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Evidence at Public Works Department Investigation

CANADA PROVINCE OF PRINCE EDWARD ISLAND.

In the matter of enquiry under Section 33 of Chapter 7 of the Acts of 1912, entitled "The Audit Act" relating to certain records and transactions in respect to Highway Improvement Account, Department of Public Works—continued:

Evidence of the several witnesses examined before me in respect to the matters above stated in the order hereinafter noted.

(Signed) JOHN ANDERSON, Provincial Auditor

Charlottetown, Prince Edward Island, July 29th, 1929, 10.30 a. m.

Present: John Anderson, Provincial Auditor, presiding; Norma Younker, Stenographer; B. S. Hart, Chartered Accountant, and L. B. McMillan.

(Continued)

Examination of Mr. L. B. McMillan resumed:

Q. On Monday you also stated that you had not told the Premier that the \$485.80 cheque was accounted for in the item of \$956.08, to which we have just been referring. It is claimed by those who were present on the occasion referred to that you did state that the \$485.80 cheque was included in the credit item of \$956.08 and that you picked up a copy of the 1928 Public Accounts and pointed out the credit item, stating that the \$485.80 was included therein?

A. I do not remember of having said that, because I knew it was not so. The only recollection I have was of saying that there were certain items credited all through the Public Accounts, but so far as having said that this item was included in the \$956.08, I have no recollection of stating this; if they understood me as saying that, it was not my intention that my remarks should be interpreted in that way. I firmly believe that I did not say it.

Q. Do you recall the occasion when this discussion took place?

A. Yes, but at the time I was speaking entirely from memory.

Q. You remember that on Monday we were discussing the car of cement sold to D. A. McDonald?

A. Yes.

Q. There was a credit in the Highway Improvement Account, I think in the year 1925, for \$669.30, to which you called attention. Are you positive that this represents the payment for this car?

A. No, I am not quite sure that this represents the payment for this car. He might have paid direct to the Company and it might not have been put through the accounts at all.

Q. Why does the book entry for this \$669.30 not give the name of the person from whom received, instead of merely stating a refund for cement?

A. I can give no explanation for this at this time. I do not think I made the entry personally.

Q. Do you recall if there were many similar transactions? that is cars of cement sold or transferred in this way to other persons?

A. No, not in cars.

Q. Were you interested in any way in any of McDonald's transactions at this time?

A. Well, I helped him out in figuring out his contract for the City. I never have any interest in any Government contracts.

Q. Were you a silent partner of McDonald's?

A. I can't say that I was. He came to me to help him out in figuring the cost.

Q. He came to you in connection with figuring the cost of the City contract?

A. Yes, not in connection with any Provincial contract. People often come in and ask particulars of prices as far as work is concerned, and any assistance I can give I always give it.

Q. You had no interest in any contract he ever had with the Government?

A. No.

Q. Did you have any interest in any of his other contracts, apart from helping him prepare figures or other estimates?

A. I do not know how he took it. I can't say.

8th August, 1929

Hon. A. C. Saunders, Premier of Prince Edward Island.

Dear Sir:

The further enquiry into the Public Works Department affairs, as suggested by your letter of the 26th ultimo to me, being closed, I think in fairness to myself I should make a written statement showing my relation as Provincial Auditor to the matters covered by the investigation.

I more particularly desire to do so as Mr. L. B. McMillan, the Deputy Minister, seems to hold me responsible in some mysterious manner for the irregularities on his part which the investigation revealed.

In the first place I will say that I have not had at any time since I entered the office any personal ill-feeling against Mr. McMillan nor has there been any unpleasantness between us.

I have been for some time quite dissatisfied over matters in the Public Works Department for which I held him officially responsible. I never concealed my dissatisfaction, and in fact I made complaints at different times, verbally and in writing, to his superiors, Premier Stewart, Hon. Mr. Lea and to yourself. My first real difficulty arose over his defiant opposition to the carrying out of the Blanchet system of keeping the Provincial Accounts.

