

CHAPTER 4 CANADIAN FIREMARMS PROGRAM OF THE MAY 2006 REPORT OF THE AUDITOR GENERAL OF CANADA

Report of the Standing Committee on Public Accounts

Hon. Shawn Murphy, M.P. Chair

December 2006



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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

TENTH REPORT

Pursuant to Standing Order 108(3)(g), the Standing Committee on Public Accounts has considered the Auditor General of Canada's May 2006 Status Report, Chapter 4 (Canadian Firearms Program) and has agreed to report the following:

INTRODUCTION

- 1. In 1995, Parliament passed the Firearms Act and associated amendments to the Criminal Code. The Act established the Canadian Firearms Program (the Program) under the principal responsibility of the Department of Justice. Responsibility was then passed to the Canada Firearms Centre in April 2003 when it was created as a stand alone department. In May 2005, responsibility was for the Program was moved to the Royal Canadian Mounted Police. The Program is intended to control the acquisition, possession, and ownership of firearms, regulate the availability of certain types of firearms, and deter the misuse of firearms.
- 2. In 2002, the Auditor General conducted an audit of the Canadian Firearms Program and found that its financial information was unreliable and did not fairly present the net costs of the Program, which did not give Parliament enough information to allow for effective scrutiny of the Program. In October 2003, the Public Accounts Committee adopted its report on the audit of the Firearms Program, which fully endorsed the four recommendations made by the Auditor General and made an additional 14 recommendations.²
- In Chapter 4 of her 2006 Status Report, the Auditor General followed-up on the 2002 audit. In addition to her 2002 recommendations, the follow-up audit looked at the operations of the Canada Firearms Centre as a whole since the arrival of a new management team in 2003; more specifically, it looked at financial information reported to Parliament, measuring and reporting of performance, management of contracting, and contracting for the Canadian Firearms Information System. The audit did not evaluate the effectiveness of the Program nor its social implications.
- On 26 September the Committee held a hearing on this chapter and met with the Auditor General, Sheila Fraser, and Peter Kasurak, a Senior Principal at the Office of the Auditor General. William V. Baker, the former Commissioner of the Canada Firearms Centre, appeared as an individual. Ian Bennet, Acting Assistant Deputy Minister, Acquisitions Branch, appeared on behalf of Public Works and Government Services Canada. From the Royal Canadian Mounted Police, Peter D. Martin, the Deputy Commissioner, gave testimony. Lastly, the Canada

¹ Auditor General, 2002 Report, Chapter 10 – *Department of Justice*—Costs of *Implementing the Canadian Firearms* Program.

² House of Commons Standing Committee on Public Accounts, 24th Report, 37th Parliament, Chapter 10 (Department of Justice—Costs of Implementing the Canadian Firearms Program) of the December 2002 Report of the Auditor General of Canada.

Firearms Centre was represented by François Bidal, Director General and Denis Bilodeau, Head Senior Counsel.

OBSERVATIONS AND RECOMMENDATIONS

1. Action on recommendations

- 5. The primary reason for the audit was to follow-up on the 2002 recommendation to rectify gaps in financial reporting. The audit found that the Canada Firearms Centre made satisfactory progress in implementing the recommendation on financial reporting, with the exception of the accounting for costs, which is discussed in more detail in the Special Report *Government Decisions Limited Parliament's Control of Public Spending*.
- 6. The audit concluded the Canada Firearms Centre had made substantial progress in setting up a separate agency and in addressing operational and contracting problems. However, there were a number of problems that needed to be addressed. To this end, the audit made 12 recommendations. With the exception of the recommendation on the recording of development costs for the Canadian Firearms Information System and a recommendation directed to Public Works and Government Services Canada, these recommendations were all accepted by the Canada Firearms Centre, and the Centre had agreed to take action to implement them.
- 7. On May 17, 2006, the Government announced the transferring of responsibility for the *Firearms Act* and its regulations to the Royal Canadian Mounted Police (RCMP), which took over from the Canada Firearms Centre. Mr. Martin, Deputy Commissioner of the RCMP, told the Committee that the RCMP agrees to continue the implementation of the Auditor General's recommendations. The Committee fully supports the findings of the Auditor General and her recommendations. While the Committee is encouraged by the openness of the RCMP to implement them, the Committee would like greater specificity. Consequently, the Committee recommends that:

