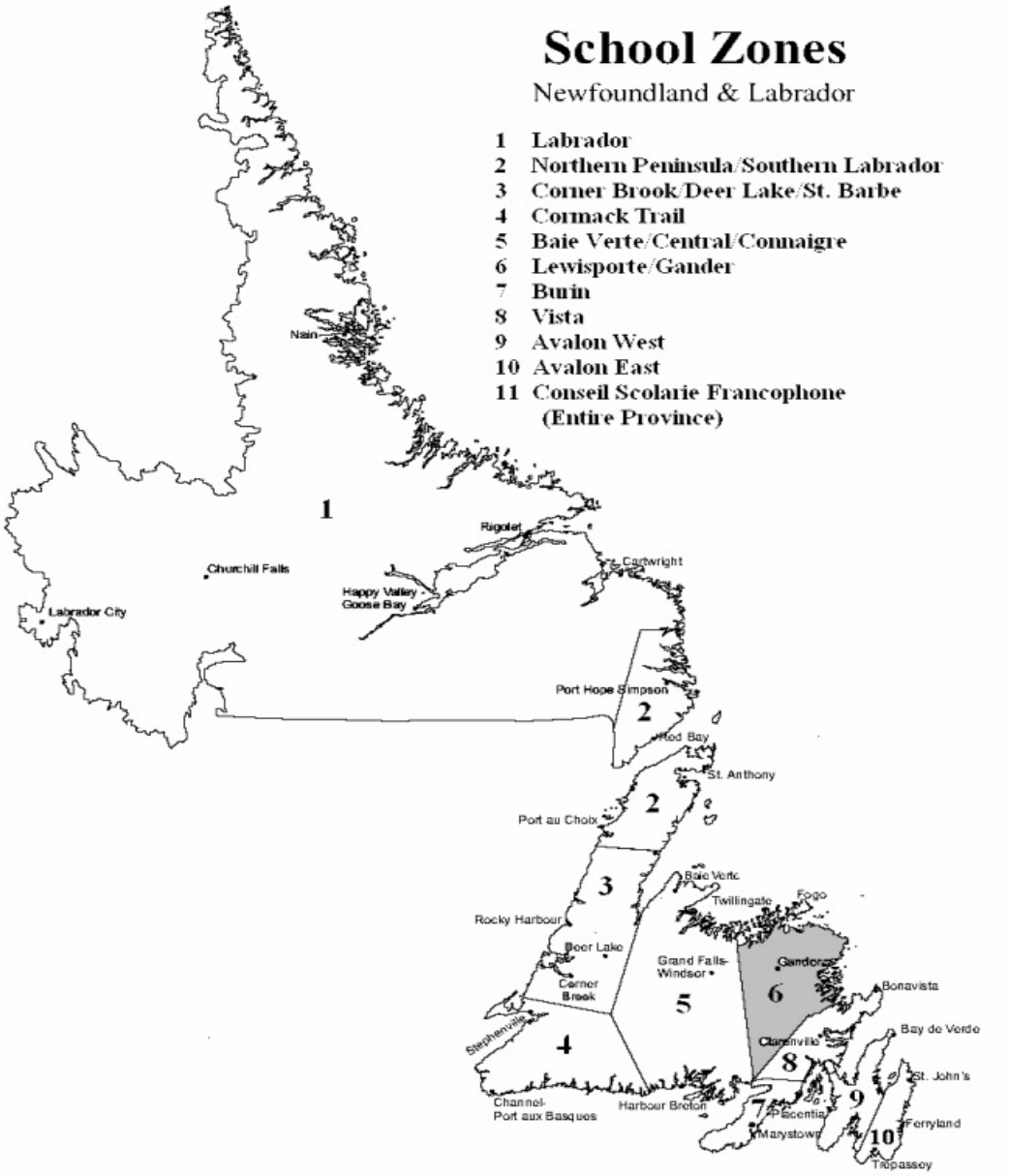
2.8 Lewisporte/Gander School Board

Introduction

District #6 - Lewisporte/Gander School Board has the fourth largest student population of the 11 school boards in the Province. For the 2002-03 school year the Board provided an educational program to 7,756 students living in 104 communities through 33 schools located in an area from Norris Arm in Notre Dame Bay to Charlottetown, Bonavista Bay as shown in Figure 1.

