjb, p. 272.

²⁰⁵ “Dirty Money, An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia,” Peter German & Associates Inc., March 31, 2018, accessed online on May 14, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjUt-ft3rf_AhUoBDQIHcXnCaYQFnoECCAQAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FGaming_Final_Report.pdf&usg=AOvVaw3z4IuSTVeJjEpAjeg8vv0q, p. 102.

- **Specialist model** – IIGET adopted a **specialist model** comprising of 12 RCMP officers that were specifically dedicated to take on investigations of illegal gaming operations, which is a highly specialized area.²⁰⁶
- **Disbandment** – Although IIGET’s mandate was to handle both high-level and mid-level investigations of illegal gaming operations, the unit was only able to take on mid-level investigations. In 2007, the government conducted a performance review of IIGET and concluded that the unit failed to fulfill its mandate to target both levels of investigation.²⁰⁷ Subsequently in 2009, the government assessed that IIGET was not providing the **value for money** as its operational results did not justify the expenditure, and therefore IIGET was **disbanded**.²⁰⁸
- **Amidst rising financial crimes** – The disbandment of IIGET occurred 2 months after the release of the 2009 RCMP report titled *Extent and Scope of Illegal Gaming in British Columbia 2005 to 2008*, detailing concerns about large amounts of

, Page 102

²⁰⁶ “Overview Report: Integrated Illegal Gaming Enforcement Team,” B.C. Government, December 17, 2009, accessed online on May 8, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj-yLae3Lf_AhXWAjQIHd23CysQFnoECBAQAQ&url=https%3A%2F%2Fag-pssg-sharedservices-ex.objectstore.gov.bc.ca%2Fag-pssg-cc-exh-prod-bkt-ex%2F77%2520-%2520Overview%2520Report%2520Integrated%2520Illegal%2520Gaming%2520Enforcement%2520Team.pdf&usg=AOvVaw0TBN3t30Tounwp-XkKFgWv, p.3.

²⁰⁷ “Dirty Money, An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia,” Peter German & Associates Inc., March 31, 2018, accessed online on May 14, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjUt-ft3rf_AhUoBDQIHWX-AcIQFnoECCAQAQ&url=https%3A%2F%2Fculencommission.ca%2Ffiles%2FGaming_Final_Report.pdf&usg=AOvVaw3z4IuSTVeJjEpAjeg8vv0q, p. 103.

²⁰⁸ *Ibid.*, p. 104.

suspicious cash in casinos and increasing number of illegal gaming incidents that would have fallen under IIGET's mandate to investigate.²⁰⁹ Therefore, the disbandment of IIGET occurred at a critical juncture and in spite of rising illegal gaming operations in B.C.²¹⁰

- **No alternative arrangement** – The minister who made the disbandment decision believed that the enforcement gap created by the disbandment of IIGET can be picked up by local police officers and prosecutors, and therefore **no alternative arrangement or unit** was set up to take over IIGET's responsibilities of illegal gaming and money laundering investigations.

Causal Factors of Disbandment

- **Unit resource constraints** – Resource constraint was a significant challenge for IIGET. The unit was **not adequately resourced** to carry out its mandate of conducting **both** high-level and mid-level investigations of illegal gaming operations,

²⁰⁹ “Dirty Money, An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia,” Peter German & Associates Inc., March 31, 2018, accessed online on May 14, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewjUt-ft3rf_AhUoBDQIHWX-AclQFnoECCAQAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FGaming_Final_Report.pdf&usg=AOvVaw3z4luSTVeJjEpAjeg8vv0q, p.105.

²¹⁰ “Commission of Inquiry into Money Laundering in British Columbia,” Commission of Inquiry into Money Laundering in British Columbia, June 3, 2022, accessed online on April 24, 2013 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewiol53L2rf_AhWjITQIHcXnCaYQFnoECBoQAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2Freports%2FCullenCommission-FinalReport-Full.pdf&usg=AOvVaw1_cK2lvapFv9h9LFJGoFjb, p. 272.

and only has sufficient resources to take on mid-level investigations.²¹¹ Further, staffing for the IIGET's positions was also a challenge as the full complement of 12 RCMP officers only existed for 3 months and the unit had 4 different leaders and 1 in an acting position during the unit's existence.

IIGET initially planned for its staff to start with mid-level investigations in order to give them the necessary experience to later take on higher-level investigations. However, due to staffing challenges in the particular year where IIGET commenced its first high-level investigation, the investigation was unable to be completed by the unit and had to be handed over to a U.S. law enforcement agency. Subsequently, the consultative board instructed IIGET to refocus on mid-level targets.

- **Unit performance issues** – The minister responsible for gaming and the consultative board governing IIGET made the decision to disband IIGET because they were not satisfied with what IIGET had accomplished.²¹² They determined that IIGET was not functional nor successful in carrying out its mandate as it had trouble with focus on what its files were, and that the unit was inefficient and ineffective.²¹³ In his report, Commissioner Cullen also reviewed evidence that supported the conclusion that the disbandment decision was motivated by concerns about the **unit's performance**. He also supported the view that due to IIGET's ineffective performance, there was no basis to conclude that the continuation of the unit would have served to mitigate money laundering activities in B.C. casinos.²¹⁴

²¹¹ Ibid., p. 294

²¹² Ibid., p. 299.

²¹³ Ibid., p. 298.

²¹⁴ Ibid., p. 300.

- **Government’s de-prioritization of financial crimes** – The view within the government was that IIGET never became a priority of the RCMP.²¹⁵ One of the reasons is because there was debate about the value of investigating illegal gaming operations given the high level of resources and specialized expertise required in comparison to the relatively minimal sentences that typically result.²¹⁶

Impacts of Disbandment

- **Continued rise in financial crimes** – Subsequent to the disbandment of IIGET, the rate at which suspicious cash was accepted in the B.C. casinos and money laundering issue accelerated significantly at an alarming rate, which validated the concerns expressed in the 2009 RCMP report that was released shortly before IIGET’s disbandment.²¹⁷
- **Long enforcement gap** – The disbandment of IIGET and the lack of an alternative dedicated unit specialized in illegal gaming investigations created and perpetuated a significant prolonged enforcement gap of 7 years. In his report *Commission of Inquiry into Money Laundering in British Columbia*, Commissioner Cullen expressed his view that subsequent to the disbandment of IIGET, “the failure on the part of the RCMP to pay heed to the mounting evidence of an **enforcement vulnerability**, which was not being addressed, and to take some steps to fill that **enforcement gap** did

²¹⁵ Ibid., p. 104.

²¹⁶ Ibid., p. 1527.

²¹⁷ Commissioner Cullen, Page 609

contribute to the growth of money laundering in the province’s casinos. This failure perpetuated this **enforcement gap** and created an environment where such activity could continue to **grow largely unchecked.**”²¹⁸

- **Download of responsibilities** – Subsequent to the disbandment of IIGET, illegal gaming incidents were downloaded to the municipal level local police departments and detachments to deal with. However, the local police lack the specialized knowledge and time to undertake these types of investigations.²¹⁹

Re-Establishment of JIGIT as Dedicated Unit

- **New dedicated unit** – In light of the glaring enforcement gap identified repeatedly by multiple government entities for nearly two decades that exacerbated the illegal gaming and money laundering issues in B.C., the new minister of gaming initiated the creation of a new dedicated unit that specialized in investigations of illegal gaming operations. As a result, the Joint Illegal Gaming Investigation Team (“JIGIT”) was established in 2016.
- **Specialist model** – Same as its predecessor IIGET, JIGIT adopted a **specialist** model comprising of specialized gaming enforcement capacity.²²⁰ The specialist model was particularly chosen in recognition of the high threat that illegal gaming

²¹⁸ Commissioner Cullen, Page 301

²¹⁹ Commissioner Cullen, Page 291

²²⁰ “Proposal for a Provincial Financial Crime Unit,” Royal Canadian Mounted Police, November 9, 2016, accessed online on May 10, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj-4Lyp4rf_AhXaEDQIHtTiCA4QFnoECB8QAQ&url=https%3A%2F%2Fag-pssg-sharedservices-ex.objectstore.gov.bc.ca%2Fag-pssg-cc-exh-prod-bkt-ex%2F796%2520-%2520RCMP%2520Proposal%2520for%2520Financial%2520Crime%2520Unit%2520November%25209%25202016.pdf&usg=AOvVaw2QCLfZBXZT1MHiLcCPgibf, p. 2.

and money laundering poses to B.C. gaming facilities.²²¹ The new dedicated unit consists of 22 RCMP officers and 5 Gaming Policy and Enforcement Branch investigators that are subject matter experts in illegal gaming.²²²

Further, based on a performance review conducted of JIGIT in 2020, a recommendation was put forth to incorporate legal prosecutors in the unit with the **requisite expertise** to provide ongoing legal advice and prosecute money laundering and illegal gambling offences.²²³ Adding legal expertise to the team would be in line with JIGIT’s specialist model to have a cadre of centralized expertise in the unit dedicated to illegal gaming investigations.

- **Performance of new unit** – JIGIT had taken proactive actions to remediate the performance issues that were previously experienced by its predecessor IIGET. The 2020 performance review of JIGIT positively reported that the unit has “delivered on key parts of its mandate while also developing considerable **subject-matter expertise**...JIGIT provides a valuable tool for prevention, disruption, and enforcement against money laundering in casinos and the operation of illegal gaming houses and acts as a force multiplier in increasing the knowledge and ability of other police departments to take action.”²²⁴

²²¹ Ibid., p. 2.

²²² Joint Illegal Gaming Investigation Team Review

²²³ “Dirty Money, An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia,” Peter German & Associates Inc., March 31, 2018, accessed online on May 14, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewjUt-ft3rf_AhUoBDQIHWX-AciQFnoECCAQAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FGaming_Final_Report.pdf&usg=AOvVaw3z4IuSTVeJjEpAjeg8vv0q, p. 131.

²²⁴ Commissioner Cullen, Page 1526

The RCMP credited the success of JIGIT to its dedicated unit model comprising of **subject matter specialists** in the unit.²²⁵ The RCMP also supported the addition of **specialist prosecutors** to JIGIT who are familiar with the legal aspects of money laundering and casinos, indicating that without this expert knowledge, charge approval and trial preparation would become more challenging. The absence of dedicated specialist prosecutors in the unit had previously been an issue for its predecessor IIGET.

3.2.2 B.C. Integrated Proceeds of Crime Unit (IPOC)

Diagram – Overview of Disbandment and Subsequent Alternative Models



²²⁵ “Dirty Money, An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia,” Peter German & Associates Inc., March 31, 2018, accessed online on May 14, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjUt-ft3rf_AhUoBDQIHWX-AcIQFnoECCAQAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FGaming_Final_Report.pdf&usg=AOvVaw3z4IuSTVeJjEpAjeg8vv0q, p. 133.

Disbandment of IPOC as Dedicated Unit

- **Dedicated unit** – The B.C. RCMP’s Integrated Proceeds of Crime (“IPOC”) Unit was a federal **dedicated unit** established in 1992 that **specialized** in investigating money laundering allegations and proceeds of crime.²²⁶ The mandate of IPOC was to “identify, seize, restrain and forfeit illicit and unreported wealth accumulated by the highest level of organized criminals and crime groups...thereby removing the financial incentive for engaging in criminal activities.”²²⁷
- **Specialist model** – IPOC adopted a **specialist model** comprising of 41 personnel including police officers, federal prosecutors, forensic accountants, and asset management specialists.²²⁸ The unit consisted of a cadre of enforcement experts at the federal level specialized in dealing with money laundering and proceeds of crime.²²⁹
- **Disbandment** – In 2012, in light of RCMP’s **changing priorities** to divert resources to other areas that were deemed to present more imminent and emerging threats such as terrorism, IPOC was **disbanded** and **integrated** into the much larger Federal and Serious Organized Crime (“FSOC”) unit as part of the Federal Policing Re-Engineering Program.²³⁰

²²⁶ Cullen Commission Report, Page 1480

²²⁷ Cullen Commission, Page 1480

²²⁸ “Dirty Money – Part 2. Turning the Tide - An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing,” Peter German & Associates Inc., March 31, 2019, accessed online on May 15, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewjFguOF3bf_AhX5AzQIHRIFB6sQFnoECA0QAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FDirty_Money_Report_Part_2.pdf&usg=AOvVaw1FbCH18OhjE8WsKZQrl11e, p. 301.

²²⁹ Cullen Commission, Page 1481

²³⁰ Dirty Money, Page 301

- **Amidst rising financial crimes** – The disbandment of IPOC took place a year after the unit made the significant discovery of a substantial amount of cash entering B.C. casinos that was suspected to be of criminal origins in 2011.²³¹ Therefore, the disbandment of IPOC took place in the midst and in spite of rising money laundering activities in B.C.. In regard to this timing of IPOC’s disbandment, Commissioner Cullen commented in his report: “While I appreciate that the decision to disband the IPOC units was a policy decision made by a federal entity, it is critical to review the **timing** and **effect** of that decision in order to make findings of fact and recommendations concerning the law enforcement response to money laundering in this province.”

Integration into FSOC as Integrated Unit

- **Integrated unit** – IPOC was integrated into FSOC, which is an **integrated unit** that has a wide scope of mandate including both financial and non-financial crimes such as terrorism, organized crimes, customs, border integrity, drug squad etc.²³²
- **Generalist model** – FSOC adopted a **generalist model** and the integration of IPOC into FSOC essentially transferred IPOC’s specialists into more generalist roles such as drugs or gangs. Therefore, the integration of IPOC into FSOC led to a

²³¹ Cullen Commission Report, Page 5

²³² “Former RCMP proceeds of crime head warned bosses of weakened dirty money investigations.” Paisley Woodward, April 16, 2019, accessed online on May 8, 2023 at <https://www.cbc.ca/news/canada/british-columbia/former-rcmp-proceeds-of-crime-head-warned-bosses-of-weakened-dirty-money-investigations-1.5099332>.

significant dilution of expertise as well as an inability to pursue complex money laundering investigations that require **multiple specialist investigators**.²³³

Causal Factors of Disbandment

- **Unit resource constraints** – The RCMP stated that as a result of the significant increase of the volume and complexity of IPOC investigations, the unit’s finding is having an impact on the RCMP’s ability to provide effective program delivery.²³⁴ Further, the 2011 performance evaluation conducted by the Public Safety Canada identified that the unit’s operations have been adversely impacted by several human resource factors including high staff turnover, vacant positions, and recruitment difficulties that need to be addressed in order to ensure that IPOC is restored to a fully functional unit.²³⁵
- **Unit performance issues** – Based on the 2011 performance evaluation conducted by the Public Safety Canada, the unit experienced **less than optimal performance** due to several contributing factors including the lack of an overall strategy and business plan, communication and relationships among partners, human resources, integration, lack of performance

²³³ Cullen Commission, Page 1486

²³⁴ “2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative,” Public Safety Canada., March 30, 2011, accessed online on May 23, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwimmpzg3bf_AhW0AzQIHSoNCWsQFnoECA4QAO&url=https%3A%2F%2Fwww.publicsafety.gc.ca%2Fcnt%2Fsrscs%2Fpblctns%2Fvltntgrtd-prcds-crm-2010-11%2Findex-en.aspx&usg=AOvVaw2JR4lywm-J9WJvh85fV5_k, p. 56.

²³⁵ Ibid., Page 60

indicators and a common monitoring system.²³⁶ These challenges had an adverse impact on IPOC's efficiency and effectiveness.²³⁷

- **Government's de-prioritization of financial crimes** – As part of the 2012 Federal Policing Re-Engineering Program, the RCMP **re-aligned its priorities** to focus its resources on **non-financial crime** areas such as terrorism that they deemed to present more imminent and emerging threats. As such, the de-prioritization of **financial crimes** led to the disbandment of IPOC that specialized in financial crime investigations in the areas of money laundering and proceeds of crime.²³⁸

Impacts of Disbandment

- **Lower priority for financial investigations** – Without a dedicated unit and given that FSOC has a much boarder scope, money laundering investigations were subject to the federal prioritization process in the integrated unit and were weighed against other pressures and priorities such as national security. This resulted in money laundering and proceeds of crime investigations being given very little attention, and important investigations into money laundering at B.C. casinos were terminated.²³⁹ Therefore, the disbandment of IPOC and integration into the much larger FSOC caused a de-prioritization of money laundering investigations. Commissioner Cullen commented in his report that “When one considers the **nature** and

²³⁶ Ibid., Page iii

²³⁷ Commissioner Cullen, Page 1481

²³⁸ Dirty Money, Page 1063

²³⁹ Cullen Commission Report, Page 6

extent of the money laundering activity occurring during this time period [subsequent to IPOC’s disbandment], it is clear that law enforcement results were **not commensurate** with the magnitude of the problem.”²⁴⁰

- **Continued rise in financial crimes** – Commissioner Cullen also commented in his report that “the disbandment of the IPOC units was a pivotal moment, which allowed for the **unchecked growth of money laundering** in the gaming industry and other sectors of the economy for the better part of a decade...After 2012, despite repeated requests, there was **no enforcement body** available to address the casino problem, and the volume of suspicious cash entering BC casinos **rose to unprecedented levels.**” This indicated that the trend of increasing money laundering activities that was discovered by IPOC prior to its disbandment, continued to grow and the reduced enforcement efforts caused by the disbandment of the dedicated unit and dilution of expertise contributed and perpetuated that increasing trend. Commissioner Cullen further commented that “the **unchecked growth** of money laundering activity in British Columbia...is also indicative of a **serious disconnect** between the priorities of the RCMP and the law enforcement needs in this province.”²⁴¹
- **Download of responsibilities** – Given that money laundering investigations were not a priority of FSOC, they were then **downloaded** to the municipal level local police detachments, who lacked **specialized knowledge** to take on these highly complex money laundering investigations that require dedicated resources and efforts.

²⁴⁰ Cullen Commission Report, Page 1494

²⁴¹ Cullen Commission, Page 1488 to 1489

Proposed Re-Establishment of Dedicated Unit

- **Proposed new dedicated unit** – Upon the release of Peter German’s *Dirty Money Report* in 2018, a new dedicated provincial money laundering unit was proposed to be created. The proposal specifically notes that FSOC as an **integrated federal unit** is focused on national priorities dictated by Ottawa and will only address **large-scale** money laundering activities in B.C. that are multi-jurisdictional or international in scope. Further, the **municipal** economic crime units are focused on **smaller-scale** financial crimes and do not have the specialized knowledge and capacity to address provincial frauds. As such, the proposal advocates for a **dedicated provincial financial crime unit**, namely Financial Intelligence and Investigations Unit (“FIIU”) that is focused on provincial level money laundering activities.²⁴²
- **Specialist model** – The proposal notes that the nature of the work to be undertaken by FIIU calls for “expertise, specialists, and continuity under a provincial strategic vision that identifies and responds to BC priorities.”²⁴³ FIIU would consist of police officers, investigators, legal experts, forensic accountants, computer specialists that are **subject-matter experts** in money laundering investigations.²⁴⁴ Commissioner Cullen supported the creation of such dedicated money laundering unit and advocated for the new unit to have “the flexibility it needs to **hire and retain** officers and staff with the **requisite knowledge and expertise** to conduct effective money laundering investigations.”²⁴⁵ He also pointed out that

²⁴² Cullen Commission Report, Page 1522

²⁴³ Cullen Commission Report, Page 1523

²⁴⁴ Cullen Commission Report, Page 1552

²⁴⁵ Cullen Commission Report, Page 1524

the dedicated unit model adopted by JIGIT for illegal gaming operations would serve as an appropriate model for the creation of FIIU.²⁴⁶

The need for the creation of a dedicated unit of financial crime specialists was echoed by the Assistant Deputy Minister and Director of Police Services who commented that it would be important to “provide [the new unit] the ability to hire **specialists** rather than your traditional gun-wearing police officer but somebody with the **right academic and/or experienced credentials** to do this kind of work.”²⁴⁷

- **Approval of new dedicated unit** – Pursuant to Peter German’s *Dirty Money Report*, Prime Minister Justin Trudeau supported the creation of FIIU and announced in 2019 an allocation of federal budget to the creation of a dedicated money laundering task force.²⁴⁸

²⁴⁶ Cullen Commission Report, Page 1526

²⁴⁷ Cullen Commission Report, Page 1555

²⁴⁸ “The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake,” Toronto Star, January 15, 2020, accessed online on May 7, 2023 at <https://www.thestar.com/news/investigations/2020/01/15/the-rcmp-is-shutting-down-its-financial-crimes-unit-in-ontario-heres-why-former-top-mounties-says-its-a-mistake.html>.

