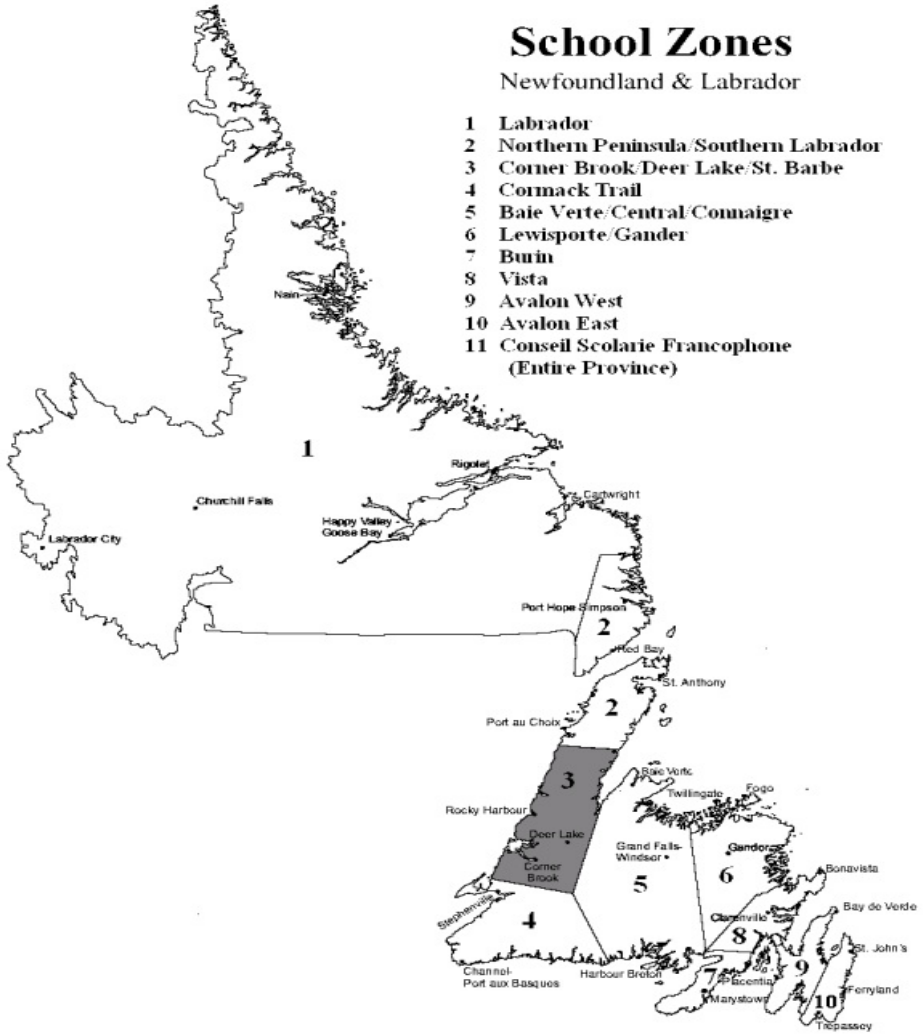
2.7 Corner Brook/Deer Lake/St. Barbe School Board

Introduction

District #3 Corner Brook/Deer Lake/St.Barbe School Board has the fifth largest student population of the 11 school boards in the Province. For the 2002-03 school year the Board provided an educational program to 7,511 students in 29 schools located throughout the western half of the Province from Gallants in the south to Bellburns on the Northern Peninsula and east to Hampden as shown in Figure 1.

Figure 1

Corner Brook/Deer Lake/St.Barbe School Board
Geographical Boundary



2.7 Corner Brook/Deer Lake/St. Barbe School Board

Scope and Objectives

We completed our review in January 2004 of the acquisition of goods and services by the Corner Brook/Deer Lake/St.Barbe School Board. Our review covered the period July 2002 to December 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 comply with Board policies and the *Public Tender Act* and *Regulations*.

