2.10 Newfoundland School for the Deaf

Introduction

The Newfoundland School for the Deaf (the School) is a residential school operated by the Department of Education through the Student Support Services Division. The mandate of the School is to provide a comprehensive educational program for deaf children so each individual can grow to full potential and function as a productive member of society. The School is located in St. John's and has both a day and residential school operation.

Expenses for administration and academic operations of the School totaled approximately $3.8 million for the year ended 31 March 2004. This includes teacher salaries, student accommodations and transportation, and administration. Figure 1 highlights statistical information on the School for the last five years.

Figure 1

Newfoundland School for the Deaf
Statistical Information
Years Ended 31 March

	2000	2001	2002	2003	2004
Students					
Day*	37	34	37	34	33
Residential*	37	32	37	33	21
Total	74	66	74	67	54
Staff					
Teaching *	29	29	29	26	23
Admin and support	49	49	48	46	46
Total	78	78	77	72	69
Costs					
Teaching	$1,753,087	$1,731,792	$1,735,326	$1,672,896	$1,689,046
Teaching per student	$23,690	$26,239	$23,450	$24,969	$31,278
Admin and support	$1,962,997	$1,966,270	$1,971,944	$2,128,420	$2,075,467
Admin and support per student	$26,527	$29,792	$26,648	$31,767	$38,435
Tot al	**$3,716,084**	**$3,698,062**	**$3,707,270**	**$3,801,316**	**$3,764,513**
Total per Student	**$50,217**	**$56,031**	**$50,098**	**$56,736**	**$69,713**

Source: Province of Newfoundland and Labrador Public Accounts and the Department of Education
* As at 30 September of applicable fiscal year. Teaching includes a position for auditory verbal therapist who reports to the Department of Education. In 2003-04, teaching includes a teacher who was assigned to the Avalon East School Board.

2.10 Newfoundland School for the Deaf

No other province in Atlantic Canada operates a school for the deaf. In these provinces deaf students are integrated in the regular school system with supports including, in some instances, interpreters. There are similar schools in Ontario, Manitoba, Alberta and British Columbia.

Scope and Objectives

We completed our review of the Newfoundland School for the Deaf in March 2004. Our review focused primarily on the period 1 April 2002 to 31 March 2004. The objectives of our review were to review the adequacy of the:

- student enrolment and teaching allocations;
- leave control system;
- system for controlling moveable capital assets; and
- purchasing and payment processing system, including whether there was compliance with relevant contracts and other authorities.

Conclusions

The Newfoundland School for the Deaf (the School) is a residential school operated by the Department of Education. The School provides an educational program for deaf children. In 2004, the School had 54 students, 23 teachers and 46 administration and support staff. Of the 54 students, 21 stay at the School's residence. For the year ended 31 March 2004, the School spent approximately $3.8 million to deliver the educational program.

There are significant management weaknesses at the School in areas such as teacher allocation, human resources, residence operations, food service and transportation contracts, purchasing and capital assets. Although the Department of Education has been aware of many of these issues for quite some time, it has not taken sufficient action to ensure that these weaknesses were addressed.

Our review indicated the following:

The School has been overallocated a total of 23.3 teaching units at an approximate cost of $1.5 million over the past five years to 2003-04. Although the Department of Education was aware of this overallocation since 2000-01, they continued to fund the overallocation for 2002, 2003, and 2004.

2.10 Newfoundland School for the Deaf

Officials have not addressed the decline in the number of students staying in residence to determine whether cost savings could be realized. During 2003-04 there were only 21 students in residence. The School has a residence with 5 wings which can accommodate 84 students and also has 4 apartments which can accommodate 16 students, for a total capacity of 100 students. Only 2 students stay in residence on weekends and are cared for by the equivalent of 3 full-time positions. Furthermore, the Department of Education has projected further declines in student enrolment.

The School's administration of overtime and leave is not adequate in that required approvals are not always provided and overtime and leave is not always properly documented and recorded. Employees are earning excessive amounts of overtime, e.g. 23 residential staff earned 782 days of overtime during 2003-04 and used 751 days of this leave. Furthermore, these staff are using this overtime to cover School break periods when they would normally not be needed, i.e. Summer, Christmas, Easter and other School breaks.

The School is not adequately managing its food service contract which for 2002-03 cost $159,432. The School has not been diligent in requiring the contractor to provide the information required under the food service contract and which would be necessary for the School to properly manage this expenditure.

The School has a transportation contract with a total annual cost of $62,120, for the daily transportation of 46 students from the St. John's and surrounding area; however, when the contract was entered into, student enrolment was only 37. Furthermore, School officials were aware student enrolment would be declining even further. No provision was included in this contract which would allow the School to adjust costs for changes in circumstances.

The School contravened the *Public Tender Act* in that it did not always obtain the required three quotes or provide documentation that a fair and reasonable price was established.