Figure 1

Lewisporte/Gander School Board
Geographical Boundary



2.8 Lewisporte/Gander School Board

Scope and Objectives

We completed our review of the acquisition of goods and services by the Lewisporte/Gander School Board in April 2004. Our review covered the period 1 July 2002 to 31 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 a total accumulated deficit of $16.1 million. The Board has incurred annual operating deficits in three of its six complete fiscal years of operation since it was created in 1997; however, it has never requested prior approval of the Minister of Education as required by the *Schools Act, 1997.*

The Board is paying its four executive personnel a total of $37,381 annually in excess of the pay rates approved by Government. Furthermore, although all employment contracts of Board executives are required to have the written approval of the Minister of Education, the four contracts submitted to the Department were never approved by the Minister. As a result, the Board is not in compliance with the *Schools Act, 1997* and is utilizing funds designated for other purposes to top-up executive salaries.

The Board entered into financing lease arrangements relating to photocopiers without the prior approval of the Minister of Education as required by the *Schools Act, 1997.* These lease payments will total approximately $710,000 over a five year period. The Board also violated the *Schools Act, 1997* in that it did not obtain the prior approval of the Minister of Education when it entered into an agreement to share costs with the Roman Catholic Episcopal Corporation for the demolition of a vacant school owned by the Corporation. The Board proceeded contrary to the position of the Department. The Board's share of the demolition cost was $92,450.

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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 identified 8 purchases totalling $157,024 which were not publicly tendered and 14 purchases totalling $52,533 where three quotes were not obtained. Furthermore, the Board is not complying with the *Public Tender Act* in that it does not notify the Minister of Government Services and, therefore, the House of Assembly of any public tender exceptions such as sole source or emergency purchases.

Two of the Board's vehicles were available for the use of two management staff on a 24 hour basis; however, no logs were being maintained to determine the extent of any personal use. Furthermore, neither of these 2 vehicles have markings to identify them as Board-owned vehicles.

Findings and Recommendations

Financial Position and Operating Results

The Board was established on 1 January 1997 mostly from the operations of the former Nova Consolidated, Notre Dame Bay Integrated and portions of Gander/Bonavista/Connaigre, Pentecostal and Exploits/White Bay School Boards.

As Figure 2 indicates, since being established in 1997, the Board has reported an annual operating deficit in three of the six complete fiscal years of operation and has gone from an accumulated operating surplus of $273,000 in fiscal 2001 to an accumulated operating deficit of $200,000 in fiscal 2003. As at 30 June 2003, the Board had an accumulated deficit of $16.1 million.

2.8 Lewisporte/Gander School Board

Figure 2

Lewisporte/Gander School District
Accumulated Deficit
For the Years Ended 30 June
($ 000's)

Year	Accumulated Deficit				Annual Deficit			
	Total	Teachers Summer Payroll	Severance	Operating Surplus (Deficit)	Total	Teachers Summer Payroll	Severance	Operating Surplus (Deficit)
2003	(16,098)	(5,167)	(10,731)	(200)	(1,062)	(321)	(446)	(295)
2002	(15,036)	*(4,846)	(10,285)	95	(5,376)	*(4,846)	(352)	(178)
2001	(9,660)	0	(9,933)	273	389	0	50	339
2000	(10,049)	0	(9,983)	(66)	41	0	(170)	211
1999	(10,090)	0	(9,813)	(277)	(185)	0	(237)	52
1998	(9,905)	0	(9,576)	(329)	(8,922)	0	(8,590)	(332)

Source: Audited financial statements
* Note: One time retroactive adjustment related to the accrual of teachers' summer payroll.

Our review indicated the following:

- Although the Board has incurred an annual operating deficit in three 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*.

