2.24 Grenfell Regional Health Services Board

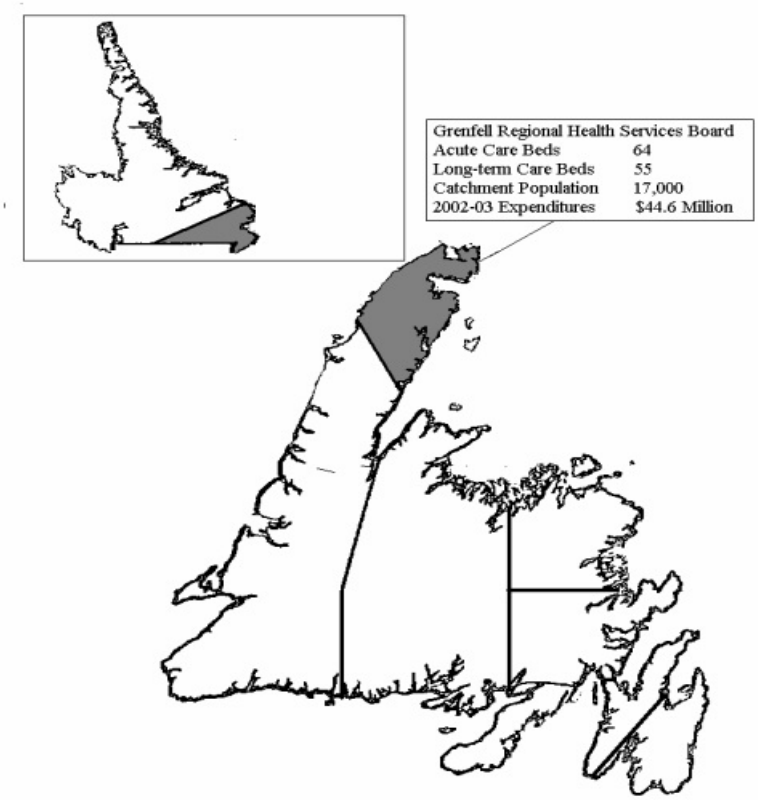
Introduction

The Grenfell Regional Health Services Board was incorporated on 1 April 1981. In November 1994, as a result of the restructuring of health boards in the Province, health services formerly under the Board in Happy Valley-Goose Bay, Churchill Falls and coastal Labrador north of Black Tickle were transferred to the newly constituted Health Labrador Corporation. Also, the Board assumed responsibility for the St. Anthony Interfaith Home.

The Board is one of only two boards in the Province which provides a comprehensive range of health and community services under one administrative structure. The Board operates one hospital, three community health centres, two long-term care facilities and four community clinics. Health and community services are offered to approximately 17,000 people throughout the region which ranges from New Ferrole to St. Anthony to Roddicton on the island portion of the Province, and coastal communities south of Black Tickle in Labrador. The Board's geographical boundary is shown in Figure 1.

Figure 1

Grenfell Regional Health Services Board
Geographical Boundary



2.24 Grenfell Regional Health Services Board

Scope and Objectives

We completed our review of the acquisition of goods and services by the Grenfell Regional Health Services Board in March 2004. Our review covered the period 1 April 2002 to 30 November 2003. The objectives of our review were to:

- review the financial position and operating results of the Board; and
- determine whether controls and systems for the acquisition of goods and services are adequate and to determine whether there was compliance with Board policies and the *Public Tender Act* and *Regulations*.

Conclusions

Financial position and operating results

The Board has incurred an annual operating deficit in four of the past five years and at 31 March 2003 had an accumulated deficit of $12.1 million. Contrary to the requirements of the *Hospitals Act*, the Board did not obtain the approval of the Minister of Health and Community Services to incur any of the annual deficits. At 31 March 2003, the Board had total liabilities of $23.5 million including net bank indebtedness of $1.1 million.