3.2.3 B.C. Commercial Crime Section (CCS)

Diagram – Overview of Disbandment and Subsequent Alternative Model



Disbandment of CCS as Dedicated Unit

- **Dedicated unit** – The B.C. RCMP’s Commercial Crime Section (“CCS”) was a federal **dedicated unit** that **specialized** in investigating mid-level commercial frauds that have a significant impact on B.C. citizens including securities, bankruptcies, counterfeit, taxation, enterprise crime etc.²⁴⁹
- **Specialist model** – CCS adopted a **specialist model** comprising of about 100 investigators and support staff who focused on investigating mid-level frauds and proceeds of financial crimes.²⁵⁰

²⁴⁹ Dirty Money Report, Page 87

²⁵⁰ Dirty Money Report, Page 87

- **Disbandment** – In 2012, in light of RCMP’s **changing priorities** to divert resources to other areas that were deemed to present more imminent and present threats such as terrorism, CCS was **disbanded** and **integrated** into the much larger Federal and Serious Organized Crime (“FSOC”) unit as part of the Federal Policing Re-Engineering program.
- **Amidst rising fraud** – The disbandment of CCS took place at the time when suspicious cash began to flood B.C. casinos.²⁵¹ Therefore, CCS was disbanded in the midst and in spite of rising mid-level commercial crimes in B.C.

Integration into FSOC as Integrated Unit

- **Integrated unit** – CCS was integrated into FSOC, which is an **integrated unit** that has a wide scope of mandate including both non-financial and financial crimes such as terrorism, organized crimes, customs, border integrity, drug squad etc.²⁵²
- **Generalist model** – FSOC adopted a **generalist model** and the integration of CCS into FSOC essentially transferred CCS’s specialists into more generalist roles, such as conducting surveillance.²⁵³ CCS investigators that were once specialists in dealing with financial crimes were cross-trained to become generalists to handle other non-financial crime

²⁵¹ “Ian Mulgrew: Dirty money, legal deadlines tough on police,” Ian Mulgrew, September 20, 2021, accessed online on May 9, 2023 at <https://vancouversun.com/news/dirty-money-tough-on-police>.

²⁵² Former RCMP proceeds of crime head warned bosses of weakened dirty money investigations

²⁵³ “The Cullen Commission of Inquiry into Money Laundering in British Columbia Overview Report on the Prosecution of Money Laundering and Proceeds of Crime Offences,” The Cullen Commission of Inquiry into Money Laundering in British Columbia, June 3, 2022, accessed online on May 7, 2023 at <https://www.cullencommission.ca/>, p. 4.

engagements of FSOC. For example, an investigator could be working on a financial crime engagement for one week, and then on a drug engagement another week. Therefore, the integration of CCS into FSOC led to a **loss of specialized expertise** in the important areas of commercial crime and proceeds of crime enforcement.²⁵⁴

Causal Factors of Disbandment

- **Government’s de-prioritization of financial crimes** – As part of the 2012 Federal Policing Re-Engineering Program, the RCMP eliminated **financial crimes** as a national priority for the RCMP and diverted its resources to **non-financial crime** areas such as national security and terrorism. As such, the de-prioritization of **financial crimes** led to the disbandment of CCS that specialized in financial crime investigations in the area of mid-level commercial frauds.²⁵⁵

Impacts of Disbandment

- **Lower priority for financial investigations** – Given that FSOC has a much larger scope covering both non-financial and financial crimes, the investigation files in the integrated unit were prioritized according to a “tier” system, with each potential file receiving a score based on factors, none of which involved financial crime. Therefore, financial crime investigations including mid-level commercial crime cases never hit the score high enough to be a priority of FSOC.²⁵⁶

²⁵⁴ Dirty Money Report, page 88

²⁵⁵ The RCMP is shutting down its financial crimes unit in Ontario

²⁵⁶ “Dirty Money – Part 2. Turning the Tide - An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing,” Peter German & Associates Inc., March 31, 2019, accessed online on May 15, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjFguOF3bf_AhX5AzQIHRIFB6sQFnoECA

- **Download of responsibilities** – With the de-prioritization of mid-level commercial crime cases in FSOC, the cases were then downloaded to the municipal level local police or detachments, who **lacked fundamental training or relevant education** to handle fraud investigations that are inherently very complex and multi-faceted in nature involving large sums of money and victims.²⁵⁷

Commissioner Cullen remarked that the local police’s low level of expertise and capacity to deal with financial crimes has caused legal prosecutors to spend a good deal of time answering basic questions from law enforcement about the fundamentals of conducting commercial crime investigations. The prosecutors noted that there was a decrease in the quality of commercial crime investigations since the disbandment of CCS and the transfer of its specialists into more generalist roles such as surveillance.²⁵⁸

- **Continued rise in fraud** – Subsequent to the disbandment of CCS, B.C. became the only province that does not have a dedicated provincial unit responsible for all provincial financial crime investigations,²⁵⁹ thereby creating a significant

[0QAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FDirty_Money_Report_Part_2.pdf&usg=AOvVaw1FbCH18OhjE8WsKZQr11e](https://www.cullencommission.ca/files/Dirty_Money_Report_Part_2.pdf&usg=AOvVaw1FbCH18OhjE8WsKZQr11e), p. 297.

²⁵⁷ “Ian Mulgrew: Dirty money, legal deadlines tough on police,” Ian Mulgrew, September 20, 2021, accessed online on May 9, 2023 at <https://vancouversun.com/news/dirty-money-tough-on-police>.

²⁵⁸ Ian Mulgrew: Dirty money, legal deadlines tough on police

²⁵⁹ RCMP Narrative Document – Business Cases and Proposals for Provincially Funded ML Unit

enforcement gap leaving no one to investigate a number of serious credit card, mortgage, investment, and tax frauds that resulted in significant losses to individuals, businesses, and public sector entities throughout B.C.²⁶⁰

A proposal was put forth in 2016 for the creation of a dedicated provincial financial crime unit after CCS's disbandment, but was **not approved**. The proposal highlighted that there has been a **28.5% increase** in fraud offences since 2011, with a sharp increase in not cleared cases since about the time of CCS's disbandment.²⁶¹

- **Criminal migration** – In light of the **reduced** enforcement effort in **B.C.** created by the disbandment of CCS as a dedicated provincial fraud unit, and the opposite trend of **increased** oversight in **Ontario** with the recent establishment of a new dedicated provincial fraud unit, namely Serious Fraud Office,²⁶² this has caused criminals to turn their attention to B.C. as the weakened oversight provided greater opportunity for fraud and other financial crimes.

²⁶⁰ Cullen Commission, Page 1501

²⁶¹ "Proposal for a Provincial Financial Crime Unit," Royal Canadian Mounted Police, November 9, 2016, accessed online on May 10, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj-4Lyp4rf_AhXaEDQIHtTiCA4QFnoECB8QAQ&url=https%3A%2F%2Fag-pssg-sharedservices-ex.objectstore.gov.bc.ca%2Fag-pssg-cc-exh-prod-bkt-ex%2F796%2520-%2520RCMP%2520Proposal%2520for%2520Financial%2520Crime%2520Unit%2520November%25209%25202016.pdf&usg=AOvVaw2QCLfZBXZT1MHiLcCPgibf, p. 2.

²⁶² The RCMP is shutting down its financial crimes unit in Ontario

3.2.4 Ontario Financial Crimes Unit (FCU)

Diagram – Overview of Disbandment and Subsequent Alternative Model



Disbandment of FCU as Dedicated Unit

- **Dedicated unit** – The Ontario RCMP’s Financial Crimes Unit (“FCU”) was a federal **dedicated unit** that **specialized** in investigating complex and difficult financial crime cases.²⁶³
- **Specialist model** – FCU adopted a **specialist model** comprising of 129 RCMP officers and 8 civilian staff that were specifically dedicated to handle investigations of complex financial crimes that are the federal responsibility, such as money laundering.²⁶⁴
- **Disbandment** – In 2019, a review of federal policing priorities was conducted, and based on its results the RCMP made the decision to divert RCMP’s national priority and resources from **financial crimes** to focus on the three **non-financial crimes**

²⁶³ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake.

²⁶⁴ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake.

areas of national security, transnational serious and organized crime, as well as cybercrime.²⁶⁵ As a result, FCU was **disbanded** and **integrated** into other non-financial crimes units including organized crime, national security, anti-terrorism, and drugs to allow RCMP to focus on the highest threats and to attain the most effective use of their existing resources.²⁶⁶

- **Amidst rising financial crimes** – The disbandment of FCU took place shortly after RCMP received multiple reports that identified Toronto’s vulnerability to money laundering.²⁶⁷ Therefore, the disbandment of FCU occurred in spite of rising money laundering activities in Ontario.

Integration into Non-Financial Crimes Units

- **Integrated unit** – FCU was integrated into non-financial crimes units, and the new integrated unit’s focus was on the **overall criminality** of the investigation file, which might or might not have a financial crime component.²⁶⁸
- **Generalist model** – The integrated unit adopted a **generalist model** and the integration of FCU into the non-financial crimes units essentially transferred FCU specialists into more generalist roles. FCU officers that were once financial crimes specialists were **cross-trained** to take on other non-financial cases related to organized crime, national security, anti-

²⁶⁵ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake.

²⁶⁶ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake.

²⁶⁷ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake.

²⁶⁸ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

terrorism, and drugs. Conversely, non-financial crimes personnel were also cross-trained to take on financial crime investigations.²⁶⁹

Causal Factors of Disbandment

- **Government’s de-prioritization of financial crimes** – As a result of the 2019 review of federal policing priorities, the RCMP made the decision to divert their national priority and resources from financial crimes to focus on the three **non-financial crime** areas of national security, transnational serious and organized crime, as well as cybercrime.²⁷⁰ As such, the de-prioritization of **financial crimes** led to the disbandment of FCU that specialized in investigating complex and difficult financial crime cases.

Impacts of Disbandment

- **Lack of specialized knowledge** – Given that financial crime investigations require a very degree of **specialized expertise**, there were concerns that the non-financial crimes personnel in the new integrated unit lacked the specialized knowledge to take on financial crime investigations.²⁷¹

²⁶⁹ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

²⁷⁰ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

²⁷¹ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

A Carleton University professor, Stephanie Carvin, who studies national security and terrorism commented that the lack of specialized expertise is a huge issue in monitoring illicit financing, as the integrated unit is made up of a series of generalists, and therefore officers might be suddenly assigned to a file that they might not have the adequate background in.²⁷² She further commented that this integrated generalist unit model is outdated for both national security investigations and provincial policing as there is a need for **specialized, trained** investigators to handle the increasingly complex threats driven by technology.²⁷³

- **Download of responsibilities** – In light of FCU’s disbandment, which was a move that signaled RCMP’s de-prioritization of financial crimes, the financial crime investigations have been **downloaded** to the private sector.²⁷⁴ This has manifested in 2 ways: 1) Clients of financial institutions have come under policing by banks;²⁷⁵ and 2) Defrauded individuals and companies have been turning to private investigative firms to conduct fraud investigations and go through the civil process for financial recovery.²⁷⁶
- **Criminal migration** – In light of the **reduced** enforcement effort in **Ontario** created by the disbandment of FCU as a dedicated financial crimes unit, and the opposite trend of increased oversight in B.C. with the announcement of the creation

²⁷² “Ottawa sets sights on new financial crimes agency,” Parliament Today, March 18, 2022, accessed online on May 10, 2023 at <https://www.politicstoday.news/parliament-today/ottawa-sets-sights-on-new-financial-crimes-agency/>

²⁷³ Stephanie Carvin, Associate Professor, Norman Paterson School of International Affairs, Carleton University

²⁷⁴ Ottawa sets sights on new financial crimes agency

²⁷⁵ Ottawa sets sights on new financial crimes agency

²⁷⁶ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

of FIIU as a dedicated money laundering unit as well as B.C. planning a public inquiry into money laundering, this has caused criminals to turn their attention to Ontario. The weakened oversight has created opportunity for widespread money laundering in Ontario, which is now unhindered by law enforcement.²⁷⁷

3.3 Findings and Arguments – Section 3

F3	<p>Based on our analysis of 5 disbandment cases across B.C. and Ontario, the following similarities in the events surrounding their disbandment are observed:</p> <ol style="list-style-type: none">1) These disbanded units were all standalone dedicated units that adopted the specialist model of having a cadre of staff with specialized knowledge in the subject matters being investigated;2) The disbandment tends to take place in the midst of increasing financial crimes; and3) The alternative solution implemented by the government to replace the dedicated units was to change the model of conducting the financial crimes investigations.
F4	<p>Based on our analysis of 5 disbandment cases across B.C. and Ontario, the following common causal factors leading to their disbandment are observed:</p> <ol style="list-style-type: none">1) Resource constraints within the unit;

²⁷⁷ The RCMP is shutting down its financial crimes unit in Ontario. Here's why former top Mounties says it's a mistake

	<ul style="list-style-type: none"> 2) Performance issues of the unit; and 3) Government’s de-prioritization of financial crime investigations.
F5	<p>Based on our analysis of 5 disbandment cases across B.C. and Ontario, the following common impacts of their disbandment are observed:</p> <ul style="list-style-type: none"> 4) Continued increase in financial crimes; 5) Download of responsibilities to other parties; and 6) Criminal migration.

Section 4 – Evaluation of Financial Crime Investigation Models

4.1 Section Objective and Approach

4.1.1 Objective of Section

In previous **Section 3**, we have concluded that the government disbanded multiple dedicated financial crime units because they were not providing the **value for money** to justify being a **priority** in the government’s budget. As a solution to resolve the value for money issue of dedicated units, the government changed the unit model / method of conducting financial crime investigations from Dedicated Unit Model to either Outsourcing Model or Integrated Unit Model. In some cases, the

government also did not implement an alternative model and left the enforcement gap created by the disbandment of dedicated units unfilled.

The **objective** of this Section is to perform an evaluation of the alternative models implemented by the government examining both their pros and cons, with the goal of evaluating whether they were a suitable and long-term viable substitution to the predecessor Dedicated Unit Model adopted by the disbanded units.

4.1.2 Approach of Section

This Section will take the **approach** of first evaluating the **pros and cons** of the 3 models that have been used for financial crime units in the government: Outsourcing Model, Integrated Unit Model, and Dedicated Unit Model. Based on our evaluation, we will then draw a **conclusion** on the **suitability and long-term viability** of each of these models as a substitution to having dedicated financial crime units in the government.

4.2 Analysis

4.2.1 Evaluation of Outsourcing Model

Since the disbandment of IU, OCG adopted an Outsourcing Model to contract out the performance of forensic accounting investigations to external third-party private investigation firms.

Using the IU case as an example, we will evaluate the pros and cons of adopting such Outsourcing Model for public sector's forensic accounting engagements.

Pros of Outsourcing Model

1) **Expertise** – For engagements that require **specialized expertise** that a forensic accounting unit does not possess or would take long time to develop, outsourcing the engagements to qualified contractors would likely be the quickest way to obtain that expertise. Further, if there are any additional skills or expertise that are required for a specific engagement or in response to changing technological or market conditions, the contractors will be responsible to acquire such additional skills or expertise and the government can essentially **shift the burden** to the contractors. Further, it would also allow the government to acquire greater flexibility to provide a wider variety of forensic investigation services and responsiveness to changing conditions.

Example: This was the primary reason behind OCG’s outsourcing of forensic investigation engagements to private firms as IU’s staff investigators lacked knowledge about the *ACFE Investigative Standards* and the expertise to properly conduct fraud investigation engagements, whereas private firms have readily available qualified fraud examiners with the expertise.²⁷⁸

2) **Cost savings** – In light of the ongoing resource constraints within the public sector that are likely exacerbated by current difficult economic conditions, outsourcing to external private firms could reduce government costs associated with hiring,

²⁷⁸ “*Fraud Risk Management: Office of the Comptroller General, Office of the Auditor General of British Columbia,*” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 18.

training, and ongoing staff investigators' salaries. This would allow the government to achieve **cost savings** and be able to divert the resources to other areas of need, which would be in alignment with the government's initiative of budget cuts.

Example: In the context of IU, outsourcing forensic accounting engagements to private firms would reduce or eliminate the costs associated with hiring, training, and regular salaries of at least the three staff investigators in the unit.

3) Reduce or eliminate staffing challenges – If the government adopts a model of “complete privatization” where it surrenders control and decision-making regarding the forensic accounting engagements and contracts out the entire engagements to private firms,²⁷⁹ this would **eliminate** the need for staff in its internal unit and therefore the associated challenges with hiring, training, and retaining staff.

On the other hand, if the government adopts the more common model of “partial privatization” where it contracts out only certain aspects of the engagement such as the performance of investigative work, but retains the control and decision-making regarding the engagements,²⁸⁰ this would also significantly **reduce** the number of staff required in the unit and therefore the associated staffing challenges.

Example: In the case of IU, the IU Director indicated that “recruiting qualified staff was a consistent challenge he faced” and the Ombudsperson also identified that one of IU's constraints was its inability to recruit and retain trained investigators

²⁷⁹ Outsourcing Criminal Prosecution? – The Limits of Criminal Justice Privatization, Page 269

²⁸⁰ Outsourcing Criminal Prosecution? – The Limits of Criminal Justice Privatization, Page 269

to conduct the investigation.²⁸¹ Therefore, outsourcing the forensic accounting engagements to external private firms would reduce or eliminate the challenges associated with hiring, training, and retaining internal staff.

- 4) **Fulfill responsibility** – Under the Outsourcing Model, the government can still fulfill its responsibility as the public regulator by **retaining** the primary control and decision-making regarding the forensic accounting engagements. The engagements still remain to be the government’s initiative, as the government provides the fund, sets the objectives and parameters of the engagements, oversees and monitors the private firms’ performance and progress of the engagements, as well as decides on the appropriate enforcement action based on the engagement findings. In that way, the government can still maintain its duty as the public regulator to ensure that the engagements are performed, but simply contracts with a private firm to perform it. Rather than completely withdrawing from the engagements, the government and private firms can share responsibilities and take on different roles on the engagements.²⁸²

Example: In the case of IU, OCG adopted the Outsourcing Model to contract out the actual performance of the investigation engagements to private firms, but tasked Forensic Accounting Services (“FAS”), the successor unit to IU, with the responsibility to review reports of suspected government fraud and assess the need for a forensic investigation to

²⁸¹ Ibid.,p. 308

²⁸² Outsourcing Criminal Prosecution? – The Limits of Criminal Justice Privatization, Page 269

be conducted by external private firms.²⁸³ In that way, OCG and FAS still retain the primary control and decision-making regarding the outsourced forensic accounting engagements, thereby fulfilling their responsibility and duty as the public regulator to “investigate allegations of potential wrongdoing when they arise.”²⁸⁴

5) Enhanced efficiency – Private firms typically have a larger staffing resource base to draw from, and therefore the government contracting out forensic accounting engagements to private firms can improve the efficiency and shorten the turnaround time for the engagements. Further, as government typically holds bidding competition when contracting out engagements, this would create **competition** among private firms, which is beneficial to the government and ultimately the taxpayers by improving economic efficiency.