Conclusions

At 30 June 2003, the Board had an accumulated deficit of $10.9 million**,** including $9.8 million in accrued severance pay. The Board has incurred annual operating deficits in four of its six complete fiscal years of operation since it was created in 1997; however, it never requested prior approval of the Minister of Education as required by the *Schools Act, 1997*. At 30 June 2003, the Board had a bank indebtedness of $1.4 million - the highest of any school board.

Contrary to the *Schools Act, 1997*, the Board is paying three of its four executive personnel a total of $38,702 annually in excess of the pay rates approved by Government. Furthermore, contrary to the *Schools Act, 1997*, the Board has not requested approval of the Minister of Education for the executive personnel employment contracts. As a result, the Board is not complying with government policy, not complying with the *Schools Act, 1997* and is utilizing funds that could be available for other purposes to top-up executive salaries.

The Board has contravened the *Schools Act, 1997* by entering into financing arrangements to purchase photocopiers, computers and telephones totalling $223,681 without the prior approval of the Minister of Education.

Contrary to Government policy, for 2003 and 2002 the Board spent a total of $16,400 for teacher and support staff retirement receptions and retirement gifts.

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.

- Of the 33 purchases sampled which were in excess of $10,000, 5 were purchased through Government's standing offer agreements, 14 purchases were publicly tendered, 1 purchase was a sole source supplier while the remaining 13 purchases with a total contract value of $478,526 were not publicly tendered. Furthermore, the Board did not notify the Minister of Government Services and, therefore, the House of Assembly was not informed of the sole source supplier exception as required by the *Public Tender Act*.

  Also, the Board does not always have all required documentation on the tender files. In 6 of the 14 tender files, there was no documentation such as time and date stamp on bids and in 2 tender files there were no attendance sheets. In 1 tender file related to snow clearing contracts, suppliers did not always submit proof of insurance, a letter of good standing and a list of equipment to be used.

- Of the 22 purchases sampled which were $10,000 or less and therefore required either three quotes be obtained or that a fair and reasonable price be established, the Board contravened the *Public Tender Act* for 13 purchases totalling $52,427.

A bussing employee of the Board is in a conflict of interest in that the employee has been awarded bussing contracts totalling $85,544, for the period September 2002 to June 2003, of which only $43,555 was awarded through a public tender process.

The Board did not always do a good job monitoring payments under tendered contracts. We identified 5 instances of overpayments totalling $10,958. In one of these instances the Board paid $2,300 for a computer which it did not receive. We also identified 2 instances of underpayments totalling $1,837.

The Board’s 4 executive staff each receives a mileage allowance of $252 (800 Kms @ 31.5 cents) per month without any supporting documentation. The allowance is provided in lieu of claims for local travel; however, this practice is not consistent with Government's travel policies. Three of the 4 individuals also receive a car allowance of $85 per month and all 4 are reimbursed at 31.5 cents per kilometre in accordance with Government policy for travel outside the Corner Brook area including Pasadena and Benoit's Cove.

Travel claims do not always have complete documentation to support the amounts claimed. We identified 10 instances where travel claims did not have all of the required documentation. We also identified 3 instances where one Board member and two teaching staff received duplicate payments totalling $476 for travel claims - once by the Board and again by another entity.

Findings and Recommendations

Financial Position and Operating Results

The Board was established on 1 January 1997 mostly from the operations of three boards; the Humber St. Barbe Roman Catholic School Board, the Deer Lake St. Barbe South Integrated School Board and the Western Integrated School Board. As Figure 2 indicates, since being established in 1997, the Board has incurred total annual deficits in five of the six complete fiscal years of operation. As at 30 June 2003, the Board had an accumulated deficit of $10.9 million.

Figure 2

Corner Brook/Deer Lake/St. Barbe School Board
Accumulated Deficit and Bank Indebtedness
For the Years Ended 30 June
($ 000's)

Year	Accumulated Deficit			Annual Deficit			Bank Indebtedness
	Total	Severance	Operating	Total	Severance	Operating	
2003	(10,896)	(9,814)	(1,082)	(812)	(564)	(248)	(1,428)
2002	(10,084)	(9,250)	(834)	(506)	(305)	(201)	(1,068)
2001	(9,578)	(8,945)	(633)	323	214	109	(884)
2000	(9,901)	(9,159)	(742)	(567)	(131)	(436)	(952)
1999	(9,334)	(9,028)	(306)	(13)	(50)	37	(1,114)
1998	(9,321)	(8,978)	(343)	(148)	(57)	(91)	(577)

Source: Audited financial statements

Our review indicated the following:

- Although the Board has incurred an annual operating deficit in four of the last six years, it has never received the prior approval of the Minister of Education to incur these deficits as required by the *Schools Act, 1997*.