Although the Board has incurred annual deficits and has bank indebtedness, it has either spent money contrary to Government policy, its own internal policy or has not collected amounts owed to it as follows:

- $206,000 of the Board Fund was used to provide a computer purchase program to 107 employees. This arrangement is contrary to the policy of the Department of Health and Community Services which states that Board Fund expenditures should not be used for the personal benefit or gain of any employee. Furthermore, this arrangement is not consistent with the compensation practices of Government.
- Contrary to the Board's Accommodations Policy, we found that one senior employee received fuel oil costing $2,692 during 2003 and found no evidence that the amounts in excess of the Board's $2,000 limit were recovered. Also, although Board Policy indicates that rental charges will be set so as to recover the total cost of providing accommodations to an employee, we found an instance where the same senior employee was being charged rent of $495 per month for a unit which the Board had established a monthly rental value of $942. There is no authority under Board policy for the resulting $5,364 annual subsidy. In another instance, an employee was

occupying a residential unit and paying the Board established $436 monthly rental value; however, the employee was being provided with an annual $4,000 subsidy as an addition to their salary. There is no authority under Board policy for the resulting $4,000 annual subsidy.

- From 1 April 2002 to 30 November 2003, the Board spent $4,500 on various retirement gifts for 16 retirees. Gifts ranged from $120 to $300 per retiree. The Board does not have a formal policy regarding retirement gifts; however, Board practice is that employee retirement gifts would not exceed $325. This practice is not consistent with Government's Entertainment Policy.

Purchasing

The Board is contravening the *Public Tender Act* in that it does not always call public tenders for purchases greater than $10,000 and it does not always obtain either three quotes or establish a fair and reasonable price for purchases $10,000 and less. We also found instances where purchases to the same supplier and on the same day were split in an apparent attempt to avoid the requirement to call a public tender. In addition, requests for proposals did not receive the prior approval of the Lieutenant-Governor in Council. Furthermore, the Minister of Government Services and therefore the House of Assembly were not always informed of *Public Tender Act* exceptions as required.

Of the 42 purchases sampled which were in excess of $10,000, we found that:

- 15 purchases totalling $368,242 were not publicly tendered as required by the *Public Tender Act.*

- 10 purchases totalling $386,715, were not publicly tendered because the Board deemed the purchases as either a sole source supplier or an emergency purchase. However, the Minister and therefore the House of Assembly was not informed of these exceptions as required by the *Act.*

- 7 purchases totalling $156,000 were not publicly tendered because the Board deemed the purchases as either a sole source supplier or an emergency purchase. Although these exceptions were reported to the Minister and the House of Assembly as required by the *Act*, 6 of the 7 purchases were not approved by the head of the Government funded body as required by the *Act.* Five of the 6 were approved by officials other than the head of the Government funded body while one had no signatory.

- 3 purchases totaling $3.7 million were made by a request for proposals. However, the Board contravened the *Public Tender Act* in that it did not request the required approval from the Lieutenant-Governor in Council to carry out the request for proposals. Furthermore, one purchase of equipment totalling $1.1 million was awarded to the bidder with the lowest overall rating and with the highest price. In the second purchase, contrary to the requirements of the *Public Tender Act*, the Board did not develop criteria for prospective bidders to follow and therefore did not have any way to evaluate bids. Only one proposal was received and the contract was awarded to the bidder without any documented evaluation to support the contract with an annual value $1.2 million. In the third purchase totaling $1.4 million, the Board could not provide any documentation on how many bids were received, how bids were evaluated and how this particular contractor was selected.

- 7 purchases were made in accordance with the *Act*.

Our review of the Board's controls and processes related to tendering indicated that the Board is not complying with the requirements of the *Public Tender Act* and *Regulations* in that documentation related to tender bids was not always on file. There was no evidence to show that the 6 tendered purchases we reviewed were received before the closing of the tender. Furthermore, there was no evidence that any of the 6 tenders were opened publicly in the presence of two individuals.

Of the 16 purchases sampled which were $10,000 or less, the Board contravened the *Public Tender Act* for 11 purchases totalling $45,721 in that either three quotes were not obtained or a fair and reasonable price was not established.

Findings and Recommendations

Financial Position and Operating Results

The financial position of the Board has continued to deteriorate. Figure 2 shows the financial position of the Board from 1999 to 2003 and indicates that as at 31 March 2003, the Board had an accumulated deficit of $12.1 million. The total liabilities of the Board have increased from $21.4 million in 1999 to $23.5 million as at 31 March 2003.

