PART 2.3

DEPARTMENT OF EDUCATION

NOVA CENTRAL SCHOOL DISTRICT
- MONITORING OF FINANCIAL OPERATIONS
Executive Summary

The Nova Central School District (the District) is responsible for the delivery of primary, elementary, intermediate and secondary educational services to approximately 12,700 students in 66 schools in Central Newfoundland. As at 30 June 2009, the District had 1,864 teachers and 526 administrative and support staff, with annual salary costs of approximately $110.1 million. For the fiscal year ending 30 June 2009, the District had expenditures totalling approximately $132.4 million.

Our review identified a number of issues with regard to the District’s non-compliance with the Public Tender Act and lack of monitoring and control of its capital assets and vehicle fleet. We also identified issues with compensation and recruitment practices and expenditures related to travel claims, cell phones and other expenditures. In particular:

Public Tender Act

We identified 14 purchases totalling approximately $627,000 where the District did not call a public tender as required. In 4 of these 14 purchases totalling approximately $294,000 the District split the purchases to avoid the requirement to call a public tender. In total, 35 purchase orders were issued in amounts less than the threshold limits (i.e. greater than $10,000 for goods and services and greater than $20,000 for public works) required for tendering.

We identified 6 purchases totalling approximately $227,000 where, although the District determined that these were sole source purchases, the required Form B was never completed. Therefore, the Government Purchasing Agency was not notified as required and consequently the House of Assembly was not informed of these 6 instances totalling approximately $227,000.

We identified 4 purchases totalling approximately $16,500 where the District did not obtain the required three quotes or provide documentation to show that a fair and reasonable price was obtained.

We identified 1 purchase for $56,370 for mechanical tools where the District did not award the tender to the lowest bidder and there was no documentation to support why the lower bids were not accepted.
We identified 1 purchase for $59,015 for music equipment which had been tendered for a specific brand and model number. While the tender also referred to “or equivalent”, in our opinion, the tender specifications were so specific that it did not meet the spirit and intent of the Public Tender Act to provide a level playing field. Two lower bidders were excluded because they did not meet all of the specifications.

We identified 1 purchase for approximately $40,000 for a wheelchair lift where, although the District completed and filed a Form B as an emergency purchase, in our opinion, this was not an emergency situation. The wheelchair lift was required in September 2008; however, it was not installed until March 2009. A temporary lift had been in place since September 2008. Therefore, there was ample time for a tender call.

**Monitoring and Control of Contracts**

We identified a number of issues relating to the monitoring and control of contracts as follows:

- Two companies were not required to provide either workers’ health and safety clearance letters or proof of insurance coverage for the second and third year of a fire alarm inspection contract and a fire extinguisher inspection contract.

- One company was paid $103 per month for garbage collection related to one school from March 2008, when it closed, to the period of our review in February 2010.

- The District requested two quotes for the removal, transportation and disposal of septic waste at one school. The lowest quote at approximately $0.08 per litre (65,000 litres for $5,095) was not accepted. Instead, the contract was awarded to a company based on $0.09 per litre.

  We note that, subsequent to the contract being awarded, the company billed and the District paid a fixed rate of $1,495 per trip. The District also paid a $350 tipping fee to the town council for each trip the company made. The District was not able to provide documentation to explain the pricing arrangements.
Nova Central School District

Vehicle Fleet

The District did not adequately monitor the cost and usage of its 28 service vehicles and 180 buses. Specifically:

- The District did not monitor cost and usage on any of its 208 vehicles; however, information on fuel and maintenance costs was maintained on 17 of 28 of its service vehicles. For example, we identified two instances where the fuel card slips indicated that gasoline purchases were made for two school buses with diesel engines.

- Although the District has 111 fuel credit cards, they were not necessarily assigned to a particular vehicle in order to allow monitoring of costs. In addition, during our audit, we determined that the District could not locate 8 of the 111 fuel credit cards.

- We found 26 instances of expenditures totalling $860 inappropriately charged to the fuel credit cards. In particular, $753 related to restaurant charges and $107 related to one unspecified purchase at a convenience store. Restaurant charges, if claimable, should be included on employee travel claims.

- Employees were required to record the vehicle number or licence plate number, kilometre reading and initial the receipt at the time of fuel purchase; however, our review of 150 fuel credit card slips for 11 fuel credit cards identified that the required information was not always recorded.

- Fourteen of the 111 fuel credit cards were maintained at service stations which were available for use by District staff to refuel vehicles. Having fuel credit cards maintained at service stations for use by a variety of District staff increases the risk of unauthorized use.