- On 30 June 2003, the Board approved placement of four executive staff on step 33 of their salary scale and made retroactive payments totalling $39,716. Three individuals, who had been paid at step 25, were given retroactive payments from 1 July 2002. The fourth person, who was paid at step 19, was given retroactive payments

from 1 September 2002, the date of permanent employment. Government policy limits the advancement on management salary scales to step 25 and, as a result, these four executive staff are being paid an annual total of $37,381 above Government policy. Figure 3 provides details on the $39,716 relating to retroactive salary payments as well as the $37,381 annual salary top-ups.

Figure 3

Lewisporte/Gander School District
Executive Compensation

	Approved Scale	Actual Salary	Board Top-up	Retro Salary
Director	$103,665	$111,639	$7,974	$9,119
Assistant Director Programs	91,606	98,653	7,047	8,061
Assistant Director Personnel	89,845	98,653	8,808	6,926
Assistant Director Finance	85,101	98,653	13,552	15,610
Total	$370,217	$407,598	$37,381	$39,716

Source: Department of Education and Board records

Furthermore, the *Schools Act, 1997* requires school boards to obtain the written approval of the Minister of Education prior to entering into employment contracts for all director and assistant directors. The Board prepared and executed contracts of employment for the director and the three assistant directors effective from the completion date of the previous contract or upon hiring. Although these contracts were effective in 2001 and 2002, none of the contracts were executed until May 2003 and, while they were forwarded to the Department, they were not approved by the Minister of Education.

- The Board entered into financing lease arrangements relating to photocopiers without the prior approval of the Minister of Education as required by the *Schools Act, 1997*. These lease payments will total approximately $710,000 over a five year period.

- The Board did not comply with the *Schools Act, 1997* in that it did not obtain the prior approval of the Minister of Education when it entered into an agreement to share costs with the Roman Catholic Episcopal Corporation for the demolition of a vacant school owned by the Corporation. The Board requested Ministerial approval; however, correspondence on file from the Department of Education indicated that the Department did not support this initiative. The Board proceeded contrary to the position of the Department.

  The agreement obligated the Board to share 50% of the cost of demolition and 50% of any proceeds, up to the Board's share of the demolition costs, from salvage or the sale of the vacant school. The total cost of demolition was $184,900 (plus HST) and no sale proceeds have been realized to date.

- The Board is not always taking advantage of significant purchase discounts offered for the prompt payment of electricity bills. For the 12 month period ended February 2004, the Board forfeited discounts totalling $16,539. This is a poor management practice. The Board identified a strategy to reduce energy costs by entering into a $1.75 million energy retrofit initiative in November 2002. Forfeiting electricity discounts conflicts with this strategy.

Purchasing

For the year ended 30 June 2003 the Board spent approximately $7.8 million for the purchase of goods and services. Our review included a sample of purchase transactions from the period July 2002 to December 2003. Our review identified instances of non-compliance with the *Public Tender Act* and weaknesses in internal controls.

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 in tender files.

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.

We selected 35 purchases greater than $10,000 for the period July 2002 to December 2003 to determine the Board's compliance with the *Public Tender Act* and *Regulations.* Of the 35 purchases requiring a public tender, 8 were not tendered by the Board, 19 were tendered by the Board, 6 were purchased using Government's standing offer agreements, and 2 were sole source or emergency purchases.

We also selected 27 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 27 purchases requiring quotes, 14 did not have the required 3 quotes, 9 had the 3 quotes and 4 were sole source purchases.

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 of Government Services 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 tendering, purchasing and payments. Details of our findings are as follows:

(a) No public tender called

In 8 of the 10 purchases over $10,000 and totalling $157,024 (excluding HST), the Board did not call a public tender as required by the *Act*.

- In July 2002 the Board purchased $21,804 of paint from a supplier without requesting a public tender.

- During the period July to December 2003, the Board paid $30,650 for the servicing of furnaces in schools without requesting public tenders.

  Although Board officials indicated that these services had been provided by the same supplier for a number of years, they could not provide information on how long these services had been provided by this supplier and whether a public tender had ever been issued.

