MFP INQUIRY NOTES

- In 1991, Michael Saunders and David Maxson, another American IT consultant, proposed a customized tax management and collection system for North York called TMACS. They got the contract. Again Ms. Liczyk (the City Treasurer) was a key decision-maker, and again she kept silent about her relationship (no longer intimate, she said) with Mr. Saunders. Compounding that mistake, the contract was not tendered.
- The City of Toronto is now reprogramming TMACS because [Michael Saunders] refused to program it according to the users' needs.
- With amalgamation, TMACS would have to compete to become the new City's tax system. Its only rival was Tax Manager 2000, or TXM, then being developed through a Mississauga-Scarborough partnership. Scarborough, Toronto, and Etobicoke chose TXM; North York planted its flag firmly beside TMACS.
- In the end, the evaluators favoured TXM, and the Transition Team, appointed by the Province to oversee amalgamation issues, approved.
- Whenever Wanda Liczyk could favour TMACS, she did. She disparaged TXM and withheld support when it was desperately needed. She took on issues that were not hers and hid the truth from others. She secretly extended Michael Saunders's work proposals, even as TMACS was supposed to be winding down. She put him in charge of implementing TXM, almost ensuring that it would fail. She split contracts in two to stay under her spending limit. Later, she wildly exceeded her signing limit for one of his contracts. She went behind the back of her dedicated and principled subordinate, Giuliana Carbone, who was Mr. Saunders's supervisor. She dangled a promotion in front of another senior manager, seeking his loyalty to TMACS. And she summarily stopped paying TXM's development costs.
- The switch from TXM to TMACS should have been reported to Council. It was not.
- Jim Andrew (Executive Director of IT) entered into an agreement with MFP in 1997 to lease about 200 computers for City Councillors. The lease also included other equipment for Councillors, which was never approved.
- When the original three-year lease term expired, the next set of new computers, and any new or renewed lease to finance them, should have been put before City Council; This did not happen.
- In 1998, Dell bid on a tender for a huge computer deal with the City of Toronto. Dell was knocked out of the running but came back—seemingly from nowhere—and won. Companies eliminated from tenders are not supposed to win.
- Dell won a large RFQ for new computer equipment, despite having lost an RFP several months earlier. According to this report, City staff had designed the RFQ to favour Dell, at Dell's request. It may also have had to do with pressure from Jeff Lyons, a lobbyist who was hired by Dell on the suggestion of Jim Andrew.
- MFP, as represented by Dash Domi, gave many gifts to City staff, especially Jim Andrew. Dash Domi also became friends with Wanda Liczyk.

- In 1999, Dash Domi, using his MFP expense account, flew several people down to Philadelphia to watch a playoff game with the Leafs. Among his guests was Tom Jakobek.
- The competition for a large computer tender in 1999 included MFP and Dell. Unknowingly, they both hired the same lobbyist: Jeff Lyons. Jeff Lyons had been a close friend of Tom Jakobek's for 20 years.
- According to two MFP employees, Jeff Lyons said that they could buy the computer leasing contract by paying $150,000, probably to Tom Jakobek. The exact quote was: "Tom says it's worth one hundred and fifty grand."
- Lyons claims that he was asking for a $150,000 fee for himself if the deal went through. However, Lyons knew perfectly well that the two people he was meeting with would have had no authority to give him this fee.
- Purchasing and IT were also at cross-purposes about what was being acquired. For example, Purchasing didn't know that IT's idea was to get an open-ended deal with an exclusive leasing vendor of record, with no limit on the amount of equipment that could be leased during that period. Had staff in Purchasing known the facts, the type of tender document issued, its contents, and the evaluation of the bids would likely have been very different.
- The tender released by Purchasing was an RFQ (requires companies to bid on an already clearly defined project with a known quantity of goods) when it should have been an RFP (requires companies to put forward a solution as to how to achieve a certain end).
- Jim Andrew hired his friend, Brendan Power, as the lead consultant on the computer leasing deal. He was not at all experienced in IT, and the RFQ was riddled with mistakes.
- MFP's bid on the RFQ was so low that it appeared that they would *lose* $1.5 million on the deal. However, it left a lot of room for the price to go up in the future.
- MFP's bid contained the offer of many extra services to the City, none of which were included in the final contact.
- Due to conflicting information from the various departments involved in making this deal, the report to the Policy and Finance Committee was unclear and misleading.
- At the Policy and Finance meeting on July 20, 1999, Tom Jakobek moved and amendment to the report stating that: "[T]hat the Chief Financial Officer and Treasurer be requested to ensure that the terms and conditions of the lease be flexible enough to ensure that the life span of the computer equipment is extended beyond three years." The amended report passed at the Committee meeting and at Council (without discussion) one week later. On the day of the Council meeting Dash Domi called Jakobek's cell phone twice (he had called him about thirty times in the two months leading up to the deal).
- On July 14 (two weeks before the deal was passed by Council), Brian Stevens, MFP's Treasurer and Vice-President of Debt Placement, e-mailed Dash Domi and Sandy Pessione. He congratulated them and asked for details of the deal so that he could start putting in place the necessary funding. Mr. Stevens testified at the inquiry that he had meant the congratulations sarcastically.