- The District had an arrangement with various service stations whereby its vehicles could refuel and information such as vehicle number, driver name, litres purchased, total cost, date and odometer reading was recorded on a log sheet. Although these log sheets were attached to the monthly statements, they were not reviewed by the District in order to monitor fuel consumption and costs.
Sixteen of 28 District service vehicles were kept at employees’ homes after working hours and on weekends. Government policy requires that Government vehicles are only to be kept at employees’ homes when the employee is officially on call or it has been determined that it is advantageous for the employee to be able to leave their home to go to their work site. We found that:

- There was no documentation to demonstrate that these 16 vehicles should be kept at personal homes.
- 4 of the 16 vehicles were located in communities where a District depot was also located. As a result, it is difficult to understand why the employee would be permitted to have the District vehicle parked at their home.
- 2 of the 16 vehicles were used by management employees who drove 44 kilometres return and 70 kilometres return each day from their home to their headquarters. Government policy states that no employee shall use a Government vehicle from their home to work on a daily basis unless authorized by a department head. No such authorization was on file at the District.

**Capital Assets**

The District did not adequately monitor and safeguard its furniture and equipment. Specifically:

- The District did not have a policies and procedures manual to guide staff in the monitoring and safeguarding of capital assets.
- Furniture and equipment was not tagged for monitoring and control purposes.
- There was no capital asset ledger maintained. There was, however, a listing of certain computer equipment. Computer equipment purchased by the District was recorded on a listing and computer equipment purchased by the Department and provided to the District was included on a listing prepared by the Department. However, computer equipment donated through the Computers for Schools Program was not recorded on the listing. Furthermore, the District’s listing was not maintained prior to February 2007 and did not include cost information. The Department’s listing did not include either cost information or the date of acquisition.
The District did not conduct periodic inventory counts to confirm/reconcile its furniture and equipment inventory.

We determined that two of eight computers we selected for examination from the District’s listing were not physically located at head office. Apparently one computer was at an employee’s home while the other computer was in an employee’s vehicle. Although we asked the employee to retrieve the computer from the vehicle, the employee did not comply.

As at February 2010, the District had 7 vacant schools and 1 vacant administrative building. The schools became vacant as follows: June 2004, June 2005, January 2007, June 2007 (2), March 2008 and June 2008, while the administrative building became vacant in September 2007. The District estimates that it had incurred operating costs at these vacant buildings totalling $129,000 for fiscal year 2009. Although the District has taken various actions (e.g. contacted the denominational authorities and held discussions with the Department) to address the disposition of these vacant buildings, in our opinion, the District has not made a final plan for disposition in a timely manner.

Compensation and Recruitment Practices

We identified a number of issues with regard to compensation and recruitment practices as follows:

- The process for hiring summer maintenance employees was not documented and the District did not maintain any competition files. This was especially relevant for the period prior to February 2009 when the summer maintenance employees were not unionized and there was no requirement to hire summer maintenance employees based on seniority.

- We identified an instance where, in July 2007, a spouse of a senior maintenance manager was hired as a labourer under the summer maintenance program and no competition was held for the position. Furthermore, the person, in their application letter, indicated that they had “no employment experience as a labourer”. The District was unable to provide us with documentation to determine whether more qualified persons were available for the position.
Nova Central School District

Leave

The District was not adequately recording, monitoring and reporting leave for its management employees. In particular:

- The District did not use a standard leave form for requesting and approving leave for management employees. Instead, the District indicated that it used emails to request and approve leave; however, this documentation was not always on file to support the leave.

- The District did not record, in its financial statements, a liability of approximately $400,000 as at 30 June 2009 relating to the paid leave of 10 senior administrative employees.

Expenditures Issues

Travel

Approval of out-of-Provence travel was not consistently documented by an employees’ supervisor prior to the travel being taken. For example, for the period of our review, we identified 7 instances totalling approximately $42,000 where 18 employees travelled out-of-Provence and there was no travel authorization documentation attached to the travel claim. Upon enquiry, officials provided various travel authorization documentation such as email requests, cheque requisitions, Board approvals and budget documentation.

Cell Phones

The District was not adequately monitoring the usage and costs of cell phones. From July 2008 to December 2009, the District spent approximately $67,624 on cell phone communications for approximately 79 cell phones. There was no listing of cell phones identifying: who the cell phone was assigned to; the cell phone number; cell phone plan information; or the issue date. Furthermore, the District had not analyzed its cell phone services to ensure that the most optimal package had been acquired. For example, we identified 7 cell phones where the cell phone plan minutes were exceeded by approximately $3,600 for a seven month period.
**Nova Central School District**

**Purchase Orders**

Purchase orders were either not always completed or were completed after the purchase was made. Furthermore, the District did not have a centralized purchasing department and, therefore, purchases were being initiated and approved by various individuals and divisions throughout the District. As a result, the controls associated with purchase orders were not always present. This could result in unauthorized purchases.