2.7 Corner Brook/Deer Lake/St. Barbe School Board

- As at 30 June 2003 the Board's accumulated operating deficit of $1.1 million**,** excluding severance pay, was the second highest accumulated operating deficit of the 11 school boards and its bank indebtedness of $1.4 million was the highest of the11 boards.

- Contrary to the *Schools Act, 1997*, the Board approved, on 19 November 2003, the placement of three executive staff on step 33 of the applicable salary scale and made retroactive payments totalling $59,632. One individual was given retroactive payments from September 2001 while two other staff were provided retroactive payments from July 2002. Government policy limits the advancement on management salary scales to step 25 and, as a result, these three Board executive staff are being paid an annual total of $38,702 contrary to the *Schools Act, 1997.*

  Furthermore, the *Schools Act, 1997*, requires school boards to obtain the approval of the Minister of Education for all director and assistant director (i.e. executive) employment contracts. However, no such approval was requested for these executive employment contracts. As a result, the Board is not complying with government policy, not complying with the *Schools Act, 1997* and is utilizing funds that could be available for other purposes to top-up executive salaries. Figure 3 provides details of the annual salary top-up and retroactive salary payments.

Figure 3

Corner Brook/Deer Lake/St. Barbe School Board
Executive Compensation

	Approved Salary	Actual Salary	Board Top -up	Retro Salary
Director (Note 1)	$ 94,083	$ 108,704	$ 14,621	$ 26,978
Assistant Director Programs	93,152	93,152	-	-
Assistant Director Personnel (Note 2)	83,235	93,152	9,917	12,774
Assistant Director Finance	78,988	93,152	14,164	19,880
Total	$ 349,458	$ 388,160	$ 38,702	$59,632

Note 1- Due to a contract dispute, the Director was paid $66,456 with the balance of $27,627 being held by the Department until a contract was signed.
Note 2 - Due to a contract dispute, the Assistant Director Personnel was paid $58,743 with the balance of $24,492 being held by the Department until a contract was signed. Also, the retroactive payment to the Assistant Director of Personnel was allocated to 2 individuals, the current employee and a former employee.

2.7 Corner Brook/Deer Lake/St. Barbe School Board

- The Board entered into financing arrangements to purchase photocopiers, computers and telephones totalling $223,681. The *Schools Act, 1997* requires the Board to obtain the prior approval of the Minister of Education in order to borrow; however, no such approval has been requested.

- A review of the Board's financial statements for the year ended 30 June 2003 indicated that the Director and Assistant Director salary expense totalled $802,520. On further review, we found that this expense included the salaries of the Director, 2 Assistant Directors and 5 Program Specialists, Board subsidized salaries, and redundancy pay for other staff. It did not include the salary for one Assistant Director. As a result, the method of reporting Director and Assistant Director salary expense does not reflect the proper expenses for these positions and is not comparable to other boards.

- The Board is not reviewing its insurance policies on a regular basis. The Board utilizes a blanket policy in conjunction with a number of other boards for its vehicle insurance. The Board provides a list of vehicles to the insurance company and is billed premiums based on the number of vehicles it requires to be insured. From September 2002 to December 2003, four vehicles were sold and a new vehicle was purchased; however, the insurance company was not informed and, as a result, the Board is paying for insurance on vehicles that it no longer owns and is also operating a vehicle without insurance. In addition, the Board did not carry any insurance on a former school building being used by another government agency since July 2002.

- The Board utilizes a computerized financial accounting system to record and monitor transactions. Our review indicated the following:

  - Electronic accounts payable files are purged on a monthly basis and, as a result, certain queries such as vendor transactions for the year cannot be completed on a timely basis.