- Brendan Power had to get a signature from the City's outside counsel, Mark Fecenko, on the Master Lease Agreement. Fecenko requested to see the RFQ and MFP winning bid, but Power said that there was not time because City staff were going away on vacation soon, so the MLA had to be signed within twenty four hours. Thus, Fecenko signed the MLA without ever having seen the problems and inconsistencies within the RFQ and the bid from MFP.
- The RFQ asked for three-year lease rates, yet the very first lease schedule the City signed with MFP on October 1, 1999, was for five years. The switch to five years boosted MFP profits and substantially reduced its risk. It also cost the City far more than the three-year lease MFP had quoted in its bid. Yet experts told the inquiry that the extension to five years had little if any merit.
- By the time MFP and the City signed the first lease, there was already $38 million of equipment on lease. By the end of 1999, there was $57 million. By the time the City halted the leasing program in June 2001, it was 84 million. The inquiry's leasing expert testified that total lease payment obligations would end up being more than $100 million.
- The extension of the five-year lease was never approved by Council. No City official has taken responsibility for authorizing the five-year lease, but it seems that Wanda Liczyk was the only one who would have been in a position to do so.
- The Contract Management Office (CMO) was created within IT to oversee the computer leasing agreement.
- The CMO and other IT staff were operating under the mistaken assumption that Council had approved a "leasing program." There was no leasing program. Council only authorized putting $43 million worth of equipment on a three-year lease with MFP. Nevertheless, the CMO staff seemed to believe that City Council had actually authorized putting all computer hardware and software acquired over a three-year period, not limited to $43 million, on lease with MFP.
- The CMO was administering a nonexistent leasing program, but it was doing it with determination and gusto. The forms and processes for leasing continued to be revised and refined and were posted to the City's intranet site. CMO staff had meetings with other City departments and explained the leasing procedures. They created detailed electronic tracking spreadsheets for the leased equipment. As a result, the fiction spread throughout the City.
- In 2001, Jim Andrew entered into a new lease with MFP for Councillor's computers, as the one from 1997 had run out. He never obtained approval from Council for this deal.
- MFP increased its original aggressively low lease rates considerably, without any discussion with the City. The lease rewrites cost the City an additional $2.5 million, and the benefits were virtually nonexistent. MFP, on the other hand, profited by $2 million, and Dash Domi collected a commission of $420,000 on the lease rewrites. Wanda Liczyk signed the rewritten leases without ensuring that proper procedure had been followed.
- On Monday, November 1, 1999, Dash Domi went to his bank and withdrew 25 $1,000 bills. At 3:46 p.m., he called Tom Jakobek's cell phone. The call was answered and a 90-second conversation took place. At 4:45 p.m., he called again. Mr. Jakobek's cell phone was answered again. They were connected for about 20

seconds. Two minutes later, at 4:47 p.m., Dash Domi drove into the sprawling underground garage beneath City Hall. Thirteen minutes later, he drove out.

- On November 2, Tom Jakobek called his mother, Ursula. Later that day, she visited three banks in Toronto's east end. She carried out eight transactions and had three cheques certified, drawn on accounts belonging to her and her mother, Maria Michie, totalling $15,000 and payable to American Express. She would later replenish these accounts with thousands of dollars in $100 bills. Also on November 2, Tom Jakobek deposited $3,400 into his bank account. It was not a payday for him. On November 3, $21,000 went into his American Express credit card account, in four separate payments: $3,700, $4,000, $6,000, and $7,300.
- Dash Domi said that the money he had withdrawn was a gift for his brother, Tie Domi, and Tom Jakobek said that the money he had put on his American Express card had been a gift from his father-in-law for a trip to Disneyland. However, when trying to back up these stories at the inquiry, they were both caught lying many times, and their entire stories did not seem plausible.
- In their examination of Jakobek's finances, the inquiry also found that between October 1999 and December 2000, $27,877 in cash, 83 per cent of it in $100 bills, and another $60,000 in unidentified deposits went into Tom Jakobek's bank account. This was on top of his salary. Mr. Jakobek had no helpful explanation for all this money.
- On December 1, 1999, the City bought about $11 million worth of Oracle software licenses and tech support through MFP. No business case was prepared for this deal, and it is mystifying why they bought so many licenses. In May of 2003, it was reported that just over half of the licenses had ever been used.
- Ball Hsu was a consultant for the City who received $37 million over a period of five-years. He employed Jeff Lyons as a lobbyist for his companies (Ball Hsu and Associates and Andall Technologies Corporation). He made numerous donations to the City and its staff, by writing cheques to Lyons' assistant, Sue Cross, who, in turn, wrote the cheques to the City in her name. When the inquiry attempted to contact Ball Hsu, it was discovered that he had gone back to China, and that no one knew his exact whereabouts.
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