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# Standing Committee on Public Accounts

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Chair: Mr. John Williamson





## Standing Committee on Public Accounts

Thursday, March 21, 2024

• (1530)

[*Translation*]

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

Good afternoon, everyone.

Welcome to meeting number 110 of the House of Commons Standing Committee on Public Accounts.

[*English*]

Today's meeting is taking place in a hybrid format. Pursuant to the Standing Orders, members are attending in person in the room and possibly remotely by using the Zoom application.

This is a reminder that all comments should be addressed through the chair.

[*Translation*]

Pursuant to Standing Order 108(3)(g), the committee is resuming consideration of report 1 of the 2024 reports of the Auditor General of Canada, entitled “Report 1: ArriveCAN”, referred to the committee on Monday, February 12, 2024.

[*English*]

I'd like to welcome our witnesses.

From the Department of National Defence, we have Bill Matthews, deputy minister; Troy Crosby, assistant deputy minister, materiel group; and Isabelle Desmartis, assistant deputy minister, human resources—civilian.

Mr. Matthews, thank you for coming in today on short notice. You'll be given a maximum of five minutes for your remarks. It's approximately five minutes. If you're wrapping up, I won't cut you off. We'll then proceed to a round of questions.

There are votes expected, I think, at 5:45, so we'll see how the bells work, although I expect we will be able to get through most of this meeting. We might end a little prematurely, unless there is unanimous agreement to continue to the bottom of the hour at 5:30, but we'll take that up when that comes up in case votes are delayed.

Mr. Matthews, you have the floor for about five minutes.

**Mr. Bill Matthews (Deputy Minister, Department of National Defence):** Thank you, Mr. Chair.

Good afternoon, committee members, and thank you for the opportunity to testify today as part of your study on ArriveCAN and to assist you in getting more clarity on the actions of Mr. David

Yeo, now a former employee of the Department of National Defence.

In advance of today's session, the committee was provided with several documents that outline details and background on Mr. Yeo's employment with National Defence, which I hope you will find helpful in terms of establishing a common fact set as you proceed to study this matter.

It is important to note that persons hired to and within National Defence are expected to follow key policies, including the code of values and ethics and the Treasury Board directive on conflict of interest. Any employee who owns non-exempt assets and liabilities or is involved in any outside activities that might give rise to a real, potential or perceived conflict of interest in respect to their official duties must submit a confidential conflict of interest report within 60 days of signing their letter of offer. These expectations are laid out in every employee's letter of offer.

I would like to offer a short chronology of Mr. Yeo's time as an employee of National Defence.

Prior to his employment with the Department of National Defence, Mr. Yeo was a contractor with Dalian Enterprises and had been awarded several contracts by National Defence and other departments on behalf of National Defence and the Canadian Armed Forces.

On September 19, 2023, Mr. Yeo was hired as an indeterminate public service employee at National Defence as an IT-03. In his signed letter of offer, of which this committee has a copy, Mr. Yeo accepted the position with National Defence and all terms and conditions of employment, including the need to declare any conflict of interest within 60 days.

National Defence received Mr. Yeo's confidential conflict of interest report only on March 3, after information related to his business activities had come to the attention of the department. To be clear, this report was received after he had been suspended from his position with the department and 165 days after he began working as an indeterminate employee of National Defence.

While Mr. Yeo shared with this committee that he had taken steps to isolate himself from Dalian, even if this were true, this would not remove the requirement to disclose his business activities to his employer. Whether his failure to report his other activities to his employer was due to his poor understanding of the rules, poor judgment or poor ethics, we have evidence that Mr. Yeo carried on in his role with Dalian after joining the public service.

On February 28, when we learned of Mr. Yeo's involvement with Dalian and that he was also a member of our defence team, we immediately launched an internal investigation into the hiring process and placed him on suspension with pay that same day.

At that time, Mr. Yeo's probationary period was still in effect, and as part of our assessment on whether to terminate his employment, we had arranged to interview Mr. Yeo on March 6, 2024. Rather than proceed with that interview, Mr. Yeo elected to submit his unconditional resignation on March 5.

My priority is to ensure that investigations on several fronts continue to be thorough and are completed in a timely manner. This work includes an examination of the staffing process to hire Mr. Yeo and his activities as a contractor while working as an employee.

We have learned that Mr. Yeo continued with his role while an employee of the Department of National Defence and that through Dalian he had established other schemes with other companies. We are continuing our work to ensure that we have line of sight on any other companies with whom Mr. Yeo or Dalian is affiliated. As this work continues, we will continue to collaborate with other government departments to address issues surrounding contracting integrity in the public service.

We have also taken immediate action to address this issue. On March 14, the chief of the defence staff and I notified all internal leadership that PSPC had suspended the security clearances of certain companies, including Dalian, issued a stop work order for all related contracts and asked each internal organization to review any contracts they may have with those listed companies.

On March 15, I sent a letter to the Canadian Forces provost marshal to inform him of the current events related to Mr. Yeo and Dalian, and I will continue to keep him apprised of our work.

Last, we are implementing a new two-step process to ensure that conflicts of interest are identified both prior to hiring and upon issuance of an offer of employment.

I will conclude by thanking the members of this committee for their work on this issue, and I look forward to answering your questions.

• (1535)

**The Chair:** Thank you very much.

I'll turn right away to our first round of questions.

Mr. Barrett, you have the floor for up to six minutes.

**Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC):** The Ottawa Citizen dated March 13, 2024, reports the following:

There are no rules against serving military personnel or public servants at National Defence having contracts on the side with their own department or [other] federal government [departments]...

Can you confirm whether that is, in fact, the case?

**Mr. Bill Matthews:** There is no rule that prohibits, holus-bolus, such arrangements. The requirements are to declare and get a conflict of interest assessment done.

**Mr. Michael Barrett:** Sir, do you think it avoids the appearance of a conflict of interest when members of the public see a situation like the one we're talking about with Mr. Yeo? It gives rise to tremendous concern among Canadians, who are very worried about scarce tax dollars being given to individuals who are double-dipping as members of the bureaucracy and as those working in one- and two-man shops, taking 30% commissions and doing no actual work on projects.

**Mr. Bill Matthews:** Mr. Chair, there's a lot in that question.

I'll start by saying that public servants at National Defence comply with the same rules that all other public servants do. The same rules apply. We are unique at National Defence in that we have military members.

I want to remind the committee about reservists. We actually expect reservists to have other employment. We love reservists. We need reservists. That's a good thing. The key is to make sure their interests are declared.

I don't have an issue with public servants doing other work on the weekends or in the evening, on their own time, if it's properly declared and assessed by an independent person, and if we all agree there is no conflict. I have an issue when the conflict is not declared.

**Mr. Michael Barrett:** It's a very straightforward question. We'll just close that one up: Do you see how there could be a perception issue among members of the public when an individual is both a contractor for and a regular employee of the same department? Do you see how that could be a perceived conflict?

**Mr. Bill Matthews:** In cases of an employee contracting with the same department, I think there's an additional test in terms of potential conflict of interest.

Would I say to you that it should be completely prohibited? No, I would not. However, I can see how, if it's not properly explained, it would create perception issues.

**Mr. Michael Barrett:** It certainly does.

Will you provide all documents and records related to Mr. Yeo's employment to the committee?

**Mr. Bill Matthews:** I will provide what I can.

I believe we have already provided some documentation to the committee, as I mentioned in my opening remarks. If there's something specific you're looking for in addition to that, I'm happy to take it back.

**Mr. Michael Barrett:** Do you have further information you'd be able to furnish us with?

**Mr. Bill Matthews:** Off the top of my head.... I'm trying to think of something that would be relevant that we haven't provided already, and I'm coming up with a blank.

**Mr. Michael Barrett:** Do you have the March 3 conflict of interest report you referred to?

**Mr. Bill Matthews:** We can provide that.

I will tell you that Mr. Yeo believes he had no conflict, so there's nothing in there.

If that's of interest, I'm happy to provide it.

**Mr. Michael Barrett:** It is of interest.

What was his security clearance for his role?

**Mr. Bill Matthews:** His security clearance, both as a contractor and as an employee, was top secret.

**Mr. Michael Barrett:** What was the description you provided for his job?

**Mr. Bill Matthews:** The description of his job....

How much time do we have, Mr. Chair? This is a little complicated.

**Mr. Michael Barrett:** Perhaps you could give me about 15 seconds.

**Mr. Bill Matthews:** He was a specialist in bridging information flow between networks of different security classifications to make sure that the information could flow seamlessly without compromising the security of the higher network.

I'm happy to elaborate on that later, if we have more time.

**Mr. Michael Barrett:** He resigned before he could be interviewed about this conflict of interest. That was what you said in your opening statement.

• (1540)

**Mr. Bill Matthews:** That is correct, Mr. Chair.

**Mr. Michael Barrett:** What was the nature of that interview going to be? What was that going to look like?

**Mr. Bill Matthews:** We were heading down a process of, in all likelihood, terminating his employment. He was still under probation. Obviously, before doing that, we wanted to give the employee a chance to tell his side of the story. He elected to resign before that happened.

**Mr. Michael Barrett:** What's the salary range for someone in Mr. Yeo's position?

**Mr. Bill Matthews:** He was an IT-03. The salary range, Mr. Chair, for that position is roughly \$88,000 to \$100,000 per year.

**Mr. Michael Barrett:** Did DND make a public statement that Mr. Yeo was not in a conflict of interest?

**Mr. Bill Matthews:** No such statement was made, Mr. Chair.

**Mr. Michael Barrett:** Are you familiar that he made a statement at this committee that he read in the newspaper a statement from your department that there was no conflict of interest? Are you aware that he said that?

**Mr. Bill Matthews:** I am aware that he said that, Mr. Chair. I am not sure what he was referring to.

**Mr. Michael Barrett:** Therefore, it's not true.

**Mr. Bill Matthews:** It is not true.

**Mr. Michael Barrett:** It couldn't be true, of course, because Mr. Yeo was in a conflict of interest. That was your finding.

**Mr. Bill Matthews:** As mentioned earlier, a conflict of interest, real or perceived.... I guess we could debate on whether or not he was in a real conflict of interest. He was certainly in an appearance of conflict of interest, and potentially real.

**Mr. Michael Barrett:** He sure is.

Mr. Yeo claims he has a protected B document that says there's no conflict of interest. We have to assume that this came from your department.

Do you know what that document is?

**Mr. Bill Matthews:** Mr. Chair, we have no idea what he is referring to.

**Mr. Michael Barrett:** Who at DND was responsible for hiring Mr. Yeo? Is it a failure of that hiring process that this conflict of interest wasn't detected?

Mr. Yeo indicated that he believed that what he was doing was very widespread. You would have heard that in his testimony. Is there a gap in the system here? Is this a failure of the hiring process, and do you believe it's widespread?

**Mr. Bill Matthews:** I don't believe it's widespread, Mr. Chair. We can come back to that.

Whether Mr. Yeo had a poor understanding of the rules or is ethically challenged.... I would tell you that my experience so far is that he has an ethical issue. The failing was on him in not disclosing.

We are looking at the process under which he was hired. We are involving the Public Service Commission in that, because it was an external process, but there is a look into the hiring process.