Figure 2

Grenfell Regional Health Services Board
Financial Position
31 March
($ Millions)

	1999	2000	2001	2002	2003
Accounts Receivable	0.7	0.8	0.8	0.9	0.7
Inventory & Prepaids	1.5	1.6	1.6	1.7	1.8
Due from Province	1.8	2.1	2.2	2.6	1.2
Segregated Cash	0.1	0.1	0.1	0.1	0.1
Capital Assets	9.5	9.4	8.3	8.5	7.6
Total Assets	13.6	14.0	13.0	13.8	11.4
Bank Indebtedness	1.4	0.1	0.5	0.6	1.1
Accounts Payable	2.3	2.6	2.8	3.1	3.6
Due to Board Fund	2.8	3.2	3.2	3.2	3.0
Deferred Grants	9.6	10.6	11.0	12.0	9.4
Long Term Debt	0.9	0.9	-	-	-
Accrued Vacation	1.4	1.6	1.9	2.2	2.2
Accrued Severance	3.0	3.2	3.6	3.7	4.2
Total Liabilities	21.4	22.2	23.0	24.8	23.5
Accumulated Deficit	**(7.8)**	**(8.2)**	**(10.0)**	**(11.0)**	**(12.1)**

Source: Audited Financial Statements

Of the Board's $12.1 million accumulated deficit, $5.7 million related to the Board's accumulated operating deficit while the remaining $6.4 million related to non-shareable items such as severance accrual, vacation accrual, amortization of capital assets and amortization of capital contributions. As Figure 3 indicates, the Board has incurred annual operating deficits in four of the past five fiscal years. As a result, the accumulated operating deficit has increased from $3.6 million in 1999 to $5.7 million in 2003, an increase of 58%.

Figure 3

Grenfell Regional Health Services Board
Accumulated Deficit
For Years Ended 31 March
($ Millions)

	Opening	1999	2000	2001	2002	2003	Accumulated Deficit
Operating deficit	3.1	0.5	0.0	0.9	0.6	0.6	5.7
Non-shareable deficit	3.6	0.6	0.4	0.9	0.4	0.5	6.4
Total annual deficit		1.1	0.4	1.8	1.0	1.1	
Accumulated deficit	**6.7**	**7.8**	**8.2**	**10.0**	**11.0**	**12.1**	**12.1**

Source: Audited financial statements

A review of the Board's financial position and operating results identified the following:

- In 4 of the last 5 fiscal years the Board incurred operating deficits totalling $2.6 million. Contrary to the *Hospitals Act*, the Board did not obtain the approval of the Minister of Health and Community Services to incur the deficits. In 3 of the 4 years the Board submitted cost reduction proposals that would enable the Board to meet its budget; however, in each year the Minister approved only a portion of these cost reduction proposals.

- A review of the Board's year-end budget monitoring report indicated that the highest negative budget variance included in the $533,000 deficit for the year ended 31 March 2003 was for administration and support. A total of $11.3 million was budgeted for administration and support; however, actual expenditures were $11.8 million, a variance of $500,000.

- Due to the Board's annual operating deficits since 1999, the Board has had to secure credit to meet its deficit spending. As at 31 March 2003, the Board reported a net bank indebtedness of $1.1 million, an increase of $0.5 million over the previous year.

- For the year ended 31 March 2004, the Province provided $1.7 million to the Board for air ambulance services. Air ambulance services include emergency medical evacuation services (Medivac) and non-emergency patient travel throughout the region on regularly scheduled commercial airlines. As Figure 4 indicates, the Board's air ambulance services has had an annual operating deficit in each of the past six fiscal years totalling $1.3 million.

Figure 4

Grenfell Regional Health Services Board
Air Ambulance
Years Ended 31 March
($000's)

	1999	2000	2001	2002	2003	2004	Total
Revenue							
Operating Grants	1,282	1,582	2,202	1,792	1,737	1,702	10,297
Other	58	53	79	81	72	72	415
	1,340	1,635	2,281	1,873	1,809	1,774	10,712
Expenditure							
Air ambulance operations	1,409	1,143	1,995	1,310	1,293	1,326	8,476
Emergency flight charters	Note 1	316	205	120	209	152	1,002
Scheduled flight charters	522	320	419	445	472	405	2,583
	1,931	1,779	2,619	1,875	1,974	1,883	12,061
Expenditure over Revenue	(591)	(144)	(338)	(2)	(165)	(109)	(1,349)

Note 1: Air transportation financial monitoring report not available for 1999. Scheduled flight charters include emergency flight charters and airport fees.

- Prior to February 2004, the Board used the services of two commercial airlines to provide air transportation services for non-emergency patient transportation and freight to and from coastal Labrador. In February 2004, the Board engaged a private air charter company to assist in providing these services at a cost of $600 per hour. The service, known as Skedivac, provides up to three charters per week to and from coastal Labrador, depending upon volumes. The Board agreed to offer the Skedivac service with the private charter company for up to one year, after which time the Board would conduct a review. Our review of the Skedivac service identified the following:

- The Board has not entered into a written contract with the private charter company and, as a result, there is no documentation to outline the terms and conditions of the arrangement.