*Non-compliance with the Schools Act, 1997*

Contrary to the *Schools Act, 1997*, the District did not obtain approval of the Minister of Education before entering into long-term financing leases totalling approximately $410,000 relating to the acquisition of equipment and vehicles.

*Use of Electrical Contractor*

During the fiscal year ending 30 June 2009, the District paid approximately $236,000 (273 transactions) to one electrical contractor for material and labour for various electrical work in the central west area. The District did not either tender for a standing offer for electrical services or determine whether a more cost effective solution existed i.e. hiring staff electricians for central west as for central east where there were 3 electricians and 1 apprentice electrician.

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**Background**

**Overview**

The Nova Central School District (the District) was established in September 2004 after school boards were reorganized from 11 school boards to 5 school districts. The District is responsible for the delivery of primary, elementary, intermediate and secondary educational services as prescribed by the Department of Education, primarily through the *Schools Act, 1997*.

The District’s head office is located in Gander with the District operating 66 schools with a student population of 12,700 for the 2008-09 school year. The District has 1,864 teachers and 526 administrative and support staff with annual salary and employee benefit costs of approximately $110.1 million. For the fiscal year ending 30 June 2009, the District had expenditures totalling approximately $132.4 million.
The District serves a mostly rural population, spread over a large geographical area that ranges from Charlottetown in the East to Westport on the Baie Verte Peninsula to Harbour Breton on the south coast and to Fogo Island on the north coast. Figure 1 provides a map of the District.

Figure 1

Nova Central School District
Geographical Boundary

Figure 2 summarizes the financial position of the District for the fiscal years ending 30 June 2007 through to 2009. As at 30 June 2009, the District reported an accumulated operating deficit of $18.8 million (which includes $21.1 million in severance pay) and $178.4 million investment in capital assets.
Figure 2

Nova Central School District
Financial Position
As at 30 June 2007 through to 2009
($000’s)

<table>
<thead>
<tr>
<th>Fund</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$ 14,285</td>
<td>$ 16,642</td>
<td>$ 18,891</td>
</tr>
<tr>
<td>Current Liabilities (Less capital)</td>
<td>(12,745)</td>
<td>(14,944)</td>
<td>(16,582)</td>
</tr>
<tr>
<td>Severance Pay</td>
<td>(19,995)</td>
<td>(20,383)</td>
<td>(21,129)</td>
</tr>
<tr>
<td><strong>Accumulated Operating Deficit</strong></td>
<td>$ (18,455)</td>
<td>$ (18,685)</td>
<td>$ (18,820)</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$ 176,175</td>
<td>$ 183,132</td>
<td>$ 186,027</td>
</tr>
<tr>
<td>Long-term Debt</td>
<td>(8,886)</td>
<td>(7,630)</td>
<td>(6,408)</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>(1,402)</td>
<td>(1,227)</td>
<td>(1,221)</td>
</tr>
<tr>
<td><strong>Investment in Capital Assets</strong></td>
<td>$ 165,887</td>
<td>$ 174,275</td>
<td>$ 178,398</td>
</tr>
</tbody>
</table>

Source: Audited Financial Statements

Operating results

Figure 3 provides details of the District’s revenue and expenditures for fiscal years ending 30 June 2007 through to 2009. As Figure 3 shows, the Provincial Government provided operating grants of $113.6 million, $121.1 million and $129.3 million for 2007, 2008 and 2009 respectively.
Figure 3

Nova Central School District
Revenue and Expenditures
Fiscal Years Ending 30 June 2007 through to 2009
($000’s)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial Grants</td>
<td>$113,564</td>
<td>$121,083</td>
<td>$129,262</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>-</td>
<td>83</td>
<td>46</td>
</tr>
<tr>
<td>Ancillary Services</td>
<td>56</td>
<td>41</td>
<td>36</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,590</td>
<td>1,065</td>
<td>2,942</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>115,210</td>
<td>122,272</td>
<td>132,286</td>
</tr>
<tr>
<td><strong>Instructional</strong></td>
<td>89,839</td>
<td>94,775</td>
<td>101,667</td>
</tr>
<tr>
<td><strong>Operations and Maintenance</strong></td>
<td>11,946</td>
<td>13,657</td>
<td>15,675</td>
</tr>
<tr>
<td><strong>Pupil Transportation</strong></td>
<td>10,288</td>
<td>10,703</td>
<td>11,118</td>
</tr>
<tr>
<td><strong>Administration</strong></td>
<td>2,963</td>
<td>3,320</td>
<td>3,922</td>
</tr>
<tr>
<td><strong>Ancillary Services</strong></td>
<td>-</td>
<td>38</td>
<td>39</td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>33</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>115,069</td>
<td>122,502</td>
<td>132,422</td>
</tr>
<tr>
<td><strong>Surplus (Deficit)</strong></td>
<td>$141</td>
<td>$(230)</td>
<td>$(136)</td>
</tr>
</tbody>
</table>