RECOMMENDATION 1

The Royal Canadian Mounted Police provide the House of Commons Public Accounts Committee with an action plan and timetable no later than 31 January 2007 for the implementation of the Auditor General's recommendations contained in her May 2006 Status Report, Chapter 4.

2. Financial and Performance Information

- 8. In 2002, the Auditor General reported that the Department of Justice, which was then responsible for the Canadian Firearms Program, did not provide Parliament with complete, systematic and authoritative financial information about the Program. Parliament was not given adequate information about the Program to allow it to exercise effective scrutiny and ensure accountability.
- 9. The Committee was told there would continue to be a separate vote for the Firearms Program for 2006-07. The Committee thinks it is vital that Parliament continues to receive fulsome and complete financial information about the Program. When the Program was managed by the Department of Justice, allocations for the Program were made through the Department's votes and performance information was buried within the Department's Report on Plans and Priorities and Departmental Performance Report.
- 10. An important reason for creating a separate Canada Firearms Centre was that it provided separate information for and accountability to Parliament. The Committee is concerned that it may not continue to receive adequate financial and performance information now that responsibility for the Program has once again been placed inside another department. It is especially important that there continue to be separate financial information about the Program. Hence, the Committee recommends that:

RECOMMENDATION 2

The Royal Canadian Mounted Police (RCMP) provide Parliament detailed information about the amount allocated to the Canadian Firearms Program's proposed expenses in the RMCP's votes included in the Main and Supplementary Estimates. That the RCMP provide detailed performance and financial information about the Program in its Report on Plans and Priorities and Departmental Performance Report.

11. Reporting adequate performance information is also a key component of accountability. Since the initial audit, the Canada Firearms Centre tabled two performance reports in Parliament, which significantly increased the performance information available on the Program. The audit concluded that the Centre's performance reports provided a fair to good overview of its organizational context and planned strategic outcomes. On the other hand, the Centre had not set any performance targets, provided few examples of outcomes, and did not have a results chain

showing how its activities might contribute to public safety goals. The Auditor General recommended improving reporting of performance by providing targets and evidence-based results and by developing a results chain.

12. As responsibility for the Program has been shifted to the RCMP, information for Parliamentarians on the Program was added as an addendum to the RCMP's 2006-07 Report on Plans and Priorities, which was tabled on 26 September. This information includes a "Results and Performance Framework." It is likely that this is intended to be the results chain³ recommended by the Auditor General. If so, it is extremely weak, despite the audit having been completed months earlier. The Framework is silent about the contribution of federal and provincial partners; the proposed indicators are of activities, rather than indicators of outputs or outcomes; some activities are missing, such as safety training; there is no attention given to assurance of the quality of data; and, most astonishingly, it sets no performance targets.

13. The Committee is very dissatisfied with the results chain provided in the RCMP's latest Report on Plans and Priorities. Results information is extremely important for the Firearms Program because Canadians want to know if it is having the desired impacts. The Committee recommends that:

RECOMMENDATION 3

The Royal Canadian Mounted Police provide, in consultation with officials from the Treasury Board Secretariat and the Office of the Auditor General, a meaningful results chain for the Canadian Firearms Program in its 2007-08 Report on Plans and Priorities.