2.8 Lewisporte/Gander School Board

- In June 2003 the Board entered into an agreement with a contractor to remediate a vacant school site which had hazardous waste. The Board did not publicly tender this work which cost $38,542 because the work was deemed by the Board to be an emergency purchase not requiring a public tender. However, given that the school had been vacant for a number of years and the hazardous waste was only discovered upon demolition, it is likely that there was no need to remediate the site on an emergency basis. Therefore, a public tender should have been called. We note that the Minister of Government Services and therefore the House of Assembly were not notified of this exception.

- Two of the purchases examined involved the payment of a total of $23,673 for bus fuel purchases. For the fiscal year ending 30 June 2003 fuel purchases for the bus fleet totalled $474,652 and most of these purchases were made without requesting public tenders.

  Although Board officials agreed that they hadn't tendered for most of the fuel purchases, there was evidence that special pricing arrangements were in place with many of the suppliers. However, they could not provide documentation to support the process followed in negotiating these special pricing arrangements.

- In August 2002 the Board purchased a used bus at a cost of $15,000 without requesting a public tender.

- In August 2003 the Board paid $14,935 for the disposal of hazardous waste without requesting a public tender. The Board deemed this service to be a sole source; however, we were advised by the Department of Environment and Conservation that it is not a sole source service. Therefore, a public tender should have been called. We note that the Minister of Government Services and therefore the House of Assembly were not notified of this exception.

- In October 2003 the Board paid for conference services in the amount of $12,420 without requesting a public tender. Also, in this instance there was no purchase order issued and Board officials could not provide evidence that a price quotation had been obtained.

In 2 of the 10 purchases over $10,000 and totalling $244,094 no public tender was issued because the Board deemed the purchases as either a sole source supplier or an emergency. However, the Minister of Government Services and therefore the House of Assembly was not informed of these exceptions.

- In February 2003 the Board purchased proprietary computer software totalling $10,238 for use in some of its schools from one vendor which was deemed a sole source supplier.

- In May 2003 the Board entered into an agreement, eventually having a total cost of $233,856, related to the clean up of an oil spill at one of its schools without requesting a public tender as it was deemed by the Board to be an emergency purchase.

  In this case, we were advised by Board officials that because there was oil leaking into a nearby stream and the ocean, mitigation work had to be carried out immediately to contain the drainage.

(b) Purchases requiring quotes

A review of 27 purchases requiring that either three quotes be obtained or that a fair and reasonable price be established identified the following:

- For 14 purchases totalling $52,533 the Board contravened the *Act* as it did not obtain three quotations or provide documentation that a fair and reasonable price was established.

- For 9 purchases totalling $40,858, the Board either obtained three quotations or provided documentation that a fair and reasonable price was established.

- For 4 purchases totalling $13,304, the Board indicated the purchases were from a sole source and therefore three quotations were not obtained.

(c) Other

During our review of 1 of the 19 purchases which were publicly tendered, we identified a payment of $327,048 relating to a construction progress claim for an energy efficiency contract totalling $1.75 million entered into by the Board on 6 November 2002. This contract was entered into on the premise that the $1.75 million of capital expenditures to improve the equipment and facilities in the schools and an additional annual maintenance enhancement program of $27,000 would be recovered from energy savings over a period of approximately 8 years.

An ad for this work was placed in a provincially circulated newspaper and had a closing date of 11 April 2001. The Board received proposals from two contractors. Our review indicated the following issues relating to this contract:

- We were advised by Board officials that the Request for Proposals (RFP) for this project was written with the assistance of other schools, experienced with such contracts, and with the input of the contractor that was eventually awarded the contract.

- Although the RFP contained a detailed "evaluation of proposals" section that included point rankings in six key areas, the Board was not able to provide documentation that this evaluation process was used in awarding the contract.

As a result, the Board could not demonstrate that the awarding of this contract was fair and transparent.

(d) Controls over tenders

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

- Contrary to the requirements of the *Public Tender Act Regulations*, none of the 19 tender files examined had evidence 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.