Source: Audited Financial Statements

Audit Objectives and Scope

The objectives of our review were to determine whether:

- compensation and recruitment practices were in accordance with Government policy;
- purchases of goods and services were properly approved and controlled, and complied with the Public Tender Act and Regulations; and
- capital assets were properly monitored and controlled.
Audit scope

Our review was completed in March 2010 and covered the period 1 July 2008 to 31 December 2009. Our review included the examination of the District’s financial records and file documentation, and interviews with senior staff.

Detailed Observations

This report provides detailed audit findings and recommendations in the following sections:

1. Compensation and Recruitment Practices
2. Tendering of Goods and Services
3. Travel Claims, Cell Phones and Other Expenditures
4. Buildings, Furniture and Equipment
5. Vehicles

1. Compensation and Recruitment Practices

Overview

During the fiscal year 2009, the District employed approximately 2,390 staff (1,864 teaching staff and 526 administrative and support staff) on a full or part-time basis. For the fiscal year 2009, the District spent $110.1 million on salary and employee benefits.

From our review of executive and management employee compensation (including leave entitlement), a sample of 17 non-teacher job competitions and a sample of 4 position reclassifications, we identified issues in the following areas:

A. Job Competitions
B. Employee Leave

Details are as follows:
1A. Job Competitions

For the period 1 July 2008 to 31 December 2009, the District reported approximately 200 job competitions for bargaining unit positions, non-bargaining positions and senior executive positions. Job competitions ranged from temporary part-time to permanent full time positions.

Our review of 17 job competitions and 4 position reclassifications identified issues with incomplete documentation to support the competition process and 1 instance where a job competition was not held.

- The process for hiring summer maintenance employees was not documented and the District did not maintain any competition files. This was especially relevant for the period prior to February 2009 when the summer maintenance employees were not unionized and there was no requirement to hire summer maintenance employees based on seniority. The District hired employees for the summer maintenance period each year from employees hired in the previous year’s summer program, applications on file from previous year and new applications; however, the competition process was not documented for these positions prior to 2009. As a result, District officials could not demonstrate whether the competition process was fair and complete.

For example, we identified an instance where, in July 2007, a spouse of a senior maintenance manager was hired as a labourer under the summer maintenance program and no competition was held for the position. Furthermore, the person, in their application letter, stated, “Although I have no employment experience as a labourer I have worked on a number of construction projects on a personal and volunteer basis”. District officials were unable to provide us with documentation to determine whether more qualified persons were available for the position.

- We identified 1 instance where an employee was temporarily promoted to a higher position in September 2008 and has remained in the position since that time.
1B. Employee Leave

As at 30 June 2009, the District reported annual and paid leave payable totalling $768,000. Management and executive employees are required to comply with Government’s paid leave policy while bargaining unit employees are required to comply with leave articles in the collective agreement.

Our review identified that the District was not adequately recording, monitoring and reporting leave for its management employees. In particular:

- The District did not use a standard leave form for requesting and approving leave for management employees. Instead, the District indicated that it uses emails to request and approve leave; however, this documentation was not always on file to support the leave. The use of e-mails to document and support leave has inherent risks as e-mails may be deleted or employee e-mail accounts may be removed once an employee terminates employment.

We do note that the District was test piloting an on-line leave system for its human resources and information technology employees; however, this system had yet to be fully implemented.