School officials were unable to explain a shortage of $157 that we identified during a cash count of the School's $2,000 petty cash float.

Contrary to the Department of Education's policy, the School is providing textbooks for all students without charge. Furthermore, up to 2002, the School provided supplies to its students without charge.

2.10 Newfoundland School for the Deaf

The School opened a bank account without the required approval by Treasury Board Secretariat to deposit receipts from the rental of the School's theatre, gym and other facilities, as well as donations from religious and other non-profit organizations. Revenues for 2003-04 totalled $12,525 (2003 - $9,952) and at 31 March 2004 the account had a balance of $9,421 (2003 - $8,114). Amounts were spent from this account to pay for conference costs, equipment rental, residential supplies, bus transportation and miscellaneous expenses. As a result of not having these expenditures processed through Government's financial management system, they were not subject to approvals and controls applicable to all Government purchases. Instead, these funds are spent at the discretion of School officials.

The School is not adequately controlling its capital assets in that the inventory listing is incomplete and not maintained on a current basis, not all assets have unique identification numbers affixed, and a physical count has not been conducted in the past 10 years. Our testing of capital assets indicated instances where assets on the listing could not be located and assets in various locations could not be traced to the listing.

Findings and Recommendations

The Newfoundland School for the Deaf provides an educational program for deaf children. In 2003-04, the School had 54 students, 23 teachers and 46 administration and support staff. 21 of the 54 students stay at the School's residence during the week. For the year ended 31 March 2004, the School spent approximately $3.8 million to deliver the educational program. Our review of the School's operations indicated the following:

1. Student Enrolment and Staffing Allocations

The School is allocated teaching units based on student enrolment. This is the same as in other schools in the Province. The School also operates a residence and food services and, therefore, the number of staff required for these operations are also affected by the number of students. At the time of our review during 2003-04, there were 23 teacher staffing allocations, 46 other School staff allocations serving 54 students, 21 of which were staying in the residence.

Our review of the reported enrolment and staff allocations indicated that the School has been overallocated teaching positions every year we reviewed back to and including 1999-00. Furthermore, although student enrolment has declined from 74 in 1999-00 to 54 in 2003-04, administration and support staff have only declined by 3 positions from 49 in 1999-00 to 46 in 2003-04.

2.10 Newfoundland School for the Deaf

Figure 2 outlines information on the reported enrolment, actual enrolment, actual teaching units provided and the number of teaching units that should have been provided in accordance with the Department's policy. Both actual allocated teaching units and teaching units based on Departmental policy are calculated using student enrolment figures from 30 September of the previous year.

Figure 2

Newfoundland School for the Deaf
Enrolment and Teacher Allocation

	Current Year Enrolment		Teaching Units (Note 3)		Over Allocated	
	Reported (Note 1)	Actual (Note 1)	Actual units Allocated	Proper Allocation per Policy	Units	Cost (Note 2)
1998-99	96	74				
1999-00	102	74	29	23.3	5.7	$370,500
2000-01	66	66	29	23.3	5.7	$370,500
2001-02	74	74	29.2	21.5	7.7	$500,500
2002-03	67	67	26	23.3	2.7	$175,500
2003-04	54	54	23	21.5	1.5	$97,500
					Total	**$1,514,500**

Source: The Department of Education
Note 1: 1999 and 2000 includes some hearing impaired Avalon East School Board students
Note 2: Cost calculated using the Department's estimated average teacher salary of $65,000
Note 3: Includes a position for auditory verbal therapist who reports to the Department of Education and in 2003-04 actual units allocated includes a teacher who was assigned to the Avalon East School Board

As the Figure shows, the Department is providing the School with more teaching units than the Department's policy allows. As a result, over this five-year period, the School was provided with a total of 23.3 teaching units costing an estimated $1,514,500 more than it was entitled to in accordance with the Department's policy. Details of our review in this area indicated the following:

- In 1999-00 and 2000-01 the School's teaching units were inflated due to the inclusion of 28 hearing impaired students who, although they were registered and attended schools operated by the Avalon East School Board, were provided some teaching services by the School for the Deaf. These included such teaching services as language development and consulting with regular classroom teachers on instructional methods for hearing impaired students.

  Although information on enrolment was provided to the Department, the Department did not realize that the enrolment figures were inflated. As a result, the School was provided with 5.7 more teaching units each year than should have been allocated based on the Department's policy. The Department did not become aware of the inflated enrolment until during the School year 2000-01.

- Although in 2001-02, the Department was aware that the student enrolment numbers were inflated, it did not reduce the School's teaching units to bring them in line with the Department's policy. As a result, the School was provided with an overallocation of 7.7 teaching units.

- In 2002-03, the Department commenced an action to bring the teaching units in line with its policy and eliminated 3.2 teaching units. However, the School was still knowingly provided with an overallocation of 2.7 teaching units.