- In October 2003, the Board requested tenders for snow clearing on 31 of its properties and awarded 3-year contracts to the 20 contractors having the lowest bids. Our review of the 20 contractor files indicated that not all required documentation was on file. For example:

  - 12 did not contain the required insurance certificates;
  - 11 did not contain a confirmation that the Board would be notified of insurance cancellation;
  - 7 did not contain the required Workplace, Health, Safety & Compensation Commission clearance certificates;
  - 6 did not contain a signed letter of successful bidder; and
  - 3 did not include the required contractor's harmonized sales tax number.

  Without this information, the Board cannot demonstrate that the successful bidders met the tender requirements.

- One of the 19 tendered purchases examined was for the acquisition of special bussing services required for the transportation of a special needs student. The tender specification made reference to the requirement that the successful bidder have a vehicle that had been adapted to accommodate the disabled. Attached to the tender document was also a listing of 23 other contractor responsibilities including vehicle inspections, driver safety courses, and required safety equipment in the vehicle. Our review of the tender documentation indicated that the successful bidder did not include sufficient detail to determine if the bid met the tender specifications.

  In addition, while there are 33 of these special bussing contracts, Board officials have indicated that the Board does not have procedures in place to verify that the vehicles meet the tender specifications and that the other contractor responsibilities are being complied with during the term of the contract.

2. Controls over purchases and payments

Responsibility for most of the goods and services purchased by the Board rests with the various school principals, the maintenance manager and staff, the pupil bussing manager and staff, the purchasing agent, and executive staff. Adequate internal control in such a decentralized purchasing environment requires compliance with management level control procedures.

The Board has developed the following control procedures for purchases and payments. All purchases are authorized and documented using a system of pre-numbered purchase orders. Copies of the purchase orders are used by the invoice processing staff to ensure the purchases are authorized and to confirm the receipt of goods. The Board has also established a policy whereby a pre-numbered purchase requisition is required from a school principal or designate for instructional purchases $3,000 and greater. Good internal control requires that responsibilities be segregated among staff so that incompatible duties are not carried out by the same person. This ensures that the work of one staff member acts as a check on the work of another.

Our review identified the following weaknesses in the Board's internal controls:

- the controller has cheque signing authority, has access to the signature plate, and also has responsibility for reconciling the bank account; and

- there are no procedures in place at the school level to ensure that the ordering, receiving and approval of goods and services are performed by different staff.

Our review of compliance with policies and procedures at the Board indicated the following:

- Of the 62 transactions we reviewed, we found that for 2 transactions there was no purchase order prepared, 5 had purchase orders that were not fully completed, 3 purchase orders had errors in the price and 2 purchase orders were prepared after the goods or services had already been received and invoiced by the supplier.

- There is not always evidence of receipt of goods and services. For 15 of the 62 transactions there was inadequate documentation to determine whether the goods or services ordered and paid for were actually received.

- Capital assets are not adequately controlled. Three of the 62 transactions involved the purchase of new and used computers at a total cost of $26,686. Board officials indicated that there is neither a system of asset tagging nor a detailed capital asset ledger maintained to control computers and other capital assets.

- The pre-numbered purchase requisitions required from the school principal or designate for instructional purchases of $3,000 and greater were not always prepared. Only 2 of the 4 instructional items in the 62 transactions examined that exceeded the $3,000 limit had the required purchase requisition.

  Although the Board has taken the initiative of requiring purchase requisitions, it is evident from our findings that the process is not always being followed.

- Although Board policy permits school principals to delegate purchasing authority to other staff members, our review indicated that documentation to support this delegation is not readily available. As a result, officials could not demonstrate whether purchases were always properly authorized.

3. Vehicles

Our review of procedures to monitor the use of Board-owned vehicles and the payment of vehicle allowances indicated the following:

- Government policy states that employees who are required by the employer, as a condition of their employment, to provide a private automobile for use on government business will be entitled to an automobile allowance. The total annual amount paid will consist of an allowance of $85 per month plus 31.5 cents based on kilometres driven. The total annual amount of the monthly allowance plus mileage will be a minimum of $1,250.

  Our review indicated that the Board Controller was provided with the $85 per month ($1,020 per annum) vehicle allowance; however, there was no record of kilometres actually driven nor was there any amount paid for kilometres driven. As a result, the Board could not demonstrate that the Controller travelled enough to qualify for the $85 per month vehicle allowance.