14. In addition to a results chain, it is important that the effectiveness of the Program be evaluated through a program evaluation. An evaluation of the Program can measure its intended and unintended results, including its current and anticipated cost-effectiveness and its perceived and real value to gun owners, law enforcement officials and Canadians in general. Importantly, an evaluation will provide all interested parties with clear evidence and substantiated facts for discussion and decision-making. The audit reported that a recent evaluation of the Canadian Firearms Program stated that it was not possible to determine the outcomes of the program until it has been operating longer. As Parliamentarians want to know if the Program is meeting its goal

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³ A "results chain" is logical relationship between activities and outputs of a given program and the outcomes that they are intended to produce. It is usually displayed as a flow chart.

of reducing risks to public safety from firearms, the Committee believes that another program evaluation should be conducted. The Committee recommends that:

RECOMMENDATION 4

The Royal Canadian Mounted Police conduct a program evaluation of the effectiveness of the entire Canadian Firearms Program and submit the results to the Public Accounts Committee by 31 December 2007.

Consequently, and also because of the amounts that have already been invested in the Program, the Committee considers that a moratorium should be declared on the dismantling of the Firearms Registry, to allow the Committee to evaluate accurately the findings of the Program audit.

3. Data Quality

- 15. Accuracy of information is essential to support police and reduce risks to public safety. However, there are a number of reasons to question the quality of the data in the Canadian Firearms Information System (CFIS).
- 16. The audit expressed concerns about the data in CFIS as a result of the Centre processing incomplete registrations from firearm owners before a statutory deadline, not validating information against other federal or provincial databases, and not confirming data transferred from the previous Restricted Weapon Registration System (about half of the 1.2 million restricted weapons in RWRS had not been re-registered). The rate of undeliverable mail resulting from wrong addresses has ranged from 7 to 23%, depending on the type of notice being sent. Verifications at the time of firearm transfers have shown that the firearm's make, serial number and action (e.g., bolt action or semi-automatic) has been wrong 12%, 3% and 9% of the time, respectively. There may also be errors in an owner's name or date of birth, and potential duplicate registration certificates. Lastly, the Centre did not know the status of 62% of the firearms for which registration certificates were revoked between July and October 2005. It relied on local police to enforce revocations, but there was a lack of communication between police and the Centre.
- 17. The Auditor General recommended ensuring that the information system provides management with performance information, addresses should be validated through other databases, and all records should be checked for entry errors and completeness. The Centre agreed and said it has an "ongoing continuous improvement plan."

18. The Committee is very concerned about the problems contained in the Canadian Firearms Information System. The data quality issues are quite extensive and cannot be easily fixed. It will be a major administrative hurdle to correct the data and the cost may be prohibitive. The system is useful only insofar as the data it contains is reliable and accurate. Inaccurate information could compromise the safety of the police officers who rely upon the system. While the Committee was told that the RCMP has a team working every day on the data quality issue, the Committee would like more information and greater assurance that the problems are being resolved. The Committee recommends that:

RECOMMENDATION 5

That the Royal Canadian Mounted Police provide the Public Accounts Committee a report by 31 January 2007 on the specific steps the RCMP is taking to address each of the data quality problems described in the audit report, including a timeline and milestones for the "continuous improvement plan."

4. Contracting

- 19. As the Canada Firearms Centre delivered many of its services through contracts, the Office of the Auditor General examined a number of contracts for compliance with contracting regulations and authorities. In reviewing 3,642 contracts dating from 1997 to 2005, the audit found some were awarded without a proper competitive process, as evidenced by contracts initially below the \$25,000 limit for sole sourcing (where no competitive process is required) but later amended to much higher amounts, multiple contracts for \$24,000 issued continuously to the same vendor, and contracts issued on the basis that there was only one available source without proper justification.
- 20. The audit found that the Centre misused one of the contracting tools of Public Works and Government Services Canada (PWGSC) to retain contractors for several years on a non-competitive procurement process. The Centre was also retaining contractors by way of the master contract of Information Technology Services Branch (ITSB) of PWGSC rather than through a competitive process. Because the Centre did not retain services directly, it also had to pay fees to ITSB and the consulting firm, increasing costs by about 25%. The audit raised the concern that retaining contractors over several years could have established an employee-employer relationship.

