

Subject: Northlands Fraud Claim - Release of the Wolrige Mahon Report

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From: "Ernie Crist" <ernie_crist@dnv.org>

To: "FONVCA (E-mail)" <fonvca@fonvca.org>, <cagebc@yahoo.com>

CC: "Mayor and Council - DNV" <Council@dnv.org>, "Senior Management Committee" <managecomm@dnv.org>

A MESSAGE FROM ERNIE CRIST

Release of the Wolrige Mahon report on the Northlands Fraud Claim.

The Wolrige Mahon report has finally been released. It has been ready for approximately 2 months. After receiving it IN Camera back in early June I challenged Mayor Don Bell to release it to the public as soon as possible. He announced that it would be done within a few days. Notwithstanding, I predicted that this would not happen until everybody is on holidays. Knowing how things work in the District, it did not take a rocket scientist to make such a deduction. Waiting for the summer when people have holidays on their minds is probably "smart politics" depending on one's definition of "smart" of course.

However, now that the report has finally been released I want to make a few comments.

District Council's strategy was to keep the Northlands fiasco from being aired altogether or at least keep it under wrap's as much as possible. They got especially excited about a possible audit. The forensic audit I wanted never materialized. But despite Houdinian contortions much of the truth, albeit not the whole truth, has come out. I had thrown a monkey wrench into the cover-up attempt. As a result, I was censured for divulging information to the press and deprived of being Acting Mayor as well as from accessing the Clerk's office. It was revenge pure and simple for blowing the whistle.

It was the second time that I had been punished. The first time was for asking a junior clerk on whose authority SHE had decided that I could not see an agenda -something I had done for 20 years. The excuse? I had raised my voice. The whole thing was bogus, of course, but it served Council's purpose to put me in my place as the Mayor had so aptly put it. Harassing me was the order of the day and took a thousand forms. However, having been through the fire before I took it as being part of my job. This after all was the District of North Vancouver I reasoned and such things must be expected in a banana republic. What was a little harder to take was to listen to some well meaning citizens suggesting that I should not be so stubborn and that I would achieve more if I would not "antagonize" Council so much. These people never explained to me how one co-operates with a school of sharks.

In his press release, the Mayor stated that the audit confirmed that the steps taken by District staff in investigating the misappropriation were efficient and conducted in a professional, competent manner. In the next sentence, however, the Mayor states that it has been discovered that, during the alleged fraudulent activities, there was a breakdown in some areas of control.

Indeed, and I might add certainly not the first time. When I brought other serious shortcomings to Council's attention, the Mayor accused me of being Anti Staff. That message spread quickly throughout the organization. Don't worry, we will protect you from Crist was the message. This stance may well have contributed to the Northlands fiasco.

Despite some progress into exposing the Northlands affair, some important questions are still outstanding however. In a letter to Council dated July 28 with a copy sent to me, Mr. Jeremy Dalton, who has pursued this matter, has made some excellent comments and has posed a few pertinent questions of his own. I am listing them below.

"1. why was no elected official advised of this matter when it first arose in Oct.?"

2. why was Council advised of the lawsuit on Nov. 25, four days after the Statement of Claim was issued?

3. why was Mayor Bell not advised of this matter until just before a 13 page statement of claim was issued? You were instructing a lawyer; would it not be appropriate to involve the Mayor (and Council)?

4. is this scenario how the staff run District affairs?

5. do you not keep Council apprised of issues that arise, particularly lawsuits and other matters pertinent to District contracts?

6. is it correct to commence a lawsuit on behalf of the District without Council involvement and even approval?"

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"Comments on the Wolrige Audit of the Northlands Affair - J. Dalton" July 28, 2003

page 1 "lack of a written contractual agreement between the District and Don Mac"; that explains why Alan Hobkirk did not join Don Mac in the writ. He refused to tell me why, when asked.

what "independent source" verified Zerr's memo of Nov 29 02? Nowhere in the audit is this answered.

Pages 3 to 7; a sorry list of fraudulent transactions, running from Jan 99 (at the latest) to Oct 02. How was this possible?

Page 5: "not all purchasing card transactions had receipts attached." a telling comment.

Page 9: again the so-called independent source confirming Zerr's Nov. 29 memo. Who?

Page 10 and 11 deletions: these names are in the Statement of Claim (a public document)

Page 12 - "No review of the controls at the District level has been conducted...." Of course not; Council made sure the terms of reference did not cover DNV staff. I will have more to say on that subject later.

Page 14: "Managers have on line access to the transactions of the cardholders in their departments". Nice to know; but why did almost four years of fraudulent purchases by a non-DNV employee go undetected?

Statement of Claim (attached to report). Why are names and addresses deleted. All public record.

Zerr's Nov 29 02 memo attached as exhibit. Names deleted. I have the unedited version."

"General comments:

- this \$20,000 reports tells little. Not examining DNV staff is a sad omission. Not identifying the independent source who verified Zerr's memo is a sad omission.

- a \$300,000 fraud by a non-employee over almost four years is a glaring comment on DNV staff, and elected officials. No-one was minding the store.

- The audit was filed with Council in May (May 23). Why did it take two months (July 25) to produce this report? I realize the settlement of the action was being discussed, but releasing this shallow audit would have made no difference.

- Don Bell stated in his release of July 25 that "the steps taken by District staff in investigating the misappropriation were efficient and conducted in a professionally competent manner." I strongly disagree; as noted above, conveniently the audit did not look at how this fraud went on for four years. No-one in District hall was paying ANY attention. I also question once again the Zerr memo; no source of verification is identified, and my long-standing opinion is that the memo was prepared "after the fact" to fill in a gap.


- Why did no-one on staff advise the Mayor or Council of the fraud? Why was a lawyer retained with no Council knowledge? Why was the RCMP advised with no Council knowledge? Why was a writ issued (a public document) with no Council knowledge? The Mayor apparently was advised two days before the writ was issued, and the day of issue (Nov. 21) he started to give advice to Hobkirk! (the DNV solicitor)."

"Given that the civic election was underway during this mess, a reasonable conclusion is that DNV staff (and perhaps some elected officials?) were complicit in keeping the fraud

from Council. Often in civic politics, the status quo is just fine with staff and some running for office."

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Good questions and good comments by Mr. Dalton and thank you.

Ernie Crist

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