  - The purchase journal is not page numbered and therefore it is not possible to determine its completeness.

- Instead of using the full automated capabilities of the accounting software, Board staff calculate the HST rebate manually. This process is time consuming and is susceptible to human error. During our review we found that the Board over claimed HST rebates by $3,510 from July 2002 to December 2003. The Board is not claiming eligible HST rebates on such items as incidentals and gas receipts on travel claims and it is not reporting HST collected on such items as textbooks.

- Government policy provides for a maximum contribution of $1,000 towards retirement receptions for executive employees only. In June 2003, the Board paid approximately $4,200 for a teachers and support staff retirement reception and purchased gifts totalling $5,000 (50 framed prints and 4 numbered prints) for 61 retirees. Only 1 of the 61 retirees was in an executive position. In 2002, the Board paid approximately $2,800 for a teachers and support staff retirement reception and purchased gifts totalling $5,400 (36 framed prints) for 34 retirees. Therefore, there was no authority for expenditures of approximately $16,400.

Purchasing

For the year ended 30 June 2003 the Board spent approximately $6.2 million for the purchase of goods and services. Our review included a review of purchase transactions and travel claims from the period July 2002 to December 2003. Our review identified instances of non-compliance with the *Public Tender Act*, weaknesses in controls and non-compliance with Government's travel rules.

1. Public Tender Act

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.

2.7 Corner Brook/Deer Lake/St. Barbe School Board

We selected 33 purchases greater than $10,000 for the period July 2002 to December 2003 to determine the Boards compliance with the *Public Tender Act* and *Regulations*. Of the 33 purchases requiring a public tender, 14 were not tendered, 14 were tendered by the Board, and 5 were purchased under Governments standing offer agreements.

We also selected 22 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. Of the 22 purchases requiring quotes, 13 did not have the required 3 quotes, 8 had the 3 quotes and 1 was a sole source purchase.

Our review indicated that the Board contravened the requirements of *the Public Tender Act* and *Regulations*. For example, not all required purchases were tendered, no exceptions were provided to the Minister for forwarding to the House of Assembly, there wasnt 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 tendering and payments. Details of our findings are as follows:

(a) No public tender called

Our review of the 14 purchases where the Board did not call a public tender identified the following:

In 13 of the 14 purchases over $10,000 and totalling $478,526 (excluding HST), the Board did not call a public tender as required by the *Act.*

- In April 2000, the Board entered into a three-year lease agreement for telephone sets at a total cost of $95,676 without requesting public tenders.
- In June 2000, the Board replaced its library automation systems at a total cost of $36,320 on a three-year payment plan without requesting public tenders.
- In July 2001, the Board entered into a three-year lease agreement for a pick-up truck at a total cost of $15,522 without requesting public tenders.
- In August 2002, the Board purchased furniture totalling $14,403 without requesting public tenders.

- In September 2002, the Board purchased music instruments totalling $11,720 for one school without requesting public tenders.

- In September 2002, the Board purchased music instruments totalling $14,402 for a second school without requesting public tenders.

- From September 2002 to June 2003, the Board paid a contractor $42,307 for renewal of a regular bus transportation contract without requesting public tenders.

- In October 2002, the Board purchased music instruments totalling $14,350 for a third school without requesting public tenders.

- In April 2003, the Board entered into a two-year agreement for a 24-hour alarm monitoring service at a total cost of $10,064 without requesting a public tender.

- In July 2003, the Board ordered furniture totalling $74,058 from one supplier without requesting public tenders.

- From August to October 2003, the Board paid a contractor $29,681 to replace a road and related work at one school without requesting public tenders.

- During the year the Board paid $13,923 to one contractor for garbage collection at 11 sites within the District without requesting public tenders.

- During the year the Board paid $17,350 for one special transportation route. This contract was tendered and awarded in 1997 for a one year period; however, no tender was issued for this service for the last 6 years. Total payments made over this 6 year period were $106,100 plus HST.

In 1 purchase in October 2002, for a bus engine costing $11,297, the Board indicated that this was a sole source supplier. However the Minister, and therefore the House of Assembly, was not informed of this exception as required by the *Act*.