- In the absence of leave forms, we reviewed a sample of 32 periods of leave for 11 management employees to determine whether reported leave was supported by an e-mail or recorded in the on-line leave system. We found:
  - 15 periods of leave were supported by an e-mail request, one of which was obtained from the employee because the supervisor had not maintained the e-mail request;
  - 5 periods of leave were not supported by an e-mail or other documentation;
  - 4 periods of leave were supported by a day planner entry or the employee’s monthly time sheet;
  - 3 periods of leave for one employee were supported by a Leave Request form used by bargaining unit employees in addition to an e-mail request. However, one Leave Request form was not approved; and
Nova Central School District

- 5 periods of leave were reported through the piloted on-line system. Of these entries, 2 periods of leave were for sick leave and recorded in the on-line system. However, Government’s Paid Leave policy requires that the first two days a management employee is on sick leave should be recorded as paid leave. A Human Resources staff member indicated that although the on-line system had the leave recorded as sick leave, one employee’s paid leave was accurately reported in their personnel file records as the employee was nearing retirement. Also, one period of sick leave was entered approximately 6 months after the leave was taken.

In addition, one period of paid leave was not approved in the system until 4 months after the leave was entered; and 1 period of leave for 10.5 hours (3.5 hours for 3 half days) was entered in the system as 3.5 hours.

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**Leave not adequately monitored**

- The system requires that an employee’s supervisor verify that paid leave is accurately recorded by agreeing submitted time sheets to leave requests before time sheets are submitted to payroll for processing. Although this procedure verifies leave recorded on the time sheets, it does not ensure that leave taken and not recorded in the time sheets is identified, especially if the e-mail request and approval were well before the leave was taken.

- Government’s Paid Leave policy requires that a minimum of 10 days of paid leave have to be taken each year by management staff. Employees who are unable to use a minimum of 10 days paid leave each year as a result of being on extended sick leave, injury-on-duty or because of bona fide operational requirements, may be exempted by the employer. Our review of 11 management employees’ leave identified that 2 management employees recorded paid leave of 6 days and 8.5 days respectively during the school year 2009; however, there was no documentation to approve these exemptions.

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**Leave accrual not reported**

- The District did not record, in its financial statements, a liability of approximately $400,000 as at 30 June 2009 relating to the paid leave of 10 senior administrative employees.
Recommendations

The District should:

- conduct and document job competitions for all job postings to ensure the integrity of the hiring process;
- document the request and approval of leave for management and executive through a leave form; and
- ensure its leave accrual is accurately reported in the financial records.

2. Tendering of Goods and Services

Overview

The District spent approximately $23 million during the fiscal year 2009 and $9 million for the period 1 July 2009 through to 31 December 2009 on goods and services. Whenever the District acquires goods and services, it must comply with the requirements of the Public Tender Act (the Act) and the Public Tender Regulations, 1998 (the Regulations). Figure 4 summarizes the requirements of the Act.

Figure 4

Nova Central School District

Public Tender Act Requirements

<table>
<thead>
<tr>
<th>When goods and services cost ...</th>
<th>Or a public work costs ...</th>
<th>Then the District must ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than $10,000</td>
<td>More than $20,000</td>
<td>Invite tenders</td>
</tr>
<tr>
<td>$10,000 and less</td>
<td>$20,000 and less</td>
<td></td>
</tr>
</tbody>
</table>

- Obtain quotations from at least three legitimate suppliers, or
- Establish for the circumstances a fair and reasonable price.
Nova Central School District

The Act provides exceptions where tenders may not be required. In such cases, the District must inform the CEO of the Government Purchasing Agency who must submit a report to the House of Assembly.

In our sample of 46 purchases over $10,000 and a sample of 25 purchases under $10,000 we identified issues with the tendering of goods and services in the following areas:

A. Goods and services greater than $10,000
B. Goods and services $10,000 and less

2A. Goods and services greater than $10,000

Our review included a sample of 46 purchases greater than $10,000 totalling $2.4 million for the period 1 July 2008 to 31 December 2009 to assess the District’s compliance with the Act and Regulations. Our review identified the following:

- 26 purchases totalling $1,556,600 were tendered in accordance with the Act; and

- 20 purchases totalling $854,329 were not tendered as required by the Act; (We identified 6 purchases totalling $227,576 where, although the District determined that these were sole source purchases, the required Form B was not completed. Therefore, the Government Purchasing Agency was not notified as required and consequently the House of Assembly was not informed of these 6 instances).