- In 2003-04, the Department continued its action to bring the teaching units in line with its policy and further reduced the School's teaching units by 3 teaching units. However, the School was still knowingly provided with an overallocation of 1.5 teaching units.

Department officials indicated that it was decided to phase-in the reduction in teacher allocation levels to that provided under the policy to minimize the negative impact on the School.

Information at the Department of Education indicated that, in 2000 the Newfoundland School for the Deaf had a student to teacher ratio of 2.3, the lowest of the 7 schools for the deaf in Canada (1 in Newfoundland and Labrador, 3 in Ontario, 1 in Manitoba, 1 in British Columbia and 1 in Alberta).

2. Residence Operations

The School has a residence with 5 wings which can accommodate 84 students and also has 4 apartments which can accommodate 16 students, for a total capacity of 100 students. In 2003-04, the School had 21 students who stayed at residence during the week and who were cared for by 24 support staff. Our review disclosed that Officials have not addressed the decline in the number of students staying in residence to determine whether cost savings could be realized. This issue will continue given that the Department of Education has projected further declines in student population. Details of our findings are as follows:

- Officials at the Department indicated that they were unsure of the total residence capacity. This is significant given that the Department should be proactive in monitoring residence utilization and ensuring that costs are kept to a minimum.

- During 2003-04 there were only 21 students in residence and all 5 wings, which can accommodate 84 students, were operational.

- In 1999-00 there were 37 students staying in the residence cared for by 27 support staff. Although the number of students staying in residence during 2003-04 has declined to 21, a decline of 16 students from 1999-00, the support staff to care for these students has declined by only 3, from 27 in 1999-00 to 24 in 2003-04.

- Where practical, the School requires that students who stay in residence return home each weekend and during School breaks. However, there are 2 students who cannot return home each weekend because of the distance they have to travel. The equivalent of 3 full-time positions is used to care for these 2 students in the residence on weekends. This results in a counsellor to student ratio which is much higher than that maintained during the week when many more students are staying in residence. The Department of Education is aware of the matter and indicated that they have looked at and will continue to look at alternative arrangements.

3. Overtime and Leave

Administration and support staff at the School earn overtime for time worked in excess of regular hours. These overtime hours are either compensated through payments to the employees or employees are given time off in lieu of overtime (TOIL). Leave is provided to staff in accordance with Government policy.

Our review indicated that the School's administration of overtime and leave is not adequate. In particular:

Overtime

Employees at the School appear to be earning excessive amounts of overtime, as follows:

During 2003-04, 23 residential staff (including 3 supervisors) accumulated 782 days of TOIL (costing $115,661) while 19 other employees accumulated 95 days of TOIL (costing $12,786). On average, the 23 residential staff earned approximately 34 days (costing $5,000), while the 19 other employees on average earned approximately 5 days (costing $700).

During 2002-03, 25 residential staff (including 3 supervisors) accumulated 868 days of TOIL (costing $120,547) while 20 other employees accumulated 159 days of TOIL (costing $18,728). On average, the 25 residential staff earned approximately 35 days (costing $4,800), while the 20 other employees on average earned approximately 8 days (costing $900).

Figure 3 provides details on the total TOIL by division earned during the year.

Figure 3

Newfoundland School for the Deaf
Time Off in Lieu (TOIL)
For the Year Ended 31 March

Division	Number of Employees 2003-04	Total Days Accumulated 2003-04	Total Cost Accumulated 2003-04	Number of Employees 2002-03	Total Days Accumulated 2002-03	Total Cost Accumulated 2002-03
Residence	23	782	$115,661	25	868	$120,547
Dietary	5	37	4,273	4	85	9,161
Administration	7	31	4,030	8	43	5,547
Utility	5	12	1,533	6	22	2,398
Other	2	15	2,950	2	9	1,622
Total	**42**	**877**	**$128,447**	**45**	**1,027**	**$139,275**

Source: Newfoundland School for the Deaf Leave System

2.10 Newfoundland School for the Deaf

These 23 residential staff earned 782 days TOIL during 2003-04 and used 751 days of this leave. These staff are using TOIL to cover periods when they would normally not be needed, such as Summer, Christmas, Easter and other School breaks.

School employees were able to earn TOIL as a result of a number of items such as:

- The School scheduled three weekend camping trips for which residence staff were paid TOIL to supervise students. The number of staff, the overtime hours worked, and the related TOIL hours accumulated for each of these trips were: 2 May - 4 May 2003 (5 staff worked 225 hours and accumulated 337.5 TOIL hours), 23 May - 25 May 2003 (5 staff worked 159 hours and accumulated 238.5 TOIL hours), and 22 June - 24 June 2003 (3 staff worked 127.5 hours and accumulated 191.25 TOIL hours). In these instances, the School compensated staff for 24 hours per day while on the camping trips. Total overtime hours worked by the 13 staff during the three trips was 511.5, with a total accumulated TOIL of 767.25 hours.