- The Board did not conduct a financial analysis to show that the new services would financially benefit the Board from previous arrangements, or that the $600 per hour charter rate was reasonable.

- For the fiscal years 2002-03 and 2003-04, the Board approved an employee computer purchase plan in which the Board Fund was used to purchase computers, printers, a digital camera and scanners costing $206,000 for approximately 107 employees. Employees enter into purchase contracts with the Board and are required to repay the balance plus 5% interest over a one to two year period through bi-weekly payroll deductions. Our review indicated the following:

  - This arrangement is contrary to the policy of the Department of Health and Community Services which states that Board Fund expenditures should not be used for the personal benefit or gain of any employee.

  - This arrangement is not consistent with the compensation practices of Government.

  - The Board incorrectly claimed the 83% GST rebate, or approximately $10,400 on these purchases, even though the purchases were not eligible for the rebate.

- The Board's continuing education allowance program for doctors provides an annual allowance of $1,000 to general practitioners and $2,000 to specialists to attend medical education courses, seminars, conferences or exams. During 2002-03, the Board paid $35,397 in medical education allowances relating to 21 claims for 19 doctors. Our review of four of these claims totalling $10,000 indicated the following:

  - Contrary to Board policy, three claims totalling $6,000 did not have documentation attached to the claim to support the respective course, conference or medical exam undertaken.

- Board policy states that the allowance is non-cumulative from year to year; however, we identified one claim totalling $4,000 for one physician who attended a five-day medical conference in Hawaii during February 2003. The physician did not claim an allowance during 2001-02.

- The Board's Accommodations Policy provides employees who live in Board-owned accommodations with certain subsidies. Our review indicated the following:

  - The Policy states that the Board will provide up to $2,000 of fuel oil per year and amounts in excess of this will be recovered from the employee through bi-weekly payroll deductions. We identified one senior employee who received fuel oil costing $2,692 during 2002-03 and found no evidence that the amounts in excess of the $2,000 limit were recovered as per Board policy.

  - The Policy states that rental charges will be set so as to recover the total cost of providing accommodations to an employee In one instance, the same senior employee was occupying a housing unit which the Board had established a monthly rental value of $942; however, the employee was only charged rent of $495 per month. Therefore the resulting $5,364 annual subsidy is contrary to Board policy.

    In another instance, although an employee occupying a residential unit was paying the Board established $436 monthly rental value, the employee was being provided with an annual $4,000 subsidy as an addition to their salary. Therefore the $4,000 annual subsidy is contrary to Board policy.

- During the period under review, the Board paid $4,500 for various retirement gifts to 16 retirees. Gifts ranged from $120 to $300 per retiree. The Board does not have a formal policy regarding retirement gifts; however, Board practice is that employee retirement gifts would not exceed $325. This practice is not consistent with Government's Entertainment Policy.

Public Tender Act

For the year ended 31 March 2003 the Board spent approximately $10.7 million for the purchase of goods and services. Our review included a review of purchase transactions and other expenditures for the period April 2002 to November 2003.

The *Public Tender Act* requires the Board to invite tenders where the cost of goods and services is more than $10,000 or a public work is more than $20,000. The *Act* provides exceptions where tenders may not be required to be invited and in these cases the Minister of Government Services must be informed. The Minister in turn will table a report in the House of Assembly. The *Public Tender Regulations* outline requirements that have to be followed when issuing a tender, opening a tender and documentation required to be maintained.

The *Act* also requires that, where the cost of goods and services is $10,000 or less or public work is $20,000 or less, the Board shall either obtain quotations from at least three suppliers or establish for the circumstances a fair and reasonable price.

Our review indicated that the Board contravened the requirements of *the Public Tender Act* and *Regulations*. For example, not all required purchases were tendered, purchases to the same supplier and on the same day were split in an apparent attempt to avoid the requirement to call a public tender, requests for proposals did not receive the prior approval of the Lieutenant-Governor in Council, exceptions were not always provided to the Minister for forwarding to the House of Assembly, and there wasn't always documentation to indicate that either three quotes were obtained or that a fair and reasonable price was established for purchases $10,000 and less. Furthermore we identified weaknesses in controls over the tendering process. Details of our findings are as follows:

1. Purchases greater than $10,000

We selected 42 purchases greater than $10,000 for the period April 2002 to November 2003 to determine the Boards compliance with the *Public Tender Act* and *Regulations*. Of the 42 purchases requiring a public tender, 32 were not publicly tendered, 4 were tendered by the Board, 3 had a request for proposals conducted, 1 was purchased under a Government standing offer agreement and 2 were purchased under the hospital association's group purchasing contracts.