(b) Purchases requiring quotes

A review of 22 purchases requiring that either three quotes be obtained or that a fair and reasonable price be established identified the following:

- For 13 purchases totalling $52,427, the Board contravened the *Act* as it did not obtain three quotations or provide documentation that a fair and reasonable price was established.

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

- For 1 purchase totalling at $3,912, the Board indicated the purchase was a sole source and therefore three quotations were not obtained.

(c) Controls over tenders

Our review of the Board's controls and processes related to tendering indicated the following:

- Although the *Conflict of Interest Act* does not prohibit an employee of a Government department or agency from being a party to contracts if the services are publicly tendered, we found an instance where a bussing employee had been awarded a bussing contract without a public tender. Therefore, this employee was in a conflict of interest.

  For the period September 2002 to June 2003 a bussing employee was also awarded bussing contacts and received contract payments totalling $85,544 related to special transportation services. Our review indicated that only $43,555 of the $85,544 was properly awarded under a public tender. Details relating to $41,989 plus underpayments of $274 paid to the employee/contractor are as follows:

- Subsequent to the awarding of the contract the Board required an extra run be added to a route. The contractor provided this extra run at a cost of $14,950 per school year for three years. As well, the contractor was paid an extra $46/day to transport a student when early dismissal conflicts arose. These additional services were not tendered. Total payments for these services for the period September 2002 to June 2003 were $22,310.

- One contract totalling $19,953 ($17,350 + HST) was extended beyond the contract period without public tenders. This contract was tendered and awarded in 1997 for a one year period; however, no tender was issued for this service for the last 6 years.

- The Board did not always do a good job monitoring payments under tendered contracts. Invoices were not always adequately verified to ensure payments were in accordance with the contract as tendered. We identified the following:

  - In August 2003, the Board requested three tenders for computers and awarded the contracts to the lowest bidders. One company was paid $181,944 based on two tenders. The Board paid the supplier $116,757 and engaged the services of a finance company to finance the remaining balance of $65,187 over a three year period. However, in January 2004 the Board paid an invoice for $6,256 for 40 monitors that were included in the previous arrangement. As a result the Board will make a duplicate payment of $6,256.

    Furthermore, as part of the purchase, the Board acquired 15 laptop computers; however, it paid for 16. As a result, the Board paid $2,300 for a laptop computer that it never received.

2.7 Corner Brook/Deer Lake/St. Barbe School Board

- In October 2002, the Board requested tenders for snow clearing on all Board property and awarded the 2-year contracts to the lowest bidders. However, a review of actual payments to the contractors identified that the hourly rate paid to two contractors did not agree to the tender bids. One contractor was charging $30 per ton more for sanding/salting and was overpaid $1,863 from November 2002 to April 2003 while another contractor was charging $5 per ton less for sanding/salting and was underpaid $1,392 from November 2002 to November 2003.

- In January 1999, the Board requested tenders for the provision of a regular bus transportation route due to a cancellation of the previous contract. This contract covered the period from March 1999 to June 2000 plus an option to extend the contract for a period not exceeding the original term of two school years. In June 2000, the Board exercised the renewal option; however, it increased the contract payments by 2/3 of the Consumer Price Index totalling $353 which was not required under the contract.

- A contractor billed and the Board paid a monthly rate for 24-hour alarm monitoring that was in excess of the contract amount. At the time of our review the Board had overpaid the company $186 over the past 8 months.

- A review of contract payments for special transportation from November 2002 to January 2004 identified underpayments of $445 to one contractor relating to an error in calculating the monthly payment.

- Documentation related to tender bids and subsequent payments was not always adequate. For example:

  - 6 of the 14 tender files did not include documentation such as time and date stamp on the bids submitted by suppliers to show that all bids were received before the closing of the tender. Furthermore, in 2 instances, there were no attendance sheets on file to verify that the tenders were opened publicly.

  - In October 2002, the Board requested tenders for snow clearing on all Board property and awarded the 2-year contracts to the lowest bidders. However, not all the contractors submitted proof of equipment insurance, a letter of good standing and a list of equipment to be used as required in the tender specifications. Without this information, the Board cannot demonstrate that the successful bidders met the tender requirements.