Example: In the case of IU, both KPMG that was hired to conduct a strategic review of IU²⁸⁵ and the Ombudsperson identified that the lack of experienced investigators in IU resulted in delays to the PSD investigation and reporting process.²⁸⁶ Therefore, outsourcing the engagements to external private firms via bidding competition would enhance both

²⁸³ “*Fraud Risk Management: Office of the Comptroller General*, Office of the Auditor General of British Columbia,” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 7.

²⁸⁴ *Ibid.*, p. 324

²⁸⁵ *Ibid.*, p. 325

²⁸⁶ *Ibid.*, p. 308

efficiency in completing the engagements as well as economic efficiency from the creation of competition in the public sector.

- 6) **Increased capacity** – Outsourcing forensic accounting engagements to private firms who have a larger staffing resource base can also increase the overall capacity of the government to take on more forensic accounting engagements.

Example: In the case of IU, in light of its capacity issue, IU initially only took on a **monitoring role** for the PSD matters to provide functional advice, guidance and support to the Ministry of Health’s investigation team who was conducting the PSD engagement at that time.²⁸⁷ The IU Director noted that for IU to take on a **more active role** and commence their own investigation into the PSD matters would depend on resourcing, which indicated that IU was limited in their capacity to take on forensic investigation engagements.²⁸⁸ The Ombudsperson also noted that IU was balancing overlapping commitments across multiple complex investigations and on average, IU completed 11 forensic investigations annually.²⁸⁹ Therefore, outsourcing the engagements to be conducted by private firms can increase the capacity of FAS and OCG to take on more forensic investigations.

Cons of Outsourcing Model

²⁸⁷ Ibid.,p. 303

²⁸⁸ Ibid.,p. 305

²⁸⁹ “*Fraud Risk Management: Office of the Comptroller General*, Office of the Auditor General of British Columbia,” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 7.

1) **Conflict of interest** – The inherent nature of the private sector is profit-oriented and private firms’ primary objective of engagements is to make a profit. If private firms deem that they are unable to generate a profit on an engagement, which can be in the form of direct profits or indirect profits via future businesses that the engagement could bring, the private firms are unlikely to even accept the engagements in the first place.

Therefore, the objective of private firms to **make a profit** can come into potential significant conflict with the objective of public regulators to fulfill their **duty of accountability to the public** for forensic investigation engagements.

Example: Using the case of IU as an example, while OCG’s objective for the PSD investigation engagement was “to confirm or dispel the allegations made by the complainant...through a **comprehensive** examination of suspected procurement and contracting improprieties involving the [PSD],”²⁹⁰ this could come into potential conflict with the private firm’s objective to conduct just enough investigative procedures within the pre-determined budget to ensure that a profit can be made on the engagement. The investigative work conducted by the private firm might not be sufficient to constitute a comprehensive examination to fulfill OCG’s objective for the engagement.

2) **Lack of public accountability** – Governments are committed to accountability to the public and their actions and decisions regarding the use of public funds are subject to public scrutiny. However, when governments outsource their previously performed functions to private firms, there could be a **loss of or reduced public accountability** as private firms

²⁹⁰ Ibid.,p. 305

do not owe the same level of accountability to the public and their actions and decisions are not subject to public scrutiny. Therefore, when conducting the outsourced forensic accounting engagements, the private firms might make decisions or conduct themselves in a way that do not represent the best interest of the public, which **contravene** the public regulator's commitment of public accountability.

Example: Regarding the PSD matters, IU and OCG at large were accountable to the public to conduct an investigation into the alleged misuse of public funds in accordance with the *Taxpayer Accountability Principles*.²⁹¹ If IU had outsourced the PSD investigation to an external private firm, the private firm would not owe the same level of accountability to the taxpayers and their actions and decisions in relation to the engagement would not be constrained by public scrutiny.

3) Lack of public transparency – Similarly, governments are also committed to transparency to the public and must comply with reporting requirements to publicly disclose reports, budgets and estimates, public accounts, service plans, major capital project plans, and other information related to use of public funds. However, when governments outsource their previously performed functions to private firms, there could be a **loss of or reduced public transparency** as private firms are not subject to government's information disclosure requirements. Therefore, when conducting the outsourced forensic accounting engagements, the private firms are not required to publicly disclose their investigative work and report, or any

²⁹¹ <https://www2.gov.bc.ca/gov/content/governments/services-for-government/public-sector-management/plan-report/accountabilities>

actions taken or decision they made relating to the engagement, which contravene the public regulator's commitment of public transparency.

Example: IU and OCG at large were required to publicly disclose the PSD investigation that involved alleged misuse of public funds in accordance with the *Public Interest Disclosure Act*.²⁹² If IU had outsourced the PSD investigation to an external private firm, the private firm did not owe the same level of transparency to the public, and they were not required to disclose their investigation findings to the public.

- 4) **Subpar performance** – Related to the conflict of interest and accountability concerns abovementioned, outsourcing forensic investigation engagements might not necessarily guarantee high quality of work delivered by the contracted private firms that have profit-oriented objectives, financial pressure to meet their budgets, and are not subject to the constraints of public accountability. Further, as private firms typically have multiple engagements occurring simultaneously and a mix of private and public sector clients, private firms might prioritize their time and resources on private engagements that might be more profitable than public engagements, thereby causing delays in the delivery of work or undermining the quality of the work delivered.

Example: In the case of IU, the primary reason behind OCG's outsourcing of forensic investigation engagements to private investigative firms was to ensure that the investigations were **properly conducted** by professionals with the

²⁹² <https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/18022>

appropriate skills and expertise.²⁹³ However, the financial pressure of private firms to turn a profit on the engagements could incentivize them to deliver inadequate or subpar quality of investigative work in order meet the budget, thereby not fulfilling OCG’s objective to **properly conduct** the engagements.

5) **Ethical and confidentiality concerns** – When external private firms are contracted to work on public sector engagements, they could be exposed to **confidential information** possessed by the public sector or acquire knowledge of the **inner workings** of the public sector. This could give rise to a variety of **ethical and confidentiality concerns** such as the following:

- As private firms are profit-oriented, they might want to obtain future businesses from the entity under investigation, and therefore omit significant negative investigative findings in order to preserve the positive relationship with the entity under investigation in hope to obtain their future businesses.
- Private firms can also use the acquired confidential information and inner knowledge of the public sector for the benefits of the entity under investigation or other clients, such as advising them on how to circumvent the public sector standards and requirements.

²⁹³ “*Fraud Risk Management: Office of the Comptroller General*, Office of the Auditor General of British Columbia,” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 6.

Example: Using the case of IU as an example, for the PSD investigation, there were multiple entities under investigation including large organizations such as the University of British Columbia, University of Victoria, and B.C. Centre for Excellence in HIV/AIDS. If IU had outsourced the PSD engagement to an external private firm, the private firm might view some of these large organizations under investigation as potential future clients and therefore avoid any significant negative investigative findings for the PSD engagement in order to preserve the positive relationship with these large organizations in hope for their future businesses.

Further, as part of conducting the PSD engagement, the private firms would have exposure to **confidential information** such as Ministry of Health's internal contracting practices, and could use that acquired knowledge to advise the entities under investigation on how to circumvent the Ministry's contractual requirements.

- 6) **Government principles and values** – Public sector engagements are required be conducted in a manner to reflect the government's core principles and values including administrative fairness, natural justice,²⁹⁴ public service accountability, integrity, transparency, objectivity etc.²⁹⁵ Public sector employees were also hired through a merit-based competitive process to ensure that they possess the ability to conduct public sector engagements in accordance with the government's core principles and values.

²⁹⁴ Ibid.,p. 381

²⁹⁵ Ibid.,p. 381

Outsourcing public sector’s forensic investigation engagements to private firms essentially subject the investigations to be conducted in accordance with the private firms’ own investigative approach and standards, hiring practices, privacy policies etc., thereby bypassing the requirements for public sector engagements to be conducted in accordance with government’s core principles and values.

Example: In the case of IU, the Ombudsperson repeatedly emphasized the importance of applying the acceptable government’s investigative standards including principles of administrative fairness to all aspects of public sector investigations and that the language of fairness must be integrated meaningfully with the investigators’ understanding of how they assess and determine the reliability of evidence.²⁹⁶ The Ombudsperson explained that incorporating such principles into the investigative process helps to ensure investigators avoid unjust outcomes that arise from a misapprehension of the facts or evidence, and a fair process guards against the risk of investigators developing tunnel vision.²⁹⁷ If forensic accounting engagements were to be outsourced, the private firms were not obligated and might not have the knowledge to apply these government’s investigative standards and principles that the Ombudsperson deemed to be crucial to apply to the conduct of public sector engagements.

²⁹⁶ “Investigation and Forensic Unit (IU) Professional Development Framework and Plan for Fiscal 2018/19,” The Office of the Comptroller General, April 26, 2018, accessed online on May 1, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewi_87rG0bf_AhUIFTQIH3Ad4QFnoECBAQAQ&url=https%3A%2F%2Fwww2.gov.bc.ca%2Fassets%2Fgov%2Fbritish-columbians-our-governments%2Forganizational-structure%2Fpublic-service%2Fiu_professional_development_framework_and_plan_updated_april_26_2018.pdf&usg=AOvVaw1A5A1LROT04u4MOQE017-e, p. 3.

²⁹⁷ Ibid., p. 25

7) **Lack of specialized knowledge** – Government’s forensic accounting engagements are often large and complex, and involve intricate web of relationships and multiple internal government policies. Therefore, it could take a significant amount of time for external private firms to acquire the necessary **specialized knowledge** in order to conduct the engagements effectively.

Example: In the case of IU, the PSD investigation matters involved multiple government entities including the Ministry of Health, Ministry of Finance, Ministry of Justice, Government Communications and Public Engagement Office, B.C. Public Service Agency, Office of the Premier, Office of the Deputy Minister to the Premier, and Executive Council.²⁹⁸ The PSD matters also involved multiple internal government policies, practices, and contracts including the *Standards of Conduct for Public Service Employees*, the *Public Service Agency’s Executive Accountability Framework*, the *Core Policy and Procedures Manual*, privacy and security policies, B.C. Coroners Service policy, contracting and data management practices of the Ministry of Health, multiple Ministry of Health’s contracts etc.

Without a pre-existing public sector background, it would likely take a significant amount of time for external private firms to acquire knowledge about all of these government policies, contracts, and internal structure in order to conduct the PSD investigation effectively. Alternatively, if the private firms conducted the investigation without first obtaining a good

²⁹⁸ Ibid.,p. 393

understanding of these necessary information, it would impact the accuracy, completeness, and therefore the reliability of their findings and conclusions.

- 8) **Increased fraud risks** – The outsourcing of forensic accounting engagements to private firms creates the opportunities and exposes the government to all types of contract and procurement fraud including collusion between government contracting and procurement personnel with bidding private firms, collusion between the bidding private firms, bid manipulation, defective pricing schemes, as well as various performance schemes including change order abuse, cost mischarging, non-conforming services provided etc.

Further, outsourcing also gives rise to various forms of corruption risk including government contracting and procurement personnel receiving bribes or kickbacks from bidding private firms in exchange for contracts or other preferential treatments, private firms who won the contract receiving bribes or kickbacks from the entities under investigation etc.

Example: In the case of IU, outsourcing the forensic accounting engagements exposed the government to various types of contract and procurement fraud, as well as corruption risks. Although outsourcing would free up OCG's resources by eliminating their need to conduct the engagements themselves, it in turn created a new and potentially significant demand of their time and resources in the form of active oversight and monitoring of the contracting process and performance of the outsourced contracts to mitigate the associated fraud risks.

9) **Less effective enforcement** – Although **in theory**, all of the abovementioned risk factors could be mitigated through the **inclusion of specific requirements** in the outsourcing contracts to require private firms' compliance with government standards and policies, as well as performing **active monitoring and oversight** on the part of the public regulators to ensure that the engagements were performed to the required standards and quality expectations of the government. **In practice**, it would be less effective to enforce the contractual requirements on external private firms and hold them accountable for breach of contracts, than to enforce sanctions and remedial measures directly on internal government employees conducting these engagements.

In the event of non-compliance, holding the external private firms accountable could mean the involvement of legal counsel and civil litigation process, which could take significant amount of government's time and resources to enforce. Conversely, it would be a much simpler and less resource-demanding process to directly hold the internal government employees who were in breach of the required standards and polices accountable.

Example: In the case of IU, in response to the IU investigators' non-compliance with various government standards such as the *Standards of Conduct for Public Service Employees* and the principle of administrative fairness in conducting the PSD investigation, the Ombudsperson was able to directly implement remedial measures such as requiring IU to revise their internal policies and procedures manual to adequately integrate the principles of administrative fairness into their

investigative approach by a certain deadline.²⁹⁹ However, if the PSD investigation had been outsourced, holding external private firms accountable for the breach of the same government standards might require the involvement of contract lawyers and civil litigation process.

10) Loss of public confidence – The public typically has **greater confidence** in the public regulators rather than private firms to fulfill the duty of accountability to the public, including conducting financial crime investigations in a manner that is in the best interest of the public. Further, even if private firms fully complied with all the public sector requirements in conducting the forensic investigation engagements, the public might still **perceive** that the private firms did not conduct the engagements in the best interest of the public in light of their profit-oriented objective.

Example: The fact that there is a lack of a dedicated forensic accounting unit in the B.C. Government and the government's forensic investigation function is now fully outsourced to external private firms might create **negative public perception**. This might in turn lead to **reduced public confidence** in the investigation findings reported by the government, as the perception remains that the investigative work is conducted by private firms whose priority is not public interest and have a different set of objectives and interests than public regulators.

11) Loss of government's expertise – Outsourcing forensic accounting engagements to private firms on a long-term basis means that government might permanently lose their in-house expertise and knowledge of performing forensic

²⁹⁹ Ibid.,p. 375

investigations. Even if the government wants to bring the forensic investigations back in-house in the future, they might not be able to do so due to the lack of specialized in-house knowledge to conduct such engagements, and therefore have no choice but to continue to outsource the engagements to external parties.

Example: In the case of IU, the OCG disbanded IU and began outsourcing all of the forensic investigation engagements to external private firms. On a long-term basis, this would likely lead to a permanent loss of **in-house** specialized knowledge and the ability to conduct forensic investigations within the government.

Conclusion

Based on the evaluation conducted above, while there are **some benefits** to outsourcing the public regulators' forensic investigation engagements to private firms, there are **significant risks** in adopting the Outsourcing Model with the **primary risk** being the **inherent conflict** between private firms' objective of profitability and public regulators' duty of accountability to the public.

4.2.2 Evaluation of Integrated Unit Model

The federal government disbanded the B.C. Integrated Proceeds of Crime Unit and Commercial Crime Section in 2012, as well as Ontario Financial Crimes Unit in 2020 that were dedicated to **financial crime** investigations, and integrated them into other

non-financial crime units. The result is integrated units with a much boarder scope that covers a wide variety of financial and non-financial crimes.

Using these 3 cases as examples, we will evaluate the pros and cons of merging both financial crime and non-financial crime units under the Integrated Unit Model.

Pros of Integrated Unit Model

1) Increased resource availability and capacity – The merge of the financial crime and non-financial crime units would create a larger combined pool of staffing resources, thereby increasing the **availability** of staff to work on investigation files and achieving more effective and efficient use of existing resources. As a result, the integrated unit would have greater **capacity** to take on more investigation files.

Example: For the case of Ontario Financial Crimes Unit (“FCU”), this was the primary reason behand the disbandment of FCU and integration into other non-financial crime units, which is for the purpose to attain the **most effective use** of existing resources and to increase their overall ability for **effective operations**.³⁰⁰

2) Multiple expertise and enhanced scalability – Upon integration, staff who were previously **specialists** in individual units are cross-trained to become **generalists** in the integrated unit and develop a more diverse range of skills and knowledge

300 The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

that are **transferable** across different types of financial crime and non-financial crime investigations. Staff with multiple skills and expertise in different areas can in turn enhance **scalability** of the integrated unit to respond more efficiently and effectively to increasing investigation demands in any particular crime areas and increase capacity to meet the increased demand accordingly.

Example: For the case of Ontario FCU, the focus of the integrated unit will be on the **overall criminality** of the file that might or might not have a financial crime component. Staff from the FCU that were previously specialists in financial crimes were cross-trained to become generalists and to also take on non-financial crime engagements.³⁰¹

3) **Aligned with federal priority** – Federal priority in the recent years has been on the three areas of national security, transnational security, and cybercrime, which are areas that are non-financial crime in nature. As such, adding and diverting resources to the high priority areas such as by cross-training financial crime specialists to also take on non-financial crime investigations would be in alignment with the federal priority.

Example: This was exemplified in the case of Ontario FCU, where the federal government integrated FCU into non-financial crime units and embedded it in **overarching criminality** in order to allow RCMP to better focus on highest threats to be aligned with federal mandate.³⁰²

³⁰¹ The RCMP is shutting down its financial crimes unit in Ontario. Here's why former top Mounties says it's a mistake

³⁰² The RCMP is shutting down its financial crimes unit in Ontario. Here's why former top Mounties says it's a mistake

4) **Efficiency in vacancy management** – Given that staff in the integrated unit have the skills and competencies to take on a diverse range of investigation engagements, if there are staff turnover or staff going on leave, it would be easier for existing staff to **backfill** for the vacant positions. Further, vacant positions can be filled more quickly as it would be easier to replace generalist staff than specialist staff with specialized skills or knowledge that might not be easily replaceable.

Example: In regard to the creation of FIIU as the new dedicated unit specialized in money laundering and proceeds of crime investigations, Commissioner Cullen commented that dedicated units require “police officers and civilian **specialists** who have the knowledge, skills, and motivation to investigate money laundering and proceeds of crime cases. Too often, **high levels of turnover** within **specialized** policing unit – especially those investigating financial crime – have **undermined their effectiveness.**”³⁰³ His comment illustrated the significant impact of high turnover of specialist staff on the effectiveness of the dedicated units and the difficulty with filling the specialist positions.

5) **More collaboration** – Dedicated units are typically isolated from other parts of the government and can create silos between units. Staff in dedicated units can develop silos mentality where they are reluctant to collaborate and share information with other units in the government. Integrating individual dedicated units into one integrated unit can increase collaboration and develop partnerships that would be beneficial for knowledge and information sharing.

³⁰³ Commissioner Cullen, Page 7

Example: The FSOC integrated unit is comprised of financial crime and non-financial crime units. Within the financial crime unit, namely the Financial Integrity Unit, it is further divided into 4 teams: Money Laundering Team 1 and Team 2, Integrated Market Enforcement Team, and Sensitive Investigation Team.³⁰⁴ Operating under the larger umbrella of FSOC, these financial crime teams collaborate with each other and with those in the non-financial crime unit of FSOC to facilitate efficient and effective knowledge and information sharing in order to support the board mandate of FSOC.

Cons of Integrated Unit Model

1) Dilution of specialized knowledge – The primary drawback of integrated unit is that the nature of financial crime investigations is very complex and requires a high level of specialized expertise that typically takes years to develop and cannot be easily acquired through cross-training.