Our review of the 32 purchases where the Board did not call a public tender identified the following:

In 15 of the 32 purchases over $10,000 and totalling $368,242 (excluding HST), the Board did not call a public tender as required by the *Act.*

- In December 1999, the Board entered into a five-year agreement for the provision of ground transportation services to and from the regional airport at an annual cost of $60,000. Although the Board publicly tendered in a local newspaper, the tender was not included in a daily newspaper in general circulation in the Province as required by the *Public Tender Act Regulations.*

  The contract was originally awarded at a cost of $4,000 per month; however, after one year, the contract was increased to $5,000 per month. Although, the contract provided for a contract re-opener clause, in which the contract could be reviewed annually, this clause was not included in the original specifications provided to each of the three bidding companies. We note that the second lowest bid was $4,749 per month.

- In November 2001, the Board entered into a two-year snow clearing contract at an annual cost of $21,490. Although the Board publicly tendered in a local newspaper, the tender was not included in a daily newspaper in general circulation in the Province as required by the *Public Tender Act Regulations.*

- In April 2002, the Board paid $53,579 to one company for a major upgrade to its elevators without requesting public tenders.

- In May 2002, the Board purchased a dental delivery system totalling $18,984 without requesting public tenders.

- In October 2002, the Board purchased a floor auto scrubber totalling $11,028 without requesting public tenders.

- In October 2002, the Board purchased computer equipment totalling $12,266 without requesting public tenders.

- In May 2003, the Board entered into a five-year agreement, renewable annually, for the maintenance of the Board's heating and ventilation system at an annual cost of $24,560 without requesting public tenders.

- In May 2003, the Board entered into a four-year lease agreement for a pick-up truck at an annual cost of $4,719 without requesting public tenders.

- In June 2003, the Board entered into a four-year lease agreement for a pick-up truck at an annual cost of $6,542 without requesting public tenders.

- In July 2003, the Board purchased an unassembled storage building totalling $10,823 without requesting public tenders.

- In July 2003, the Board paid $34,671 to one contractor for roof repairs. Although the Board publicly tendered in a local newspaper, the tender was not included in a daily newspaper in general circulation in the Province as required by the *Public Tender Act Regulations.*

- In February 2004, the Board engaged a private air charter company to provide air transportation services for non-emergency patient transportation and freight to and from coastal Labrador at a cost of $600 per hour. The service, known as Skedivac, provides three charters per week to and from coastal Labrador. For the 2 months of February and March 2004, the Board paid $43,039 without requesting public tenders.

- In May 2002, the Board purchased two electric lift walkers totalling $10,900 without requesting public tenders. The purchase was made using two purchase orders, each less than $10,000, prepared on the same day and for the same supplier. Purchases should not be split to avoid the requirement for public tenders.

- In July 2002, the Board requisitioned 9 laptop computers and 4 desktop computers totalling $32,620 without requesting public tenders. The purchase was made using four purchase orders, each less than $10,000, prepared on the same day and for the same supplier. Purchases should not be split to avoid the requirement for public tenders.

- On 20 August 2002 and 21 August 2002, the Board purchased software licences and upgrades totalling $23,021 without requesting public tenders. The purchase was made using three purchase orders, each less than $10,000, for the same supplier. Purchases should not be split to avoid the requirement for public tenders.

In 7 of the 32 purchases over $10,000 and totalling $156,000 (excluding HST) no public tender was issued because the Board deemed the purchases as either a sole source supplier or an emergency purchase. These exceptions were reported to the Minister and the House of Assembly as required by the *Act*. However, a review of these 7 exceptions identified that 6 of the 7 were not approved by the head of the Government funded body as required by the *Act.* Five of the 6 were approved by officials other than the head of the government funded body while one had no signatory.