  - To support the hours billed by the contractors for snow clearing, time sheets are required to be completed by the contractor and approved by the principal of each school. We found many instances where the time sheets were not submitted with the invoice or were not approved by the principal.

  - 17 of the 55 purchases did not have a purchase order completed and one purchase order was not approved.

2. Travel

Section 75(1) (i) of the *Schools Act, 1997* requires boards to adopt personnel policies which follow the personnel administrative procedures of Government. Our review of travel expenses identified instances of non-compliance with Government policies and weaknesses in documentation as follows:

- The Board's travel claim form does not require time of departure and return to be included on the form and, as a result, we could not determine the appropriateness of all meal claims.

- In 10 instances travel claims were processed without adequate documentation to support the amount being claimed. For example, in March 2003, a senior staff member was reimbursed $1,061 for accommodations and transportation without adequate documentation such as the hotel bill or car rental invoice. Instead, the reimbursement was made based only on a credit card statement. In another instance, a Board member was reimbursed $795 for airfare based on a letter from the travel agent indicating the normal cost to travel to the particular destination. Four other Board members and staff attending the same function paid airfare of $400 each.

- Travel claims are not always submitted on a timely basis. For instance, a Board member submitted a travel claim on 7 April 2003 for mileage travelling to and from Board and Finance Committee meetings from 26 February 1998. The total amount of the claim was $2,275 paid at a mileage reimbursement rate of $0.315 per km. However, this rate only became effective 1 April 2000 and as a result this Board member was overpaid approximately $195 due to changes in mileage reimbursement rates over the past five years.

- Controls over payments for travel are not adequate. Periodically, Board members and employees travel on behalf of other groups, such as the Department of Education, and are reimbursed for travel costs by these groups. In order to speed up the claim process, the Board also reimburses the employee for the travel and requires the employee to repay the Board once a claim is received from the other entity. However, the requirement to repay the amount is not always recorded as an accounts receivable from the employee and there are no procedures to identify situations where another entity reimburses the employee. Our review identified three instances where the Board reimbursed travel claims of $176, $140, and $160 even though the Board member and two teaching staff were reimbursed by another source. Also, in 1 instance, the Board did not receive and follow up on a reimbursement of $242 due from the Department of Education for Board teaching staff travel.

- Government policy permits the payment of a car allowance where employees are required to have a car as a condition of their employment and also reimburses employees for actual distance travelled based on the submission of a travel claim. The Board reimburses its staff in accordance with this policy; however, its 4 executive staff are reimbursed 800 kilometres per month ($252) without any supporting documentation being required. The allowance is provided in lieu of travel claims for local travel and is

not consistent with Government's travel policy. For the 2002-03 fiscal year this resulted in payments of $12,096 without supporting documentation.

Recommendations

The Board should:

- *take action to address the increasing deficit;*
- *comply with the* Schools Act, 1997*;*
- *comply with the* Public Tender Act *and* Regulations;
- *comply with Government's travel policies;*
- *address conflict of interest matters; and*
- *strengthen financial controls relating to purchasing and travel.*

Board's Response

This report responds to each item of the auditor generals report.

Approval of Deficits

- *The deficit was not approved; however, the Board did not at any time budget for a deficit. Deficits resulted from sick leave costs and other items which were not anticipated at time of budgeting. Furthermore, the Board has made representation to Government showing that it has been underfunded in administrative funding in comparison to other Boards.*

Size of the Deficit

- *The Board implemented strategies to reduce the deficit. In the 2003-04 school year, the Board had a surplus in excess of $600,000.*

Approval of Salary for Executive

- *The payment of salaries to executive staff occurred throughout the province. Upon consolidation in 1997 and on several occasions since, the Minister of Education has approved placement of executive staff on different steps of the approved pay scales. The*

placements did not follow any particular pattern and employees in similar circumstances were often placed on different levels. This created wide differences in pay levels throughout the province. School Boards, through the Newfoundland and Labrador School Boards Association, made numerous attempts over several years to resolve the salary issue with Government. When these attempts failed, boards throughout the province took steps to deal with the issue locally. District 3 was one of the last boards to deal with the issue to pay staff on a fair and equitable basis. The funds used to make these payments did not come from the Department of Education allocation but from other revenues of the Board.