**The Chair:** Thank you. That is your time.

Ms. Bradford, you have the floor for six minutes, please.

**Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.):** Thank you, Chair.

Thank you to the witnesses for joining us today.

During his testimony on Tuesday, Mr. Yeo had a lot of very interesting stories about what he did, both as a member of the Canadian Armed Forces and when he was a contractor.

Could you please clarify exactly what he did during his time at National Defence?

**Mr. Bill Matthews:** Certainly. I will not comment on his military service, but I will comment on his transition from contractor into employee.

He was a full-time contractor with National Defence for an extended period of time. The team he worked for—quite wisely, I will say—recognized that this was a skill set we needed going forward and that it would be more economical to turn him into an employee rather than pay the higher rate for a contractor.

Obviously, they didn't know that he would turn out to have conflict of interest issues, but he was doing basically the same job as an employee that he was as a contractor. This was putting in place automated and secure systems to allow unclassified information to be shared with a more secure network—classified secret or above—in an automated fashion without compromising the security of the higher network.

He was quite a technical expert and the role was the same as contractor and as civilian. It was thought at the time that it was an economically wise decision to turn him into an employee. Obviously, they did not know about his other businesses and that he had failed to disclose those.

**Ms. Valerie Bradford:** Do you think it's a good idea to hire consultants as full-time employees?

**Mr. Bill Matthews:** In certain circumstances, yes, I do. Consultants have a great value to add if we need them for surge capacity or if we need them for a technical expertise that we don't have and we're looking to acquire.

In this case, because of the projects he was on, the major and the colonel who were above him realized they needed this skill set for a project on a long-term, enduring basis. It is a very good thought to try to turn that type of resource into an employee, if the person is willing.

As we know, in this case it did not work out, but I actually applaud the instinct.

**Ms. Valerie Bradford:** I believe that you can provide this committee with some unique insight, having been deputy minister at both DND and at PSPC. In your opinion, why are these HR staffing firms or body shops so prevalent?

• (1545)

**Mr. Bill Matthews:** Mr. Chair, body shops exist with private sector clients as well, but they are certainly widely used in the public service. I would offer up—and this is opinion—probably three reasons.

Number one is that getting government contracts is not easy. It is a complex set of rules. Requirements are often long. It takes time because of the evaluation to ensure a fair procurement. There are some contractors who, frankly, just don't want to go through that process. They would rather pay a firm to do it on their behalf, knowing that—in Dalian's or GC Strategies' case—the firm is taking a cut off the top. There's value there for IT contractors who don't want to go through that bureaucracy.

The second piece is that hiring in the public service is so time-consuming. It takes time to run a competition, and finding employees who meet the technical requirements and are willing to become employees takes time as well. Body shops have, in effect, become the “easy” button when there's a short-term need for a skill set. It is very convenient. It is fast.

I think if you look back to our HR processes as well as our procurement processes, you'll see that how intensive and long they can be has created the widespread use of these IT body shops.

The final point I will say on this is that because the IT world is changing rather rapidly, the skill sets of IT consultants often do not

exist in the public sector, so it is a very valuable way to bring in a resource that we don't have.

**Ms. Valerie Bradford:** You mentioned that Mr. Yeo was required to file a confidential conflict of interest report within 60 days, but he failed to do that.

I know there is an ongoing investigation, but in general terms, what are the penalties for failing to file this report, and do you feel they should be increased?

**Mr. Bill Matthews:** It's a condition of employment to actually disclose conflicts of interest. He agreed with this when he signed his letter of offer. He did not declare anything at the point of hiring or within the 60-day time frame. As he was on a probationary period, the natural consequence would have been termination of employment. If we were dealing with someone who has been a long-standing employee, you might get a different answer, but when someone is on probation, it's very easy to reach the conclusion that they don't fit the ethical profile of someone we would like in the public service.

**Ms. Valerie Bradford:** On Tuesday, Mr. Yeo, when asked about the contract that was signed with Dalian on the day he joined the public service, he said, “I provided my signature to the staff”, and claimed he had no knowledge of the contract.

Do you believe that Mr. Yeo's true signature was on the letter of offer, or was it his staff at Dalian that signed it?

**Mr. Bill Matthews:** It's impossible for me to say, Mr. Chair, because, if I recall correctly, it's an automated signature using a computer.

To me, though, Mr. Chair, it doesn't really matter what he did with his business dealings with Dalian; he still failed to meet his obligations to the employer. I don't have an opinion on whether that was he or his staff. To me it doesn't matter, because the requirement as an employee was to disclose his conflicts, and he did not.

**Ms. Valerie Bradford:** What steps have you taken to stop public servants from double-dipping?

**Mr. Bill Matthews:** There are a couple of things.

One, we have initiated a new two-step process upon hiring to make sure we get more clarity around conflict of interest. We are going to arm employees with questions to maybe help their thinking in identifying potential conflicts. I would rather be in a world where anything that is a possible conflict is disclosed and we have an independent person evaluate that; I think we can ask employees some questions to help them with their thinking.

We have about 50 employees that I'm aware of on the civilian side of the Department of National Defence who have properly declared potential conflicts with additional work they do outside of their day jobs. I'm more interested in finding out about any who have not declared such a conflict and getting transparency on that.

**The Chair:** Thank you.

That is your time, Ms. Bradford.

[Translation]

Ms. Sinclair-Desgagné, you have the floor for six minutes.

**Ms. Nathalie Sinclair-Desgagné (Terrebonne, BQ):** Thank you, Mr. Chair.

I welcome the witnesses.

My first question will be very short and very direct.

Mr. Matthews, yesterday or the day before, you sent us six additional contracts, apparently found by someone at the Department of National Defence after a manual search and the tabling of a motion.

First of all, these contracts cannot be found on the Open Government website. So, that's the first thing I think is unfortunate.

Second, when we look more closely, we see that these contracts are heavily redacted. When I say "heavily", it's because in the section where one is supposed to see the name of the resource who did the work, the time they spent on it and at what rate, we only see the final amount.

How is it that the Standing Committee on Public Accounts cannot have access to the identity of people delivering a service with taxpayers' money?

• (1550)

**Mr. Bill Matthews:** I thank the member for the question, Mr. Chair.

First of all, the Department of National Defence has a database in which it keeps all information on contracts. However, given that it engages in secret activities, some sectors of the department do not use that database.

We therefore found the other contracts through a manual search because they were not in that database.

[English]

It is for reasons of security that we don't put all of the contracts in that database. There are certain groups that do work that we can't disclose publicly because of a security risk. That's the reason we found those after the fact, and I apologize for not finding them earlier.

[Translation]

**Ms. Nathalie Sinclair-Desgagné:** What is rather strange is that on the same day, on June 21, 2022, two contracts were awarded to GC Strategies. Both of them totalled up to the same amount, \$395,918.10. The same departmental representative signed them, but for different missions. However, in both cases, the name of the same GC Strategies resource was listed.

So, there's already someone not doing their job when it comes to signing contracts, because the same person signed for both of them.

How can the same Department of National Defence representative award on the same day, probably to the same resource, two contracts totalling up to nearly \$800,000?

**Mr. Bill Matthews:** The nature of the work is different. I assume the work was not done by the same resource.

**Ms. Nathalie Sinclair-Desgagné:** Could you tell us in writing if it is the same resource or not? Obviously, knowing that this is taxpayer money, we would really like to know which resource worked for the government to the tune of \$800,000.

**Mr. Bill Matthews:** If the members of the committee deem it important, we can verify if different people did the work. We can provide that information. To my knowledge, they were different people.

**Ms. Nathalie Sinclair-Desgagné:** I would point out that GC Strategies signed the contracts. There are two people on staff at GC Strategies. Furthermore, it shows that the resource belonged to GC Strategies. It could therefore not be a subcontractor. The resource was therefore one of the two people working at GC Strategies.

I'd really like to know why this person's name was redacted, and if it was the same person for the same contract both times.

**Mr. Bill Matthews:** GC Strategies did two types of work for National Defence: work related to internal audits and work in the field of technology.

I can verify what the differences were between both contracts and then provide information on the matter to the committee.

**Ms. Nathalie Sinclair-Desgagné:** Very well. Let's move on to the next question.

You stated that, since 2012, you granted 86 contracts to businesses studied as part of the ArriveCAN case. These contracts were awarded to businesses that provided no services, because they are only contracting officers. Two people who deliver no services received \$88 million worth of taxpayer money.

How do you explain that, within the framework of your procurement activities, you were not a bit more lucid in terms of finding real resources that could provide actual services, instead of going through an agency or business, whatever you want to call it, which, in the end, retained a commission and delivered no services?

**Mr. Bill Matthews:** That's a good question.

As for the services for which money was paid, they were intended to provide human resources.

The fact is that there are people who don't want to sign their own contract with the government. They'd rather use a service like GC Strategies or Coradix. I find the situation a bit frustrating.

[English]

The markup that gets charged on the subcontractors is significant, and I think there is something to be said around getting more transparency around that markup.

[Translation]

I would like to raise another point.

• (1555)

[English]

I think that in these arrangements that companies have with each other whereby they subcontract each other—Dalian to Coradix to GC Strategies, and vice versa—I expect we're paying markup on markup. That does not sit right with me, and I think there is some work to be done there.

[Translation]

**Ms. Nathalie Sinclair-Desgagné:** Agreed.

However, it's not just an issue of commissions, it's also an issue of security clearances, Mr. Matthews. When there is a subcontractor and their security clearance has not necessarily been checked, that can be very problematic. It's obviously a financial issue, but it is also a security issue.

Isn't it?

**Mr. Bill Matthews:** I do not agree with that. Every human resource providing services must have their own security clearance, regardless of the work to be done.

[English]

I'm quite satisfied that individuals who actually do the work, who come on site for National Defence or work remotely, have the proper security clearance. You can't have people working at National Defence without proper security clearance.

**The Chair:** Thank you very much.

Mr. Desjarlais, you're up for six minutes.

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

I want to thank the witnesses for being present on this very serious matter related to the vulnerabilities of our public service.

It's a vulnerability that largely has been exploited by private contractors. Mr. Yeo is one of those private contractors who, as discovered by the Auditor General, has been part of a network of contractors and subcontractors that has operated in Canada for some time now. The Auditor General herself had a very difficult time to find the appropriate documents, the appropriate invoices and the appropriate task authorizations. This is something that I think demonstrates a very clear risk to Canada, and a very clear security risk as well, something that's very similar to what my colleague mentioned.

The Auditor General made it clear that the CBSA, for example, the Canada Border Services Agency, did not have the appropriate checks and balances, including security checks, when developing this app. It brings into question how our ministry of defence and the people who work on defence, both on military bases and outside them, are also perhaps engaged in this kind of network of contracting and subcontracting. The worst risk of all in this, of course, is that Canadians are vulnerable to what could be information breaches, which could be data breaches and which, even worse, could be information breaches that could harm our national security.

It's a tremendously serious issue that Canadians are seized with, and it's one that I believe your ministry should provide clarity on in

terms of its own actions and its own relationship with how contracting and subcontracting are conducted in this country.