  At the time these camping trips were taken, the School did not have a policy dealing with how overtime would be paid to staff for supervising students on such trips. Department and School officials discussed this issue in September 2003 resulting in the School adopting a policy that supervision of students on all future camping trips would be on a voluntary basis.

- Employees who work on storm days receive their regular hours and, in addition, 1.5 times the regular hours in TOIL. Prior to 2003, this policy applied to all non-teaching staff except residential staff. When the policy was revised in 2003, residential staff were provided this benefit retroactive to 31 March 2002. As a result, 472 hours of TOIL was credited to 23 permanent residential staff and 131 overtime hours were paid to 8 temporary residential staff. The practice of providing overtime to regularly scheduled employees on a storm day is not supported by either a union contract or Government's compensation policies.

  We found an instance where a leave form was completed for an employee to be off on annual leave; however, on that day there was a storm and the leave was never taken. Instead, the employee worked on the storm day and accumulated TOIL. This employee was part of the School's administrative staff.

- During the period of June to September most Government employees, including those employed at the Newfoundland School for the Deaf, have “summer hours” which means employees work a half hour less each day. The School permits its administration employees to work this extra half hour and earn three quarters of an hour as TOIL. This practice of allowing staff to work the half hour relating to “summer hours” and earn TOIL is not supported by a union contract or Government's compensation policies.

- Residential staff have an arrangement with the School to be compensated for a half hour of work each day relating to the supervision of students during lunch. As a result, these staff earn three quarters of an hour as TOIL each day.

  Dietary staff have an arrangement with the school to be compensated for a half hour of work during the students' lunch break each day. It is difficult to understand why these staff would be entitled to earn three quarters of an hour as TOIL each day for this reason.

  This practice of allowing staff to work the half hour relating to lunch and earn TOIL is not supported by a union contract or Government's compensation policies.

Leave

We selected a sample of 15 non-teaching employees over a two year period to determine whether paid leave was properly approved, documented and recorded. We also reviewed three months of Overtime and Special Payment/Time Card sheets to determine whether they were complete. Our review indicated the following:

- Although leave is required to be recommended by a supervisor and approved by the School Principal, this is not always done.

  For the 15 employees reviewed there were 9 instances where the leave request form did not indicate that the leave was recommended by a supervisor and 10 instances where the leave request form was not approved by the School Principal.

- Not all family responsibility leave is recorded in the School’s leave system. In 2002-03, we identified seven instances where, although there was a form to indicate that family responsibility leave was taken, this was not reflected in the Leave Control System.

- Overtime and Special Payment / Time Card sheets are prepared on a bi-weekly basis. Each one represents a separate pay period and contains attendance records for each employee, by Division. Each sheet is divided into 2 sections: the first being the Attendance Summary, and the second being the Pay Period Summary which also notes the number of hours to be paid and any overtime accumulated. The attendance summary is prepared by staff in each Division and approved by the Division's supervisor. The Pay Period Summary is prepared by Administrative staff and approved by the School Principal. All leave information is input into the Leave Control System and other payroll information is input directly into the Department of Education's payroll system.

  We reviewed Overtime and Special Payment/Time Card sheets for three months (August 2003, October 2003, and January 2004) and found the following:

  - Officials could not provide Overtime and Special Payment/Time Card sheets for August 2003. As a result, the School generated copies of these sheets from employees' leave forms on file.

  - We identified a total of 42 sheets that were not properly prepared (20 in October 2003 and 22 in January 2004). For example: 2 instances where the Principal prepared and approved both the attendance and pay period summaries on the Overtime and Special Payment/Time Card sheet; 5 instances where the same person prepared both the attendance and pay period summaries of the Overtime and Special Payment/Time Card sheet; 29 instances where there was no signatory on the attendance summary to indicate that it was reviewed; 19 instances where there was no signatory to indicate who prepared the pay period summary; and 2 instances where there was no signatory to indicate who prepared the attendance summary.

  - Although Government policy requires that overtime be approved in advance by the permanent head, the School Principal acknowledged that overtime at the School is not being approved in advance.

4. Capital Assets

The School is required to comply with Government's policies and procedures governing the acquisition, movement, disposal, identification and recording of capital assets. This would include maintaining information such as description, identification number, date of acquisition and the cost of assets $500 and greater. Our review indicated that the School is not adequately controlling its capital assets. In particular:

- the inventory listing is incomplete and not maintained on a current basis;
- the system does not provide any trail of transfers, additions or disposals;
- unique identification numbers have not been affixed to all capital assets;
- physical counts of all moveable capital assets had not been completed in over ten years; and
- there is a lack of segregation of duties over who is responsible for purchasing and for receiving and tagging all assets purchased.

In order to test for accuracy and completeness of the inventory system, we selected 6 rooms and randomly examined the assets located in these rooms. This included tracing a sample of 41 assets from the capital asset listing to the room as well as selecting a sample of 31 from the room and tracing these items to the capital assets listing.