Financing of Copiers, Computers, & Telephones

- *The Schools Act refers to the obligation of boards to request permission of the Minister to borrow to acquire real property. Copiers, computers, and telephones are not real property but personal property. It is our opinion that the Schools Act has not been breached. Boards have a legal opinion that supports this position.*

Method of Reporting Salaries

- *With regard to the method of reporting salaries, this was a classification error by the Board auditors during the audit reporting process. Salaries were clearly and accurately reported but not within the categories utilized by other Boards. There was no misdirection or misrepresentation of the Boards operation nor was there a breach of the Act.*

Insurance Policies

- *The insurance policy for the District is part of a provincial fleet policy for school busses and maintenance vehicles. The annual premium is based on the number of vehicles at the beginning of the year. When new vehicles are added or others dropped from the fleet, there is no requirement to report to the insurance company. No refunds are issued or extra premiums collected until the end of the year. Once a vehicle is acquired, it is automatically insured whether the insurer is notified or not. The Board was not operating uninsured vehicles.*

The building referred to was previously vacant and the Board could not obtain coverage. Once the other agency occupied the building, it was to be added to their policy. Once the Board was made aware the building was not added to the policy of the other agency, the building was then added to this Boards policy.

Accounting Systems

- *A new computer software system has been purchased and the recommended features have been incorporated into the system.*

Retirement

- *Each year the Board does honour its retiring employees, most of whom have served for 30 years or more. The practice of providing a modest gift, as well as a reception and dinner, is considered a reasonable gesture to recognize these employees.*

Public Tender Act

- *The Board does not get an adequate level of funding for administration. In fact, a similar size board has received in excess of $700,000 more than District 3 since 1997. This funding shortfall impacts on the Boards ability to comply with the Act. Staff are not available to draft and evaluate tenders. Existing staff are unable to keep up with the workload and this results in non-compliance with the Act. Many new procedures are being introduced in the new Western School District and the Board continues to dialogue with Government concerning adequate administrative funding.*

No Public Tender Called *(specific examples below)*

Telephones

- *The telephone systems were existing and in place under a perpetual rental agreement. By converting the rental agreement to a 36-month purchase lease the equipment became the property of the Board after which no payments were required. This arrangement saved the Board a considerable sum of money. Since the equipment was in place, there were no installation costs and this option was far less expensive than tendering for new.*

2.7 Corner Brook/Deer Lake/St. Barbe School Board

Library Automation Systems

- *The Board solicited requests for proposals from competing suppliers and compared conversion costs from manual to automated cataloguing, and also compared software purchases and annual leasing fees. The least expensive proposal was chosen.*

Pick-Up Truck

- *The Board contacted three local suppliers and chose the lowest monthly lease payment being offered at the time. Since the annual lease payments were less than $10,000, staff interpreted the Act not to apply. The three-year aggregate lease cost was in excess of the $10,000 limit. This was an error in interpretation of the Act.*

Furniture

- *Supplier catalogues were compared and the lowest cost items were chosen. Tenders should have been called.*

Music Instruments

- *The three purchases of music equipment were from the only local supplier that had a technician available to provide warranty service and on-going repairs. Subsequent purchases of similar equipment were tendered.*

Renewal of Bus Contract

- *The renewal of the bus contact at $42,307 was made in conjunction with officials from the Department of Education. After expiry it was re-tendered.*

Alarm Monitoring Contract

The alarm monitoring contract was a renewal of an existing contract. The previous company folded and this supplier was the only supplier in the area at that time. The next renewal will be tendered. The original negotiations were for monitoring services less than the $10,000 public tender amount. The installation of a new system resulted in the total cost of the service exceeding the threshold stated in the Act by $64.