For instance, in this system vouchers and warrant forms are required. These have to be filled out and completed before a cheque shall be issued to cover a claim. Three officials become responsible for the acknowledgement of any claim. For the Public Works Department Mr. McMillan has usually, since Hon. Mr. Crosby's time, signed the requirements—approved for payment; a clerk in the Department signs under the word "approved" or "correct" and finally when satisfied with the regularity of the claim I sign as Auditor.

The matter I had particularly complained of was regarding the checking of the bills. Under this system a clerk is required to check up the bills, and if they are found to be made up correctly then he or she signs under the word "approved." When the warrant or voucher comes to me I may accept that signature as sufficient and save the time and labour of going over the statement myself, or I may check it myself to be satisfied. This procedure was put there in compliance with my recommendation as placed in the Public Accounts of 1923, page 2, as follows: "Another change I would suggest is that the checking of bills and vouchers be made in the Department and accepted by the Auditor, or initialled by a responsible official by the Department passing upon it," etc.

Later when the new plan was adopted and put into practice I learned that Mr. McMillan had given instructions to Mrs. Gallant, the clerk, "not to check up the bills" although she signed them. I had accepted her O. K. as genuine for some time until I discovered errors in bills that were passed and signed by her. I went to the Public Works office at once and Mrs. Gallant for the first time told me that she was not checking the bills although she was signing a certificate of their correctness and doing so under instructions from Mr. McMillan.

This defiance of the system being so very important I immediately notified Premier Stewart of it and he promised at once to see that this attitude of McMillan would not continue. I left the Premier at the door of the Public Works office. He went in alone.

After that for a while I was satisfied that Mrs. Gallant had checked the bills she signed; but later again I became suspicious and carefully checked the bills to find that errors were not being corrected. I spoke to Mrs. Gallant again, to get the same answer that Mr. McMillan told her not to do the checking. Thereafter I regarded her signature to a voucher or warrant as worthless. In fact it was a serious deception, as she gave me no notice that bills passed and signed by her were not checked and claimants may have been overpaid as a result of the deception.

As for Miss Hogan and Miss Webster's attitude, see their evidence. (On June 30th on pages 13, 14, 15 and 16). It will be seen that similar instructions were given them.

Now as to not auditing the concealed receipts. It was not possible to audit receipts that I had no knowledge whatever of; and furthermore these Highway Improvement accounts were closely audited by the Dominion Government Auditors and certified to as correct, and having accepted their audit as sufficient I was put off my guard.

Yet these men were also kept in ignorance of the deductions that



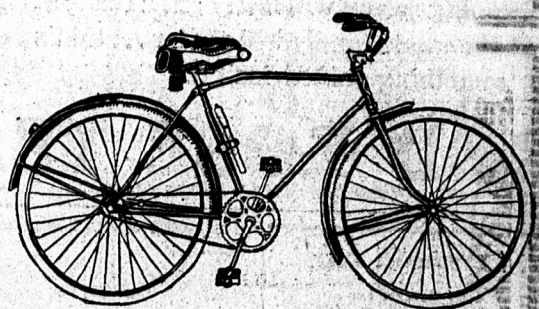
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On page 19 of evidence taken on the 15th June last knowledge of the concealed fund was asked of Prof. H. H. Shaw, and he made in his reply this statement: "I would consider that it would be more or less known. I would think that Mr. Bell as Premier might know of this."

That the late Premier Bell knew anything of the concealed money is absolutely inconsistent with his request of me to pass no bills or issue no cheques if not certified to by Mr. Crosby. That regulation re Mr. Crosby's O. K. was often inconvenient, but Mr. Bell was very firm from first to last on that matter; hence I cannot believe that he had any knowledge of a fund to be secretly handled by Mr. McMillan alone

Hon. Mr. McMillan there, being present also Mr. Lea, Mr. Bell, Mr. Guigan and myself, in Hon. Mr. Lea's office on Thursday the 27th of June

Continued on Page 8



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