Throughout the report of the Auditor General, which I believe you've read, I hope, Mr. Matthews.... Is that correct?

**Mr. Bill Matthews:** Yes.

**Mr. Blake Desjarlais:** In this report and this example of one of the ministries, it suggests that, "The Canada Border Services Agency relied heavily on external resources, which increased Arrive-CAN's costs". You just mentioned that there was an issue related to the markups of subcontractors. That's certainly one of the issues that the Auditor General made clear, in addition to some security challenges.

In addition to that, we haven't seen any kind of information that would suggest that outsourcing is decreasing or that the level of risk to Canadians is reducing.

Can you confirm to us the total value of outsourced contracts you conducted in your own ministry this last fiscal year? If you can provide information related to the period of time stemming back from 2008, and supply it to this committee in writing, I will also request that.

**Mr. Bill Matthews:** Mr. Chair, I think the only question there was at the end, which was, "Can you provide...?" We will certainly do our best to provide information.

I will flag for committee members that National Defence spends roughly \$5 billion on contracts. A small subset of that, but still a significant amount of money, is on professional services related to IT contracts. We will try to break that down for the committee so that we can give you those numbers for the past few years.

**Mr. Blake Desjarlais:** You said \$5 billion was spent last year on contracting out by the Department of National Defence. Is that correct?

**Mr. Bill Matthews:** Yes.

**Mr. Blake Desjarlais:** Actually, it was more than that, perhaps.

**Mr. Bill Matthews:** It's approximately that. Think about contracts for planes and ships. We're not talking about just IT here.

**Mr. Blake Desjarlais:** Sure. I understand that the cost is immense, but you'd think that the cost was also part and parcel of the cost we're actually paying our own public service employees on those very same sites.

We have information supplied by my colleague who sits on the defence committee, Ms. Mathyssen, and was able to get information from your ministry in relation to how much you actually spend on public service employees.

Do you know that you spend more—almost double—on outsourcing than you do on the public employees who work for the ministry of defence? Are you aware of that fact?

**Mr. Bill Matthews:** I think, Mr. Chair, that would depend on how you define "outsourcing". We will get numbers on professional services for things like body shops and contractors. I would caution members to not confuse that with when we make a very large payment to purchase an airplane.



• (1600)

**Mr. Blake Desjarlais:** I'm not talking about that. I'm talking about Mr. Yeo. I wish you could be as transparent and focused on Mr. Yeo's actions as this committee is.

I understand that planes are expensive. However, contractors are also expensive, and you'd have to agree that the contractors, including Mr. Yeo, have taken far more money than the effective use of funds would have provided, according to the Auditor General.

Would you agree with that?

**Mr. Bill Matthews:** I think it depends on the contract. I've cited the example of why Mr. Yeo was turned into an employee, and I actually applaud that as an idea for when you have a contractor and you need that skill set on an enduring basis. We will provide the committee with information on our use of IT contractors so that you have the information you need.

Many IT contractors are not interested in becoming public servants, but when they are and when the skill set—

**Mr. Blake Desjarlais:** Do you know why they're not interested in becoming public servants? Have you asked any of the IT professionals who have left the Canadian public service this question? We have.

**Mr. Bill Matthews:** Obviously, that's an individual choice, but I have some knowledge of what the driving forces are.

**Mr. Blake Desjarlais:** What are some of the driving forces?

**Mr. Bill Matthews:** We hear about the opportunity to work on different projects as number one. We hear about compensation as number two, but there's no magic to that order I provided. Those are the two most common ones.

**Mr. Blake Desjarlais:** You can see how in my mind and in the minds of Canadians that it's difficult to know that you applaud the decision to have IT professionals like Mr. Yeo working as a contractor for the Department of National Defence for some time, being able to get some significant contracts from it, and at the same time being able to work at the Department of National Defence, even though you knew at this time that he was a contractor.

I understand that, but why wouldn't you review the contracts before hiring him?

**Mr. Bill Matthews:** In this case, I'll need to clarify, Mr. Chair, that there was awareness that he was a full-time contractor for the Department of National Defence, and we wanted to turn that role into a public service job.

The supervisors of Mr. Yeo were not aware of his broader business dealings, or they would have asked questions. They thought he had just been turned from a contracted person who showed up every day into an employee. They were not aware of his other business activities.

**The Chair:** Thank you very much.

We'll turn now to the beginning of our second round. Mr. Genuis has the floor for five minutes.

**Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC):** Thank you, Mr. Chair.

We're here talking about double-dipping and the fact that Mr. Yeo was simultaneously employed as a public servant while also in charge of a company and on the board of directors of that company, by his own testimony, which was doing contracts with not only the Government of Canada but with the same department that he was a part of.

I want to highlight that this committee has passed a common-sense Conservative motion calling for all double-dipping to be banned. The laughing Liberals actually voted against that motion, so unfortunately, we don't have agreement even around this table that this practice of scandalous double-dipping should end. However, the opposition was certainly united in taking that position. I hope the Liberals will reconsider and reform their approach to this—

**Ms. Iqra Khalid (Mississauga—Erin Mills, Lib.):** I have a point of order, Mr. Chair.

**Mr. Garnett Genuis:** I don't think that's a point of order.

**The Chair:** What's the point of order, Ms. Khalid?

**Ms. Iqra Khalid:** It's relevance.

**Mr. Garnett Genuis:** That literally is the subject of this hearing, double-dipping.

**The Chair:** Yes, Ms. Khalid, there—

**Mr. Garnett Genuis:** It would be hard to be more relevant.

**The Chair:** Anyway, Mr. Genuis, you have the floor. We go back to you, please.

**Mr. Garnett Genuis:** Yes, I think “point of order: a guilty conscience” might have been more in order from Ms. Khalid—

**Ms. Iqra Khalid:** On a point of order again, Mr. Chair, there's no need to make personal attacks against members in this committee.

**The Chair:** Ms. Khalid, the slings and arrows fly from both sides, as you've witnessed before.

**Ms. Iqra Khalid:** I haven't done or said anything here, Chair.

**The Chair:** I'm not saying you; you've been quiet as a church mouse in this meeting so far, but I see that is changing with two points of order that are rather thin.

Mr. Genuis, you have four minutes.

**Mr. Garnett Genuis:** Yes, and Mr. Chair, I wouldn't consider the insinuation that the member across has a conscience as an aspersion; I would consider that an—

**Ms. Iqra Khalid:** On a point of order again, Mr. Chair, that was a very, very low blow by Mr. Genuis.

**The Chair:** Mr. Genuis, you have four minutes. Why don't you get back to your line of questions to the witness and you can save Ms. Khalid for the House of Commons.

**Ms. Iqra Khalid:** This is unreal.

**Mr. Garnett Genuis:** Thank you, Mr. Chair.

To the witness, you said your department spends \$5 billion on external contracts. How much of that goes to middleman operations—that is, to hiring people to hire others instead of to perform specific tasks?

**Mr. Bill Matthews:** Mr. Chair, I'll have to come back with that. It's a subset, and there will be some speculation involved in terms of which companies are in that business. Roughly speaking, there's probably \$73 million on professional services, and a subset of that will be apportioned to the type of company the member's asking about, so we'll have to come back with an assessment.

• (1605)

**Mr. Garnett Genuis:** Okay. I asked the PBO a similar question, and they said they have a very hard time pulling this apart as well, but they're external. I would expect that within government you would be in a better position to break these numbers down: Of the amount you spend on contracting, we would like to know how much is going to middleman operations and how much is for professional services advice. Could you provide the committee with a breakdown?

How much went for GC Strategies?

**Mr. Bill Matthews:** Over what period of time are we talking about?

**Mr. Garnett Genuis:** Since 2015, let's say.

**Mr. Bill Matthews:** The numbers I have are since 2011, and for GC Strategies, it was \$4.2 million. Obviously, the amount since 2015 is a subset of that.

**Mr. Garnett Genuis:** GC Strategies in particular was founded in 2015, so it might be different.

**Mr. Bill Matthews:** I believe the committee's request was—

**Mr. Garnett Genuis:** What was it for Dalian? How much went to Dalian?

**Mr. Bill Matthews:** For Dalian, it was \$7.2 million since 2011.

**Mr. Garnett Genuis:** Have you referred these or other contracting-related files to the RCMP?

**Mr. Bill Matthews:** As I said in my opening remarks, Mr. Chair, I've made the provost marshal—who is military police, which would be the starting point for jurisdiction here—aware of our work concerning Mr. Yeo and his employment and his potential activity as a contractor at the same time. At this point, I'm just keeping them apprised. I have not referred formal files to them.

**Mr. Garnett Genuis:** Would you expect that they would ask for information and then you would provide it if they asked for that information? Would the RCMP ask you directly, or is the process that they would go through the force you mentioned?

**Mr. Bill Matthews:** It depends. If concerns are specific to activity at National Defence, they would normally come through the provost marshal. I know my colleagues at PSPC have been in touch with the RCMP. If there is information the RCMP needs from National Defence for that investigation, they may come directly to us, or it could be through the provost marshal.

**Mr. Garnett Genuis:** Okay, then that process hasn't been initiated yet, but you have been keeping the contact informed. Okay. I see you nodding.

You spoke with respect to Mr. Yeo's activities. More broadly, we had the announcement just yesterday of multiple other companies, not the ones we're aware of, being involved in fraud. Beyond the case of Mr. Yeo, has DND been impacted by contracting fraud in

the context of these kinds of contracts and arrangements? What can you tell us about that and what referrals of information have you made on that?

**Mr. Bill Matthews:** There are a couple of points here, Mr. Chair.

PSPC has made us aware that of the contract-related fraud they're looking into, about \$400,000 of it relates to activity at National Defence. We don't yet have details on what that is and who the vendors are, but that information will be coming shortly.

I would also stress that this is what they know right now and that there is the possibility they will find more. This is work that PSPC started a few years back as more and more contractual information was digitized into databases. Now they're basically using data analytics to highlight potential fraud. I applaud that work and I'm grateful that they have let us know.

Independent of that, we have concerns about a few contracts we are aware of, and for those we are dealing with the provost marshal. That's all I can say about them at this stage.

**Mr. Garnett Genuis:** It seems like a lot of fraud.

**Mr. Bill Matthews:** As a percentage of our total spend, I can't say—it's too early—but I don't think it's significant. On this notion of contractors working on multiple contracts at the same time across the federal government, of getting line of sight on how many different contracts a contractor may be working on and of getting some common-sense analytics around there being only so many hours in a day and how much you can bill during a week, putting that information together is very important. PSPC has launched a process with some of their tools that lets them do those analytics, so I expect they will be highlighting more for us as we go forward.

**Mr. Garnett Genuis:** I like the words “common sense” that you used there. We could get more common sense in the government.

**The Chair:** Mr. Genuis, that is your time.

We turn now to Ms. Shanahan. You have the floor for five minutes.

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** Thank you very much, Chair.

Thank you very much, Mr. Matthews, for being here with your team, because of course, as egregious as the testimony of Mr. Yeo was on Tuesday to this committee, it's not normally the purview of this committee, as I'm sure you're well aware, to be hearing testimony from individual contractors to the federal government, but the situation is such that we are here.