Furniture

- *The July 2003 order from one supplier should have been tendered but, due to the lateness in the year, a new school would have been without desks and computer furniture to start the year. This was the only supplier who could supply all items on short notice.*

Road Repair

- *Several contractors were asked for unit costs on supplying and spreading road building materials. Only two quotes were submitted and the Board chose the lowest unit or per tonne cost. The material was purchased using the lowest per unit bid.*

Garbage Collection

- *The board requires refuse dumpsters for schools at many locations in the Bay of Islands and Humber Valley. Local contractors provide quotes for each location. There is only one supplier that covers the entire area. As each quote was solicited, the same contractor was lowest each time. The result was an aggregate business account for $13,923 from one company that was made up of several separate competitive quotes over time.*

Special Transportation Contracts

- *Renewing special transportation contracts on an annual basis is a common practice. These contracts are tendered for a period and reviewed each year. Once the relationship between the contractor, the special needs child, and the Board is established and working well, it is often left in place for several years. The decision to renew is made in consultation with Department of Education officials.*

Bus Engine

- *The purchase of an engine from a sole supplier should have been reported to the Minister. School busses have engines compatible with the make and model, and only one manufacturers product will fit.*

Purchases requiring quotes

- *Quotes are requested whenever time and resources permit. The Board does not have adequate staff to fully comply with the Act. In the new Western School District, procedures have been improved and the Board has made representation to Government for more adequate administrative funds to address levels of staffing.*

Control Over Tenders

Conflict of Interest

- *The original tender was properly awarded to the bussing employee/contractor. The contract was to transport special needs children to two schools. As schedules changed and children were added or dropped from routes, changes to the contracts were negotiated. Officials of the Department of Education participated in the negotiations and approved all changes. This was a common practice for special needs contracts.*

Computer Purchase

- *The error in question was subsequently corrected and the duplicate payment was recovered.*

Monitoring Payments

- *The laptop computer issue was resolved and the payment matched the number of computers received.*

Snow-Clearing

- *The overpayment has been recovered and the underpayment has been paid out.*

Bus Transportation Route - Consumer Price Index payments

- *The consumer price index payments were made from a schedule of contracts from the Department of Education. The $353 was an error on contracts totalling $720,000 per year.*

Alarm Monitoring

- *The $186 overpayment has been recovered.*

Special Transportation

- *The $445 error has been corrected.*

Documentation

- *The fact that some tender files, some going back to 1998, do not have all documentation required, is not unexpected given the fact that the Board does not have employees specifically responsible for purchasing. Tender files are compiled by a number of different employees, none of which are fully trained to deal with public tendering. The Board will address the challenges of more staff and proper training.*

- *Since snowclearing often takes place during the late night and early morning hours, no school staff are present when equipment is on site. Principals provide information whenever they can verify the contractor performed the work. A new form to be signed by a school employee has been developed and is currently in use.*

- *In all cases where tenders are awarded, the successful bidder is notified in writing. Purchase orders represent duplicate and unnecessary paperwork. Invoices are matched to the bid documents in the same way they would be matched to a purchase order. With limited resources available this duplication was not deemed to be necessary.*

Travel

- *Intentions to travel are well-communicated and expected departure and return times are well known and monitored by supervisors. However, new forms with departure and return times are now in use.*

- *Regarding the instances noted of inadequate documentation, these are not common occurrences and discretion was used when processing claims. In the specific example given, the receipts were misplaced but a credit card statement was provided. The credit card statement was from the employee who was authorized to travel, the dates were correct, the hotel was listed as the one booked, and the rates matched the quoted room rates; therefore, the claim was accepted.*

- *The difference in air fares $795 versus $400 is not uncommon if the reservations are made at different dates or the discounted seats are all sold.*

- *Board members who travel infrequently and for short distances will sometimes let their mileage accumulate rather than take small $20 - $30 cheques. In this case, staff did not account for the rate change. The Board member did receive $195 extra for the five year period 1998 - 2003. This was a staff error.*

- *The excess payments identified have been recovered. It should be noted that this occurred in a context of overall savings through carpooling, room-sharing, and other methods.*

- *Executive staff were offered monthly car allowances by the Board during the recruitment process in 1996 in lieu of payment for local travel. Rather than document the miscellaneous trips within 25 kms of the office, executive staff were paid a flat rate per month. This was a benefit offered to staff and did not require documentation.*