Our review of the 41 assets traced from the capital asset listing to the room indicated:

- 13 assets on the listing could not be traced to the asset with 2 of these items being disposed of by the School instead of being transferred to the Department of Transportation and Works as required; and
- 4 assets were in a room other than that indicated on the listing.

Our review of the 31 assets traced from the room to the capital asset listing indicated:

- 18 assets in the rooms did not have inventory tags attached and were not found on the listing - 16 of these assets were computers; and
- 8 assets located on the listing were listed as being in another room.

5. Purchasing

For the year ended 31 March 2004 the School spent $403,629 (2003 - $442,060) for the acquisition of goods and services. Most of these purchases were approved and processed through the Department of Education; however, for purchases $500 and less, School officials requisitioned and approved the purchase through a direct purchase order. In addition, a petty cash float of $2,000 is used for purchases of $100 or less.

Our review of purchasing indicated the following:

(a) Food Service Contract

In August 2002, the School entered into a three-year contract for the provision of food services covering the period 26 August 2002 to 30 June 2005. The contract provided that the School would pay an annual fee of $40,000 related to a Manager's salary, an annual management and administration fee of $9,000, and would pay the food costs and other general expenses as invoiced by the contractor. In addition, the School provided its 5 Dietary staff to help the contractor prepare and serve meals and was also responsible for all expenses relating to maintenance and cleaning.

For its part, the contractor was responsible to manage and train staff as required, purchase, secure and keep an inventory of all non-food (with prior purchase approval of the School) and food supplies, maintain a current inventory, prepare budget requests as required, and provide an accounting of all cash receipts and meal vouchers issued. The contractor is responsible to purchase and keep in force at all times a minimum $2 million comprehensive general liability policy. Furthermore, the contractor is required to submit a monthly report which includes the average food and labour costs per meal, total number of meals served, average daily costs, total costs of supplies such as food, cleaning and paper. Each month the contractor is required to submit an invoice for all reimbursable costs. The total cost paid to the contractor for the period August 2002 to August 2003 was $159,432.

Our review of the food service contract indicated the following:

- The contract states "*...Supplier invoices supporting all purchases together with proof of receipt of goods at the School shall be submitted with the contractors monthly invoice*."

Our review indicated that the contractor billings did not include any detailed supplier invoices to support billings submitted to the School from August 2002 to December 2002. Furthermore, although the contractor did provide some detailed supplier invoices after December 2002, not all items on the contractor billings were supported by the required supplier invoices.

- When the contractor submitted its billings, we would expect that the School would review the supplier invoices and ensure that all charges were in accordance with the food service contract. However, the School did not perform any review. During our testing of two months invoices, we identified an unexplained overcharge of $250 in one month and an unexplained undercharge of $550 in the other month. Also, in one instance we noted that the opening inventory for one month exceeded the closing inventory of the previous month by $3,226, which resulted in an overcharge of $3,226. This difference could not be explained.

- Although the contract requires that prior approval of the School be obtained for non-food purchases, we found instances where there was no prior approval of these purchases. These purchases included such items as courier expense, marketing and promotion, bank charges, insurance and miscellaneous expenses.

- Although the contractor is required to provide a monthly report to document the average food and labour cost per meal, the total number of meals served, the average daily cost, and the total cost of supplies such as food, cleaning and paper, the monthly report has never been provided. As a result, the School is not adequately monitoring the food service contract.

- Although the contract provides that the School may direct the Manager/Dietician to prepare budget requests, the School has never directed that budgets be prepared.

- Although the contract requires that the contractor has to ensure that food and non-food items assigned to the Food Service unit are secure from pilferage and/or unauthorized use, our review indicated weaknesses in controls. Food and non-food items are kept in a freezer and a pantry, both of which have locks. However, we were informed that the

Program Coordinators and Residential Supervisors have keys to these locks and all Dietary staff have unrestricted access during the day. We were informed that the Program Coordinators and Residential Supervisors leave a note under the door identifying food taken after hours and weekends.

- Although the contract requires the Manager/Dietician to provide the School with an accounting of all cash receipts and all meal vouchers issued, such an accounting is not provided. We did; however, find that information on meals sold and vouchers issued is recorded. When meals are purchased, the individual is provided with a pre-numbered meal voucher, the numbers of which are recorded manually in a book and tracked in a daily cash sales book. When the Manager/Dietician is not in attendance, the Program Co-ordinators will issue these vouchers.

- All students and their parents can eat for free, while the School charges $3.00 per meal for School staff and $6.00 per meal for visitors. Providing free meals to students, other than those in residence, and their parents is not consistent with practices in other schools. While the Food Service Manager/Dietician indicated that they believe the cost charged to staff reflects the actual cost of the meal, they could not provide an analysis of costs to support this assertion.