Law enforcement RCMP officers that are not specialists in financial crimes can be assigned to take on financial crime investigations that they might not have adequate expertise and experience in. Conversely, staff that are financial crime

³⁰⁴ “E” Division Criminal Operations Federal, Investigative Service & Organized Crime (FISOC) Financial Crime Resources in “E” Division

specialists can be assigned to take on non-financial crime investigations such as drugs or gangs cases. Therefore, the integration of financial and non-financial crime units would cause a **dilution of specialized knowledge**, which would in turn undermine the **quality** of both financial and non-financial crime investigations.

Example: In regard to the disbandment of Ontario FCU, financial crime experts have expressed concerns that breaking up a standalone unit devoted to investigating complex and difficult cases would not work as taking on financial crime investigations requires a very high degree of expertise.³⁰⁵

The same concerns were echoed in regard to the disbandment of B.C. Commercial Crime Section that was dedicated to mid-level commercial crime. Prosecutors expressed concerns over “the current level of police investigative expertise and capacity in relation to financial crime. They noted in particular the 2012 disbandment of the B.C. Commercial Crime Section (“CCS”), and the **loss of expertise** as the Federal Serious and Organized Crime Section (“FSOC”) absorbed its previously **specialist** members into more **generalist** roles, such as conducting surveillance... These changes have, in turn, put pressure on the **quality** of financial crime investigations.”³⁰⁶

³⁰⁵ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

³⁰⁶ “The Cullen Commission of Inquiry into Money Laundering in British Columbia

Overview Report on the Prosecution of

Money Laundering and Proceeds of Crime Offences,” The Cullen Commission of Inquiry into Money Laundering in British Columbia, June 3, 2022, accessed online on April 24, 2013 at <https://www.cullencommission.ca/>, p. 4.

2) **Reduced capacity for financial crimes** – The integration of financial and non-financial crime units means that all the investigations in the integrated unit are prioritized according to a “tier system,” with each potential investigation file receiving a score based on factors, none of which involved financial crime or money laundering. As a result, financial investigations never hit the score that would be high enough to be considered a priority of the integrated unit.³⁰⁷ Therefore, due to the “tier system,” the Integrated Unit Model leads to a **significant decrease** in enforcement of financial crimes and **increased resources focused** on non-financial crime files that are ranked higher in priority.

Example: The “tier system” of assigning priority to investigation files is utilized at the FSOC. After the integration of B.C. CCS and Integrated Proceeds of Crime Unit (“IPOC”) into FSOC, commercial crime, money laundering, and proceeds of crime investigation files that used to be the focus of CCS and IPOC are now assigned a much lower priority than non-financial crime investigation files at the FSOC.³⁰⁸ Staff that were previously financial crime specialists in CCS and IPOC are assigned to work on higher priority files that do not involve financial crime or money laundering, thereby resulting in increased resources focused on non-financial crimes and decreased enforcement for financial crimes.

³⁰⁷ “Dirty Money – Part 2. Turning the Tide - An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing,” Peter German & Associates Inc., March 31, 2019, accessed online on May 15, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewjFguOF3bf_AhX5AzQIHRIFB6sQFnoECA0QAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FDirty_Money_Report_Part_2.pdf&usg=AOvVaw1FbCH18OhjE8WsKZQrl11e. p. 297.

³⁰⁸ *Ibid.*, p. 297.

3) **Misaligned with financial crime trend** – In relation to the point abovementioned, while the integration and resulting shift in resources focus from financial crimes to non-financial crimes is in alignment with federal priority in non-financial crimes, it is however not in alignment and does not properly respond to the trend of rising financial crimes.

Example: In regard to the disbandment and integration of B.C. CCS into FSOC, Peter German commented that “RCMP **shouldn’t be moving away** from financial crime enforcement when fraud and money laundering are **on the rise**.

Eliminating economic crime as a national priority for the RCMP is a mistake. It was recognized years ago that protection of our economy is a critical issue for the national police.”³⁰⁹

4) **High staff turnover** – As it would be easier for **generalists** with a diverse range of expertise to look for employment opportunities in another unit within or outside of government due to their skill **versatility**, there could be **higher staff turnover** in the integrated unit. High staff turnover would in turn lead to **loss of continuity of knowledge and productivity** as new members constantly need to be onboarded and given time to get up to speed, which could be disruptive to the unit and undermine its effectiveness, and also resulting in high recruitment and training costs.

Example: In 2019, FSOC identified that although there were 27 positions in the integrated unit that were assigned to money laundering and proceeds of crime investigations, there were only 10 positions filled between 2015 and 2018.³¹⁰ Per

³⁰⁹ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

³¹⁰ RCMP Narrative Document - Business Cases and Proposals for Provincially Funded ML Unit

Chief Superintendent John Brewer, vacancy management is a top priority for the RCMP, recruitment was ongoing, including hiring generalists from other police services.³¹¹

- 5) Inability to fulfill RCMP obligations** – Given that major frauds are a responsibility of the federal RCMP and there has been a shift in resources in the integrated unit from financial crimes to non-financial crimes, which resulted in inadequate resources allocated to financial crimes, there are concerns that RCMP would be unable to fulfill its responsibility for major frauds.³¹²

Example: Former solicitor general and minister of public safety, Kash Heed, expressed concern that FSOC as an integrated unit does not allocate sufficient resources to fraud investigations, which put FSOC and RCMP at risk of not being able to fulfill their mandate and responsibility for major frauds.³¹³

- 6) Inability to fulfill Canada’s international obligations** – Since 1990, Canada has been a member of the Financial Action Task Force (“FATF”), an international organization that was established by the Group of Seven (“G7”) and consists of member countries that commit to being proactive in financial investigations when pursuing money laundering and terrorist

³¹¹ Fraud in B.C.: Who investigates when millions go missing?

³¹² Fraud in B.C.: Who investigates when millions go missing?

³¹³ Fraud in B.C.: Who investigates when millions go missing?

financing.³¹⁴ There are concerns that with the multiple disbandment of dedicated financial crime units, Canada might no longer be able to fulfill its international obligations as a member country of FATF.³¹⁵

Example: Former head of the B.C. IPOC expressed concern that with the disbandment of IPOC's teams of money laundering specialists, Canada would be unable to meet its international obligations. Until the disbandment of IPOC in 2013, Canada had been an international leader in anti-money laundering and was involved in auditing other countries' statutes.³¹⁶

7) **Lax oversight and criminal migration** – The disbandment of dedicated financial crime unit signals weakened oversight efforts over financial crimes both **in fact and in appearance**. As with any crimes that rely on the presence of opportunities, criminals tend to move from one opportunity to another, and target provinces and sectors of the economy where there is reduced law enforcement.³¹⁷

Example: Ontario FCU was disbanded around the time when Prime Minister Justin Trudeau announced a dedicated money laundering task force in the federal budget and that **B.C.** was planning a public inquiry into money laundering. With the strengthened oversight in B.C. and weakened oversight in Ontario over money laundering, there was concern that this would prompt the criminals to turn their attention to **Ontario** where the reduced law enforcement provided the ideal

³¹⁴ Former RCMP proceeds of crime head warned bosses of weakened dirty money investigations

³¹⁵ Former RCMP proceeds of crime head warned bosses of weakened dirty money investigations

³¹⁶ Former RCMP proceeds of crime head warned bosses of weakened dirty money investigations

³¹⁷ Commissioner Cullen, Page 1624

conditions for financial crime.³¹⁸ Peter German describes it as playing a game of whack-a-mole: when one loophole closes, organized criminals move to another.³¹⁹

- 8) **Varying historical success** – Peter German commented in his Dirty Money report that the Integrated Unit Model of merging both financial crimes and non-financial crime units had previously been adopted in other countries with **varying degrees of success**, which indicates that the Integrated Unit Model had historically not always been successful.³²⁰

Example: A former Director of IPOC commented that RCMP tried the Integrated Unit Model of disbanding and integrating B.C. CCS into a larger integrated unit, and it was **not successful** as there has since been an explosion of money laundering in casinos, real estate, and luxury cars in B.C. As such, he was surprised that RCMP adopted the same Integrated Unit Model again of disbanding Ontario FCU and putting them together with other non-financial crime units, and commented that “it just won’t work.”³²¹

Conclusion

³¹⁸ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

³¹⁹ “Peter German is on a mission,” Adrienne Tanner, April 24, 2020, accessed online on May 8, 2023 at <https://www.cpacanada.ca/en/news/pivot-magazine/2020-04-24-peter-german-dirty-money>.

³²⁰ “Dirty Money – Part 2. Turning the Tide - An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing,” Peter German & Associates Inc., March 31, 2019, accessed online on May 15, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewjFguOF3bf_AhX5AzQIHRIFB6sQFnoECA0QAQ&url=https%3A%2F%2Fcullencommission.ca%2Ffiles%2FDirty_Money_Report_Part_2.pdf&usg=AOvVaw1FbCH18OhjE8WsKZOrl11e, p. 301.

³²¹ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake.

Based on the evaluation conducted above, while there are some benefits to the Integrated Unit Model merging both the financial crimes and non-financial crimes units, there are significant risks in adopting the Integrated Unit Model with the primary risk being the **dilution of specialized knowledge** in the integrated unit that is required for complex financial crime investigations.

4.2.3 Evaluation of Dedicated Unit Model

The Dedicated Unit Model brings together and centralizes a cadre of **financial crime specialists** including forensic accountants, prosecutors, investigators etc. with expertise in the subject matter governed by the dedicated unit. This is different from the Integrated Unit Model where **financial crime units** are integrated with **non-financial crime units** such as national security, transnational security, cybercrimes, drugs, gangs etc.

The B.C. Investigation and Forensic Unit, Integrated Illegal Gaming Enforcement Team, Commercial Crime Section, Integrated Proceeds of Crime Unit, as well as Ontario Financial Crimes Unit were dedicated units until they were disbanded. Subsequently, new dedicated units such as B.C. Joint Illegal Gaming Investigation Team and Financial Intelligence and Investigations Unit under proposal were established as the successors to some of these disbanded units.

Pros of Dedicated Unit Model

- 1) **Centralization of specialized knowledge** – The primary benefit of dedicated units is the **centralization** of specialized knowledge that is required to effectively conduct financial crime investigations that are often complex in nature.

Dedicated units typically consist of specialists from **various disciplines** such as forensic accountants, investigators, police officers, computer experts who have the knowledge, skills, and experience specific to the risk area governed by the dedicated unit. The centralization allows specialists with a **common objective** to work together as an investigation team throughout the full cycle of the investigation, which allows for more efficient and effective information and knowledge sharing among specialists from different disciplines.

Example: Commissioner Cullen noted in his report that one of the contributing factors to the success of B.C. IPOC was the high level of expertise possessed by their staff in proceeds of crime investigations. A retired RCMP member who was part of IPOC commented that the dedicated unit was “very beneficial to the actual act of investigating money laundering and proceeds of crime. It was a self-contained unit, there was a lot of expertise in that unit... We had Department of Justice working with [the investigators] in house, in IPOC. We had CRA working with us. We had CBSA working with us. And so you had your little group of people all working on particular projects who all had a role in what their job was...it was very fruitful because...you had all that in house expertise helping you out so that at the end of the day you were able to get to the point of prosecution.”³²²

- 2) **Collaborative approach to investigations** – Specialists in dedicated units take a **collaborative approach** to conducting financial crime investigations right from the outset and throughout the lifecycle of the engagements. This joint

³²² Commission Cullen Report, Page 1481 to 1482

investigation approach can achieve **cost savings** and **synergies** by breaking down barriers of coordination across disciplines and **avoiding duplication and redundancy** that could arise if specialists in different disciplines conduct parallel investigations into the same matter separately.

Further, specialists can also focus on different aspects of an investigation engagement simultaneously, which facilitates **efficiency** in completing the engagement. In light of the centralization of expertise and all the specialists are devoted to the risk domain governed by the dedicated unit, a **centralized database, process, and system** can be developed within the unit to achieve **consistency** in investigation approach, more rapid execution of investigations, and ultimately **cost savings**.

Example: The newly established dedicated unit, B.C. JIGIT, consists of 22 RCMP officers and 5 Gaming Policy and Enforcement Branch investigators that are subject matter experts in illegal gaming.³²³ A recommendation was also put forth to incorporate prosecutors and add legal expertise to the unit in order to have a centralized base of expertise dedicated to illegal gaming investigations.³²⁴ The RCMP credits the success of JIGIT to its Dedicated Unit Model of having a cadre of subject matter specialists who have expert knowledge in money laundering and casinos, which makes charge approval and trial preparation less challenging.³²⁵

³²³ Joint Illegal Gaming Investigation Team Review

³²⁴ Dirty Money Report, Page 131

³²⁵ Dirty Money Report, Page 133

3) **Aligned with financial crime trend** – There has been a rising trend in financial crimes in multiple risk domains including money laundering, illegal gaming, and commercial frauds across all provinces in Canada. As such, dedicated units that are devoted to these financial crime risk domains would strengthen enforcement efforts, which is an appropriate response to and in line with the rising financial crime trend.

Example: The establishment of B.C. JIGIT and FIU as successor dedicated units was in direct response to the rising trends of suspicious cash being accepted in B.C. casinos, illicit funds being laundered throughout the B.C. economy, as well as sophisticated fraudulent activity against both businesses and individuals.³²⁶

4) **Lower staff turnover** – Since staff in dedicated unit have specialized skills and competencies that are specifically suitable to the risk domain governed by the unit, it might be **more challenging** for them to leave the dedicated unit and find alternative employment opportunities, which might result in **lower staff turnover** in the dedicated unit. Further, as staff in the dedicated unit are specialists with expertise that take years to develop, they likely receive **higher compensation** and are **valued** in the unit, which can lead to **higher staff morale** and **retention rates**.

Example: Although not a financial crime unit in the government, the Law Society of British Columbia also adopts the Dedicated Unit Model comprising of a team of **specialists** with subject matter expertise in money laundering. The

³²⁶ Ontario establishes a Serious Fraud Office

retention rates at the Law Society are **very high**, such that there is a high degree of institutional knowledge and an environment where information is shared effectively.³²⁷

- 5) **Strong oversight and criminal migration** – Establishing a dedicated unit committed to enforcement response to a certain risk domain conveys strong oversight efforts in fact and in appearance on the part of the government. Therefore, this would serve to deter criminals from perpetrating financial crimes in those provinces with strengthened oversight, who might in turn target the other provinces with relatively lax oversight efforts.

Example: Upon Prime Minister Justin Trudeau’s announcement of FIIU as a dedicated **B.C.** money laundering task force in the federal budget, the tightened oversight efforts in B.C. might deter criminals from committing money laundering in **B.C.**, but in turn prompt them to turn their attention to **Ontario** where the disbandment of Ontario FCU conveys reduced oversight and therefore provides a better condition for financial crimes.³²⁸ Peter German describes it as playing a game of whack-a-mole: when one loophole closes, organized criminals move to another.³²⁹

- 6) **Historical success** – The Dedicated Unit Model was initially pioneered by RCMP in Canada and has since been adopted in multiple countries including U.K. and U.S.³³⁰ Former Director of IPOC commented that dedicated teams devoted to

³²⁷ Commissioner Cullen, Page 1197

³²⁸ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

³²⁹ “Peter German is on a mission,” Adrienne Tanner, April 24, 2020, accessed online on May 8, 2023 at <https://www.cpacanada.ca/en/news/pivot-magazine/2020-04-24-peter-german-dirty-money>.

³³⁰ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

financial crimes comprising of prosecutors, tax auditors, and customs officials was a “highly successful...tried and proven model,” which illustrates the **track record of success** in the implementation of the Dedicated Unit Model.³³¹

Example: In the proposal for establishing FIIU as the successor to IPOC, it identifies that the nature of the work to be undertaken by FIIU calls for “expertise, specialists, and continuity under a provincial strategic vision that identifies and responds to BC priorities.”³³² This view was shared and supported by Commissioner Cullen, who advocated for FIIU to adopt the Dedicated Unit Model and be provided with “the flexibility it needs to **hire and retain** officers and staff with the **requisite knowledge and expertise** to conduct effective money laundering investigations.”³³³ He also specifically pointed out the success achieved by JIGIT that was set up under the Dedicated Unit Model and advocated for FIIU to adopt the same model as JIGIT in order to improve its success rate.³³⁴

Cons of Dedicated Unit Model

- 1) **Intensive resource requirements** – The primary drawback of setting up dedicated units to financial crimes is the **resource intensive** nature of establishing and staffing the unit.

³³¹ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

³³² AML FIIU Draft Proposal, Page 15

³³³ Cullen Commission Report, Page 1524

³³⁴ Cullen Commission, Page 1526

As specialists would have years of experience and/or academic credentials to acquire that specialized expertise, higher compensation would likely need to be offered to recruit and retain them. Further, regular professional development and training might also need to be provided to the specialists in order to keep their specialized knowledge and expertise updated and continue to develop their expertise.

As resource constraint is a significant ongoing issue in the public sector, dedicated units that are resource demanding to set up and operate might exacerbate that constraint.

Example:

The proposal for establishing FIIU as a dedicated unit noted that specialists with the right academic and/or experienced credentials are required for the money laundering work, but highlighted the resource intensiveness that would be required for such staffing.³³⁵ This view was also shared by Commissioner Cullen who recommended in his report for FIIU to be provided with “the flexibility it needs to **hire and retain** officers and staff with the **requisite knowledge and expertise** to conduct effective money laundering investigations”³³⁶, but highlighted that this will require a **significant investment** by the Province.³³⁷

³³⁵ Cullen Commission Report, Page 1555

³³⁶ Cullen Commission Report, Page 1524

³³⁷ Cullen Commission Report, Page 1555

2) **Potential silos** – Financial crime units that are divided based on risk areas such as money laundering, commercial crime etc. are typically separated and isolated from each other and from the other non-financial crime units. This could **create silos and barriers** to effective financial crime response by impeding the efficiency and effectiveness of information and knowledge sharing, as well as performing investigations that involve multiple risk areas and require cross-unit collaboration. Further, the siloed approach could also lead to overlap and redundancy in the units’ processes and systems, which could create inefficiency and additional costs to the government.

Example: The B.C. CCS and IPOC were previously dedicated units that were disbanded and integrated into the FSOC’s Financial Integrity Unit. The integration of CCS and IPOC unite and facilitate collaboration between the two teams to achieve the Financial Integrity Unit’s common goal to “go after the highest levels of organized crime [in order] to ensure that federal resources are deployed in the most effective way.”³³⁸

3) **Inefficiency in vacancy management** – Since dedicated unit consists of specialists from **multiple disciplines** such as forensic accounting, law, and financial crime investigations that have specialized knowledge for the risk domain governed by the unit, it would be more challenging for existing staff to **backfill** for the vacant positions. For example, it would be difficult for an investigator to backfill for a legal prosecutor position. Further, it would also take longer to fill vacant

³³⁸ Commission Cullen Report, Page 1479

positions as there is a limited pool of specialized resources in the market, which makes it more challenging to replace specialists than generalists.

Example: The difficulty in filling for specialist positions was demonstrated in the case of B.C. JIGIT, where there were high vacancy rates within the unit, especially at the **senior levels**. From 2017 to 2018, there was no staff sergeant assigned to the team, and a number of **other senior** positions were filled only in an acting capacity for 4 years. The impact of such high vacancy rates was difficult for the unit, as the lack of continuity means that the existing staff are always onboarding new members and time and training need to be provided for the new staff to get up to speed and be developed.³³⁹

- 4) **Misaligned federal priority** – Federal priority in the recent years has been on the three areas of national security, transnational security, and cybercrime, which are areas that are **non-financial crime** in nature. As such, establishing dedicated units and diverting resources to focus on **financial crimes** would not be in alignment with federal priority.