What is more concerning to this committee, I think, is the structure and processes in place that would identify a Mr. Yeo much earlier in the game, because they will always exist, right? He's not the first and he's not the last, as we clearly know.

My first question is this: Did he seek the job at National Defence, or was the offer made to him? You said something about converting him.

• (1610)

**Mr. Bill Matthews:** Isabelle, I may refer to you on this one for the staffing process.

There was an external competition staffing process launched, which means that it's open to individuals outside the public service. That was a generic competition that was launched. He applied and was added to a pool of IT professionals that one could then draw from. I don't know for certain, but I expect that he was encouraged to apply by the people he was working with on contract, because there would have been value to turning him into an employee, if possible. He was successful in that process. He was added to the pool and then he was picked by the hiring manager and offered a job, which he then accepted.

The reason it's important for me to stress that this was an external pool is that it means that the Public Service Commission will be looking into any sort of investigation in terms of whether it was appropriately used. I imagine that they will be looking at things such as the reference checks and whether they were appropriately done. He did not declare any conflicts at that stage, but we will look into that process with the help of the Public Service Commission.

[Translation]

Do you want to add something, Ms. Desmartis?

[English]

**Ms. Isabelle Desmartis (Assistant Deputy Minister, Human Resources – Civilian, Department of National Defence):** The only thing I would add is that we are also looking at the hiring manager and other processes to see if there are other systemic problems there. You were talking about other Mr. Yeos; that's what we're doing internally, and the Public Service Commission will be looking exactly at what Deputy Matthews said.

**Mrs. Brenda Shanahan:** I wonder if you could expand on that a little bit, because you're saying that you're looking at the people who were around him. It seems hard to believe that they weren't aware of other activities. I don't want to get into specifics and so on, but you did tell us that you felt the need to write to the provost marshal. Are there multiple investigations going on?

**Mr. Bill Matthews:** We're looking into the staffing process, as we mentioned, through the Public Service Commission. For the contracts that were through Dalian, we also want to make sure that we received the services that were contracted for, and to date the answer is yes, we did receive those services.

We will also look at hiring practices within that broader unit to make sure that there is nothing untoward there.

I will say that I spoke to the major and the colonel whom Mr. Yeo worked for. They knew he was a contractor and they were absolutely unaware of his broader business dealings. I asked them if it ever came up, even once he started work, through conversations about what he had done on the weekend or if it ever came up that he ran a consulting company. It never came up, and they were in frequent contact with him.

These sorts of things were never flagged for the manager, because if they had been flagged, the expectation would be that the manager would look into whether a conflict of interest was de-

clared. I spoke to them, and they said that it never came up at all that he had these other activities.

**Mrs. Brenda Shanahan:** Okay, and you explained the work he was doing. He was conducting the work himself. I know that it's not unusual for an IT professional to hire themselves out as a consultant, but is that so not unusual that it just would not be questioned? They're a consultant; they're incorporated. Somebody is billing Dalian.

**Mr. Bill Matthews:** You will see cases in the IT informatics world in which someone incorporates themselves and they contract out themselves, as well as other people, as a resource, effectively doing both. They might be the resource or it might be another person they have subcontracted.

In the case of Dalian, they were also authorized resellers of certain software tools. A few of the contracts with Dalian were cases in which we were purchasing software licences through Dalian. There weren't just human services; there were some software licences as well.

**Mrs. Brenda Shanahan:** Mr. Yeo would have been known as Dalian. Am I correct? He was hired. He was working, doing that technical work himself. He would have been billed as Dalian.

**Mr. Bill Matthews:** I assume he was billed as Dalian. That would make good sense.

I'll turn to Troy in a second.

The major and the colonel who supervised him did not know that he had other activity outside of the work he was doing for National Defence on a day-to-day basis.

Troy, do you have anything else?

**Mr. Troy Crosby (Assistant Deputy Minister, Materiel Group, Department of National Defence):** Mr. Chair, as the deputy said, he was billing as Dalian, through Dalian.

**The Chair:** Thank you. That is time, Ms. Shanahan.

[Translation]

Ms. Sinclair-Desgagné, you have the floor for two and half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

There's a very real contradiction in what you just said, Mr. Matthews. If the team Mr. Yeo worked with, his supervisor and the people who hired him, had done a simple basic check on Google, they would have seen that Dalian is a big company, that Mr. Yeo was billing fraudulently and that he had contracts with many other companies.

How can it be that the Department of National Defence in a G7 country does not do basic security checks on the staff it hires?

• (1615)

**Mr. Bill Matthews:** Thank you for the question.

That is the reason why we will verify hiring processes to validate the information received. We will specifically make sure that the reference checks provided are done correctly.

[English]

I don't think you want to be in a world where we're effectively spying on our employees—

[Translation]

**Ms. Nathalie Sinclair-Desgagné:** I'm sorry, but you're exaggerating.

**Mr. Bill Matthews:** I did not say that. I know.

**Ms. Nathalie Sinclair-Desgagné:** Fine, but I would like you to answer my question more specifically. If you are extrapolating, you are not answering.

Since I did not get an answer to my first question, I will move on to the next.

How is it that an employee at the Department of National Defence can testify before Parliament while they are officially a full-time employee, without their supervisor, their team, or anyone else noticing that they are testifying on behalf of a company that is not the Department of National Defence?

Mr. Yeo appeared on October 31, 2023. He had been an official employee at the Department of National Defence for over a month. However, he never mentioned this to the department. No one in the entire department realized that one of their employees was testifying before the Standing Committee for Government Operations and Estimates.

What can you tell us on this matter?

**Mr. Bill Matthews:** In fact, it was after *La Presse* published an article on Mr. Yeo and the bank accounts he had in other countries that someone recognized his name.

[English]

The first assumption was that it was probably a duplicate name. Within five minutes we checked, and we realized that this was in fact the same person we had in our organization. I do want to—

[Translation]

**Ms. Nathalie Sinclair-Desgagné:** At what point did you realize, Mr. Matthews, that one of your employees had bank accounts in tax havens?

**Mr. Bill Matthews:** On February 28.

**Ms. Nathalie Sinclair-Desgagné:** Okay.

You nonetheless realized it four months after his appearance at Parliament before the Standing Committee on Government Operations and Estimates. The day he came here, for several hours—

**The Chair:** Ms. Sinclair-Desgagné, ask your question, please.

**Ms. Nathalie Sinclair-Desgagné:** The day he appeared here, before the Standing Committee on Government Operations and Estimates, for several hours, no one noticed this employee was not at his workplace during work hours.

Is that right?

**Mr. Bill Matthews:** That is the truth, no one noticed.

[English]

I would like to refer members to the organizational structure. He is very far down in the organizational structure. It's a big place. Obviously the people who managed him on a day-to-day basis were not watching the parliamentary committee.

Troy, do you want add something?

**Mr. Troy Crosby:** I would add that it was a good question. We asked the same question: How could we have missed this? Of course, at the level where we're operating, individuals aren't watching parliamentary committees—forgive me—and they weren't aware of it. The committee appearance was actually made outside of Mr. Yeo's normal work hours, and it wasn't in his work calendar.

**The Chair:** Thank you very much.

[Translation]

The next speaker is Mr. Desjarlais.

[English]

Mr. Desjarlais, you have the floor for two and a half minutes. Go ahead, please.

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

I want to turn to a particular incident that already exists in your ministry that to me presents a potential of risks existing to other ministries. I believe that the recommendations made by the Auditor General would actually assist your ministry as well.

I want to turn to the case study of Calian. Are you aware of the company known as Calian?

**Mr. Bill Matthews:** I am, Mr. Chair.

**Mr. Blake Desjarlais:** For how long has the company named Calian been a contractor to your ministry?

**Mr. Bill Matthews:** I will have to get back on the date. I know that Calian receives significant contracts from the department for multiple purposes, including supplementary health care services for our armed forces members.

**Mr. Blake Desjarlais:** Just on that, let's speak about the supplementary health care contracts.

I'm sorry. Let me just back up a bit. The business of Calian, apparently, according to their website, is as a business solutions consulting firm often contracted to work by Defence Construction Canada and the Department of National Defence, which is compensating contracted health care workers at market rates along with additional overhead charges.

You spoke about how expensive these things are and how inefficiencies are building when this is happening in your ministry today. Contractors with Calian received higher pay, received bonuses during the pandemic, and were rewarded for working holidays. We know that the Canadian Armed Forces health care workers have highlighted that internal public service employees are leaving the Canadian Armed Forces, only to return to the same job, at the same base, under Calian, for better wages.

Are you aware of this happening in your ministry?

• (1620)

**Mr. Bill Matthews:** We're certainly aware that Calian supplements health care services provided by armed forces members. We have examples of people who—

**Mr. Blake Desjarlais:** Are you aware that it's weakening our public service health care providers?

You spoke about the risk. One of the issues was compensation. You know about this issue. What actions will you take in order to make sure that public health care workers who are working on bases get fair treatment, instead of assisting in the subcontracting or contracting out of these health services at a higher cost? Canadians are getting robbed.

**Mr. Bill Matthews:** Mr. Chair, number one, we're aware of members who have left and joined Calian or similar companies. We're also aware of some who have gone the other way. Again, if we can turn those resources into employees, that is better for us. Some are not interested—

**Mr. Blake Desjarlais:** But it's going the other way around. That's the problem. Do you understand that?

**Mr. Bill Matthews:** I do understand that.

Supplementing the employees with contracted resources where we don't have enough employees—

**Mr. Blake Desjarlais:** What you're doing is not working.

**The Chair:** That is your time, I'm afraid, Mr. Desjarlais. I'll have to come back to you and your line of questioning.

Mr. Barrett, you have the floor for five minutes.

**Mr. Michael Barrett:** Mr. Matthews, Mr. Yeo, the owner of Dalian, got contracts worth millions of dollars before joining your department. Is that correct?

**Mr. Bill Matthews:** Yes. He has contracts with National Defence and with other departments as well.

**Mr. Michael Barrett:** You said that his salary range was between \$80,000 and \$100,000 a year. That's a good salary, but do you not find it odd that this individual, Mr. Yeo, a millionaire, making 30% on these contracts, would then pursue employment with the department that he was getting business from as a contractor to make his millions?

**Mr. Bill Matthews:** To answer your question simply, yes, I do find that odd, and I find it concerning. I will say that one thing he was aware of was a plan to consolidate some of the contracts we had on that project team, so there was a risk that his contracted work would end. That may have factored into his choice to become a public servant.

If he truly was making the amount of money through his business dealings that we now think he was, through the markups, etc., it is hard to comprehend how that math works for him as an employee, unless he was able to do his other business at night and on weekends and this just offered some steady income. The math is questionable, for sure.

**Mr. Michael Barrett:** Yes. He described his position as “a very low-level position”, so it's highly suspicious, at best, that this would be allowed to happen.

**Mr. Bill Matthews:** Allowed to happen in terms of his choice, but you're quite right; there were no public servants reporting to him in that job. He was at the bottom of the org chart. He probably was supervising a few contractors, but it was a low-level position.

**Mr. Michael Barrett:** He described himself as leading teams.

**Mr. Bill Matthews:** If he was leading a team, he may have been leading some contractors, but he was not leading any public servants or military members.