- Although the contract requires the contractor to provide a description of the inventory system, the Manager/Dietician could not provide any description of the inventory system and indicated that the procedures in place are the same as those that were used in the past.

- Although the contract requires the contractor to purchase and keep in force at all times a minimum $2 million comprehensive general liability policy and provide a copy to the School, there was nothing on file at the School relating to this insurance. Upon inquiry, we found that School officials were unaware of this requirement. As a result, School officials do not know if this contract requirement has been met.

(b) Transportation Contract

In September 1999, the School entered into a contract for the provision of transportation services for a one year period from September 1999 to June 2000, with an option to renew for four more years up to 2004. The contract provided that the School would pay an annual cost of $62,120 for the daily transportation of approximately 46 students from the St. John's and surrounding area.

Officials indicated that at the time the School entered into this contract for the transportation of 46 students, enrolment was only 37, and furthermore they were aware student enrolment would be declining. However, no provision for changes in circumstances was included in the negotiated contract. The number of students requiring transportation declined to 33 students during 2003-04 and the School continues to pay these costs based on the transportation of 46 students.

(c) Controls over Purchasing

The School's expenditures are processed for payment through Government's financial management system and are subject to approvals and controls applicable to all Government expenditures. However, the School does not use this system to monitor its expenditures but instead uses a software program for monitoring purposes. As a result, there is duplicate recording of invoices by the School.

The School obtains the approval of the Department of Education for purchases greater than $500; however, for purchases of $500 or less, School officials requisition and approve the purchases through a Direct Purchase Order. The School does not obtain Department of Education approval for these Direct Purchase Orders.

We reviewed a sample of 12 expenditures, performed a surprise cash count of petty cash funds and reviewed payments made from the petty cash fund. Our review indicated that:

- Although the School is required to have all purchases greater than $500 approved by the Department of Education, in one instance an invoice from a taxi company costing $859 was split into two Direct Purchase Orders so that the purchases would each be less than $500, i.e. the

$500 maximum that can be approved by the School. In fact, the supplier's invoice was marked “Split Payment”. Purchases should not be split to avoid the requirement to have these purchases approved by the Department of Education.

- Although the maximum purchase that can be approved through a Direct Purchase Order is $500, in one instance a Direct Purchase Order was used as authority for the purchase of bussing services costing $700. In addition, the School contravened the *Public Tender Act* in that it did not obtain the required three quotes or provide documentation that a fair and reasonable price was established.

- In one instance where a parent was paid $300 per month for transporting their child to the School, there was no written agreement in place detailing the responsibilities of the School. In addition, the School contravened the *Public Tender Act* in that it did not obtain the required three quotes or provide documentation that a fair and reasonable price was established.

- In two instances, totalling $773, the School contravened the *Public Tender Act* in that it did not obtain the required three quotes or provide documentation that a fair and reasonable price was established.

- Our cash count of the School's $2,000 petty cash float in February 2004 disclosed a shortage of $157. School officials were unable to explain this shortage.

(d) School Supplies and Textbooks

The Department of Education has a policy to not provide school supplies to any students and not to provide textbooks to high school students. However, the School is providing textbooks for all students without charge. Furthermore, up to 2002, the School provided supplies to its students without charge.

6. Student Activities Account

The School maintains a student activities account consisting of receipts from various sources such as donations for use of the School theatre, gym and other facilities, or from religious and other non profit organizations. These funds are used to provide for various purposes such as conference costs for students and teachers, rental of equipment, residential supplies, bus transportation and miscellaneous expenses.

The balance in this account as at 31 March 2004 was $9,421 (2003- $8,114), with revenues and expenditures for 2003-04 of $12,525 (2003 - $9,952) and $11,218 (2003 - $6,870) respectively. This amount was reported in the Province's accounts as funds held in trust and as a result the revenues and expenditures relating to student activities are not recorded in the Province's accounts. However, these funds are not trust funds and therefore revenues and expenditures should be recorded and expenditures from the fund should be processed through Government's financial management system, and as such be subject to approvals and controls applicable to all Government purchases. Instead, these funds are spent at the discretion of School officials.

Our review of the student activity fund indicated the following:

- The School opened this bank account without obtaining the required approval from Treasury Board Secretariat. Our review also indicated that the School's Student Trust bank account was also opened without obtaining the required approval.

- There are no defined policy and procedures relating to the receipting, recording, payment, and reporting of funds through the student activity account. Nor is there a fee structure set for the use of the School facilities.

- There is no direct purchase order or other authority found to support any of the expenditures reviewed.

- Receipts/invoices are not stamped for approval to indicate that goods or services were received in good order and that the amount paid was accurate.

- A sample of eight expenditures from the fund indicated that:

    - in one case a receipt/invoice for $975 relating to the attendance of a teacher and three students at a student leadership conference was not on file; and

- in one instance there was no support for the amount and appropriateness of a $500 payment to a staff member for second hand items for use in the residence.