Example: The establishment of B.C. JIGIT and proposed establishment of B.C. FIU that are dedicated units specialized in **financial crime** investigations are in alignment with the rising financial crime trends, but not in alignment with **federal priority** to divert resources away from financial crimes to focus on non-financial crimes.

Conclusion

³³⁹ Commission Cullen Report, Page 1528

Based on the evaluation conducted above, there are both benefits and risks to the Dedicated Unit Model comprising of a centralized pool of expertise devoted to the risk domain governed by the unit. The primary drawback being that **significant resources** are required to establish and operate the dedicated unit, and resource constraint is a primary issue in the public sector.

4.3 Findings and Arguments – Section 4

A2	<p>Based on the pros and cons evaluation of various unit models conducted in this Section, this research paper argues that in light of the significant drawbacks of the Outsourcing Model and Integrated Unit Model such as inherent conflict of interest between private firms and public regulators, as well as dilution of specialized knowledge that is required to conduct financial crime investigations, these alternative models are not suitable substitution to Dedicated Unit Model nor long-term viable solution to addressing financial crimes.</p> <p>This is also evident from the fact that, as outlined in previous Section 3, after the disbandment of dedicated units and implementation of alternative arrangements, there is a consistent trend of increase in financial crimes in the specific risk areas previously governed by the disbanded dedicated units. This indicates that the alternative arrangements are not effective enforcement response to financial crimes.</p>
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	<p>This is further apparent from the 2 cases of IIGET and IPOC, where after the government tried out the alternative arrangements after their disbandment, the enforcement response was proven to be not effective, and therefore the government has re-adopted the Dedicated Unit Model and established JIGIT and FIU as successor dedicated units to IIGET and IPOC respectively.</p>
<p>A3</p>	<p>As we have established that the alternative models of outsourcing and integrated units were not effective long-term enforcement response to financial crimes, this research paper further argues that government’s solution of changing the model of conducting financial crime investigations only addresses the symptoms, but not the root cause, of the systemic issue of disbandment of financial crime units in the midst of and in spite of increasing financial crimes.</p>

Section 5 – Systemic Issue of Disbandment

5.1 Section Objective and Approach

5.1.1 Objective of Section

In previous **Section 3**, we established that there are **common causal factors** and **impacts** of the multiple disbandments of dedicated financial crime units in B.C. and Ontario. Further, the circumstances surrounding these disbandments also exhibited

a pattern of similar characteristics. The **objective** of this Section is to determine whether such disbandment is a **systemic issue**, which is defined as a **recurring or persistent** issue that may affect more than one individual.³⁴⁰

5.1.2 Approach of Section

The article *Systemic problems in your company – 13 powerful ways to spot them* provides a framework of indicators to identify systemic issues, which “often have a feeling of a roundabout. Round and round we go – solving the same problems again, bringing in new people who get the same results as the last people.”³⁴¹

This Section will adopt the **approach** of the Systemic Issues Framework outlined in the article to identify whether the disbandment cases exhibit the typical indicators of systemic issues, and then draw a conclusion on whether the disbandment of dedicated financial crime units is a systemic issue.

5.2 Analysis

5.2.1 The Problem Has a Pattern

Explanation

The Systemic Issues Framework states that a pattern that is **obvious, frequent, and easy to predict** typically highlights a systemic issue. When a systemic issue has a pattern, happens frequently, and has significant consequences, we must address the

³⁴⁰ Australia_Northern Territory Annual Report, Page 45

³⁴¹ “Systemic problems in your company – 13 powerful ways to spot them,” cultivatedmanagement.com, October 22, 2020, accessed online on May 25, 2023 at <https://cultivatedmanagement.com/systemic-problems/>.

root cause of the systemic issue. Further, fixing the systemic issues that have high stake allows us to spend resources on other areas.³⁴²

Application

As outlined in **Section 3**, the multiple disbandment of dedicated financial crime units in B.C. and Ontario exhibited **common causal factors** and **impacts** of disbandment, and the circumstances surrounding their disbandment were highly similar.

Therefore, the multiple disbandment demonstrated a **pattern** and highlighted the existence of a **systemic issue**.

As there were multiple disbandment that took place in the midst of rising financial crimes in the recent years, it appears that the systemic issue does happen **frequently** and follows a **predictable** patten. Given that the disbandment of the dedicated financial crime units took place in the midst of this opposite economic trend, the systemic issue also has **high impact**. As such, the root cause behind the systemic issue must be addressed and fixing such issue would allow the government to spend their resources on other areas of need.

5.2.2 Stress and Pressure

Explanation

³⁴² “Systemic problems in your company – 13 powerful ways to spot them,” cultivatedmanagement.com, October 22, 2020, accessed online on May 25, 2023 at <https://cultivatedmanagement.com/systemic-problems/>.

According to the Systemic Issues Framework, systemic issues can be caused by stresses and strains, and people will do almost anything to reduce the stress and pressure. The stresses and strains can **morph behaviors**, and **leadership** is particularly susceptible to this. When a system is morphing rapidly and exhibiting patterns, the organization is likely **steered by stress and pressure**, instead of well thought-out long-term strategies and plans.³⁴³

Application

Both federal and provincial governments are facing frequent **budget pressures** and **resource constraints** are a commonly known ongoing issue in the public sector. The budget pressures and resource constraints are casual factors behind government leadership’s decision to disband dedicated fraud units rather than a long-term strategy to address the continued rising financial crimes.

5.2.3 Wrong Goals and Weak Goals

Explanation

According to the Systemic Issues Framework, an indicator of systemic issues not being addressed is when leaders and managers are setting the **wrong goals** and/or **weak goals**. Examples of **wrong goals** are those that skirt around the very problems that everyone knows exist, as well as goals that push for far reaching targets when the staff are barely able to deliver

³⁴³ “Systemic problems in your company – 13 powerful ways to spot them,” cultivatedmanagement.com, October 22, 2020, accessed online on May 25, 2023 at <https://cultivatedmanagement.com/systemic-problems/>.

the current targets. Examples of **weak goals** include ambitious goals that are not grounded in reality or goals that are so pointless that they are not worthwhile.

Wrong goals and weak goals are indicators that leaders do not have a good understanding of how the system works or does not work, and what the current problems really are. When leaders understand the system that they govern and what is stopping its growth and delivery, they can set a strategy in place to unleash agility and let everyone bring their best strengths in to play. A good strategy **addresses the current reality**, and a bad strategy always has the wrong goals or weak goals.³⁴⁴

Application

It appears that the government typically made their decision to disband the dedicated financial crime units and reduced their enforcement oversight in the midst of and in spite of the rising trend of financial crimes. One would expect that in response to the increasing financial crimes, the government would take the opposite action of strengthening their enforcement oversight. As such, it appears that the government set the **wrong and weak goal** of eliminating financial crimes as a national priority, which skirts around the problem of increasing financial crimes that everyone knows exist and is not grounded in reality.

³⁴⁴ <https://cultivatedmanagement.com/systemic-problems/>

5.2.4 Rule and Process Evasion

Explanation

According to the Systemic Issues Framework, when people avoid the rules, it is an indicator that the rules are not working for them. The key is to understand why the evasion of rules and processes is happening, as it will point to the problems that can be addressed. People do not actively set out to break rules and disrupt the system, there is something driving the rule and process evasion and the evasion can create systemic issues.³⁴⁵

Application

B.C. IU

The rule and process evasion was prevalent in the case of B.C. IU in their conduct of the PSD investigation, which led to their findings being unreliable, incorrect, and incomplete, and ultimately contributed to the disbandment of the unit.³⁴⁶ Specifically, IU evaded and did not comply with the B.C. Government's principles of administrative fairness,³⁴⁷ *ACFE Investigative*

³⁴⁵ <https://cultivatedmanagement.com/systemic-problems/>

³⁴⁶ *Ibid.*, p. 373

³⁴⁷ *Ibid.*, p. 375

Standards,³⁴⁸ *Standards of Conduct for Public Service Employees*,³⁴⁹ as well as *IFA Standard Practices* that were applicable to their PSD investigation engagement.

5.2.5 Shifting the Burden

Explanation

According to the Systemic Issues Framework, systemic issues can be spotted by seeing **where** the burden is being shifted and **why**. Shifting the burden can be spotted by whether leaders are making decisions that have **negative consequences** for others, and whether they are following up on these decisions to understand the **impact** of their decisions on the system.³⁵⁰

Application

B.C. IIGET

The disbandment of B.C. IIGET had the negative consequences of **shifting the burden** to the following parties:

- 1) **Provincial GPEB and BCLC** – The loss of IIGET meant that the increasing money laundering, loan sharking, and organized crime activities in casinos were left to the provincial Gaming Policy and Enforcement Branch and Crown Corporation British Columbia Lottery Corporation to deal with.³⁵¹

³⁴⁸ Ibid.,p. 305

³⁴⁹ Ibid.,p. 315

³⁵⁰ <https://cultivatedmanagement.com/systemic-problems/>

³⁵¹ Dirty Money, Page 105

2) **Private sector and reporting entities** – In light of the lack of resources and expertise to undertake complex money laundering cases at the federal, provincial, and municipal government levels, the regulatory and financial burden of financial crime control was shifted from government to the private sector and reporting entities.³⁵²

B.C. CCS

The disbandment of B.C. CCS had the negative consequences of **shifting the burden** to the following parties:

1) **Provincial CFSEU-BC** – In the absence of a **federal** dedicated fraud unit, fraud allegations were downloaded to the RCMP’s **provincial** complement, namely Combined Forces Special Enforcement Unit (“CFSEU-BC”), which was an integrated unit with a focus on organized crime.³⁵³

2) **Municipal Police and Detachments** – As the provincial CFSEU-BC did not have the resources or expertise to take on these complex files, fraud complaints including the large ones, were further downloaded to **municipal police and detachments** to investigate or decline. However, it should be noted that the municipal police or detachments that tend to have small fraud units are also **not adequately resourced** to take on complex files, which led to an overall decrease in the quality of files submitted to Crown. Further, at the detachment level, every time there are predicate offences such as murder and given the limited resources, the predicate offences will always take priority over money laundering. The Crown

³⁵² Commissioner Cullen, Page 129

³⁵³ Dirty Money, Page 88

remarked that the impact of less experienced officers investigating large cases at the detachment level was definitely noticeable because the expertise was not there at the detachment level, unlike the Commercial Crime Section that had dedicated specialist resources in place.³⁵⁴

- 3) **Civil Courts** – The absence of dedicated federal resources undertaking criminal money laundering and proceeds of crime cases meant that cases are being moved out of the criminal justice system and to the civil courts. Defrauded victims have no recourse through criminal investigations turn to civil lawsuits instead, which burden the civil process when fraud should be a criminal process.³⁵⁵

Ontario FCU

The disbandment of Ontario FCU had the negative consequences of **shifting the burden** to the following parties:

- 1) **Private sector** – The capacity issues in public enforcement were downloaded onto the **private sector** such as banks, essentially shifting the regulatory burden to the banks to monitor their clients.³⁵⁶

³⁵⁴ “Dirty Money – Part 2. Turning the Tide - An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing,” Peter German & Associates Inc., March 31, 2019, accessed online on May 15, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewjFguOF3bf_AhX5AzQIHRIFB6sQFnoECA0QAQ&url=https%3A%2F%2Fcollencommission.ca%2Ffiles%2FDirty_Money_Report_Part_2.pdf&usg=AOvVaw1FbCH18OhjE8WsKZQrl11e. p. 310.

³⁵⁵ Fraud in B.C.: Who investigates when millions go missing?

³⁵⁶ Ottawa sets sights on new financial crimes agency

5.2.6 Obsessions to External Solutions

Explanation

According to the Systemic Issues Framework, there is another form of shifting the burden, where leaders frequently reach for **external solutions**. They hire external suppliers and consultants in the hope that external providers will solve the problems that they cannot solve internally.

A classic sign of systemic issue not being dealt with is when a company frequently uses external contractors with the reason that “it’s cheaper to use them” or “they are experts in this field.” The leaders make the decision to call on external solutions for internal problems and pass the burden to them.³⁵⁷

Application

Ontario FCU

Since the disbandment of Ontario FCU as the dedicated fraud unit, as well as defrauded individuals and companies being turned away from police services due to a lack of capacity in public financial crime units, defrauded victims have been turning to **private investigation firms** for financial crime investigations.³⁵⁸

³⁵⁷ <https://cultivatedmanagement.com/systemic-problems/>

³⁵⁸ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

When private investigation firms are engaged, they do the investigation and forensic accounting to provide expert reports for civil remedies. If the defrauded victims want criminal charges, their reports can then be provided to the police to pursue those charges.³⁵⁹

Although this **shift of burden** to external solution (i.e. private investigation firms) was not initiated by the government and was initiated by the defrauded victims, it nevertheless shifted the burden of financial crime investigations from public enforcement to external third-party investigation firms.

B.C. IU

B.C. IU often turns to external solutions to handle their internal lack of capacity and expertise issues within the unit. Therefore, IU **shifted the regulatory burden** to the following parties:

- 1) **External quality assurance contractor** – The IU hired an external contractor to assist with report writing and to perform quality control on IU final investigative report as the IU Director felt that the external contractor could provide seasoned expertise and was well-placed to provide an independent challenge of the report’s conclusions. The IU Director’s use of external contractor essentially **shifted the burden** of quality assurance and fact-checking to verify the accuracy of IU report’s conclusions to an external party.³⁶⁰

³⁵⁹ The RCMP is shutting down its financial crimes unit in Ontario. Here’s why former top Mounties says it’s a mistake

³⁶⁰ Ibid.,p. 322

2) **Private investigation firms** – Since the Ombudsperson released his evaluation and criticisms about IU’s performance on the PSD investigation engagement, OCG began outsourcing forensic investigations to external third-party investigation firms instead of conducting them internally to ensure that the investigations were conducted by professionals with the appropriate skills and expertise. Therefore, OCG essentially shifted the burden of lack of expertise and capacity from IU to external third-party investigation firms.

5.2.7 Problems Keep Coming Back

Explanation

According to the Systemic Issues Framework, problems that keep coming back is one of the greatest indicators that the issue is systemic issue. Round and round we go solving the same patterns or slight variants of it, over and over again.

If a problem keeps coming back after a solution is implemented, we have not solved it. However, it is very common for leaders to put energy and attention to solve the same problems over and over again. People are merely solving the **symptoms** of the problem, not the problem itself.

Fixing problems is one of the key components of running a successful system. However, leaders must fix the **underlying problems** and not only the **symptoms**. When we fix **symptoms** only, we are creating the problems of tomorrow.³⁶¹

³⁶¹ “Systemic problems in your company – 13 powerful ways to spot them,” cultivatedmanagement.com, October 22, 2020, accessed online on May 25, 2023 at <https://cultivatedmanagement.com/systemic-problems/>.

Application

B.C. IIGET

The “problems keep coming back” pattern was most evident with B.C. IIGET. After its disbandment in 2009, there had been ongoing discussions about the need for a multi-faceted and sustainable anti-money laundering strategy. The Gaming Policy and Enforcement Branch also identified an increase in illegal gaming and money laundering activities. In 2016, it became apparent that the enforcement gap left behind by the disbandment of IIGET needed to be filled in order to address the rising money laundering activities, and a **new dedicated fraud unit** named JIGIT that specializes in illegal gaming investigations was formed.³⁶²

The re-establishment of a **new dedicated unit** JIGIT indicated that the disbandment of the **predecessor dedicated unit** IIGET did not resolve the increasing money laundering problem and only the symptoms.

B.C. CCS

³⁶² Dirty Money, Page 130 / GEPB Letter

B.C. CCS was disbanded because of resource constraints and RCMP's changing national priority to divert resources to other areas that they deemed to present more imminent threats. B.C. CCS was integrated into the much larger FSOC as part of RCMP's solution to attain the most effective use of the limited existing resources.³⁶³

However, the same resource constraints issue encountered at B.C. CCS was also present at FSOC as FSOC's fraud unit also does not have enough staff and resources to properly conduct financial crime investigations.³⁶⁴ Therefore, this indicated that the disbandment of B.C. CCS did not solve the resource constraints problem and the same problem kept coming back.

Ontario FCU

In regard to the disbandment of Ontario FCU, a former director of RCMP, Garry Clement, referred to the similar reorganization of B.C. CCS and pointed out the consequence of an explosion of money laundering in casinos, real estate and luxury cars since the disbandment of CCS. Clement commented that: "it amazes me that they tried this approach of dissolving the financial crime units and putting them together with other units and **we know the results,**" which indicated that the disbandment of FCU did not solve the increasing money laundering problem and the same problem kept coming back.

5.3 Findings and Arguments – Section 5

³⁶³ The RCMP is shutting down its financial crimes unit in Ontario. Here's why former top Mounties says it's a mistake

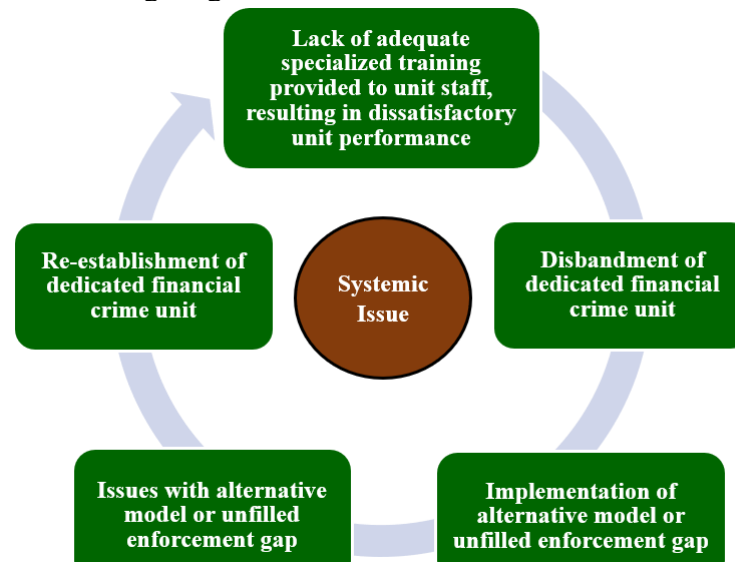
³⁶⁴ Fraud in B.C.: Who investigates when millions go missing?

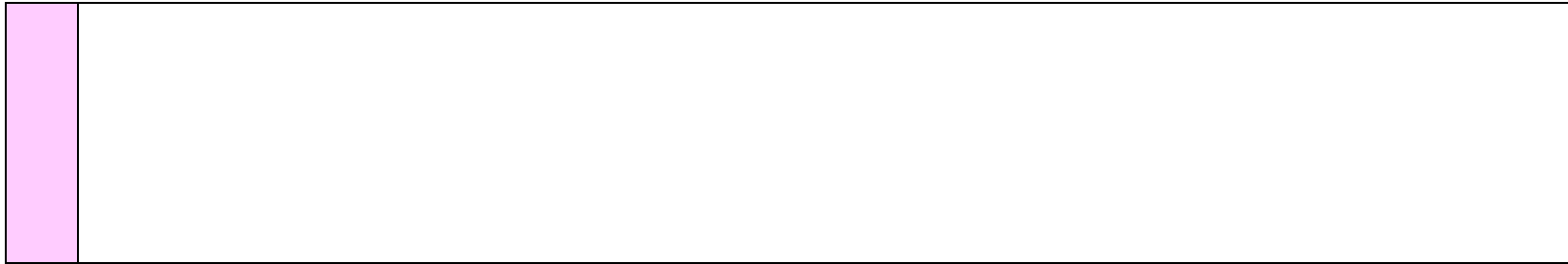
F6	<p>Based on our analysis performed above, the disbandment of dedicated financial crime unit issue is a systemic issue as it met the definition of being a recurring or persistent issue that affected more than one individual. Further, the disbandment issue also exhibits the following multiple indicators of a systemic issue as outlined in the Systemic Issues Framework:</p> <ol style="list-style-type: none">1) The problem has a pattern;2) Stress and pressure;3) Wrong goals and weak goals;4) Rule and process evasion;5) Shifting the burden;6) Obsessions to external solutions; and7) Problems keep coming back
A4	<p>Given that the disbandment of dedicated financial crime units is a systemic issue, this research paper argues that if the root cause of the systemic issue is not fixed, the disbandment issue will keep recurring and there will be future disbandments of dedicated financial crime units.</p>

As we have established in previous **Section 4** that in light of the complex nature of the financial crime investigations that require specialized competencies to perform, the Dedicated Unit Model of conducting the investigations would be the most effective. As such, when alternative models are shown to be ineffective in addressing the continued increase in financial crimes, the dedicated units will likely be reinstated, which will present the effect of an **endless cycle** of disbandment and re-establishment of dedicated financial crime units – unless, the root cause of the disbandment is fixed, discontinuing the cycle once and for all.