- 21. The audit found other examples of poor contracting practices on the part of both PWGSC and the Centre. For example, a consultant initially engaged for about \$150,000 was authorized to contract for other consultants, resulting in services totalling more than \$700,000. Another contract was signed after the work period had passed.
- 22. While the audit notes that the contracting practices of the Canada Firearms Centre have improved, the Office of the Auditor General still has concerns and will be reviewing several contracts in more detail that had no measurable deliverable, or record of a deliverable being received.
- 23. The Committee is shocked by the nature and extent of the contracting problems at the Canada Firearms Centre. There is sufficient evidence to conclude that there was a purposeful circumvention of contracting policies and regulations. Moreover, there was little oversight, if not wilful ignorance, by PWGSC, the key department responsible for procurement and contracting processes within the federal government. Contracting rules are in place to ensure that public funds are spent with regularity, propriety and due regard to economy. Those rules are only effective insofar as there is a willingness to follow them or to enforce them, if necessary. Ian Bennet from PWGSC told the Committee that his department was undertaking corrective measures to address the issues highlighted by the audit. Given the gravity of the issue and the potential abuse of PWGSC's contracting tools by other departments, the Committee would like to have further assurance. The Committee recommends that:

RECOMMENDATION 6

Public Works and Government Services provides the Public Accounts Committee with a report by 31 December 2006 ensuring that its contracting tools are not being used to circumvent contracting policies and regulations.

24. The most significant contracts undertaken by the Government for the Canadian Firearms Program, and the most significant waste of public funds, were to develop the Canadian Firearms Information Systems. Initial estimates for the system were in the order of \$13-20 million. By 1998 the estimated cost was \$94.5 million, and the cost of CFIS I had grown to \$190 million as of March 2005. The audit concludes that a number of poor decisions increased the costs of CFIS I: change control processes were poorly managed by the government, project requirements were

not well defined, a level-of-effort contract was used, and the passage of Bill C-10 and its regulations were delayed for more than two years.

25. In 2001, senior managers at the Canada Firearms Centre decided to proceed with CFIS II, despite draft reports indicating that CFIS II was premature due to further legislative and regulatory changes, expectations for it were greater than its capabilities or budget would allow, and the timeline for completion was too short. The audit concludes that lessons learned from CFIS I were not applied to the management and development of CFIS II.

26. Although originally estimated to cost \$32 million, CFIS II is now expected to cost at least \$87 million. This includes delay costs of \$30.6 million, \$15 million over the next 15 years, and \$8 million in interest. The Committee learned at its hearing that work on CFIS II has been halted and the system is not being used. The Committee is absolutely appalled that \$90 million will be spent on a system that appears to have not even been necessary. This disregard for any semblance of economy is completely unacceptable. Canadians entrust their money with the government on the assumption that it will be spent prudently, not wasted on poorly planned and unnecessary IT projects. Given the clear inability of government departments to effectively manage the CFIS contracts, the Committee, and Parliament more generally, needs to have complete and detailed information about the past and future costs of CFIS. Consequently, the Committee recommends that:

RECOMMENDATION 7

The Royal Canadian Mounted Police provide the Public Accounts Committee with a report on the past and expected future costs of the Canadian Firearms Information Systems (CFIS) I and II by 31 December 2006, and that the RCMP report on the costs of CFIS in its annual departmental performance reports.

5. Volunteer Verifiers Network

26A. In order to address problems of data quality, the Canada Firearms Centre used a network of volunteers to verify previously registered but unverified firearms at the time of a transfer. The verification process confirms the physical details such as manufacturer, model, serial number, barrel length, and type of action of a particular firearm.

26B. The Committee was told that the Volunteer Verifier Network had been eliminated. Instead, employees of the Centre were verifying the accuracy of the information submitted about

various firearms. Nonetheless, the Committee is quite concerned that the department may have breached the *Privacy Act* by permitting third parties acting on behalf of the government, the Volunteer Verifiers Network, to have inappropriate access to personal and private information. Consequently, the Committee recommends that:

RECOMMENDATION 8

The Royal Canada Mounted Police provide a legal opinion to the Public Accounts Committee on whether or not it violated the *Privacy Act* by engaging the Volunteer Verifiers Network.