- At the time of our review the Board maintained 10 service vehicles that were being used primarily in the bussing and maintenance departments. Two of the vehicles (a 4X4 Sport Utility Vehicle and a Pick-up) were available for use of two management staff on a 24 hour basis; however, no logs were being maintained to determine the extent of any personal use. As a result, the Board cannot adequately monitor the usage of these vehicles. Furthermore, the Board does not issue a taxable benefit slip for these employees. We note that neither vehicle has markings to identify it as Board-owned.

Recommendations

The Board should:

- *take action to address the accumulated deficit;*
- *comply with the* Schools Act, 1997;
- *comply with the* Public Tender Act *and* Regulations; *and*
- *strengthen controls relating to purchasing and capital assets.*

Board's Response

The Auditor General recommends, *"The Board should:*

- *take action to address the accumulated deficit;"*

On this matter the report states

"At 30 June 2003, the Board had a total accumulated deficit of $16.1 million. The Board has incurred annual operating deficits in three of its six complete fiscal years of operation since it was created in 1997; ….."

Board Response

The statement that on June 30, 2003 the board had an accumulated deficit of 16.1 million is somewhat misleading. This figure came directly from the board's financial statements ending June 30, 2003 which the board provided to the Minister of Education in the Fall of 2003. These statements were audited by independent auditors, and were forwarded to the Minister, in compliance with the requirements of the Schools Act, 1997.

2.8 Lewisporte/Gander School Board

The board is required to prepare its annual Financial Statements in accordance with Generally Accepted Accounting Principles. These accounting principles require the board to accrue liabilities such as Teachers Summer Pay, Severance Pay and Vacation Liabilities.

The board has always reconciled its financial position by adding back the accrued liabilities to reflect the actual results of operations of the board on a cash basis.

In preparing this report, staff at the Auditor General's Office has reconciled the financial position of each year in question by adding back both the severance liability and the teacher's summer pay liability. However, the accrued vacation pay is not displayed as a separate item in Figure 2 of the report. The inclusion of accrued wages for each year would produce a significantly different result.

The $16.1 million is not a material (or real) deficit with respect to the operational budget of the board. In fact, at the end of June 30, 2002, the Board had an operating surplus of $107,000. The difference is explained in this manner:

1. *The statements included a teacher payroll commitment for the 2002-2003 fiscal year ending June 30 that was an accrual for salary payment during the summer break (July and August). This item was recorded in financial statements as a liability to the board on June 30, but for which the revenues are received post June 30. ($5,167,000 as noted in Figure 2). However, on the June 30 statements government do not allow us to record an accounts receivable for this liability.*

2. *Employee severance accrual is required by Government to be reported in the Board's financial statements. It is in reality only a "paper figure". It represents a liability that could occur if all of the approximately 800 employees employed by the board were to be laid off or quit on June 30, 2003. This is a very unlikely scenario, however, the government requires Boards to record this figure in the financial statements as a liability, and, at the same time, does not allow us to record an offsetting accounts receivable for this liability. In this case, the accrued severance liability amounted to $10,731,000 as noted in Figure 2.*

3. *In the case of District support staff, the Board is required by Generally Accepted Accounting Principles (GAAP) to also report the accrual of unused annual leave as another liability in the financial statements. Again, this is a deferred liability only at June 30, and typically by the end of the summer vacation period (August 30) this issue is addressed and financial adjustments are appropriately reported. This reported liability amounted to $308,000. Note that this amount was not displayed as a separate item in Figure 2.*

In total these three liabilities totalled $16,235,000. In determining the real financial position of the board at year's end, this amount is backed out of the bottom line ($16,100,000 million) that is recorded in the financial statements, leaving a real operating position at a $107,000 surplus.