This cycle of disbandment and re-establishment of dedicated financial crime units is exemplified in the case of IIGET, where the disbandment of IIGET as a dedicated financial crime unit created an enforcement gap that failed to address the continued increase in financial crimes, thereby leading to the re-establishment of JIGIT as the new successor dedicated financial crime unit.

The recurring and cyclical nature of the systemic issue of disbandment and re-establishment of dedicated financial crime units is portrayed in the following diagram:





Section 6 – Root Cause Analysis

6.1 Section Objective and Approach

6.1.1 Objective of Section

In previous **Section 5**, we established that the government’s solution of changing the model of conducting financial crime investigations only addressed the **symptoms, but not the root cause(s)**, of the systemic issue. The **objective** of this Section is to determine the **root cause(s)** of the systemic issue of disbandment of financial crime units in the midst of and in spite of increasing financial crimes.

Before we begin, we should first differentiate between casual factors and root causes:

- **Causal factors** are events or conditions that contribute to an issue, and do not necessarily indicate a root cause of an issue.

Instead, causal factors are factors that **directly lead** to an issue.³⁶⁵

³⁶⁵ <https://www.qualitygurus.com/causal-factors-vs-root-causes-what-is-the-difference/>

- **Root causes** are the **underlying** events or conditions that contribute to an issue. Unlike casual factors, root causes are not necessarily factors that directly lead to an issue. Instead, they are **deeper issues** that require more in-depth analysis.³⁶⁶

In previous **Section 3**, we have identified the **casual factors** that directly led to the disbandment of multiple financial crime units in B.C. and Ontario. To recap, the following are the **casual factors** identified:

- 1) Resource constraints within the unit;
- 2) Performance issues of the unit; and
- 3) Government's de-prioritization of financial crime investigations.

In this Section, we will drill down beyond the causal factors to determine the underlying **root cause(s)** of the systemic issue of disbandment of financial crime units.

6.1.2 Approach of Section

To conduct the root cause analysis, this Section will take the **approach** of using the **5-why technique**, which involves asking the question “Why did this problem happen?” 5 times in order to move beyond the causal factors to the root cause of the systemic issue.

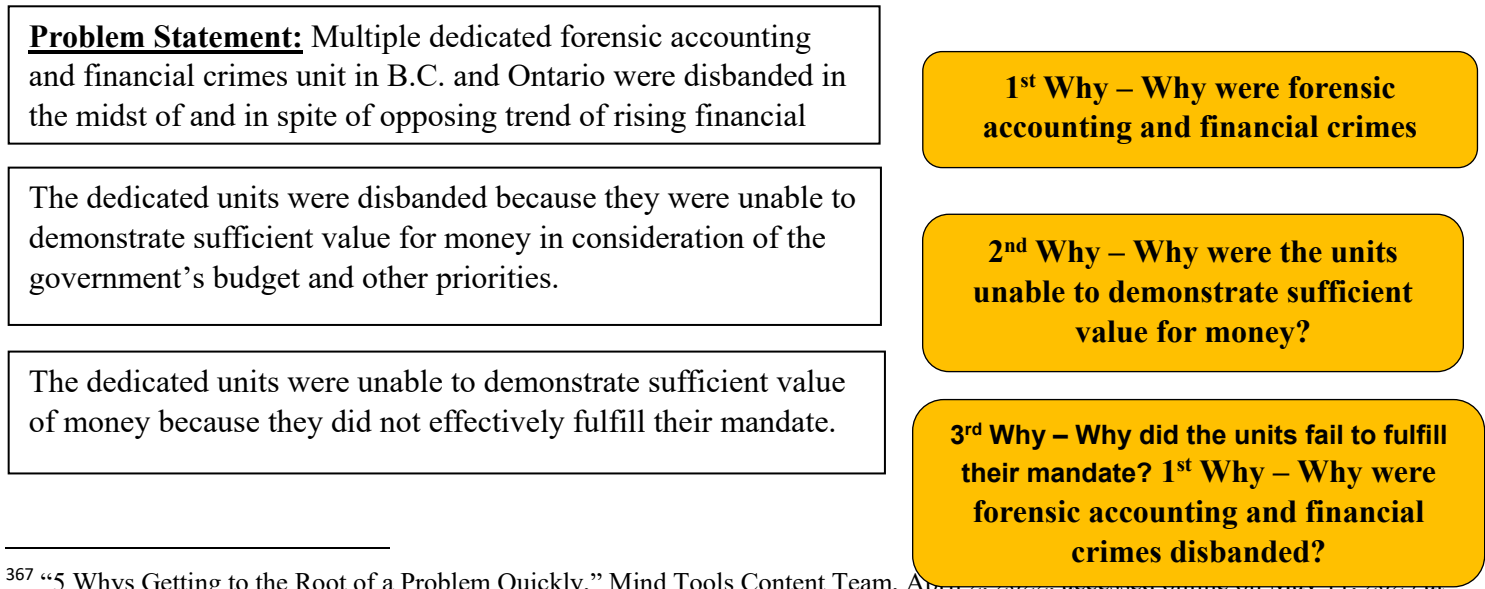
³⁶⁶ <https://www.qualitygurus.com/causal-factors-vs-root-causes-what-is-the-difference/>

The 5-why technique is appropriate for situations where there is a **recurring systemic issue** that would not go away and after the implementation of apparent solutions, the problem keeps returning sooner or later. It is an effective tool for cutting quickly through the outward **symptoms** of a problem to reveal its **underlying root cause(s)**, so that the systemic issue can be dealt with once and for all.³⁶⁷

6.2 Analysis

6.2.1 Diagram – 5-Why Technique

An overview of the application of the 5-Why Technique to the systemic issue of disbandment of dedicated financial crime units is provided in the following diagram:



³⁶⁷ “5 Whys Getting to the Root of a Problem Quickly,” Mind Tools Content Team, April 23, 2022, accessed online on May 11, 2023 at <https://www.mindtools.com/a3mi00v/5-whys>.

The dedicated units encountered significant resource constraints that prevented them to effectively fulfill their mandate.

The resource constraint issue arose because the unit did not have sufficient resources to properly conduct the complex financial crimes investigations.

The staff in the dedicated units lacked the specialized knowledge and skills to properly conduct the investigations and inadequate training was provided to the staff for them to acquire such competencies.

4th Why – Why were there resource constraint issue?

5th Why – Why were the units unable to conduct the duties properly?

6.2.2 5-Why Technique

Problem Statement

Multiple forensic accounting and financial crime units (“financial crime units”) in B.C. and Ontario were disbanded in the midst of and in spite of the opposing trend of rising financial crimes.

1st Why

Why: Why did financial crime units keep getting disbanded?

Reason: Government did not consider financial crime units to provide **sufficient value for money**, and therefore not a **priority** in the budget.

Examples:

- a) **B.C. IU** – OCG decided that outsourcing the forensic investigations to ensure that the engagements were conducted by professionals with appropriate skills and expertise provided **more value for money** than having IU to conduct the forensic investigations internally. As such, OCG no longer considered having an internal dedicated forensic accounting unit as **priority** in their budget, and therefore disbanded IU and changed to the **Outsourcing Model** to contract out the investigations to be performed by external private investigation firms.³⁶⁸
- b) **B.C. IIGET** – The government was not satisfied that IIGET was providing **value for money**.³⁶⁹ The prevailing view in government was that the unit’s results did not justify the expenditure, and IIGET never became an RCMP priority.³⁷⁰ Therefore, in 2009, the government disbanded IIGET as a dedicated unit to illegal gaming operations in B.C., creating a significant enforcement gap regarding money laundering in B.C. casinos.³⁷¹
- c) **B.C. IPOC** – In 2012, the federal government decided to make significant budget cuts as part of their Federal Policing Re-Engineering Program and divert resources to other areas that they deemed to be of **higher priority** such as terrorism, which led to the disbandment of IPOC.³⁷² Although the federal government did not explicitly express dissatisfaction about

³⁶⁸ “*Fraud Risk Management: Office of the Comptroller General*, Office of the Auditor General of British Columbia,” The Office of the Comptroller General, March 2022, accessed online on April 22, 2023 at <https://www.bcauditor.com/pubs/2022/fraud-risk-management-office-comptroller-general>, p. 7.

³⁶⁹ Dirty Money Report, Page 104

³⁷⁰ Dirty Money Report, Page 104

³⁷¹ Dirty Money Report, Page 104

³⁷² Commission Cullen Report, Page 1484

the value for money provided by IPOC, the fact that IPOC was deprioritized in the federal budget conveyed that the unit did not provide sufficient **value for money** for the federal government to consider it a priority in their budget.

Further, pursuant to the Treasury Board's directive, the Public Safety Canada conducted a **value for money** evaluation of IPOC's performance in 2011, and pointed out that RCMP identified that some of IPOC's activities represent a **loss of revenue** to RCMP's budget, with no apparent **offsetting financial recovery**.³⁷³ Further, as a result of the significant increase of the volume and complexity of IPOC's investigations, the funding of IPOC had a negative impact on RCMP's resources complement and ability to provide effective program delivery, and therefore RCMP had to reduce the number of staff in IPOC.³⁷⁴

d) **B.C. CCS** – CCS was also disbanded as a result of the 2012 Federal Policing Re-Engineering Program.³⁷⁵ Although the federal government did not explicitly express dissatisfaction about the value for money provided by CCS, the fact that

³⁷³ "2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative," Public Safety Canada., March 30, 2011, accessed online on May 23, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewimmpzg3bf_AhW0AzQIHSoNCWsQFnoECA4QAQ&url=https%3A%2F%2Fwww.publicsafety.gc.ca%2Fcnt%2Fsrsrcs%2Fpblctns%2Fvltm-ntgrtd-prcds-crm-2010-11%2Findex-en.aspx&usg=AOvVaw2JR41ywm-J9WJvh85fV5_k, p. 55.

³⁷⁴ *Ibid.*, p. 56.

³⁷⁵ "The Cullen Commission of Inquiry into Money Laundering in British Columbia Overview Report on the Prosecution of Money Laundering and Proceeds of Crime Offences," The Cullen Commission of Inquiry into Money Laundering in British Columbia, June 3, 2022, accessed online on April 24, 2013 at <https://www.cullencommission.ca/>, p. 4.

CCS was deprioritized in the federal budget conveyed that the unit did not provide sufficient **value for money** for the federal government to consider it a priority in their budget.

- e) **Ontario FCU** – FCU was disbanded as a result of the 2019 review of federal policing priorities, where the RCMP re-aligned their national priority and diverted resources away from **financial crimes** to focus on the three **non-financial crime** areas of national security, transnational serious and organized crime, as well as cybercrime.³⁷⁶ Although the federal government did not explicitly express dissatisfaction about the value of money provided by FCU, the fact that the unit was disbanded as a result of the **priorities review** indicated that the unit did not provide sufficient **value for money** for the federal government to consider it a priority in their budget.

2nd Why

Why: Why did the financial crime units not provide sufficient value for money?

Reason: The financial crime units delivered **unsatisfactory performance results** that did not justify the expenditure of sustaining the units.

Examples:

³⁷⁶ The RCMP is shutting down its financial crimes unit in Ontario. Here's why former top Mounties says it's a mistake.

- a) **B.C. IU** – IU did not properly conduct the PSD investigation in accordance with the government’s investigative standards and principles, and was heavily criticized by the Ombudsperson for their inaccurate and incomplete findings that had significant negative impacts. Due to IU’s failure to effectively fulfill its mandate and responsibility to properly conduct investigative services to protect the public interest, and OCG deemed that IU did not deliver satisfactory performance results to justify the expenditure of sustaining the unit.
- b) **B.C. IIGET** – Although IIGET’s mandate was to handle both high-level and mid-level investigations of illegal gaming operations, the unit was only able to take on mid-level investigations. The government expressed concern about the effectiveness of IIGET and concluded that the unit **failed to fulfill its mandate** to target both levels of investigations, and therefore its **unsatisfactory performance results** did not justify the expenditure of sustaining the unit.³⁷⁷
- c) **B.C. IPOC** – The Public Safety Canada released a 2011 evaluation report regarding IPOC’s performance and concluded that IPOC delivered **less than optimal** performance and is **not as efficient or effective** as it could be.³⁷⁸ Therefore, IPOC’s **unsatisfactory performance** contributed to the federal government’s decision to disband the unit as part of their changing national priorities in 2012.

³⁷⁷ Dirty Money Report, Page 104

³⁷⁸ “2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative,” Public Safety Canada., March 30, 2011, accessed online on May 23, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewimmpzg3bf_AhW0AzQIHSoNCWsQFnoECA4QAQ&url=https%3A%2F%2Fwww.publicsafety.gc.ca%2Fcnt%2Fsrsrcs%2Fpblctns%2Fvltm-ntgrtd-prcnds-crm-2010-11%2Findex-en.aspx&usg=AOvVaw2JR4lywm-J9WJvh85fV5_k, p. 60.

d) **Ontario FCU** – Due to money laundering cases being difficult and costly to conduct, and rarely produce convictions and results that justify their expenditure,³⁷⁹ RCMP has shifted resources away from financial crimes. Between 2012 and 2017, 86% of charges for laundering the proceeds of crime never made it to trial, and are often resolved by guilty pleas to other charges that are typically drug-related. As a result, the RCMP has moved on to other non-financial crime priorities and disbanded FCU to focus on national security, organized crime, and drugs.³⁸⁰

3rd Why

Why: Why did the financial crime units deliver unsatisfactory performance results?

Reason: The financial crime units **lacked specialized resources** to deliver proper performance.

Examples:

a) **B.C. IU** – The IU staff investigators who conducted the PSD investigation had extensive audit experience, but lacked specialized skills and experience to conduct large-scale, complex fraud investigations such as the PSD investigation.³⁸¹ The *ACFE Investigation Standards* were chosen by IU to be the default standards for complex investigative work,³⁸² yet the staff investigators lacked knowledge of how to apply the ACFE standards to their investigative work.³⁸³ The IU

³⁷⁹ Peter German is on a mission

³⁸⁰ Peter German is on a mission

³⁸¹ Ibid.,p. 308

³⁸² Ibid.,p. 305

³⁸³ Ibid.,p. 309

Director also expressed that it was tough having **inexperienced** investigators on his team and acknowledged that this limited their ability to effectively conduct the investigation.³⁸⁴

- b) **B.C. IIGET** – IIGET was unable to take on high-level investigations because their staff do not have the “requisite strategic, tactical or analytical **capability** and investigative **expertise** for the **higher**, “third-level” investigations and/or long-term projects.”³⁸⁵ Therefore, IIGET lacked the **specialized resources** to deliver on its mandate to tackle high-level investigations in addition to mid-level investigations.

- c) **B.C. IPOC** – Commissioner Cullen noted in his report that one of the significant challenges for IPOC as the law enforcement unit specialized in the investigation and prosecution of money laundering offences is a lack of resources.³⁸⁶ The resources dedicated to money laundering were **insufficient** to respond to the problem in any meaningful way.³⁸⁷ In its 2011 evaluation of IPOC’s performance, Public Safety Canada also noted that the significant resource constraints in the

³⁸⁴ Ibid., p. 309

³⁸⁵ “Overview Report: Integrated Illegal Gaming Enforcement Team,” B.C. Government, December 17, 2009, accessed online on May 8, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj-yLae3Lf_AhXWAjQIHd23CysQFnoECBAQAQ&url=https%3A%2F%2Fag-pssg-sharedservices-ex.objectstore.gov.bc.ca%2Fag-pssg-cc-exh-prod-bkt-ex%2F77%2520-%2520Overview%2520Report%2520Integrated%2520Illegal%2520Gaming%2520Enforcement%2520Team.pdf&usg=AOvVaw0TBN3t30Tounwp-XkKFgWv, p. 331.

³⁸⁶ Commissioner Cullen, Page 1495

³⁸⁷ Commissioner Cullen, Page 1496

form of budget restrictions, as well as lack of human resources and experience resulted in IPOC having more difficulty in **achieving performance results** and operating as a **fully functional unit**.³⁸⁸

4th Why

Why: Why did financial crime units lack specialized resources?

Reasons:

Reason 4A: The financial crime units were **unable to hire and retain** staff with specialized competencies.

Reason 4B: For the hired staff that lacked specialized competencies, the financial crime units **did not provide sufficient specialized training** for them to acquire such competencies.