**Mr. Michael Barrett:** Would any of those subcontractors have been subcontractors of Dalian?

**Mr. Bill Matthews:** We don't believe so, but we are confirming that. Troy will jump in here in a second, but the reason I say that is that I am almost 100% sure it wouldn't be Dalian. I mentioned that he has business dealings with other companies. I think we know who they are, but I can't say with 100% certainty that we have all that nailed down, so we want to confirm that.

Troy may have an update.

**Mr. Troy Crosby:** Mr. Chair, we have looked into this. There were five contractors working on the team that Mr. Yeo was leading on the project. Those contractors had all been in place prior to his starting with us as a public servant. None of them was a resource provided by Dalian.

**Mr. Michael Barrett:** Okay.

Certainly the committee and parliamentarians would be eager to see a return on any work that you are preparing specifically in this regard, if you'd be willing to provide it.

**Mr. Bill Matthews:** There are two parts to that, Mr. Chair.

First, perhaps we can offer a list of the other companies that we know Mr. Yeo dealt with in terms of subcontracting joint ventures.

Troy, perhaps there is something else we can provide on those other contractors.

• (1625)

**Mr. Michael Barrett:** Mr. Crosby, do you know who they worked with or where these resources were supplied from?

**Mr. Troy Crosby:** We have the contract names and we can provide that information.

**Mr. Michael Barrett:** You'll provide it. That's great.

I have one minute.

As I said, Mr. Matthews, the appearance of a conflict of interest is the situation we find ourselves in. This is why the committee voted to ban double-dipping. It creates this situation in this case of an individual with offshore bank accounts, making millions of dollars in a way that I think, quite frankly, the general public finds objectionable—taking 25% or 30% on commissions, particular indigent set-asides where the work is not being done by indigenous subcontractors, by the admission of Mr. Yeo, and then taking this job and working inside the very organization that he's trying to win business from.

With that in mind, do you still maintain that you think it is appropriate for members of your department to also be contractors for your department?

**Mr. Bill Matthews:** I maintain, Mr. Chair, that I believe it is appropriate if it is properly disclosed and there are no conflicts.

I do want to remind the committee that—

**The Chair:** Go ahead, Mr. Matthews.

**Mr. Bill Matthews:** —for public servants, I believe it's true that if it is properly disclosed, it might be okay in terms of what they do in their own time. Let's not forget that at National Defence, we have the same rule. We have armed forces members, and also reservists, whom we expect to have other jobs.

Again, as long as it's properly disclosed and signed off—

**The Chair:** Thank you, Mr. Barrett.

**Mr. Michael Barrett:** Mr. Yeo was not a reservist, just to be clear.

**The Chair:** I'm afraid you're done. There is more time for the official opposition down the road.

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

**Ms. Iqra Khalid:** Thank you, Chair. Thank you to the witnesses for being here today.

Mr. Matthews, you mentioned in your opening statement that “we have evidence that Mr. Yeo carried on in his role with Dalian after joining the public service.”

Can you describe what that evidence is?

**Mr. Bill Matthews:** Certainly, Mr. Chair, we've evidence that his name was still appearing on contracts after he started his job with the public service. That would be the key piece of evidence I would offer. During his testimony earlier this week, he mentioned that he launched processes at Dalian to put his interest in “a blind trust”, I believe he said, but that took some time, and he regretted being so slow.

I would come back to this, Mr. Chair: It does not matter to me if he did that quickly or slowly. He still did not meet his obligations as an employee of the Government of Canada to disclose his conflicts.

**Ms. Iqra Khalid:** Thank you for that.

You also talked about top secret security clearance. I'm really perplexed here. When a top secret security clearance check is done, even in your own department, is there any process for cross-referencing contractors and subcontractors? What exactly do you assess when you're hiring people and also when you are giving out contracts? Are there any checks done?

**Mr. Bill Matthews:** On the security clearance process, it's a separate group that does that. There is no cross-referencing to what was disclosed by the employee from a conflict of interest perspective in terms of feeding back. I would assume that as part of the security clearance process, if Mr. Yeo had indeed documented properly his various other business dealings, it would likely have fed into our security clearance folks. However, they don't come back and say, “Oh, by the way, we found these other businesses. Are you

aware of those?” There is no cross-referencing done there. I assume it's a privacy issue, but I'm speculating.

**Ms. Iqra Khalid:** Do you think that those cross-references should be done?

**Mr. Bill Matthews:** That's an excellent question, Mr. Chair, and I think it's something that the employer will have to think about in terms of how we move forward on this. I wouldn't want to speculate on what the right approach is.

I do want to stress that I don't believe that this is as widespread as Mr. Yeo does. I believe that we are dealing with a small percentage of public servants, and I don't want to paint them all with the same brush.

I am concerned about those who have activities and who have not disclosed them. With regard to the ones who have properly disclosed and have received permission to carry on, that's great.

We might disagree on whether that's appropriate or not. I am more preoccupied with ensuring that all employees who have other activities properly disclose them and have them validated by an independent person in terms of conflict of interest.

**Ms. Iqra Khalid:** Thank you.

I know that the notice of meeting says that we are here to discuss “Report 1, ArriveCAN, of the 2024 Reports of the Auditor General of Canada”, so I think I should probably ask you some questions around that also.

Did the Department of National Defence have anything to do with the development of the ArriveCAN app?

• (1630)

**Mr. Bill Matthews:** No, Mr. Chair, the Department of National Defence was not involved with the ArriveCAN app.

The link to us is obviously through the suppliers that were involved in ArriveCAN and that we have contracts with: GC Strategies, Dalian and Coradix.

**Ms. Iqra Khalid:** Was your office contacted by the Auditor General's office with regard to her reports or the investigation?

**Mr. Bill Matthews:** We were not contacted as part of the Auditor General's work on ArriveCAN. I've certainly read the reports.

I did speak to the Auditor General when I became aware of Mr. Yeo's activities, just to make sure that she was aware of what we had stumbled upon, so I've had that conversation, but we were not part of the audit work itself.

**Ms. Iqra Khalid:** Has the RCMP contacted your office regarding ArriveCAN or Dalian or any of the contractors that are involved?

**Mr. Bill Matthews:** Not to my knowledge, Mr. Chair.

**Ms. Iqra Khalid:** What checks does your department have when it comes to ensuring security?

**Mr. Bill Matthews:** At the Department of National Defence, obviously security is very much top of mind. We will not let employees or contractors start work without having the proper security clearance or mitigation measures around their clearance until it comes through.

Troy has more experience on security and contractors than I do. Troy, do you have anything to add here?

**Mr. Troy Crosby:** There are two elements.

Of course, there are personal security clearances, but from a contract perspective, a security requirements checklist is filled in at the beginning of the contracting process to determine the appropriate classification levels for the work to be conducted. Before the contracts are awarded, there's a determination of whether the bidders do, in fact, meet those requirements.

**The Chair:** You have time for a brief question, Ms. Khalid, if you have one last one.

**Ms. Iqra Khalid:** Maybe it's brief.

What kind of services do you contract for when it comes to security?

**Mr. Bill Matthews:** I'm not sure that I understand the question, Mr. Chair.

**Ms. Iqra Khalid:** Then perhaps we'll just pass on it.

Thank you.

**The Chair:** Thank you.

Mr. Nater, you have the floor for five minutes.

**Mr. John Nater (Perth—Wellington, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses from the Department of National Defence.

I want to follow up on a few more detail-oriented questions just to clarify in my mind a few of the issues.

It was mentioned that Mr. Yeo applied to a general pool external to the Department of National Defence. In the timeline that your department provided, it's not clear to me when he was accepted into that pool. Could you clarify what date that would have been?

**Mr. Bill Matthews:** I will have to get back to you with the exact date in terms of when the pool was created, unless my colleague Madame Desmartis knows. I do know when he started his employment with National Defence, which was in September, so obviously it was before that. However, if we don't have it handy, we'll come back to you with that answer.

**Mr. John Nater:** I'd appreciate that, if it's not handy.

**Ms. Isabelle Desmartis:** The application for the pool was received in 2021-22. I don't have the exact date; obviously, he was selected afterward. There was a delay of a year between the two.

**Mr. John Nater:** His contract number three was extended on multiple occasions until September 18, 2023, which was the same day that he began his employment.

I just want to confirm that he effectively was continuing on in the same position with the same manager. Is that correct?

**Mr. Bill Matthews:** He transitioned from doing the work as a contractor to basically doing exactly the same work, Mr. Chair, as an employee.

**Mr. John Nater:** The hiring manager would have reached into the pool and pulled out his name, effectively knowing.... Therefore, it's likely—and we can't infer what his mind was—that he applied to the pool with the understanding that his current manager would pull his name out of it to put him into the same position, if that would be an inference in this case.

**Mr. Bill Matthews:** My understanding, Mr. Chair, is yes. In fact, the manager and Mr. Yeo had conversations encouraging him to apply because of the goal of turning that skill set from a contracted resource into an employee. This skill set is not easily found, so there were not many.... I believe there was actually no one else in the pool who actually had the skill set in terms of the network type of work that Mr. Yeo did. He was the only one in the pool who actually fitted the bill.

**Mr. John Nater:** That certainly is a question we can follow up on in terms of how these pools are sometimes created, but that's for another day. I may come back to this if I have time, but I want to switch topics.

You mentioned in response to Ms. Bradford—and I may not have caught the number correctly—either 15 or 50 employees of DND who have external employment. Was it 15 or 50?

**Mr. Bill Matthews:** It's five-zero.

Mr. Chairman, my recollection is that is a mix of civilian and military members. I can confirm that 50 is the right number; I'm just not clear if it's civilian and military or just civilian. Just give me one second.

It's both. There are 50 members, civilian and military.

• (1635)

**Mr. John Nater:** Of those, are you aware of any who have contracts or work within the Government of Canada?

**Mr. Bill Matthews:** That is the group of 50 that actually has outside work that is possibly related to the Government of Canada, so in most cases, yes.

**Mr. John Nater:** Could we have a list of those businesses and the types of contracts they have with the government?

**Mr. Bill Matthews:** I will endeavour to provide the committee with information on the 50. We are still doing some validation. I also want to make sure I don't violate privacy. I will certainly come back to the committee with some information on the 50.

**Mr. John Nater:** I appreciate that.

The Treasury Board Secretariat has informed us they had 82 employees who had dual employment, two of whom had contracts with other government departments.

Would you be able to confirm, deny or provide clarity on whether any of those Treasury Board Secretariat employees are also contractors with the Department of National Defence?

**Mr. Bill Matthews:** Mr. Chair, I cannot validate the employees of other departments and whether they have contracts with National Defence. I can endeavour to connect with my colleagues at Treasury Board Secretariat and see if any of their disclosures make that link for us. I'll do my best on that one, but I'm not sure.

**Mr. John Nater:** To that end, beyond simply Treasury Board Secretariat, are you aware of any other employees from other departments who are also contractors within the Department of National Defence?

**Mr. Bill Matthews:** I'm not aware, Mr. Chair, but I would assume they exist. At the Department of National Defence we have employees who are doing contract work for other departments. I assume the inverse is true as well.