The Auditor General recommends, *"The Board should:*

· *comply with the* Schools Act, 1997*;"*

On this matter the report states

1. *"…it* (the Board) *has never requested prior approval* (to carry a deficit) *of the Minister of Education as required by the* Schools Act, 1997*."* and *"Although the Board has incurred an annual operating deficit in three 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*."*

Board Response

Over the six-year period referenced, the board has never had an accumulated operating deficit, calculated on a cash basis and hence there was no operating deficit and no requirement to seek approval from the Minister as required by the Schools Act, 1997.

Further, all financial statements for the six year period, that the Auditor General bases his conclusions upon, were annually submitted to the Minister of Education, were reviewed by Department of Education financial staff, knowing full well the treatment of these accruals, and the Board has never been informed by the Minister or his staff that there was a deficit issue.

2. *"The Board entered into financing lease arrangements relating to photocopiers without the prior approval of the Minister of Education as required by the* Schools Act, 1997*."*

Board Response

Our understanding of the Schools Act, 1997 *is that approval of the Minister of Education for leasing refers to the leasing of real property and not items of equipment such as photocopiers, postage meters and various other items of leased equipment used in school settings and school district operations.*

It is our opinion that we have not violated the Schools Act, 1997 *with regard to leasing photocopiers as suggested by this report.*

3. *"The Board also violated the* Schools Act, 1997 *in that it did not obtain the prior approval of the Minister of Education when it entered into an agreement to share costs with the Roman Catholic Episcopal Corporation for the demolition of a vacant school owned by the Corporation. The Board proceeded contrary to the position of the Department."*

Board Response

This particular school had been closed since 1995, and in fact was vacant prior to the introduction of the Schools Act, 1997. *The legal opinion was that this property and its disposal fell outside the provisions of section 84 of that* Act. *Over that extended period of time the building deteriorated significantly and had become a major safety hazard for the Board and the Town of Gander. In June of 2002, the Town of Gander issued an order for immediate demolition.*

The Board sought assistance on this matter from the Department of Education on a number of occasions and under two Deputy Ministers. The Board was advised by the Department to go and seek further legal advice, which it did. As a result of this legal advice and considering the real and immediate safety and liability risks, the Board entered into a cost shared agreement for demolition.

4. *"Furthermore, the* Schools Act, 1997 *requires school boards to obtain the written approval of the Minister of Education prior to entering into employment contracts for all director and assistant directors. The Board prepared and executed contracts of employment for the director and the three assistant directors effective from the completion date of the previous contract or upon hiring. Although these contracts were effective in 2001 and 2002, none of the contracts were executed until May 2003 and, while they were forwarded to the Department, they were not approved by the Minister of Education."*

Board Response

This is a long standing issue, involving all Boards and their Senior Management Personnel, dating back to 1996. It is a matter that has entailed substantial discussions involving individual School Boards, the School Boards Association, the Association of Directors of Education, various Ministers of Education and their Deputy Ministers, and Treasury Board officials. As well, there have been a number of related legal challenges.

The Board understands that the Auditor General is reviewing this matter separately, involving all Schools Boards. For the purpose of this report, it would only comment that it feels that its actions on this matter were arrived at in the same context as was the actions of other boards.

The Auditor General recommends, *"The Board should:*

- *comply with the* Public Tender Act *and* Regulations*;"*

On this matter the report states

"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 identified 8 purchases totalling $157,024 which were not publicly tendered and 14 purchases totalling $52,533 where three quotes were not obtained. Furthermore, the Board is not complying with the* Public Tender Act *in that it does not notify the Minister of Government Services and, therefore, the House of Assembly of any public tender exceptions such as sole source or emergency purchases."*

Board Response

It should also be noted that the board has very little options in remote areas with tendering for snow clearing services and servicing furnaces. Many times there is only one provider of the service available in these communities.

It should also be noted that school boards are under resourced in terms of staffing to comply with the various regulations and acts. Although we make every effort to comply with these acts and regulations, we acknowledge instances of periodic non-compliance.

There are instances of purchases made to sole source suppliers. We recognize the Board's omissions in not filing the appropriate form with the Minister of Government Services and will revise our procedures to do this in the future.

With respect to some specific references in the report we offer the following commentary.