Examples:

a) **B.C. IU:**

- ii. **Reason 4A:** A significant constraint experienced by IU was its inability to recruit and retain **trained** investigators to conduct the investigation. The IU Director remarked that recruiting **qualified** staff was a consistent challenge he faced in the unit. During the PSD investigation, the IU Director ran two competitions during the PSD investigation to try to recruit **more experienced** investigators to the team, but the applicants were **not sufficiently qualified**. Further, IU

³⁸⁸ Evaluation of the Integrated Proceeds of Crime, Page 18

also had difficulty **retaining** their existing staff, which caused significant difficulties given the small size and limited resources of the IU to begin with.³⁸⁹

iii. Reason 4B: The Ombudsperson commented that “[d]espite existing as a separate unit within the Office of the Comptroller General since 2007, by 2012 the IU had not developed any training materials for its investigators. Accordingly, although the IU’s principal investigators **lacked recent investigative experience**, the IU did not provide them with any **supplementary investigative training**. The IU also had not yet developed a written set of investigative policies, standards, guidelines or procedures. This meant that neither of the two principal investigators had access to guidelines to assist them with their work. In our view, the **absence** of specific training and clear policy or guidelines meant the principal investigators **lacked** a basic set of investigative tools to conduct the investigation. In the **absence** of training materials and investigative policies, the principal investigators relied on the **training, knowledge and experience** of both the IU Director and the IU Manager, both of whom were ACFE accredited. However, both the IU Director and the IU Manager told us that the ministry investigation was not the only large investigation the IU was conducting at the time. As a result, they needed to manage a **significant investigative workload** and were often **not available** to oversee the investigation.”³⁹⁰

³⁸⁹ Ibid.,p. 308

³⁹⁰ Ibid.,p. 309

As such, after hiring investigators who lacked specialized investigation knowledge, IU also did not provide training for them to acquire such specialized competencies that were required to conduct the forensic investigation engagements that the unit was responsible for.

b) B.C. IIGET:

- i. Reason 4A:** IIGET experienced significant resourcing challenge throughout its existence. The full complement of 12 members only existed for 3 months. IIGET had 4 different leaders and 1 in an acting position during its short tenure. Only 2 members remained within the team for the first 4 years and there were long term vacancies in some offices.³⁹¹ In particular during 2006 when IIGET started to take on its first high-level investigation, that year was a low point in the staffing of the team, which ultimately resulted in the high-level investigation not being able to be completed due to resourcing issue in IIGET and had to be handed over to a U.S. law enforcement agency.³⁹² In regard to the disbandment of IIGET, some of the unit personnel attributed it to various resourcing problems including a failure to **maintain** adequate resource levels.³⁹³
- ii. Reason 4B:** Staff members in IIGET only received a **2-week** training course on illegal gaming from the Ontario Provincial Police before commencing their positions in the unit.³⁹⁴ Some members in IIGET complained that they did

³⁹¹ Dirty Money Report, Page 104

³⁹² Dirty Money Report, Page 103

³⁹³ Dirty Money Report, Page 103

³⁹⁴ Commissioner Cullen, Page 284

not receive sufficient training in the specialized area of illegal gaming, which undermined the effectiveness of IIGET and contributed to its failure to achieve its mandate.³⁹⁵

c) B.C. IPOC:

i. Reason 4A: IPOC experienced high turnover of personnel as well as recruitment difficulties at hiring experienced and well-trained people, which undermined the unit's efficiency and effectiveness.³⁹⁶ Further, Commissioner Cullen also noted in his report that he heard evidence that "it was extraordinarily difficult for the RCMP to **staff** the units responsible for money laundering investigations."³⁹⁷ The 2011 Evaluation of IPOC Report conducted by Public Safety Canada concluded that IPOC is not able to fill many positions as a consequence of budget constraints and difficulty recruiting, and the **significant human resources challenges** experienced by IPOC have resulted in the unit's difficulty in responding to other units' operational needs, attracting and maintaining talented personnel, as well as achieving **satisfactory performance results**.³⁹⁸

Public Safety Canada also noted in their evaluation report of IPOC's performance that the high staff turnover necessitated the hiring of officers with limited experience and skill sets that do not necessarily fit IPOC's needs, which has adversely impacted the unit performance and contributed to a reduction in the completeness and quality of

³⁹⁵ Dirty Money Report, Page 104

³⁹⁶ Evaluation of the Integrated Proceeds of Crime Initiative, Page 42

³⁹⁷ Commissioner Cullen, Page 1495

³⁹⁸ Evaluation of the Integrated Proceeds of Crime Initiative, Page 18

some files intended for submission to the courts. This performance issue of IPOC has also caused tension with the Public Prosecution Service of Canada (“PPSC”) as the prosecutors indicated that they cannot bring a case to court when a file is considered to be incomplete.³⁹⁹

ii. Reason 4B: The **insufficient training** received by IPOC staff also had an adverse impact on the unit’s performance.⁴⁰⁰ The 2011 Evaluation of the Integrated Proceeds of Crime Initiative conducted by Public Safety Canada highlighted that the number of IPOC’s basic and advanced training courses has been significantly reduced due to budget constraints. IPOC staff expressed their dissatisfaction with the training that they did receive, and there was a long period of time that the new hires had to wait to attend their first training courses.⁴⁰¹

In addition to the hiring of staff that have limited experience and skill sets, the **lack of training** provided to these new staff also contributed to the completeness and quality issue of some of the files delivered by IPOC, which resulted in tension with the prosecutors of PPSC.⁴⁰²

³⁹⁹ Evaluation of Integrated Proceeds of Crime Initiative, Page 57 to 58

⁴⁰⁰ Evaluation of the Integrated Proceeds of Crime Initiative, Page iii

⁴⁰¹ Evaluation of the Integrated Proceeds of Crime Initiative, Page 43

⁴⁰² Evaluation of Integrated Proceeds of Crime Initiative, Page 57 to 58

Note: Given that Reason 4A pertaining to the availability of specialized resources in the market is beyond the control of the government, the remaining analysis will focus on Reason 4B pertaining to why the units did not provide sufficient training for the staff to acquire the required specialized competencies.

5th Why

Why: Why did the financial crime units not provide sufficient training to equip staff with the required specialized competencies?

Reason: The financial crime units did not **prioritize** providing sufficient specialized training to staff.

Examples:

- a) **B.C. IU** – The Ombudsperson noted that despite the staff investigators’ lack of investigative experience, IU did not provide any supplementary investigative training to the staff **since they were hired**. Further, since IU was established in 2007 and 5 years later by 2012, IU still had not developed **any training materials** for its staff investigators. In the absence of training materials and investigative policies, the staff investigators relied on the training of their supervisors, but both the IU Director and Manager were dealing with heavy workload and were unable to provide the necessary training **at the time of the PSD investigation**.⁴⁰³ However, the fact that the IU Director and Manager did not provide training to their

⁴⁰³ Ibid.,p. 309

staff **since the commencement of their positions**, not just during the PSD investigation, further conveyed that IU did not **prioritize** providing sufficient investigative training to their staff investigators.

- b) **B.C. IIGET** – Other than the **2-week** training course on illegal gaming that the IIGET staff received from the Ontario Provincial Police at the commencement of their positions,⁴⁰⁴ they did not receive any additional training or professional development for the entire duration of their positions. The staff members also complained that they did not receive sufficient training in the specialized area of illegal gaming.⁴⁰⁵ As such, IIGET did not **prioritize** providing sufficient specialized training to its staff.
- c) **B.C. IPOC** – In its performance evaluation report, Public Safety Canada concluded that IPOC’s performance had been adversely impacted by the significant human resource challenges including **insufficient training**. The evaluation emphasized that these challenges need to be addressed in order to ensure optimal performance of IPOC and to restore the unit to be fully functional.⁴⁰⁶ The high staff turnover necessitated for IPOC to hire staff with limited experience and skill sets that were not necessarily fitting the IPOC needs, and the fact that IPOC failed to provide training to the new inexperienced hires to acquire the necessary competencies conveyed the **lack of priority** assigned by IPOC to providing sufficient specialized training to its staff.⁴⁰⁷

⁴⁰⁴ Commissioner Cullen, Page 284

⁴⁰⁵ Dirty Money, Page 104

⁴⁰⁶ Commissioner Cullen, Page 1481

⁴⁰⁷ Evaluation of the Integrated Proceeds of Crime Initiative, Page 57

Conclusion

The premise of the 5-why technique is that when asking further “why” produces **no more useful responses**, that is when the **root cause** of the problem is revealed. Applying to our scenario above, while we can attempt to go further and ask the additional 6th why question such as “why did financial crime units not **prioritize** providing training to staff?”, the reason we arrive at will likely be some form of **resource constraint** such as budgetary constraint, heavy workload of supervisors etc.

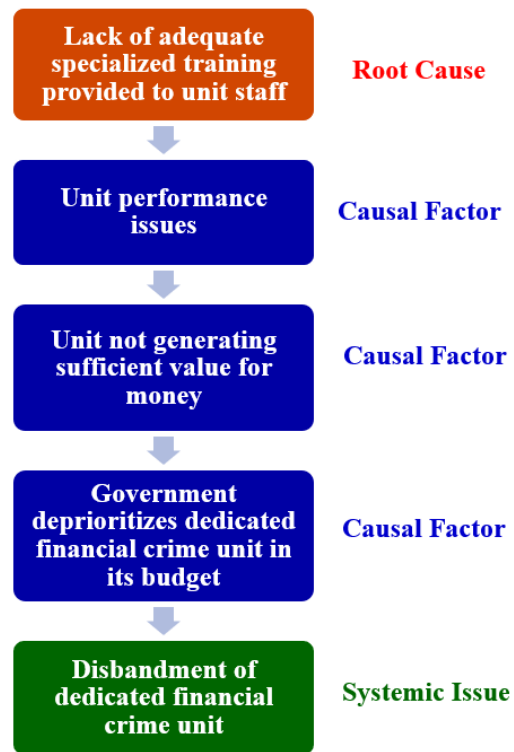
However, resource constraint has always been and will continue to be an ongoing **inherent issue** in the government sector due to its multitude of existing and emerging responsibilities and service areas while operating on a limited budget. Resource constraint in the government sector is not an issue that can be readily addressed or controlled by the government. As such, the key issue is the **priority** assigned to the use of such limited resources within the constraints, which is an issue that can be addressed and controlled by the government. Therefore, after identifying the de-prioritization of adequate training issue from our 5th “why” question, asking further “why” question would produce no more useful responses.

5.3 Findings – Section 6

F7	Based on our root cause analysis performed above, we have identified the root cause of the systemic issue to be a lack of priority assigned by the dedicated financial crime units to providing adequate specialized training to their
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inexperienced staff for them to acquire the necessary competencies to properly conduct the financial crime investigations.

Specifically, this **root cause** drives the **systemic issue** of disbandment of financial crime units in the following manner as portrayed by the diagram and elaborated below:



- 1) Financial crime investigations are inherently complex and require specialized knowledge and skills to perform. Therefore, it is crucial for the staff conducting these financial crime investigations to possess the necessary specialized competencies to be able to properly perform the investigations.
- 2) Ideally, hiring specialist staff with pre-existing competencies that can perform the engagements right at the commencement of their employment would be preferred. However, there is a **limited availability** of such specialist staff in the market and the availability is dependent on market demand and economic conditions that are not readily controllable by the government.
- 3) As such, an alternative staffing approach would be to hire staff with limited competencies and then for the financial crime units to provide adequate specialized training to equip them with the necessary competencies to be able to properly conduct the financial crime investigations.
- 4) However, financial crime units failed to provide the necessary training to their inexperienced staff, and therefore the staff were unable to properly conduct financial crime investigations. This in turn affected the overall performance of the financial crime units, causing them to be unable to effectively fulfill their mandate. As such, the root cause is a **lack of priority** assigned by the dedicated financial crime units to providing **adequate specialized training** to their inexperienced staff in order for them to acquire the necessary competencies to properly conduct the financial crime investigations.

5) On a **budgetary level**, when government reviews their budget, they look at whether a unit is providing value for money to justify continuing to be a priority in the limited government budget. When a unit is not delivering satisfactory performance results that justify the expenditure of sustaining it, it does not make sense from a **budgetary** perspective for the government to continue prioritizing and allocating the already limited resources to sustain the underperforming unit. Hence, the government made the decision to disband the dedicated financial crime units.

For some disbandment cases, to fill the enforcement gap, the government implemented an **alternative model** of conducting financial crime investigations such as outsourcing to private sector or integrating the financial crime units with non-financial crime units. However, as evident from the **continued increase** in financial crimes, the Dedicated Unit Model adopted by the financial crime units is not the issue, and therefore the government's solution of changing the model of conducting financial crime investigations did not solve the root cause of the systemic issue.

6) On an **economic level**, the trend of increasing financial crimes continued and the disbandment of the government's financial crime units exacerbated the issue as it conveyed weakened enforcement oversight on the part of the government. The systemic issue of disbandment of financial crimes unit in the midst of and in spite of rising

	<p>financial crimes is ultimately driven by the disconnect between the government’s budget priorities and the actual economic trends.</p>
<p>F8</p>	<p>Our Micro-examination of the systemic issue using the IU case as a backdrop in Sections 1 and 2 also arrived at the same root cause that the lack of adequate specialized training provided by IU to their staff ultimately led to the disbandment of IU as the dedicated forensic accounting unit in the B.C. Government. Therefore, given that both our Micro-examination of the issue from an internal perspective within an individual unit and Macro-examination of multiple disbandment cases across various units arrived at the same root cause, this further substantiates that this is the true root cause of the systemic issue.</p>

Section 7 – Recommendations

7.1 Section Objective and Approach

7.1.1 Objective of Section

Based on the **misalignment** of government’s budget priorities and economic trend identified in previous **Section 6**, the **objective** of this Section is to propose recommendations to **re-align** government’s enforcement response with the economic trend of increasing financial crimes.

7.1.2 Approach of Section

This Section will take the **approach** of first exploring the different avenues where resources can be procured to provide the necessary specialized training to dedicated financial crime unit staff, while taking into consideration of the resource constraints issue in the government sector.

We will then apply the proposed recommendations to cases of previously disbanded dedicated financial crime units to hypothesize how they would apply in **real-life scenarios** and evaluate if the proposed recommendations, if implemented, could have **prevented** the disbandments. This would serve as an appropriate benchmark to gauge the **practicality** of the proposed recommendations and their **effectiveness** of preventing future disbandments of dedicated financial crime units.

7.2 Analysis

7.1.3 Recommendation #1 – Existing Training Resources

Existing Training Courses Database

One of the major benefits offered by the government to their employees is the vast base of internal training and professional development courses that are readily available free-of-charge. While government employees typically receive lower pay rates than private sector employees, the additional compensation comes in other forms such as training and professional development opportunities, pension benefits, comprehensive insurance coverage etc.

For example, **B.C. Provincial Government** offers the LearningHUB, which is an online database consisting of 201 training courses, programs, and workshops delivered in various formats including online, face-to-face, pre-recording etc. that are offered by over 15 government entities that are subject matter experts in the topics.⁴⁰⁸ The learning and training courses span over a broad diversified range of topics.

Similarly, the **Federal Government** offers a robust training and professional development system, where its Canada School of Public Service offers an extensive catalogue of courses, events, programs, and other learning tools that are readily available to its employees.⁴⁰⁹

Further, supervisors in the government have the responsibility to ensure that employees are provided with learning and development opportunities based on a structured assessment of the employees' performance, potential, and role in the government that form part of the routine performance review process.⁴¹⁰

Standalone Professional Development Budget

Government typically allocates a portion of their budget to employees' training and development as part of the government's initiative to encourage employees' pursuit of continuous learning and development. As such, if there are courses or topics that

⁴⁰⁸ <https://www2.gov.bc.ca/gov/content/careers-myhr/all-employees/career-development/learning-education#hub>

⁴⁰⁹ <https://www.cspc-efpc.gc.ca/index-eng.aspx>

⁴¹⁰ Human Resources Policy 02 – Learning and Development

are not covered in the LearningHUB such as those that are specific to unit needs, the additional training courses can be funded through the government’s standalone budget designated for training and professional development.

Training Grants and Bursaries

In addition to an existing base of training courses and a designated training budget, the government also offers various types of financial support such as grants and bursaries for training and professional development. For example, the **B.C. Government** offers the B.C. Employer Training Grant up to \$10,000 per employee, which is a cost-sharing grant program that provides employers throughout B.C. with skills training funding for their units, including prospective new hires. The purpose of the grant funding is to assist employers respond to their changing labour needs and develop a skilled workforce with the right mix of skills.⁴¹¹

In the most recent 2023/24 - 2025/26 Budget and Fiscal Plan, the **B.C. Government** also announced new training programs, approx. 3,000 new post-secondary training seats, 12,000 bursaries, more than 9,000 other training grants to strengthen employer-supported training models, enhance earn and learn programs to support staff to advance their skills and qualifications, expand the use of bursaries, and expand education seats for new and existing employees.⁴¹²

Application

⁴¹¹ <https://www2.gov.bc.ca/gov/content/employment-business/economic-development/funding-and-grants/bc-employer-training-grant>

⁴¹² Budget and Fiscal Plan 2023/24 – 2025/26, Ministry of Finance

B.C. IPOC

The 2011 performance evaluation of IPOC conducted by Public Safety Canada put forth the recommendation for the unit to continue to expend the necessary efforts to address and resolve current and anticipated recruitment, retention, and training issues specific to IPOC.⁴¹³ In response to the recommendation, the RCMP agreed to continue to introduce new online training modules to complement the existing modules,⁴¹⁴ which is consistent with the recommendation proposed by this research paper for dedicated units to leverage on the government's existing training database.

Recommendation

While government might be lagging behind private sector in terms of wage compensation, they certainly excel in other forms of employee benefits, with training and professional development being one of the most prominent areas where government provides profound support for their employees to develop and maintain skills that are suitable to their positions' needs.

Therefore, this research paper puts forth the **recommendation** for dedicated financial crime units in the government to leverage the **existing vast training resources** offered by the government such as the training courses database, standalone training budget, training grants and bursaries etc. that are readily available to support government employees to acquire and maintain the necessary competencies to effectively carry out their position duties.

⁴¹³ 2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative, Page 61

⁴¹⁴ 2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative, Page v

7.1.4 Recommendation #2 – Existing Government Network

Intraprovincial Cross-Training and Complimentary Training

A distinguishing characteristic of government from other workplace organizations is its sheer size and widespread network of entities in a diverse range of areas. For example, the **B.C. Government** consists of 23 Ministries that are each responsible for a specific area of public policy, government function, or service delivery.⁴¹⁵ In addition to Ministries, there are also 12 Central Agencies,⁴¹⁶ 29 Crown Corporations,⁴¹⁷ 49 Professional Regulatory Authorities,⁴¹⁸ as well as 228 Independent Boards, Commissions, and Tribunals⁴¹⁹ that are public sector organizations established and/or funded by the government to provide specialized goods and services to B.C. citizens. Similarly, the **Ontario Government** consists of 29 Ministries⁴²⁰ and over 540 agencies, boards, commissions, councils, authorities, and foundations⁴²¹ that are each responsible for a specific area. The Federal Government also has 208 departments, agencies, crown corporations, and special operating agencies.⁴²²

Each of these government entities is a **subject matter expert** in the area that it is responsible for, which provides ample cross-training opportunities for the entities to collaborate and share knowledge with each other in the area that they specialize in.

⁴¹⁵ <https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/ministries>

⁴¹⁶ <https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/central-government-agencies>

⁴¹⁷ <https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/crown-corporations>

⁴¹⁸ <https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/regulatory-authorities>

⁴¹⁹ <https://www.bcpublicsectorboardapplications.gov.bc.ca/s/directoryofagencies>

⁴²⁰ <https://www.ontario.ca/page/ministries>

⁴²¹ <https://www.ontario.ca/page/government>

⁴²² <https://www.canada.ca/en/government/dept.html>

Cross-training also provides the additional benefits of breaking down silos and promoting more communication and collaboration between government entities.

Government entities might also be willing to provide **complimentary training** that is non-reciprocal in nature, as they typically have **educational responsibility** as part of their mandate to raise awareness about their area of responsibility. As such, delivering training to other units and organizations about their specialized area would also allow them to fulfill their own mandate.

Interprovincial and International Cross-Training and Complimentary Training

Cross-training and complimentary training opportunities are also not just limited to **within the province**, it is common for government entities across **different provinces** to collaborate and share knowledge with each other. **Cross-provincial** training is particularly beneficial when another government entity in a **different province** specializes in the **same area**, but is more advanced in their operation and has more experienced staff, and can therefore share the lessons they have learned, strategies that worked well and did not work well, as well as challenges and opportunities that they encountered. For example, the **overlap** in most of Ontario Government's service areas with B.C. Government's provides ample **cross-provincial** training and collaboration opportunities.

Further, with Canada's **international presence** such as being a member of the G7 in establishing the Financial Action Task Force, the Canadian government can also leverage their **international network** to obtain training opportunities for their staff in the dedicated financial crime units

Secondment and Shadowing

As resource constraint is a common pervasive issue across all government entities, a potential obstacle to the cross-training and complimentary training opportunities could be the trainer unit's own lack of resources to conduct training, such as the trainer unit being occupied with their workload. An alternative approach would be to **second** the staff that require training to the trainer unit where they can shadow the more experienced staff in performing their duties. In that way, it would not require the more experienced staff to take time away from their core duties to deliver additional training. The trainee can benefit greatly from shadowing by learning first-hand on how to conduct full-cycle investigations and gaining valuable insight into the best practices and nuances of these investigations.

Further, the secondment and shadowing can also take place **outside of the government**, where the government employees that require training can be **seconded** to work with external public sector entities established and/or funded by the government. A staff exchange arrangement can also be put in place for the external employees to gain government experience.