**Mr. John Nater:** I would appreciate any clarity you can provide down the road.

I have one final quick question.

Your department states that the Government of Canada has implemented a “mandatory target” to have at least “5% of the total value of contracts...awarded to indigenous businesses”. Within the Department of National Defence, would your 5% include contracts awarded to Dalian, regardless of who their subcontractors would have been?

**Mr. Bill Matthews:** It would have included any awards to businesses that are on the business directory maintained by ISC, so I would assume Dalian would have been counted towards that as defence, as Mr. Crosby has confirmed with the shake of his head.

When National Defence looks at its indigenous targets from a procurement perspective, we have some very large-dollar contracts around northern radar maintenance. That's the vast majority of our contract work there, but Dalian would be included in that as well.

**The Chair:** Thank you very much.

We are turning now to Ms. Yip. You have the floor for five minutes.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** Thank you, Chair.

Thank you for coming.

In answering one of my colleague's questions, Mr. Matthews, you mentioned it would not be prohibited to be both an employee and a contractor for DND. Why is that?

**Mr. Bill Matthews:** I think it depends on the nature of the work. Let's just use a simple example outside of DND first, and then we'll come to a DND example.

If you had someone who was employed as a full-time translator for the Government of Canada and on the weekends they wanted to take on contract work as a translator for other departments, that is allowable as long as it's disclosed.

If we turn to National Defence, we have employees who have highly sought-after skill sets in the world of IT and security. They may have opportunities to offer that expertise to other departments or maybe to a contractor who is dealing with another department. If they want to do that on the weekend, that's fine.

However, it gets a little more complicated when the contract work is with National Defence. If it has nothing to do with their day job, if they're doing it after hours and if they disclose it, that is allowable under the current rules.

**Ms. Jean Yip:** Thank you for clarifying that.

Mr. Yeo has said that DND stated there was no conflict of interest and he also said that he resigned. Given that Mr. Yeo's testimony has changed several times, help us and Canadians understand what is accurate. What was the process that DND took during that time of Mr. Yeo's resignation?

**Mr. Bill Matthews:** Thank you.

In terms of no conflicts, we are not at all clear on what statement Mr. Yeo is referring to. There was no such statement.

On the process involving Mr. Yeo's employment, he started in September 2023. That's important, because he was still on probation when we found out, a few weeks back, that he had other business activities. As soon as we became aware of those, we suspended him with pay that same day and started work to look into the circumstances around his hiring and whether there was any undisclosed conflict of interest.

In all likelihood, we were moving to terminate his employment while he was under probation. To do that properly, you have to interview the employee and hear their side of the story, which I think is good due process. That interview was set up for a Wednesday. Mr. Yeo submitted his resignation the night before and declined to come to that interview.

I expect we would have proceeded to termination. He resigned before that happened.

• (1640)

**Ms. Jean Yip:** Are there any investigations that are ongoing?

**Mr. Bill Matthews:** There are a few pieces to this one.

Number one, there is an investigation through the Public Service Commission on the staffing itself, with a look at some other HR files in order to see whether there are systemic issues. We're also confirming whether, on any of the contracted work to Dalian, the goods and services were indeed received. So far, the answer is yes, they were.

We also want to make sure we properly understand any business relationships between Dalian and other companies. Because we've ceased to do business with Dalian and some of the other affiliated companies, we want to make sure we properly understand that we have a complete list. That work is ongoing as well.

**Ms. Jean Yip:** You mentioned in your opening statement that “we have evidence that Mr. Yeo carried on in his role with Dalian after joining the public service.” Can you describe that evidence?



**Mr. Bill Matthews:** The most obvious, Mr. Chair, is his signature on contracts with Dalian after he started his employment with the public service. That's the first part. I believe that during his testimony earlier this week, Mr. Yeo indicated it was an automated signature used by somebody else, but we know Dalian continued to receive contracts.

Mr. Yeo, in his testimony, indicated that he wished he'd been quicker in terms of putting his business interests into a blind trust while at Dalian. However, the important point for me, Mr. Chair, is that he had obligations as an employee. I don't care what he did with his Dalian business; he didn't fulfill his obligation to declare a conflict of interest. As an employee, that was his obligation. He did not meet it. To me, that was cause to pursue termination.

**Ms. Jean Yip:** When I hire even the most junior staff, they have to go through a security clearance. I don't understand how the security clearance could miss this.

Was there something missing in the database, in terms of the hiring process? I know you mentioned this before, but I still find it hard to believe that it didn't pick up that he was a contractor. When you sign contracts, your name is on there and you have to submit it. As a prospective employee or one on probation, your name is on the DND contract.

**Mr. Bill Matthews:** Right.

There are a couple of points here, Mr. Chair.

One, let's differentiate between reference checks and security checks. We are looking into whether the reference check was properly done. Maybe it should have revealed some of his business activities. That work is ongoing through the Public Service Commission.

The security check may very well have been aware of Mr. Yeo's other business activities. However, they're not looking for conflict of interest when they're doing security checks; they are looking for security risks. He was asked during this meeting whether the two should be cross-referenced or if they are cross-referenced. They are not.

The other piece, I would say, Mr. Chair, is that National Defence is a massive organization. Even within our contracting group and our HR group, there are project teams that deal with files that don't touch each other. Therefore, it is entirely possible that Dalian was getting contracts through National Defence that his day-to-day co-workers would not see. The fact that they wouldn't see this work makes sense.

**The Chair:** Thank you very much.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** I don't have a lot of time left, Mr. Matthews, but I would like you to give me some information on the steps followed to check that there's no conflict of interest when the Department of National Defence hires someone.

**Mr. Bill Matthews:** The most important thing is the offer of employment letter. The future employee must confirm whether or not

there is a conflict of interest. Mr. Yeo signed it without confirming that there was one.

• (1645)

[*English*]

It's possible during reference checks that some of these things might come up, but the obligation to declare is on the employee.

[*Translation*]

**Ms. Nathalie Sinclair-Desgagné:** Very well.

In fact, you rely explicitly and exclusively on the word of the person being hired. The Department of National Defence, despite the sensitive nature of the files it manages, does not do any research on potential conflicts of interest.

It would seem that Mr. David Yeo has a brother who also works at the Department of National Defence, Mr. Christopher Yeo. On his LinkedIn page, he wrote that he's an assistant safety manager, or investigator, or officer; in short, some title like that.

Don't you think that there is a potential conflict of interest, knowing that this person, Mr. Christopher Yeo, had a position at the Department of National Defence, while his brother was getting a lot of contracts from that same department?

At least, don't you think that there is the perception of a conflict of interest?

**Mr. Bill Matthews:** If there is a family member working for the same department, that is a concern, since there were problems with Mr. Yeo and ethics.

[*English*]

I am not aware of any link between contracting and any family relations who work in the department. Based on this question, I'm happy to go back and make sure that there are no links. I'm looking at Mr. Crosby to see if he's aware of any.

No, he's not.

[*Translation*]

**Ms. Nathalie Sinclair-Desgagné:** We would appreciate it.

Once again, this might be an undetected conflict of interest. Above all, we need to do more follow-up and research with the Department of National Defence to target potential cases of conflicts of interest. It's important to do so in the department that ensures the safety of Quebecers and Canadians.

**The Chair:** Thank you very much.

[*English*]

Mr. Desjarlais, you have the floor for two and half minutes.

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

I now want to turn to some of the contracts and understand the ministry's understanding of the existing indigenous procurement strategy and whether or not you audit or comply with that strategy.

Are you aware of the procurement strategy for indigenous businesses?

**Mr. Bill Matthews:** Yes, I'm aware of the strategy for indigenous procurement.

**Mr. Blake Desjarlais:** Do you know what percentage of required work needs to be done by indigenous businesses under that policy?

**Mr. Bill Matthews:** I believe the goal, Mr. Chair, is 5%.

**Mr. Blake Desjarlais:** Do you know that of the 5% of the global strategy, which is the number you're citing, how much individual contract work must be done by contractors or subcontractors of a given task authorization? Do you know that number?

**Mr. Bill Matthews:** I cannot give you that number, Mr. Chair. I'm not sure if my colleague, Troy, can.

**Mr. Blake Desjarlais:** Does anyone in your ministry know?

**Mr. Bill Matthews:** We do have people who are monitoring our compliance with the strategy. I'm happy to provide further information to the committee on how we're doing.

**Mr. Blake Desjarlais:** Mr. Matthews, you came to this committee knowing that we were going to ask about procurement in your ministry, and one of the greatest issues is David Yeo, someone who applied through this strategy. Are you aware of that?

**Mr. Bill Matthews:** I'm aware that Mr. Yeo applied through this strategy.

**Mr. Blake Desjarlais:** Do you agree with the strategy?

**Mr. Bill Matthews:** Do I agree with the strategy as a goal for increasing participation in government business by indigenous firms and individuals? Yes, I agree with the strategy.

**Mr. Blake Desjarlais:** If you agree with it, then how could you not understand the policy goals?

**Mr. Bill Matthews:** I'm struggling, Mr. Chair, to figure out the relevance here. We know Mr. Yeo—

**Mr. Blake Desjarlais:** There's immense relevance. I can describe it for you. The relevance is the fact that your ministry had awareness of Mr. David Yeo. Mr. David Yeo has been working within your ministry for some time and even applied to your ministry, and you hired him. This person largely applied through a particular access point for which your ministry is also responsible for ensuring compliance. The compliance order for that program requires 33%. I'll just cite it for you:

"Businesses that are at least 51% owned and controlled by Indigenous peoples (First Nations, Inuit or Métis and ordinarily resident in Canada) are eligible for PSIB" funding."

That's procurement strategy for indigenous businesses funding.

"Joint ventures between an eligible Indigenous business partner and non-Indigenous business are permissible, as long as 'it can be demonstrated that 33% of the value of the work is performed by the Indigenous business.'"

Are you aware of that?

**Mr. Bill Matthews:** I am, and I'm also aware that a business directory is maintained, and that Mr. Yeo was on that through Dalian—

**Mr. Blake Desjarlais:** He also subcontracts. Do you understand that?

**Mr. Bill Matthews:** I understand that he also subcontracts.

**Mr. Blake Desjarlais:** You know that this policy applies to subcontractors. Did you verify the indigeneity of those subcontractors?

**Mr. Bill Matthews:** I did not, personally.

• (1650)

**Mr. Blake Desjarlais:** Did anyone in your ministry verify that?

**Mr. Bill Matthews:** I'm going to turn to Mr. Crosby, who is our ADM materiel, to—

**Mr. Blake Desjarlais:** Are you aware of that, though?

**Mr. Bill Matthews:** Am I aware of any work done...?

**Mr. Blake Desjarlais:** Are you aware of that requirement?

**Mr. Bill Matthews:** I'm aware of the requirement, and I know we've—

**Mr. Blake Desjarlais:** Why wouldn't you avail yourself of information like this today when you knew that we were going to ask about this?

**Mr. Bill Matthews:** Mr. Chair, I was not certain what the committee would ask, so I prepared myself the best I could, and if I've—

**Mr. Blake Desjarlais:** Could you supply any information that your ministry has in relation to any review or audit on whether or not Mr. Yeo or any other indigenous contractors that you've been able to get through PSIB—and their subcontractors—actually have been in compliance with this policy? Will you provide that, please?