In 10 of the 32 purchases over $10,000, and totalling $386,715 (excluding HST) no public tender was issued because the Board deemed the purchases as either a sole source supplier or an emergency purchase. However the Minister, and therefore the House of Assembly, was not informed of these exceptions as required by the *Act.*

- In June 2002, the Board paid $11,966 for the maintenance of its air ambulance aircraft to one vendor which was deemed to be a sole source supplier.

- In January 2003, the Board paid an annual service fee of $37,103 for the servicing of laboratory equipment to one vendor which was deemed to be a sole source supplier.

- During the 2002-03 fiscal year, the Board paid $31,980 for the rental of oxygen equipment for use by a client under its Family and Rehabilitative Services programs to one vendor which was deemed to be a sole source supplier.

- During the 2002-03 fiscal year, the Board purchased x-ray film totalling $21,100 from one vendor which was deemed to be a sole source supplier.

- During the 2002-03 fiscal year, the Board purchased postage totalling $40,450 from a vendor which was deemed to be a sole source supplier.

- During the 2003-04 fiscal year, the Board purchased medical software totalling $152,819 from one vendor which was deemed to be a sole source supplier.

- In April 2003, the Board purchased jet fuel for its air ambulance totalling $14,723 from a vendor which was deemed to be a sole source supplier.

- In June 2003, the Board purchased Ophthalmology equipment totalling $48,900 from one vendor which supplied equipment specifically requested by the Board's Ophthalmologist.

- In October 2003, the Board purchased a coagulation analyzer totalling $17,000 from a vendor which was deemed to be a sole source supplier.

- In September 2003, the Board paid for repairs made to a dry view laser totalling $10,674 which was deemed to be an emergency purchase.

2. Request for Proposals

In 3 of the 42 purchases over $10,000, and totalling $3.7 million, the Board conducted a request for proposals instead of a call for tenders. The *Public Tender Act* states where, in the opinion of the head of the government funded body, inviting a tender would not achieve the best value, the Board may, with the prior approval of the Lieutenant-Governor in Council, carry out a request for proposals. Our review indicated the following:

- The Board contravened the *Public Tender Ac*t in that it did not request the required approval from the Lieutenant-Governor in Council to carry out the request for proposals.

- In August 2001, the Board purchased a digital remote radiographic and fluoroscope suite at a total cost of $1.1 million. The Board established detailed criteria to evaluate proposals; however, the contract was not awarded to the vendor with the highest overall rating. Three proposals were received and the contract was awarded to the bidder with the lowest overall rating and with the highest price.

- In April 2002, the Board entered into a three year contract with a vendor for the management of dietary food services at the facilities in St. Anthony at an annual cost of $1.2 million. Contrary to the requirements of the *Public Tender Act*, the Board did not develop criteria for prospective bidders to follow and therefore did not have any way to evaluate bids. One proposal was received and the contract was awarded to the bidder without any documented evaluation to support the contract.

- In February 2000, the Board entered into a contract with a supplier to design, undertake and monitor improvements in energy management facilities at a total cost of $1.4 million. The Board could not provide any documentation on how many bids were received, how bids were evaluated and how this particular contractor was selected.

3. Purchases Requiring Quotes

We also selected 16 purchases $10,000 or less to determine whether the Board complied with the requirements of the *Public Tender Act* to obtain either three quotes or establish for the circumstances a fair and reasonable price. Our review indicated the following:

- For 11 purchases totalling $45,721, the Board contravened the *Act* as it did not obtain three quotations or provide documentation that a fair and reasonable price was established.

- For 2 purchases totalling $8,760, the Board either obtained three quotations or provided documentation that a fair and reasonable price was established.

- For 3 purchases totalling at $13,217, the Board deemed that the purchase was a sole source and therefore three quotations were not obtained.

4. Controls over Tenders

Our review of the Board's controls and processes related to tendering indicated that the Board is not complying with the requirements of the *Public Tender Act* and *Regulations* in that documentation related to tender bids was not always on file. There was no evidence to show that the 6 tendered purchases we reviewed were received before the closing of the tender. Furthermore, there was no evidence that any of the 6 tenders were opened publicly in the presence of two individuals.

Recommendations

The Board should:

- *develop a plan to address its operating deficit and bank indebtedness;*

- *ensure that adequate financial analysis is documented to support its decisions and that signed contracts are on file to support business activities;*

- *ensure that all amounts owing are recovered and that all amounts paid are in accordance with internal and Government policies; and*

- *comply with the requirements of the* Public Tender Act *and* Regulations.