Monitoring by the Department of Education

The Department has a responsibility to ensure that the School, as a Division of the Department of Education, operates in accordance with Government policies. We found that although the Department has been aware, for quite some time, that there are many management weaknesses at the School, significant weaknesses continue to exist.

During discussions with officials at the Department, they provided a copy of a May 2002 consultant's report which identified significant weaknesses at the School. Officials then provided a listing of items which the Department determined required action. However, we found that at the time of our review, very little progress had been made to address the identified weaknesses.

It was apparent during our review that there was a general lack of either understanding or a disregard for the policies and procedures that the School had to comply with. Therefore, there is a need for the Department to ensure that officials at the School are fully aware of the policies and procedures required to be followed and that they fully comply with these requirements.

Recommendations

The Department of Education should:

- *ensure that the Newfoundland School for the Deaf addresses the significant management weaknesses identified in this report;*
- *ensure that officials at the School are fully aware of Government's policies and procedures required to be followed, and that they fully comply with these requirements;*
- *address the issue of overallocated teaching positions at the School;*
- *address the decline in the number of students staying in residence to determine whether cost savings could be realized;*
- *consider the appropriateness of allowing School staff to use overtime to cover School break periods; and*

- *address the remaining weaknesses identified by the Department's consultant.*

The Newfoundland School for the Deaf should:

- *ensure that overtime and leave is properly documented, recorded and approved;*
- *be diligent in requiring its food service contractor to provide the information necessary to manage the food service contract;*
- *ensure that provision is made where possible in future contracts to allow the School to adjust costs for changes in circumstances;*
- *comply with the* Public Tender Act*;*
- *investigate and recover the $157 shortage identified in the School's $2,000 petty cash float;*
- *comply with the Department of Education's policy regarding textbooks;*
- *obtain the approval of the Treasury Board Secretariat when opening bank accounts, and approach the Secretariat to obtain approval for the student activities and student trust bank accounts;*
- *ensure that all expenditures from the student activities account are processed through Government's financial management system;*
- *adequately control its capital assets; and*
- *conduct a physical count of its capital assets to ensure that all School-owned assets are accounted for.*

Department's Response

The Department acknowledges the Auditor General's observations with respect to the operations at the Newfoundland School for the Deaf. The major thrust of the report will permit the Department to continue to improve the delivery of this very important public service. The Department had engaged a consultant to review specific operations at the School, implemented a number of policy and procedural changes and has reduced both teaching and non-teaching staff in 2004-05.

2.10 Newfoundland School for the Deaf

The Department's comments with respect to the Auditor General's observations and recommendations are as follows:

- *ensure that the Newfoundland School for the Deaf addresses the significant management weaknesses identified in this report.*

  The Department had commenced and will continue to deal with the observations, noted by the Auditor General. The Department has taken action to address the Auditor General's observations in these areas noted in the report.

- *ensure that officials at the School are fully aware of Government's policies and procedures required to be followed, and that they fully comply with these requirements;*

  The Department will implement all recommendations in the report that deal with government's policies and procedures. The Department has commenced information sessions with all staff at the School outlining the Department's policies, practices and procedures. Many of the specific recommendations in the report have already been actioned.

- *address the issue of overallocated teaching positions at the School.*

  In 2002, the Department commenced a deliberate process to phase in teacher staffing reductions. Since that time, there have been significant reductions such that in 2003-2004 the allocation was only 1.5 units in excess of the allocation formula. (2 of these units allocated provided additional service to other areas - notably an Auditory Verbal Therapist and an Itinerant Teacher with the Eastern School District. These two positions do not provide in class instruction to students at the school.) The Department also notes that in 2001 schools in the regular system retained 218 teaching units as a result of a government policy decision. Teacher allocations were frozen, surplus units were retained and are only now being removed over the 2004-05 and 2005-06 fiscal years. A similar process took place at the Newfoundland School for the Deaf. By the 2005-06 school year, staffing levels will be consistent with the teacher allocation model. The Auditor General failed to recognize that in 2004-05 the Department reduced a further 3 teaching units at the School for the Deaf, as well as 5 non-teaching units and left four (4) positions vacant for teacher salary savings.

- *address the decline in the number of students staying in residence to determine whether cost savings could be realized.*

The Department acknowledges that the challenges in rationalizing residence services in the face of such dramatic enrolment decline and student need for these services have created difficulties. While the Department has made efforts to reduce the size of the residence staff and to gain other operational efficiencies, some rationalization efforts have collective agreement implications. The Department has already made some changes that are discussed below and has a plan to review this delivery arrangement.

With respect to residence operations, the Department notes that residences are segregated by gender and age range. Prior to 2004, department officials determined that there remained a need for all five wings based on the complement of children and their ages. For example, in the past the ages of students in residence ranged from age 5 to 21. Considerations such as personal liberties (e.g. bedtimes, TV watching), programming needs, and age-appropriate interactions dictate the kinds of groupings that will meet the children's needs. Meanwhile, in September, 2004, the Department, in responding to a dramatically reduced number of students requiring residential care (particularly at the younger ages), was able to close one of the five wings in operation, while maintaining gender and age separation. It should be noted that the School's residence was not staffed in 2003-04 for student capacity -84 students.

