

Feb. 26, 2004. 06:56 AM

## Audit sounded early warning

Officials worried about sponsorship 'mismanagement'  
Answers prepared to deal with media scrutiny, files show

TONDA MACCHARLES  
OTTAWA BUREAU

OTTAWA—Federal public works officials were worried about the "mismanagement of millions of dollars of taxpayers' money" in the government's sponsorship program as early as October, 2000, according to documents obtained by the Star.

The government documents released under Access to Information show officials knew of much more serious problems than were publicly revealed more than three years ago, and were taking active steps to deal with anticipated media inquiries.

Two weeks ago, Auditor-General Sheila Fraser released a scathing report on the administration of the sponsorship program, which has sparked an independent inquiry, the recall of Alfonso Gagliano from the post of ambassador to Denmark and the suspension of two crown corporation heads.

At a news conference Feb. 12, Prime Minister Paul Martin said he knew only that "questions concerning management" were raised in 2000 when an internal audit "was conducted by Public Works and was made public that fall."

But it is clear from the documents obtained by the Star the problems were far more severe. The documents show the public works department's own internal audit appears to be more damning than revealed in 2000.

Public works officials planned answers that would deny systemic problems, political interference or criminal wrongdoing.

One document, dated Oct. 4, 2000 — eight days before the internal audit would be posted on the Public Works Web site — shows the department was aware its findings about the Communications Co-ordination Services Branch (CCSB) clearly raised more than mere "administrative problems."

Among key questions anticipated was this: "The audit essentially details the mismanagement of millions of dollars of taxpayers' money. What disciplinary measures will be taken with CCSB management?"

The suggested answer is a classic sidestep.

"As the audit notes, CCSB had already taken steps to correct problems identified in the audit. All sponsorship funding examined by the auditors is accounted for. Disciplinary measures are not warranted."

Another communications document from two years later, dated May 8, 2002 — the same day Fraser released a report into three suspect contracts involving ad firm Groupaction — advised the government's message should not change.

The same answer was prepared for more questions about the "mismanagement of millions of dollars of taxpayers' money" on May 8, 2002 as on Oct. 4, 2000 — some 19 months later after an avalanche of bad press about the program. Only this time, the emphatic reference to no need for "disciplinary measures" was omitted.

---

**'The audit essentially details the mismanagement of millions of dollars ...'**

**Document dated Oct. 4, 2000**

---

### RELATED LINKS

- > Graphic: Follow the money
- > Speak Out: Martin's Response
- > Voices: Is it enough?
- > Special page: Sponsorship scandal
- > Text of report
- > James Travers
- > Chantal Hébert

### RELATED LINKS

- > Speak Out: Has PM done enough?
- > Special page: Sponsorship scandal
- > Only \$6,000 for Martin riding (Feb. 27)
- > Ottawa warned in '96 (Feb. 27)
- > Audit gave early warning (Feb. 26)
- > Axe falls on crown heads (Feb. 25)
- > Liberal 'slush fund' (Feb. 24)
- > Gagliano speaks out (Feb. 13)
- > Your money, their friends (Feb. 11)
- > Blatant, egregious, arrogant (Feb. 11)

By then, Gagliano had been dumped as public works minister in a January, 2002, cabinet shuffle. And the department wanted to emphasize only

actions already taken to clean up the program.

But more importantly, that May, 2002, document obtained by Ottawa researcher Ken Rubin reveals for the first time the original departmental audit was much more damning than the public had learned in 2000.

It refers to "handwritten" notes made by the internal auditors on certain documents referring to "political influence" and "political involvement" in granting sponsorship funds.

The prepared Q&A sheet dismisses those as speculative, and suggests that if the question of "any wrongdoing" arises, the correct answer is this: "No. It is not uncommon for MPs to seek information about the Government of Canada's sponsorship of events on behalf of their constituents."

It also says that if asked why a "fraud investigation" was not undertaken as a result of the internal audit in 2000, the answer should be that "there was insufficient evidence to proceed with such an investigation."

It adds that none of "the individuals involved in the sponsorship program" ever complained of fraud or wrongdoing. And it says "non-compliance with the Financial Administration Act or with policies does not necessarily mean there has been fraud."

The May 8, 2002, document was from the day Fraser referred three Groupaction contracts to the RCMP for further investigation. At the time, she said "senior civil servants broke just about every rule in the book" in issuing contracts for three reports on sponsorship opportunities in Quebec.

But the department's communications strategists advised sticking to a familiar refrain: that the sponsorship unit was separate from the rest of the department, had its own controls, and an "action plan" was implemented to deal with "concerns."

It is impossible to tell whether the communication documents produced by the public works department ever reached the desk of then-prime minister Jean Chrétien, or then-finance minister Martin. At his Feb. 12 news conference, Martin said he trusted the word of the deputy public works minister, who said the department had "put in place an action plan to correct what it identified as administrative problems."

In fact, as early as February, 2000, as the internal departmental audit was under way, the department was already anticipating media questions about who had authority to approve sponsorships, the budget and guidelines, the size of commissions paid to agencies, and why so much money was going to Quebec. It advised telling questioners the audit was "routine."

By the fall of 2000, though, after the internal audit had been completed, the government predicted questions about:

★ Possible "conflict of interest" in the posting of Pierre Tremblay, Gagliano's former chief of staff, to the job of executive director at the CCSB, in charge of running the sponsorships.

★ Whether Tremblay received a performance bonus for a year when the internal audit found serious problems under his rule.

★ Why, of nine communications agencies on the preferred list, Groupe Everest of Montreal got 27 per cent and Gosselin Communications of Ottawa got 36 per cent of the work.

› [Get 50% off home delivery of the Toronto Star.](#)

---

[FAQs](#) | [Site Map](#) | [Privacy Policy](#) | [Webmaster](#) | [Subscribe](#) | [My Subscription](#)

---

[Home](#) | [GTA](#) | [Business](#) | [Waymoresports](#) | [A&E](#) | [Life](#)

---

**Legal Notice:** Copyright Toronto Star Newspapers Limited. All rights reserved. Distribution, transmission or republication of any material from [www.thestar.com](http://www.thestar.com) is strictly prohibited without the prior written permission of Toronto Star Newspapers Limited. For information please contact us using our [webmaster form](#). [www.thestar.com](http://www.thestar.com) online since 1996.