**Mr. Bill Matthews:** Mr. Chair, I will, but my current understanding is that the Department of National Defence does not audit compliance against that policy. I will check to see if there has been auditing done, but I am not aware of any.

Troy may—

**Mr. Blake Desjarlais:** You can see the immense risk, right?

**The Chair:** Hold on, Mr. Desjarlais. You're over your time, and I have been generous.

**Mr. Blake Desjarlais:** Thank you, Chair.

**The Chair:** I do want to get to an answer. I think you're on to something here, but I do need to watch the clock as well.

Mr. Crosby, do you have an answer that might provide some light?

Then we're going to move on, but Mr. Desjarlais will have another round if all goes well.

**Mr. Troy Crosby:** Mr. Chair, I can provide some information.

There are 24 contracts with Dalian that we have reviewed or started to review, and so far we've been through 14 of them. One of them was awarded to Dalian on the basis of their registry. That was in the early 2022 time frame. When Dalian had been applying for contracts, their résumé, their proposals, always highlighted their indigenous business status, but it did not factor into the selection of the companies, except in the one case. That's of 14 of the 24 that we've looked at so far.

**The Chair:** Thank you.

Mr. Viersen, you have the floor for five minutes.

**Mr. Arnold Viersen (Peace River—Westlock, CPC):** Thank you, Mr. Chair.

I thank the witnesses for being here today.

You said earlier in your opening statement that you discovered evidence of the engagement of Mr. Yeo in Dalian after his hiring. Can you confirm that again?

**Mr. Bill Matthews:** Certainly, Mr. Chair.

The key evidence for me was the signed contract with a date after his employment with the public service—National Defence—started, but I do want to be clear that my bigger concern was around his lack of disclosure of his conflicts as an employee.

That alone is a shortcoming, but yes, we do have evidence that activity continued as part of Dalian.

**Mr. Arnold Viersen:** Would you suggest that Mr. Yeo lied to this committee in his testimony in saying that he had no involvement?

**Mr. Bill Matthews:** I would say it's highly suspicious. He did provide an explanation as to how that signature occurred, but he also, I believe, Mr. Chair, talked about the delayed process in putting his assets or business interests into a blind trust.

Again, I am more concerned about his lack of disclosure of a conflict of interest. He did refer to a statement that he said National Defence made about no conflict. We are not aware of the statement he was referring to.

**Mr. Arnold Viersen:** I'm interested in the trends around contracting with DND. This is something that we hear about more often. Would you say there's a trend for an increase for DND to pursue contracts rather than employment with DND?

**Mr. Bill Matthews:** I would say, Mr. Chair, that it depends on the area. We've certainly seen growth in both the number of our public servants and also in our contracted dollars over the last few years. The defence budget is increasing. Both are growing.

I think we've had some interesting discussion here today around the use of body shops for IT services as well as health care workers. We do know that in certain areas of the country we are struggling to fill public service positions on a timely basis, and therefore that leads to additional temporary help contracts, etc.

**Mr. Arnold Viersen:** We hear increasing concerns all the time around recruitment for our Canadian Armed Forces. It appears to me, just from your testimony here today, that perhaps the increase in contracting is causing folks to pursue contracts rather than em-

ployment. Would you say that this has any effect on recruitment overall?

**Mr. Bill Matthews:** I wouldn't, Mr. Chair.

It's a tough one to answer at such a high level. I would say that when you're looking at the contracted services through body shops or agencies, they are more often than not a question of public service versus contractor, not a question of armed forces member versus contractor. That's not to say there are not some jobs that could be done by armed forces members that are being done by contractors.

● (1655)

**Mr. Arnold Viersen:** You confirmed that there are at least three different investigations going on within the department. You referenced that the military police are investigating and kind of insinuated that the perhaps there's an RCMP investigation happening.

Can you confirm that the RCMP is investigating around these issues?

**Mr. Bill Matthews:** I have made the provost marshal, our military police link, aware of the file. There is no such investigation yet, but I have committed to keeping the provost marshal informed of our work. If it gets to the point that he feels an investigation is warranted, he will let me know.

On the broader ArriveCAN files, I know that Public Services and Procurement Canada has been in touch with the RCMP. The RCMP has not yet contacted National Defence as part of any of that work, but obviously we will be supportive and we will co-operate should they do that.

The work that we are doing is more around looking at the staffing process through the Public Service Commission and looking at whether we did indeed get the services we contracted for through Dalian. The answer to date is yes.

The final piece is to make sure we understand properly any other businesses that Mr. Yeo is linked to so that we can take appropriate action.

**Mr. Arnold Viersen:** What's your timeline on the other businesses linked to Dalian and Mr. Yeo? Do you think you'll be able to get those to our committee in the next 14 days or so?

**Mr. Bill Matthews:** That sounds reasonable, Mr. Chair.

**Mr. Arnold Viersen:** Could you do that, please?

**Mr. Bill Matthews:** Yes.

**Mr. Arnold Viersen:** Thank you, Mr. Chair.

**The Chair:** Thank you very much, Mr. Viersen.

Next up is Ms. Bradford.

You have the floor for five minutes.

**Ms. Valerie Bradford:** Thank you, Mr. Chair.

On Tuesday, when Ms. Yip was questioning Mr. Yeo, she said, "Dalian signed a contract with DND after you became an employee again in the fall of 2021. This is obviously a conflict of interest. Why did you not feel you were in conflict?"

Mr. Yeo said:

At that time, I had my hands off the wheel of Dalian—even before September 19—and that's why I provided my signature to the staff so if there was something going on, I would not even be aware of it. In all honesty, I was not even aware that this smaller contract had even come through

Deputy Minister, do you think that it's accurate for Mr. Yeo to say that he had his hands off the wheel of Dalian on or by September 19?

**Mr. Bill Matthews:** It's hard for me to say, based on my role and his role as employee of the department.

It sounds like he was still involved, at least on paper. I think the more important piece to me is that Mr. Yeo did not see the conflicts, in fact or in appearance, with his employment role and he failed to disclose those conflicts to National Defence as his employer.

Whether he believes he was in conflict or not, clearly there's a conflict in appearance. He did not see that and he did not take appropriate steps.

**Ms. Valerie Bradford:** Thank you.

Further from Hansard, Mr. Yeo stated the following.

Even more disappointingly, no one from the federal government had ever contacted Dalian or me before undertaking the unfounded action of terminating all contracts with Dalian—hardware and software, and professional services—suspending security clearances, suspending Dalian and Coradix from continuing current work and competing for future opportunities with the Government of Canada, their primary customer for 22 years and 29 years respectively.

Is this standard practice?

**Mr. Bill Matthews:** We've talked a lot today, Mr. Chair, about the obligations of the employee in terms of informing the employer of a conflict. There is also an obligation on contractors to inform the contracting authority about conflict of interest.

In the case of Dalian, Mr. Yeo did neither. There was enough, in our minds, to have concern about his actions and activities.

As well, over at PSPC, they were looking at some of the interactions around the ArriveCAN file and the various joint ventures between Dalian, Coradix and other companies and they decided to suspend security clearances. We followed suit.

I think we've heard enough that concerned us that the action was justified.

**Ms. Valerie Bradford:** We also found out the other day that card-carrying Conservative David Yeo should have disclosed any real or perceived conflicts of interest.

What actions have you taken to make sure the expectations for employees are clear going forward?

Did he declare that he was a political candidate for the PPC?

**Mr. Bill Matthews:** Mr. Yeo's political affiliations while he was a contractor—and that they predate joining the public service—are not of import to us.

Had he been a public servant and pursuing candidacy of a political party, he would have needed to get clearance to do that. His political activities, in terms of an election, predate his employment, so they are not a concern.

• (1700)

**Ms. Valerie Bradford:** Okay. Thank you.

I have no further questions.

**The Chair:** Thank you very much.

Mr. Viersen, you have the floor for five minutes.

**Mr. Arnold Viersen:** Thank you, Mr. Chair.

With regard to DND, you talked earlier about a registry or a system to maintain records around who your contractors are. Do you rank contractors at all?

**Mr. Bill Matthews:** The database I was referring to is one where we actually track contracts awarded. It's so that we can answer as best we can any questions about contract activity and proactive disclosure, etc. The ranking of contractors would be done on a case-by-case basis. When there's a competition, the contractors would bid. There are mandatory requirements: Do you meet them, yes or no? Those who meet the mandatory requirements are then scored on their proposal. There's a ranking on a case-by-case basis.

Public Services and Procurement Canada maintains a regime where any contractors who have been behaving inappropriately are effectively barred from bidding on any government contracts. We obviously would have access to that list and would not award any contracts to anyone or any company on that list.

Do we have a generic ranking of contractors in terms of which ones perform and which ones do not? No, we do not.

**Mr. Arnold Viersen:** Do you have a preferred contractor list, perhaps?

**Mr. Bill Matthews:** We have contractors that have been awarded through either a standing offer or a supply arrangement because they have pre-qualified, based on the proposals they've made to government, that we will access. Accessing those pre-qualified lists of suppliers is I guess a form of preference, in that they're pre-qualified, so it saves us some work, but I'm not aware of any ranking among those, no.

**Mr. Arnold Viersen:** In terms of pre-qualified contractors, is that something that DND pursues with the contractor, or is that something the contractor applies for?

**Mr. Bill Matthews:** PSPC would typically launch a process for a supply arrangement or a standing offer. Bidders would then apply and be awarded that.

I'll turn to my friend Troy to tell me if National Defence does any of that.

Shared Services Canada, on the IT side, would also take a similar approach of pre-qualifying bidders. National Defence would certainly look to access bidders on those lists, because it's efficient, but I don't believe we've established anything ourselves at National Defence.

Help me out here, Troy.

**Mr. Troy Crosby:** It is possible for an individual department to put in place a similar standing arrangement that can be accessed. We don't typically do this. A number of them are put in place for us by common service providers, those being Public Services and Procurement Canada and Shared Services Canada. We do rely on those.

**Mr. Arnold Viersen:** Can you confirm that Dalian was one of these preferred companies?

**Mr. Bill Matthews:** Dalian was on multiple supply arrangements and standing offers that I believe were all put in place by Public Services and Procurement Canada and Shared Services Canada. They were absolutely on those lists.

**Mr. Arnold Viersen:** They were absolutely on your lists.

**Mr. Bill Matthews:** Yes, they were.

**Mr. Arnold Viersen:** How does that happen? Is it just because they've had repeated contracts with you? Is it because you've had a long-standing relationship with them?

I guess what I'm trying to get at is the failure to scrutinize David Yeo and Dalian today. Was there a high level of scrutiny in the past that then got relaxed over time?

**Mr. Bill Matthews:** The ability for Dalian, or a company like that, to qualify is based on Public Services and Procurement Canada or Shared Services Canada putting out a generic set of requirements. They would then respond with the types of resources they could bring to bear and their pricing, etc. Then there is a ranking of those. Those who qualify effectively get added to the list. The list includes multiple companies, not just the ones we're talking about today. Departments would then be free to make use of that list, should they so choose, for specific requirements, which Defence has done, as we have discussed.