26C. In addition, the Committee thinks this issue may be of interest to the Privacy Commissioner. The Committee shall instruct the Clerk to forward a copy of this report to the Commissioner who shall take whatever action she deems appropriate in this circumstance.

CONCLUSION

- 27. The Canadian Firearms Program is a highly complex program that is under careful scrutiny by Canadians and Parliament. In such an environment, it is essential that Canadians and parliamentarians are provided with adequate financial and performance information. It is only by fully understanding the costs and results of the Program that informed decisions can be made about the design, implementation and future of the Canadian Firearms Program.
- 28. It is also vital that the users of the information systems maintained as part of the Program are assured that they are receiving complete and accurate information. If the data quality problems are not rectified, it will be difficult for users to have confidence in the information that is used to support police and reduce risks to public safety.
- 29. Lastly, the Program cost significantly more than was initially estimated. This has in large part been to the poor management of contracts for the Program's information systems. Canadians expect that their money will be used economically and are rightfully appalled when it is wasted. If the Program, and the government more generally, is to maintain the confidence of Canadians, every effort must be made to ensure that lessons are learned and more care is taken to ensure that Canadians receive value for their money. Despite the inexcusable cost overruns in the past, and the adjustments that will have to be made, the Committee notes that the Auditor General speaks of "satisfactory" and "real" progress with regard to cost control and transparency. In

paragraph 4.3 of her report she notes that the Program's annual administration costs have dropped from \$200 million to \$82.3 million.

Witnesses List

Chapter 4, Canadian Firearms Program of the May 2006 Report of the Auditor General of

Organizations and Individuals	Date	Meeting
Baker, William V. William Baker Former Commissioner Canada Firearms Centre	2006/09/26	16
Canada Firearms Centre François Bidal Director General	2006/09/26	16
Canada Firearms Centre Denis Bilodeau Senior Counsel Head, Legal Service	2006/09/26	16
Department of Public Works and Government Services Ian Bennett Acting Assistant Deputy Minister Acquisitions Branch	2006/09/26	16
National Police Services of the Royal Canadian Mounted Police Peter Martin Deputy Commissioner	2006/09/26	16
Office of the Auditor General of Canada Sheila Fraser Auditor General of Canada	2006/09/26	16
Office of the Auditor General of Canada Peter Kasurak Senior Principal	2006/09/26	16

REQUEST FOR GOVERNMENT RESPONSE

In accordance with Standing Order 109, the Committee requests that the Government table a comprehensive response to the report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 5, 13, 16, 23, 24, 25, 27 and 28 including this report is tabled).

Respectfully submitted,

Hon. Shawn Murphy, M.P. *Chair*

Conservative Members' Dissenting Opinion

On

Report – Canadian Firearms Program of the May 2006 Report of the Auditor General of Canada

The dissenting members hold that they cannot support the second part of Recommendation 4 of this report. The recommendation is without substance or foundation, and in particular, ignores the following:

- i. In Paragraph 4.8 of the Auditor General's May 2006 Report, the Auditor General states, "We did not examine the effectiveness of the program or its social implications". ⁴
- ii. At the outset of deliberations, the Chair of the Standing Committee on Public Accounts instructed all committee members <u>not</u> to debate in advance all questions or arguments based on their views of the effectiveness or lack thereof of the program. To quote the Chair:

Finally, I would ask members to be aware that this committee deals with the financial issues, with the propriety, the regularity, the economy of the issues at hand and not with the policy: whether or not this country ought or ought not to have gun control. That is a policy issue to be decided by the government of the day, and this committee has no opinion, of course, on that particular issue. I would ask members to direct their questions accordingly.⁵

iii. There was no evidence, testimony or expert opinion given by the Auditor General or any of the witnesses to support this recommendation. Conversely, the evidence in the report raises more concerns about the utility of the long-gun registry.