Oil Remediation at St. Joseph's Academy. The Board was not directly involved with the tender for the demolition of the St. Joseph's school or the remediation of contaminated soil. The tender was prepared by a private consultant retained by the Roman Catholic Episcopal Corporation. The Board cost shared the remediation work in accordance with an agreement with the Roman Catholic Episcopal Corporation.

Used Bus Purchase. This would have been arranged and approved through the Department of Education. The Board complied with the direction of the Department of Education on this matter.

Energy Performance Contracting. There were only two proposals received. One of the bidders submitted a partial proposal only for the school district to consider. After it was determined that the partial proposal that was submitted would cost more to the Board as compared to the full proposal that was submitted by Honeywell for the same number of schools, the Board saw no reason, in consideration of the Public Tender Act*, to continue with a detailed evaluation of the one and only complete proposal it received.*

Controls over Tenders. It has been the Board practice to date stamp the sealed envelope as it arrives. All tenders are then opened in public at the predetermined public opening. The envelopes are kept on file with the tenders for a period of time after the tender is closed.

2.8 Lewisporte/Gander School Board

The Auditor General recommends, *"The Board should:*

- *strengthen controls relating to purchasing and capital assets;"*

On this matter the report states

"Our review identified the following weaknesses in the Board's internal controls:

- *the controller has cheque signing authority, has access to the signature plate, and also has responsibility for reconciling the bank account; and*

- *there are no procedures in place at the school level to ensure that the ordering, receiving and approval of goods and services are performed by different staff."*

Board Response

With respect to the first bullet, the practice referenced for the 2003-year has now been changed to address the type of concern raised.

With respect to the second bullet, this is a long-standing challenge for School Boards and unfortunately it is another example of not having sufficient staff for these purposes.

The Auditor General also speaks to vehicle use and cost, and electricity billing discounts.

On these matters the report states

"Our review of procedures to monitor the use of Board owned vehicles and the payment of vehicle allowances indicated the following:

- *…Our review indicated that the Board Controller was provided with the $85 per month ($1,020 per annum) vehicle allowance; however, there was no record of kilometres actually driven nor was there any amount paid for kilometres driven. As a result, the Board could not demonstrate that the Controller travelled enough to qualify for the $85 per month vehicle allowance.*

Board Response

This was a mutual agreement in lieu of a per km rate for the controller to deliver the mail to the post office and to take care of the board's banking needs. A quick review of the distances would suggest that this service should have cost the Board in the area of $3,000 due to the travel being more than 2400 kms per year. The controller would have been entitled to both the allowance and the per km rate.

- *"At the time of our review the Board maintained 10 service vehicles that were being used primarily in the bussing and maintenance departments. Two of the vehicles (a 4X4 Sport Utility Vehicle and a Pick-up) were available for use of two management staff on a 24 hour basis; however, no logs were being maintained to determine the extent of any personal use. As a result, the Board cannot adequately monitor the usage of these vehicles. Furthermore, the Board does not issue a taxable benefit slip for these employees. We note that neither vehicle has markings to identify it as Board-owned."*

Board Response

The board does not permit the personal use of board vehicles and therefore, would not require a detailed log to be kept. Our Operations Manager and Pupil Transportation Supervisor use both of the vehicles in question. Both vehicles are parked at the end of each workday and are available to the employees for use on board business only. We do not have any evidence that these vehicles are being used for personal use.

"The Board is not always taking advantage of significant purchase discounts offered for the prompt payment of electricity bills. For the 12-month period ended February 2004, the Board forfeited discounts totalling $16,539. This is a poor management practice. The Board identified a strategy to reduce energy costs by entering into a $1.75 million energy retrofit initiative in November 2002. Forfeiting electricity discounts conflicts with this strategy."

Board Response

We have already improved our payment procedures to take advantage of the discounts offered on electricity bills. It should also be noted that difficulties with the minimum staffing levels clearly impacts on the efficiency of getting bills paid on time. Staffing levels at district office are very thin in the 10-district system. The additional reductions resulting from the most recent restructuring of the province's school districts will only exasperate the problem.

2.8 Lewisporte/Gander School Board