For example, the B.C. Government offers a variety of short-term staffing options and special hiring programs including secondment and exchange programs, temporary appointment, project employees etc. that are aimed at supporting government

employees to acquire new skills and experience, as well as providing flexibility for units to respond to their changing business needs.⁴²³

Similarly, the Ontario Government also provides a variety of developmental training and career enhancement opportunities for employees including secondments, temporary job assignments, special projects, lateral transfers etc. in order to ensure that the employees provide optimal services and meet the qualifications of their positions.⁴²⁴

The Federal Government also has a robust public service staffing program that provides secondments and assignments, alternation arrangement, term employment, deployment, special assignment pay plan opportunities for employees to temporarily move within and across organizations for training and learning, career development, knowledge transfer, and to meet operational needs.⁴²⁵

Application

B.C. IU

During the PSD investigation engagement, the IU Director attempted to add resources to the IU team by requesting for the Office of the Auditor General to provide experienced investigators to assist with the investigation.⁴²⁶ A better alternative

⁴²³ <https://www2.gov.bc.ca/gov/content/careers-myhr/hiring-managers/process/choose-your-options/short-term>

⁴²⁴ Human Resource Renewal, Page 64

⁴²⁵ <https://www.canada.ca/en/treasury-board-secretariat/topics/staffing/public-service-workforce.html>

⁴²⁶ *Ibid.*, p. 308

approach that could generate more **long-term benefits** to IU would be to request for Auditor General to deliver training to IU staff investigators in order to equip them with the resources and tools to conduct their own investigations and be functional on a long-term basis. Further, the request for assistance and training should have happened upon hiring of the IU staff investigators with limited experience, instead of waiting until during the PSD investigation.

Other than the Office of the Auditor General, IU could have also requested for training from investigation units **outside** of the government, such as the Law Society of British Columbia that has a dedicated unit consisting of forensic accountants, auditors, RCMP investigators, and lawyers that are specialists in financial investigations.⁴²⁷

B.C. JIGIT

As the successor dedicated unit to IIGET, JIGIT learned from its predecessor and developed a much more extensive training and development plan leveraging their existing network to obtain **interprovincial training** for their staff. The Ontario Provincial Police (“OPP”) has a dedicated casino bureaus consisting of over 150 resources spread across the province in specialized units, and has more advanced experience in illegal gaming investigations than IIGET and JIGIT.⁴²⁸ While the IIGET team only received a 2-week course on illegal gaming from the OPP, JIGIT staff visited the OPP in Ontario, consulted

⁴²⁷ <https://www.lawsociety.bc.ca/priorities/anti-money-laundering/>

⁴²⁸ Dirty Money, Page 190

with the OPP regarding what worked and what did not work in Ontario casinos, learned from their experience, and implemented their advice accordingly.⁴²⁹

Recommendation

Therefore, this research paper puts forth the **recommendation** for dedicated financial crime units in the government to leverage the **existing widespread network** of the government that offers plenty of cross-training, complimentary training, secondment and shadowing opportunities for their staff to acquire and maintain the necessary competencies to effectively carry out their position duties.

7.1.5 Recommendation #3 – Private Sector Training

Private Sector Trainer

Hiring private sector experts to provide training to equip public sector investigators with the required knowledge and techniques to **independently** conduct financial crime investigations would be more cost-effective and yield greater long-term benefits than outsourcing the investigations to be conducted by the private sector. With the latter outsourcing approach, the public sector units do not gain any **long-term benefits** in terms of **knowledge and experience growth**. More importantly, the

⁴²⁹ Dirty Money, Page 132

outsourcing of the dedicated investigation units' **core responsibility** of conducting investigations could compromise its ability to effectively fulfill its mandate and accountability to taxpayers as the **public regulator**.

Further, private sector experts should be hired to provide training to the newly hired public sector staff immediately upon the commencement of their positions and when the units realize that they cannot provide the training themselves. As private sector typically has more diverse exposure to different types of issues experienced by their various private and public sector clients, they might have **more diversified and updated** knowledge of financial crime issues. Therefore, the public sector units can hire the private sector experts to provide **refresher training** to their staff at **regular intervals** to maintain and keep updated their specialized knowledge.

Supplementary Training on Engagements

In his report, *Detect, Disrupt and Deter: Domestic and Global Financial Crime – A Roadmap for British Columbia* (“Leuprecht Report”), Christian Leuprecht, an internationally renowned money laundering expert, put forth the recommendation that “it is unreasonable to expect even the **most highly trained** investigator to become an expert in **all of these areas**, which underscores the need for a multidisciplinary team comprised of legal experts, forensic accountants, computer specialists, and others to investigate money laundering activity. [Law] enforcement bodies must make better use of **experts in the private sector** to gain a **more complete** understanding of complex money laundering schemes: To be more effective and disrupt criminal organizations and their activities, law enforcement must explore **recruiting private experts** who

fully understand some of these more complex techniques.”⁴³⁰ Therefore, private sector experts can be hired to provide **supplementary training** for the areas where the public sector staff lack the expertise.

Commissioner Cullen agreed and supported Leuprecht’s view that using external private sector experts to provide **supplementary training** to the public sector to fill in the gap of knowledge and experience would add great value and yield long-term benefits that surpass the initial training costs. Therefore, Commission Cullen encourages law enforcement agencies to reach out to private sector experts in appropriate cases.⁴³¹

Application

B.C. IU

During the PSD investigation, the IU Director hired an external contractor to perform quality assurance review on the unit’s final report. Alternatively, IU could have engaged the external contractor to provide training to the unit investigators to equip them with the skills and knowledge to properly and independently conduct the PSD investigation and future forensic accounting engagements, which would produce long-term benefits to the unit and can more effectively justify the costs of hiring the external contractor.

⁴³⁰ Commissioner Cullen, Page 1552

⁴³¹ Commissioner Cullen, Page 1552

Further, the training arrangement should have happened right after the inexperienced investigators were hired and when the IU Director and Manager realized that they did not have the internal resources to provide the required training in light of their heavy workload.

B.C. IPOC

The 2011 performance evaluation of IPOC conducted by Public Safety Canada put forth the recommendation for the unit to continue to expend the necessary efforts to address and resolve current and anticipated recruitment, retention, and training issues specific to IPOC. In response to the recommendation, the RCMP agreed to provide training to IPOC staff through a dedicated, contracted subject matter expert,⁴³² which is consistent with the recommendation proposed by this research paper for dedicated units to engage private sector to provide training to the public sector unit staff instead of outsourcing the engagements to be performed by the private sector.

Recommendation

Therefore, this research paper puts forth the **recommendation** for dedicated financial crime units to hire private sector experts to provide **orientation and/or regular training** to equip their staff with the necessary competencies to **independently** conduct the financial crime investigations rather than outsourcing the investigations to be conducted by the private sector.

⁴³² 2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative, Page vi

7.1.6 Recommendation #4 – Financial Recovery

Asset Forfeitures

One of the primary drawbacks of establishing and operating a dedicated financial crime unit is its **resource intensiveness**. In response to this challenge, the Commissioner Cullen suggested a potential way to offset the significant investment costs of setting up and operating a dedicated unit by identifying and targeting illicit assets for forfeiture for money laundering investigations.

Commissioner Cullen further pointed out that other jurisdictions such as New Zealand has adopted this asset forfeiture regime, which produced significant impact on organized crime and led to substantial financial benefits for the government. The cumulative value of assets forfeited by the asset recovery unit was in the range of CAD \$358 million during the period 2017 to 2020.⁴³³

Commissioner Cullen also indicated that New Zealand's population, GDP, legal system, and government structure are similar to B.C.'s, which make it a useful point of reference in examining the benefits arising from an effective asset forfeiture regime. If the results of B.C.'s money laundering investigations were able to result in forfeitures that were remotely similar to those in

⁴³³ Commission Cullen Report, Page 1499

New Zealand, then they would offset the costs of establishing and operating any dedicated units and could even result in a significant surplus of funds that can be used to fund other government services.⁴³⁴

Application

B.C. IPOC

IPOC was a prime example of a dedicated unit that used asset forfeiture regime to offset the costs of conducting investigations and operating the unit. The change in the B.C. provincial legislative environment allowed for IPOC to increase their use of civil forfeiture, which significantly impacted the way that they approached their investigations.⁴³⁵

Criminal and civil asset forfeiture differ in the procedure and burden of proof required to forfeit assets. The main distinction between them is that criminal forfeiture focuses on individuals and civil forfeiture focuses on property.⁴³⁶ In civil forfeiture, the asset could be forfeited but the owner will not be accused under the *Criminal Code*. There is no further investigation completed to determine other unreported wealth owned by the suspected criminal. As such, civil forfeiture provides a quicker and more

⁴³⁴ Commission Cullen Report, Page 1500

⁴³⁵ “2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative,” Public Safety Canada., March 30, 2011, accessed online on May 23, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwimmpzg3bf_AhW0AzQIHSoNCWsQFnoECA4QAO&url=https%3A%2F%2Fwww.publicsafety.gc.ca%2Fcnt%2Fsrscs%2Fpblctns%2Fvltm-ntgrtd-prclds-crm-2010-11%2Findex-en.aspx&usg=AOvVaw2JR4lywm-J9WJvh85fV5_k, p. 20.

⁴³⁶ Dirty Money Report, Page 49

effective way to seize and forfeit assets. Further, in a civil forfeiture, the proceeds from confiscations go to the provinces, instead of to the federal government, which provided an incentive for IPOC to take advantage of civil forfeitures.

Criminals were also becoming more sophisticated in their approach of conducting illicit activities using professionals such as lawyers, accountants, tax specialists etc. to help conceal their illicit assets, which led to the financial crime investigations becoming more complex and time-consuming. Further, as criminals are aware that IPOC has specialists with expertise tracing money trails, they become more creative in their money laundering approach to increase its complexity. This growing sophistication in financial crimes also led to IPOC's increased use of civil forfeiture of offence-related assets,⁴³⁷ which provided the unit with resources to conduct these complex and time-consuming investigations, as well as to offset the costs of operating and sustaining its dedicated unit of specialists.

The 2011 Evaluation of IPOC conducted by Public Safety Canada also noted that while some key representatives have expressed reservations regarding IPOC's extensive use of the civil forfeiture legislation, the reality is that civil forfeiture is another legislative tool that contributes to the removal of illicit and unreported wealth.⁴³⁸

Recommendation

⁴³⁷ "2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative," Public Safety Canada., March 30, 2011, accessed online on May 23, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwimmpzg3bf_AhW0AzQIHSoNCWsQFnoECA4QAO&url=https%3A%2F%2Fwww.publicsafety.gc.ca%2Fcnt%2Fsrcs%2Fpblctns%2Fvltm-ntgrtd-prcnds-crm-2010-11%2Findex-en.aspx&usg=AOvVaw2JR4lywm-J9WJvh85fV5_k, p. 52.

⁴³⁸ *Ibid.*, p. 51.

This research paper **recommends** that in addition to money laundering investigations proposed by Commissioner Cullen, a similar financial recovery regime can also be implemented for other types of forensic accounting and financial crime investigations in the form of **forfeiture of fraudulent proceeds** or **imposing penalties** for committing a crime. In addition to offsetting the costs of establishing and operating the dedicated units, the assets and proceeds recovered can also cover the **training costs** of forensic accountants and financial crime investigators, as well as other areas of need of the government. To effectively implement the asset forfeiture regime, Commissioner Cullen recommended for the dedicated units to conduct the financial crime investigations with an **objective** to pursue the charges and seize and forfeit assets **at the outset** of the investigations.⁴³⁹ The dollar amount of forfeitures is sometimes used as one of the performance indicators to evaluate the success and impact of the financial crime units.⁴⁴⁰ The forfeiture of assets combined with fines and tax recovery can also have a significant deterrent effect for criminals.⁴⁴¹

Findings and Arguments – Section 7

F9	Based on the analysis performed above, we have proposed several recommendations to target the root cause of lack of priority assigned by dedicated financial crime units to providing adequate specialized training to staff, while taking
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⁴³⁹ Commissioner Cullen, Page 1579

⁴⁴⁰ “2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative,” Public Safety Canada., March 30, 2011, accessed online on May 23, 2023 at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwimmpzg3bf_AhW0AzQIHSoNCWsQFnoECA4QAO&url=https%3A%2F%2Fwww.publicsafety.gc.ca%2Fcnt%2Fsrcs%2Fpblctns%2Fvlt-ntrtd-prcds-crm-2010-11%2Findex-en.aspx&usg=AOvVaw2JR4lywm-J9WJvh85fV5_k, p. 28.

⁴⁴¹ *Ibid.*, p. 31.

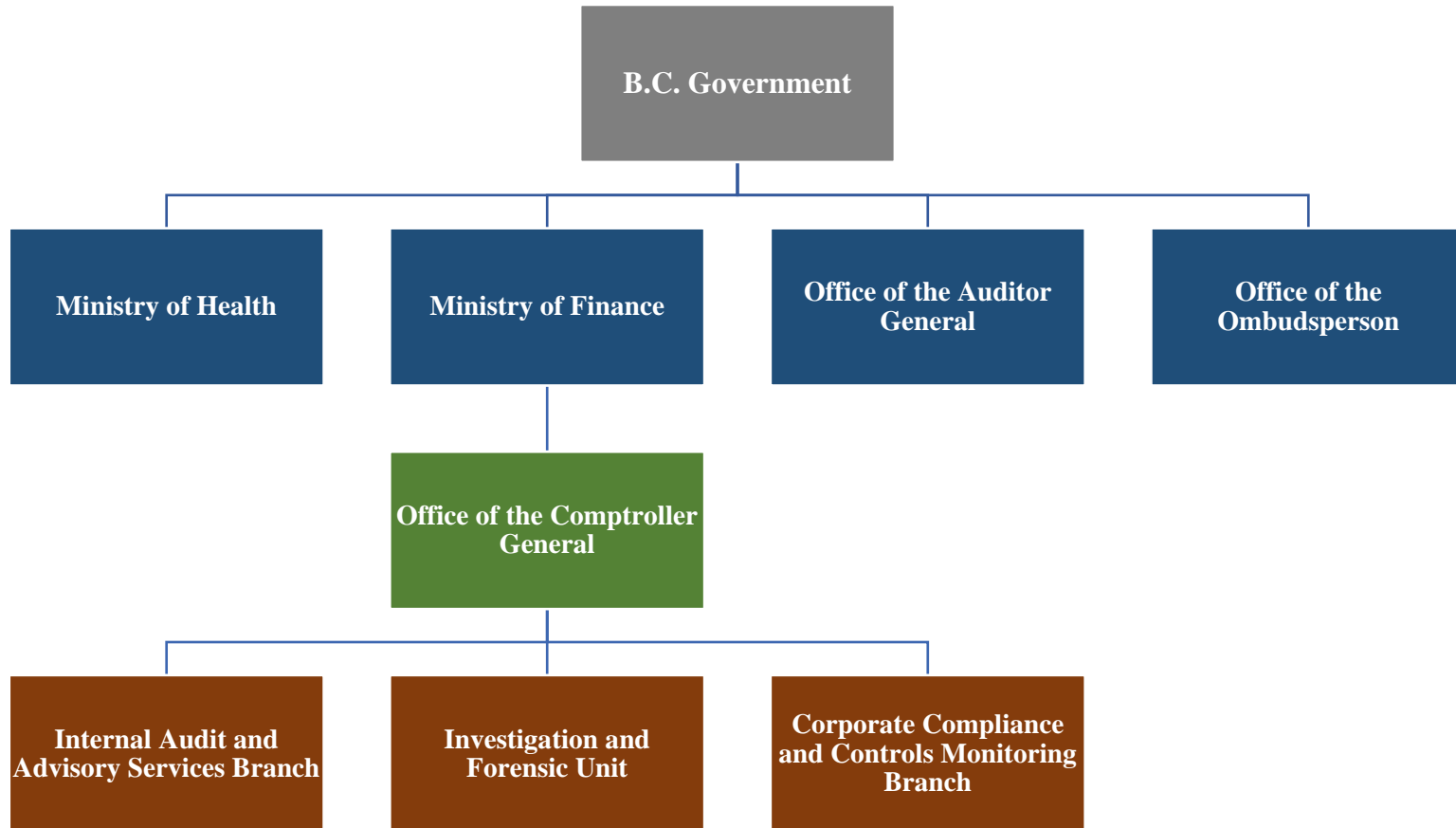
	<p>into consideration of the resource constraints prevalent in the government sector. The premise of the proposed recommendations is for the dedicated units to leverage the existing resources and opportunities the government already has to procure the required specialized training for their staff:</p> <ol style="list-style-type: none"> 1) Existing extensive training resources offered by the government – in the forms of a vast training courses database, standalone budget designated for professional development, and various training grants and bursaries offered for government employees to obtain and maintain the necessary skills for their positions; 2) Training opportunities provided by the existing widespread network of the government – in the forms of intraprovincial, interprovincial, and international cross-training and complimentary training, as well as secondment and shadowing opportunities; 3) Private sector training – in the forms of private sector trainer and supplementary training on specific areas of expertise lacked by the dedicated units on engagements; and 4) Financial recovery – in the forms of forfeiture of assets and fraudulent proceeds, as well as imposing penalties for committing financial crimes.
A5	<p>This research paper argues that the implementation of proposed recommendations at the Micro-level within the individual dedicated financial crime units will effect re-alignment at the Macro-level of government’s enforcement</p>

response with the economic trend of rising financial crimes. The effect of the recommendations in resolving the underlying root cause and ending the cycle of systemic issue is portrayed in the following diagram:



Appendices

Appendix A – Entities Involved in *Misfire* Case



Appendix B – Victims and Casualties: Beyond Financial Losses

List of Employees Suspended and Terminated

No.	Name of Individual	Employment Position	Impacts due to MoH and IU’s Investigations
1	Dr. Malcolm Maclure	Excluded	<ul style="list-style-type: none"> • Suspended without pay on July 17, 2012 • Filed a constructive dismissal lawsuit against MoH
2	Dr. Rebecca Warburton	Excluded	<ul style="list-style-type: none"> • Suspended without pay on July 17, 2012 • About 2 months after suspension, Dr. Warburton was terminated on September 6, 2012 • Filed a lawsuit against MoH
3	Mr. Ron Mattson	Excluded	<ul style="list-style-type: none"> • Suspended without pay on July 17, 2012 • About 2 months after suspension, Dr. Warburton was terminated on September 6, 2012 • Filed a lawsuit against MoH
4	Mr. Robert Hart	Excluded	<ul style="list-style-type: none"> • Suspended without pay on August 1, 2012 • About 2 months after suspension, Mr. Hart was terminated on September 6, 2012 • Filed a lawsuit against MoH
5	Mr. Ramsay Hamdi	Included	<ul style="list-style-type: none"> • Suspended without pay on August 1, 2012 • Filed a grievance against MoH on
6	Mr. David Scott	Included	<ul style="list-style-type: none"> • Suspended without pay on August 1, 2012 • About 2 months after suspension, Mr. Scott was terminated on September 6, 2012. • Filed a lawsuit against MoH
7	Mr. Roderick MacIsaac	Included	<ul style="list-style-type: none"> • Suspended without pay on August 1, 2012 • About 2 months after suspension, Mr. MacIsaac was terminated on September 6, 2012 • Filed a lawsuit against MoH • 4 months after his termination, Mr. MacIsaac committed suicide

List of Research Contracts Suspended and Cancelled

No.	Name of Contractor
1	University of British Columbia
2	University of Victoria
3	British Columbia Centre for Excellence in HIV / AIDS
4	Dr. William Warburton
5	Blue Thorn Research and Analysis Group Inc. (Colin Dormuth)
6	Quantum Analytics Inc. (Mark Isaacs)

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