To conclude, it is the dissenting members' position that there was no evidence or analysis given to the committee to support the second part of Recommendation 4.

The dissenting members however reaffirm their support for all other aspects of the report.

Brian Fitzpatrick, MP Conservative M.P. for Prince Albert Vice-Chair, Standing Committee on Public Accounts

⁴ Report of the Auditor General, May 2006, Chapter 4, P. 102

⁵ Standing Committee on Public Accounts, 39th Parliament, 1st Session, Evidence, Tuesday, September 26, 2006, 1555

MINUTES OF PROCEEDINGS

Meeting No. 28

Tuesday, November 21, 2006

The Standing Committee on Public Accounts met *in camera* at 3:23 p.m. this day, in Room 269, West Block, the Chair, The Hon. Shawn Murphy, presiding.

Members of the Committee present: David Christopherson, Brian Fitzpatrick, Jean-Yves Laforest, Mike Lake, Hon. Shawn Murphy, Richard Nadeau, Pierre Poilievre, Marcel Proulx, Yasmin Ratansi, David Sweet, John Williams and Borys Wrzesnewskyj.

In attendance: Library of Parliament: Brian O'Neal, Analyst; Alex Smith, Analyst.

The Committee proceeded to the consideration of matters related to Committee business.

It was agreed, — That the Seventh report of the Subcommittee on Agenda and Procedure of the Standing Committee on Public Accounts be concurred in which reads as follows:

That a meeting of the Committee be held at the earliest opportunity to have Officials of the Department of Public Works and Government Services appear before the Committee on the subject of accommodation at Place Victoria, in Montreal.

That Dr. C.E.S. Franks should go ahead and prepare a Discussion Paper on the ongoing study of Roles and Responsibilities of the Secretariat of the Treasury Board and that he could have informal discussions with officials of the Treasury Board to that effect.

At 3:48 p.m., the sitting was suspended.

At 3:49 p.m., the sitting resumed in public.

On motion of David Christopherson, it was agreed, — That the evidence and documentation presented to the Standing Committee on Public Accounts during the hearings on the November 2003 Report of the Auditor General, chapters 3, 4 and 5 as well as the testimony of Charles Guité on July 9, 2002, meeting no. 64 of the 1st Session of the 37th Parliament, be deemed received by this Committee in this session.

On motion of John Williams, it was agreed, — That the Committee request the Library of Parliament to draft a comparative report on discrepancies in the testimony of those individuals who appeared before both the Committee's hearings on the November 2003 Report of the Auditor General as well as the testimony of Charles Guité on July 9, 2002, meeting no. 64 of the 1st Session of the 37th Parliament and before the Gomery Commission and,

That the Law Clerk and Parliamentary Counsel of the House of Commons do provide the

Committee with guidance on a legal issue related to the evidence contained in this comparative report .

At 3:59 p.m., the sitting was suspended.

At 4:00 p.m., the sitting resumed in camera.

It was agreed, — That the draft report (as amended) on the Status Report of the auditor General of Canada of May 2006, on Chapter 4 (Canadian Firearms Program) be adopted as the Tenth report of the Standing Committee on Public Accounts.

That the Clerk and analysts be authorized to make such editorial and typographical changes as necessary without changing the substance of the Report.

That the Chair be authorized to table the Report in the House.

That, pursuant to Standing Order 109, the Committee request that the Government provide a comprehensive response to this Report.

It was agreed, — That a dissenting opinion be appended to the 10th Report after the signature of the Chair and that the opinion shall be in both official languages and no greater than two pages, and shall be filed with the Clerk of the Committee no later than a week from today.

The Committee commenced consideration of draft report no. 11, Chapter 2 (National Defence - Military Recruiting and Retention).

At 5:16 p.m., the Committee adjourned to the call of the Chair.

Georges Etoka
Clerk of the Committee