Board's Response

1. The Board should develop a plan to address its operating deficit and bank indebtedness.

GRHS agrees that continuing to operate at a deficit is not practical and decisions must be made as to how this should be addressed. However, while GRHS has been prepared to implement some cost-saving measures, Government has not always been as willing. In each of the last 6 years (and also for the upcoming year of 2005-2006), GRHS has submitted a list of measures that would have to be implemented to balance the budget to the Department of Health and Community Services (DOHCS) for their approval. In the past, the DOHCS has not given its approval to act on all of these measures. Government has now entered into a process of restructuring the current health and community services system in this province. GRHS will be merging with Health Labrador Corporation. This new Labrador-Grenfell Regional Health Authority will have to make decisions as to what measures will be put in place to operate with a balanced budget.

2. The Board should ensure that adequate financial analysis is documented to support its decisions and that signed contracts are on file to support business activities.

GRHS agrees that decisions should not be made without proper financial analysis and this is generally done. We also regularly maintain signed contracts when a contract has indeed been entered into.

3. The Board should ensure that all amounts owing are recovered and that all amounts paid are in accordance with internal and Government policies.

GRHS makes every effort to recover amounts owing and is generally successful. As a rule, we also follow any and all policies that are applicable to the Board.

***4. The Board should comply with the requirements of the* Public Tender Act *and* Regulations.**

GRHS makes every effort to comply with the Public Tender Act. *Your review for the period from April 2002 to November 2003 identified several instances where there was non-compliance. We will address several of these instances later in this response but would like to point out that the total of the items that were not publicly tendered where required and those where proper quotes were not received was approximately $800,000. In that same period, GRHS purchased approximately $11 million in goods and services.*

GRHS acknowledges that your review did identify some situations where improvements can be made in processes and to comply with various policies and Act. *We appreciate being informed of these instances and will implement changes, as necessary.*

Schedevac Service

GRHS agrees that no written contract was entered into; however, we would argue that none was necessary. The use of the private charter company was an experiment and could be stopped at any time. Also, any private charter company could be used not just one company. In order to clear up confusion, since your review, GRHS has now entered into standing offer agreements, which specify costs for each type of possible aircraft that could be used. In each situation where a charter is needed, the list of standing offers is reviewed and the most economical one that meets our needs is chosen. All air services companies (commercial and private) were invited to submit their costs.

Employee Computer Purchase Plan

While the Board Fund expenditures did indeed benefit employees personally, we feel that the organization as a whole has also benefited in two ways: firstly, by improving morale which, in turn, improves workplace productivity; and, secondly, by enabling employees to become more computer literate. Most of our employees must now use computers in their everyday work life. Computer proficiency is best achieved through practice and using a computer at home increases this proficiency at work.

Your review states that the arrangement is not consistent with Government compensation practices. Our argument is that this is not part of our compensation package. Employees may choose to take part voluntarily and they actually have to pay for this opportunity.

We agree that the HST rebate was claimed incorrectly and will correct this practice.

Retirement Gifts

The report states that providing gifts is not consistent with Government's Entertainment Policy. We do not consider these gifts to be entertainment expenses. They are gifts given in appreciation for long years of service.

Tendering in a Newspaper

The report states that tenders must be included in a daily newspaper in general circulation in the Province. While we know that this is a requirement of the Public Tender Act*, it is impossible to comply since there is no such newspaper. The only two daily papers in the Province (The Telegram and The Western Star) are not available in our region. In cases where it is unlikely that a vendor outside our region would be able or willing to respond to the tender, we advertise in the local newspaper. In all other cases, we advertise in both the local newspaper and The Telegram.*

Reporting of Exceptions to the Minister

We acknowledge that the "head of the Government funded body" was not signing the exceptions. Instead, the Assistant Executive Director Finance and Administration, who is responsible for the Materials Management Department, was signing them. It was felt that she was more knowledgeable about each exception. However, to comply, the forms will now be signed by the Executive Director.

Sole Source Suppliers Not Reported to the Minister

GRHS acknowledges that there have been instances where the proper forms were not completed. We have made a concerted effort over the past few months to be more diligent in filing any exceptions from the Public Tender Act*, as required.*

Requests for Proposals

In future, we will request approval from the Lieutenant-Governor in Council before issuing any requests for proposals.

Controls over Tenders

GRHS will ensure that tender bids are dated when received. Although we feel that all 6 tenders were opened publicly, we acknowledge that there is no evidence to support this. In future, we will maintain documentation to support this.