I think a final point on this aspect is that our evidence to date in terms of the contract work done by Dalian is that we got the goods and services we contracted for. Nothing had been flagged from a performance perspective. The issue is completely one of Mr. Yeo not being transparent about his business activities when he joined the government as an employee.

• (1705)

**Mr. Arnold Viersen:** This raises some concerns around security more generally. We're dealing with perhaps some fraud happening here. It seems to me that if a company could do business over time with DND, then a relaxing of scrutiny would allow for perhaps other security risks.

Would you say that's a fair assessment, or not?

**Mr. Bill Matthews:** I'm not sure I would say that's fair, Mr. Chair. The requirement to obtain and maintain a security clearance remains. It's not that once you get security clearance, you are never checked up on again. There is a periodic renewal, and if there's information that comes to anyone's attention around reasons to suspend or terminate a security clearance for an individual or for a company, that gets done. We've seen evidence and discussed evidence here today about security clearances that were suspended.

**The Chair:** Thank you very much.

That is your time, Mr. Viersen.

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

**Mrs. Brenda Shanahan:** Thank you very much, Chair.

Again I want to thank the witnesses for appearing before us today so that we can have a better understanding of how to prevent this kind of fraud, for lack of a better word.

I know there are investigations going on into unethical activity, and I appreciate, Mr. Matthews, your emphasizing that the thing that was really egregious—even if there was no other wrongdoing—was the fact that Mr. Yeo took it upon himself to decide that he didn't have a conflict of interest, so he was not going to declare it. He made that very clear to us in his testimony on Tuesday.

The fact of the matter is that the prevalence of contractors also working for the public service or vice versa.... You mentioned the difficulties in the recruitment of the expertise that we need. As people move to retire, you can see a situation in which someone would continue working part time and also become a contractor. Certainly, both the employer and the employee would benefit from that arrangement.

How can we prevent this kind of egregious, unethical activity from happening, with the employer not having a full line of sight on the activities of the person in question?

**Mr. Bill Matthews:** Chair, I'll mention a couple of things.

One is that yes, it's clear in the letter of offer that conflicts should be disclosed, and you have 60 days to do so. I think there are various times—once a year—when employees are reminded of their obligations and asked to redisclose.

I think one of the things that could or should happen is being more aggressive in reminding employees of their obligations. We talked earlier today about possibly helping employees with their thought process in identifying potential conflicts. There are some questions they should consider when assessing their own conflicts.

I would rather be in a place where employees disclose anything that might be an issue and give an independent person a chance to decide whether it's a conflict or not. Obviously, managers should be reminded that if they learn anything about their employees while they're managing them on a day-to-day basis, they should ask them if they've disclosed it. When they have not, I would expect the manager to initiate a discussion around disclosure.

It's raising awareness of employees and reminding managers that if they become aware of the business activities of their employees, they should be proactively asking if they have disclosed them, and maybe flagging the annual requirements through performance assessments and performance agreements. Make it shine in flashing lights a bit more to remind employees of their obligations. All of that would be helpful.

**Mrs. Brenda Shanahan:** Indeed, in training it would probably be helpful as well to point out what those scenarios could look like, because it's hard to believe, but I think these situations can occur when somebody innocently thinks they are not doing harm. However, in the case of Mr. Yeo, we were certainly flabbergasted by the extent of his activities.

With regard to the data analytics that you referred to at PSPC, we know there are considerable investigations going on there, and they didn't start this week; they've apparently been going on for quite some time.

Can you explain that process to us?

• (1710)

**Mr. Bill Matthews:** Sure. It is led by PSPC. That data analytics piece is critical. They've been at it for four years or so. As procurement documents become digitized and submitted online as opposed to on paper, PSPC is maintaining a database through which you can do some analytics and look for cross-matches of subcontractors to see if they're in multiple contracts.

One of the things I think we will have to consider at National Defence, because we issue contracts ourselves, is how we share our data with PSPC to make sure that they also have access to our data so that they can look for those possible conflicts. Shared Services Canada is in the same boat.

If a contractor joins the Department of National Defence and needs access to our network—their own email address, etc.—one of the other things we're talking about doing is looking for duplicate names across the system. Individuals may be showing up on multiple departments' emails. It may be a case of a very common name and two different people, but as those types of analytics become more accessible, we'll have more information in our databases and in our systems.

These are early days, but we will work to make sure that we collaborate with PSPC and Shared Services Canada so that we're sharing the same information set.

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

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

I think the conflict of interest form that Mr. Yeo filled out when he became a public servant would be of some use to this committee. Would you be willing to send this form, which must be signed within 60 days of being hired?

[*English*]

**Mr. Bill Matthews:** Okay.

[*Translation*]

**Ms. Nathalie Sinclair-Desgagné:** Perfect. Thank you.

I want to follow up on the first point I raised regarding the two contracts signed by GC Strategies. I know you will get back to me on the resource in question.

GC Strategies is a two-person business. If the resources are not those two people, that means National Defence knew that GC Strategies would subcontract out. In that case, why not hire the subcontractors directly?

**Mr. Bill Matthews:** It's clear that the people who did the actual work are not the two owners of GC Strategies. We checked. Furthermore, some people do not want to respond to government calls for tender. They prefer to use a company like GC Strategies to go through the process, and we cannot force them to do otherwise. There are people who prefer to work on contract rather than as employees.

**Ms. Nathalie Sinclair-Desgagné:** I agree with what you said, but that does not line up with what we heard over the last few weeks, or what we also see in the Auditor General's report. In fact, companies were forced to accept GC Strategies' subcontracts without their consent. That was the case for Botler AI, and the Department of National Defence is not at issue here.

It's difficult to imagine that all of the GC Strategies or Dalian subcontractors who worked for the Department of National Defence absolutely wanted a share of the market awarded through an intermediary like GC Strategies or Dalian. Their market share is what disappears when they are subcontractors.

If the Department of National Defence knows that there are subcontractors, and that the subcontractors are ready to do the work, there should be a way to deal directly with them. The goal is to save and to give taxpayers more for their money. We know that many of these people would have preferred to deal directly with the government.

How is it that the government cannot deal directly with these individuals and, above all, make sure that these contracts represent good value for money?

**Mr. Bill Matthews:** I agree with the fact that there is better value when we do not use subcontractors.

[*English*]

At the end of the day, when you look at who has the contracts and the contractual arrangements, they are companies like Dalian, Coradix, GC Strategies and others. If individuals have not applied to be part of that contracting process, it's very difficult for us to put in place a contract.

Equally, again, if we can turn them into employees, it's even better, if it works. Again, I do applaud the attempt to turn Mr. Yeo into an employee. It's a better deal for the taxpayer, but the broader model of firms that have been on contracts are body shops, and they make their money by marketing other resources. If individuals, subcontractors, have not applied to get contracts as part of that process, it's very hard for us to go around that and issue them contracts.

• (1715)

**The Chair:** Thank you.

I see the bells are going. I'm just going to seek unanimous consent to allow Mr. Desjarlais to have his round of questions, and then we'll end it there. I am looking for agreement to have Mr. Desjarlais finish his slot.

**Mrs. Brenda Shanahan:** Chair, if I understand correctly, Blake would have his turn and then we would adjourn.

**The Chair:** Yes.

**Some hon. members:** Agreed.

**The Chair:** Very good.

Mr. Desjarlais, you have two and a half minutes.

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

I want to conclude on your last comment on how encouraged you are that Mr. Yeo was able to apply to the ministry, and how that is a good use of taxpayer dollars.

I actually agree with you here, Mr. Matthews, and it's actually evidenced in paragraph 1.30, page 8, of the Auditor General's report, as follows:

We performed an analysis to identify potential cost savings if the agency had reduced its reliance on external resources over time. We estimated that the average per diem cost for the ArriveCAN external resources was \$1,090, whereas the average daily cost for equivalent IT positions in the Government of Canada was \$675.

That includes Dalian, which was contracted to the Department of National Defence for some time.

How you're actually going to create an environment for workers to want to apply to your ministry is my question. If your intent is to reduce the vulnerability of the Department of National Defence in relation to malicious actors like Dalian, and if it's your proposal to use employment within the public service as a tool to reduce not only inefficiencies but also to reduce costs, I applaud that too, Mr. Matthews. What I don't applaud is the fact that it's not happening in your ministry.

Right now Non-Public Funds workers are on strike. They've been on strike for two months. Are you aware of this?

**Mr. Bill Matthews:** Yes, I am, Mr. Chair.

**Mr. Blake Desjarlais:** Why is it that they've been on strike for two months, asking for basic wage increases and a basic ability to continue their work and continue to support military families on bases, but have been locked out of their jobs and, even worse, have been threatened?

I've spoken to some of these workers. They've said that your ministry has hired security personnel to bully them and intimidate them.

What is your response to Non-Public Funds workers right now as they're on the picket lines? Their families are working on military bases and they're hoping for a good resolution. Why won't you make a deal and get back to the table and ensure that they can actually continue to help our armed forces?

**Mr. Bill Matthews:** Thank you, Mr. Chair.

There are a couple of points here.

Non-Public Funds personnel do play a critical role in supporting our military families. They are not public servants. That bargaining process—

**Mr. Blake Desjarlais:** Who pays them?

**Mr. Bill Matthews:** Who pays them? That is Canadian Forces Morale and Welfare Services. It's a group outside the pure National Defence family, so they're not public servants.

**Mr. Blake Desjarlais:** Are you saying that it's not your obligation at all?

**Mr. Bill Matthews:** I certainly am involved, because those employees do play a critical role in services to our military members, and many—

**Mr. Blake Desjarlais:** You're involved, but to what extent are you involved?

**Mr. Bill Matthews:** I am not the one who is offering or deciding what gets offered in terms of wages.

**Mr. Blake Desjarlais:** Who should that person be?

**Mr. Bill Matthews:** I am aware, Mr. Chair, that there was a new offer put on the table this week and I was hoping that they were back at the table.

**Mr. Blake Desjarlais:** Who is responsible for it?

**Mr. Bill Matthews:** At the end of the day, the executive of Morale and Welfare Services Non-Public Funds makes that offer.

**Mr. Blake Desjarlais:** Is that governed by the Treasury Board mandate?

**Mr. Bill Matthews:** They are probably in touch with Treasury Board in terms of consistency, but they basically are doing their own bargaining, and Non-Public Funds is a not-for-profit entity.

**Mr. Blake Desjarlais:** You do, in fact, have an obligation to these workers, though, do you not?

**Mr. Bill Matthews:** I certainly care about the service they provide and I am also concerned about some of the things that have happened on the picket line.

You mentioned security. We do want to make sure that the interactions are peaceful and respect collective bargaining and the right to strike and protest.

**Mr. Blake Desjarlais:** But you arrested some of them.

**The Chair:** Thank you very much.

That concludes our time.

Thank you, Mr. Matthews and officials from the Department of National Defence, for your testimony today, for appearing before us and for your participation in relation to our study into ArriveCAN. I appreciate your coming in.

I will adjourn this meeting so we can get to votes and go off to dinner.

Thank you. The meeting is adjourned.







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