Figure 5 provides details of the 20 purchases not tendered.
## Nova Central School District

### Figure 5

**Nova Central School District**

**Items Not Tendered**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (net of HST)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 July 2008</td>
<td>$26,986</td>
<td>Conversion of two buses to wheel chair accessible units</td>
</tr>
<tr>
<td>11 July 2008</td>
<td>45,107</td>
<td>St. Pierre trips</td>
</tr>
<tr>
<td>1 February 2009</td>
<td>33,320</td>
<td>Software maintenance agreement</td>
</tr>
<tr>
<td>4 April 2009</td>
<td>50,429</td>
<td>Accounting software program</td>
</tr>
<tr>
<td>15 June 2009</td>
<td>11,614</td>
<td>Functional curriculum materials</td>
</tr>
<tr>
<td>2008-2009</td>
<td>60,120</td>
<td>Computers for schools - upgrades</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>227,576</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Multiple Purchases for the Same Goods or Services**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (net of HST)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2008 (3 purchase orders)</td>
<td>11,398</td>
<td>Acoustic ceiling tiles</td>
</tr>
<tr>
<td>June - December 2009 (8 purchase orders)</td>
<td>55,648</td>
<td>Air conditioning units for computer rooms - 8 schools</td>
</tr>
<tr>
<td>2008-2009 (14 purchase orders)</td>
<td>75,561</td>
<td>Enhanced inspections - repairs/cleaning ventilation - 14 schools</td>
</tr>
<tr>
<td>2008-2009 (10 purchase orders)</td>
<td>151,450</td>
<td>Oil tank removals/replacements - 10 schools</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>294,057</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Other**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (net of HST)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February and March 2009</td>
<td>56,380</td>
<td>Hazardous materials assessments - 38 schools</td>
</tr>
<tr>
<td>11 - 12 May 2009</td>
<td>28,077</td>
<td>Provincial high school festival - accommodations and meals</td>
</tr>
<tr>
<td>20 November 2009</td>
<td>28,001</td>
<td>District professional development - accommodations and meals</td>
</tr>
<tr>
<td>20 November 2009</td>
<td>37,340</td>
<td>2 used vehicles</td>
</tr>
<tr>
<td>20 November 2009</td>
<td>30,200</td>
<td>2 used vehicles</td>
</tr>
<tr>
<td>24 November 2009</td>
<td>18,800</td>
<td>1 used vehicle</td>
</tr>
<tr>
<td>2008-2009</td>
<td>71,760</td>
<td>Septic tank cleaning - Lester Pearson Memorial High</td>
</tr>
<tr>
<td>2008-2009</td>
<td>29,921</td>
<td>Elevator Inspections and repairs</td>
</tr>
<tr>
<td>2008-2009</td>
<td>18,300</td>
<td>Garbage collection - 11 buildings</td>
</tr>
<tr>
<td>2008-2009</td>
<td>13,917</td>
<td>Garbage collection - 5 buildings</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>332,696</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$854,329</strong></td>
<td></td>
</tr>
</tbody>
</table>
Nova Central School District

Our review identified the following issues with goods and services tendered by the District:

- We identified 1 purchase for $59,015 for music equipment which had been tendered for a specific brand and model number. While the tender also referred to “or equivalent”, in our opinion, the tender specifications were so specific that it did not meet the spirit and intent of the Act to provide a level playing field. Two lower bidders were excluded because they did not meet all of the specifications.

- We identified 1 purchase for $56,370 for mechanical tools where the District did not award the tender to the lowest bidder and there was no documentation to support why the lowest bid was not accepted.

- Two companies were not required to provide either workers’ health and safety clearance letters or proof of insurance coverage for the second and third year of a fire alarm inspection contract and a fire extinguisher inspection contract.

Our review also identified issues with goods and services that were not tendered by the District as follows:

- We identified 4 instances totalling $294,057 where 35 purchase orders were issued in amounts less than the threshold limits required for tendering (i.e. greater than $10,000 for goods and services and greater than $20,000 for public works) and for each instance were for the same goods and services. The District did not call tenders for any of the instances identified. Specifically, 3 purchase orders totalling $11,398 were for acoustic ceiling tiles, 14 purchase orders totalling $75,561 were for ventilation system cleanings, 8 purchase orders totalling $55,648 were for air conditioning units, and 10 purchase orders totalling $151,450 were for oil tank removal and replacement. Although the purchases were made over a period of time, in our opinion, the District had sufficient information on the estimated scope and costs to be performed in each instance.

- We identified 1 purchase for $39,995 for a wheelchair lift where, although the District completed and filed a Form B as an emergency purchase, in our opinion, this was not an emergency situation. The wheelchair lift was required in September 2008; however, it was not installed until March 2009. Because a temporary lift had been in place since September 2008, there was ample time for a tender call.
Nova Central School District

- The District requested two quotes for the removal, transportation and disposal of septic waste at one school and the lowest quote at approximately $0.08 per litre (65,000 litres for $5,095) was not accepted. Instead, the contract was awarded to a company based on $0.09 per litre.