With respect to the number of residence staff, the Department has begun a planned rationalization of residence staff, and, in 2004, reduced support staff at the School for the Deaf by 5 positions and have left 4 positions vacant. Effective September, 2003 camping trips have been discontinued unless staff volunteer their services.

The Auditor General has commented that the residence must remain open during weekends even though there are only two students who do not return home and that three full-time positions are used for this care. The Department will continue to review and monitor staffing levels. However, as long as there are students in residence, the Department must provide staff for 24 hour care.

- *consider the appropriateness of allowing School staff to use overtime to cover School break periods;*

  In response to additional payment for storm days and summer hours, the Department was aware of the issues raised in this report prior to the Auditor General's review. The Department intended to address these issues through the Collective Bargaining process. Commencing in June 2004, the Department issued directives to the School to cease practices that were not in compliance with the collective agreement, and these issues are now being addressed through the grievance process. The Department has made, and will continue to make improvements to the administrative processes at the school to bring them fully in line with government policy.

- *address the remaining weaknesses identified by the Department's consultant.*

  The Department is continuing its efforts to implement operating procedures that are consistent with government's policy.

  In addition, the areas of financial management and payroll at the School for the Deaf have now been reassigned to the Corporate Services Branch of the Department.

The Newfoundland School for the Deaf should:

- *ensure that overtime and leave is properly documented, recorded and approved;*

  All procedures have been reviewed and action has been taken to comply with collective agreements and government policy.

- *be diligent in requiring its food service contractor to provide the information necessary to manage the food service contract;*

  Officials of the Department have met with the food services contractor and are satisfied that monthly inventory listings and average cost of meals, as well as various other reports are being prepared as required by the contract. The Financial Services Division of the Department of Education has now taken direct responsibility for contract compliance and for ensuring that all documentation and reporting requirements contained on the contract are followed by the School.

The observation that opening inventory exceeded closing inventory by $3,226 and that this could not be explained has been investigated, and it has been determined that an overcharge of $3,226 did not occur.

This difference is attributable to purchases made on August 29, 2003 and food usage for the period August 27-29, 2003. The contractor reflected this as an adjustment to opening inventory as opposed to showing the purchases separately on the monthly statement.

- *ensure that provision is made where possible in future contracts to allow the School to adjust costs for changes in circumstances;*

  A tender was issued for a one-year term with an option to renew for an additional year for in-town bus transportation services in June 2004. This bus contract allows for adjustments in school population year over year.

- *comply with the* Public Tender Act*;*

  The Department has taken measures to ensure compliance with purchasing procedures by ensuring that all future purchases are routed through the Financial Services Division of the Department.

- *investigate and recover the $157 shortage identified in the School's $2,000 petty cash float;*

  The Department has reviewed the shortage in petty cash and has determined that it was a custodian error. In accordance with established Treasury Board procedures, the custodian has agreed to replenish the petty cash fund for the shortage.

- *comply with the Department of Education's policy regarding textbooks;*

  In accordance with the Department of Education's textbook policies, K-8 textbooks at the School for the Deaf are issued to students free of charge. Textbooks for grades 9 - Level III students were sold to the School and assigned to students in the same manner as textbooks for grades K-8. The average cost of these purchases for new curriculum is approximately $1,800 per year. It should be noted that these textbooks were retained by the School at end of school year.

The Department will review the School's policy on providing textbooks to students in Grades 9 to Level III on a loaner basis.

- *obtain the approval of the Treasury Board Secretariat when opening bank accounts, and approach the Secretariat to obtain approval for the student activities and student trust bank accounts;*

  Treasury Board advised the Department on January 20, 2004 that accounts not related to the CRF (i.e. trust funds) are no longer the responsibility of the Comptroller General's office.

- *ensure that all expenditures from the student activities account are processed through Government's financial management system;*

  See preceding comments.

- *adequately control its capital assets and conduct a physical count of its capital assets to ensure that all School-owned assets are accounted for.*

  The School has conducted a physical inventory count and has implemented procedures for future acquisitions and disposals of capital assets.

In conclusion, the Department is mandated to ensure that there is high quality education for children who are deaf. We acknowledges the detail included in the Auditor General's report and concur with many of his observations. We have implemented specific measures and will continue to implement the Auditor General's suggestions and the comments contained in the consultant's report. The Department of Education will continue to examine opportunities to streamline the operation without compromising services to students. This process has begun and will continue into the next academic year, by which time the Department feels it will have addressed the recommendations of its independent review and the Management Report of the Auditor General.

2.10 Newfoundland School for the Deaf