We note that, subsequent to the contract being awarded, the company billed and the District paid a fixed rate of $1,495 per trip from August 2007 to November 2009. The District also paid a $350 tipping fee to a town council for each trip the company made until August 2009, after which the District paid a $550 tipping fee directly to the company up to November 2009. The District was not able to provide documentation to explain these pricing arrangements.

- One company was paid $103 per month for garbage collection related to one school from March 2008, when it closed, to the period of our review in February 2010. We also noted workers’ health and safety clearance letters, proof of insurance coverage, vehicle registration, pest control certification and a certificate of approval to collect garbage was not on file for this company.

2B. Goods and services $10,000 and less

Quotes were not always obtained

Our review included a sample of 25 purchases that were $10,000 and less totalling $125,884 for the period 1 July 2008 to 31 December 2009. Our review identified 4 purchases totalling $16,495 that did not have the required three quotes or documentation that a fair and reasonable price was obtained.

Other issues

Our review also identified issues with the level of detail on invoices to support quoted prices and the awarding of quotes to higher bidders. Specifically:

- One contract was quoted and awarded for walkway renovations based upon a $65 per hour wage rate; however, the invoice totalling $6,300 had no details on the number of hours to complete the walkway. As a result, the District could not determine if the contract was completed at the quoted wage rate.

- The District paid $7,200 for one school’s air conditioning unit even though another company quoted a lower price for $6,500.
Nova Central School District

Recommendation

The District should comply with the Public Tender Act and Regulations.

3. Travel Claims, Cell Phones and Other Expenditures

3A. Travel Claims

The District spent approximately $1.1 million in travel expenses from July 2008 to December 2009. The District follows Government’s travel rules and employees are required to complete a District travel claim to support the travel expense claimed.

Our review of the District’s corporate travel card and 161 travel claims for 26 employees and 9 Board members identified the following issues:

- Our review identified 7 instances where the District paid $42,139 for out-of-Province professional development for 18 employees (travel costs of $28,392 and registration fees of $13,747). The District did not document the approval for out-of-Province travel using a journey authorization form prior to the travel occurring to ensure that out-of-Province travel was consistently approved and documented. Although District staff indicated that all out-of-Province professional development is approved prior to travel, either through the budget process, at Board meetings or approved by the employee’s supervisor, none of the travel claims had documentation attached to support this approval.

- Travel claims were not always completed in accordance with Government’s and the District’s travel policies. Of the 161 travel claims examined:
  - 65 travel claims did not record the purpose of the travel to document that the travel was for legitimate District business.
  - 61 travel claims did not record the time of departure or arrival and, as a result, District officials could not verify that meal rates were correctly claimed. For example, for the period 1 July 2008 through
to 31 December 2009, two maintenance employees claimed $2,809 and $1,735 for meals for 197 days and 146 days respectively. None of the claims included times of travel.

- 9 travel claims for 4 employees and 1 Board member were not submitted within 30 days as required by the District. For example, 1 maintenance employee submitted travel claims every 6 months and 1 Board member submitted 6 travel claims for the period September 2008 to June 2009 in June 2009. If travel claims are not submitted on a timely basis, it is more difficult for the approver to verify the travel.

- The Director of Education’s travel claims were not approved by a supervisory employee – in this case at the Board level. Our review of 31 travel claims totalling $25,100 identified that the travel claims were approved by the Assistant Director of Education – Finance who reports to the Director of Education. Travel claims should be approved at an appropriate level to ensure that accountability exists.

Corporate travel card transactions not always supported

- The District has a corporate credit card which was used for travel purposes. From June 2008 to December 2009, the District charged approximately $24,000 in travel expenses. Our review of the corporate travel card charges identified the following:

  - $2,987 for 3 hotel and 2 airfare charges did not have the hotel or airline invoices attached to the monthly corporate card statement to support the expense;

  - the District was not paying the corporate card account when due and as a result incurred $248 in interest charges; and

  - charges made through the corporate card were not always cross-referenced against the travel claim to ensure items were not claimed twice. Our review identified one instance where a hotel charge for $269 was paid through the corporate card and later claimed through a Board member’s travel claim. The Board member had attached the hotel invoice to the travel claim; but did not claim it as an expense; however, when the claim was processed, the hotel charge was incorrectly added to the claim on the assumption that the Board member had forgotten to include it. The District was not aware of the $269 overpayment until our review. Subsequent to our review, the District recovered the overpayment.
3B. Cell Phones

From July 2008 to December 2009, the District spent approximately $67,624 on cell phone communications. The District has approximately 79 cell phones for its executive, administrative and support, program, maintenance and transportation staff. Our review identified that the District did not adequately monitor the usage and costs of cell phones. Details are as follows:

- The District did not maintain an inventory of cell phones which documented which staff members used the phone, cell phone number, cell phone plan information and issue date for record keeping purposes.

- The District has not analyzed its cell phone services to determine if cell phone plans purchased were being utilized, exceeded or whether shared service plans were more optimal. Our review of a sample of 30 cell phones identified the following instances where cell phone plans were either exceeded or not warranted:
  
  - 7 cell phones had a total of $3,619 in excess minute charges as a result of the cell phone plan minutes being exceeded. One cell phone had excess charges totalling $757 for the 7 months examined; and

  - 15 cell phones, with various cell phone plans, were either not used or not used enough to warrant the plan provided. Six phones costing approximately $186 per month were rarely used and not used for 51 of the 60 months examined resulting in an unnecessary cost to the District of $1,641. Nine cell phones costing approximately $392 per month were only used on average 4% to 41% compared to the cell phone plan.

A District official stated that the District’s cell phone service provider was requested in February 2010 to review the District’s cell phone plans.
Nova Central School District

3C. Other Expenditure Issues

Introduction

District policy requires that all purchases of goods and services (except utilities, telephone, etc.) are to be approved by an authorized signing official prior to the purchase being made, either through a purchase order, contract or agreement. District policy also states that the District endorses the concept of centralized purchasing and that purchases should represent the best value for the dollar.

Our review identified the following issues:

- Purchase orders were either not always completed or were completed after the purchase was made. Furthermore, the District did not have a centralized purchasing department and, therefore, purchases were being initiated and approved by various individuals and divisions throughout the District. As a result, the controls associated with purchase orders were not always present and this could result in unauthorized purchases. Our review of 71 purchases from our tender and quote sample identified the following issues:
  - 9 different employees approved purchase orders on behalf of the District;
  - 8 purchase orders totalling $110,618 were dated after the purchase was made. This indicates that purchases were being made without approval prior to purchase being made; and
  - 6 purchases totalling $187,525 did not have purchase orders completed.

- The District did not always take advantage of discounts available when paying its municipal property taxes. We identified 3 instances where property taxes were not paid by the discount date and $1,312 in discounts was not availed of.

- One contract was awarded for two years for the provision of special transportation of one student at a cost of $339 per day for a 6-kilometre, one-way trip (approximately $66,105 annually). Only 1 company bid on the tender and was awarded the contract. In light of the high cost, the District looked at using one of its own buses which had been converted
Nova Central School District

partially to a wheel chair bus; however, the District determined that the vehicle was not practical. In our opinion, given the high cost of the contract, the District should have re-tendered or investigated other alternative arrangements (i.e. purchase of smaller wheel chair bus).

- During fiscal year 2009, the District paid approximately $236,000 (273 transactions) to one electrical vendor for material and labour for various electrical work in the central west area of the District. Discussions with District staff indicated that the District had 3 electricians and 1 apprentice electrician which serviced the central east area. The District did not either tender for a standing offer for electrical services or determine whether a more cost effective solution existed i.e. hiring staff electricians for central west as was in place for central east.

**Debt incurred without the prior approval of the Minister**

- The *Schools Act, 1997* states that a board shall not, in a fiscal year, incur, contract for or become liable for an expenditure or debt that is more than the estimated expenditures or debt set out in its annual budget, except with the prior written approval of the Minister. However, the District entered into long-term financing leases for equipment and vehicles without the prior approval of the Minister of Education. The District expects to pay approximately $410,000 over the next 5 years on these leases.

**No internal audit function**

- The District acknowledged the need for an internal auditor and has been planning for the establishment of an internal audit function. In its fiscal year 2009 budget, the District included funding for an internal audit position; however, as of January 2010, the District did not have an internal auditor in place. Given that the District is responsible for expenditures of $132.4 million, an internal audit function would improve the controls over those expenditures.

**Recommendations**

The District should:

- comply with Government’s travel rules by ensuring travel claims are complete and properly approved;
- monitor costs and usage of its cell phones;
- establish a centralized purchasing system in order to control its expenditures;
- comply with the *Schools Act, 1997*; and
- establish an internal audit function.

### 4. Buildings, Furniture and Equipment

**Overview**

As at 30 June 2009, the District reported capital assets of $186 million. In order for the District to control and monitor its capital assets, it must ensure that policies and procedures are documented and communicated to staff, and that assets are identified and recorded when purchased, periodically inventoried and reconciled to financial records. Figure 6 provides a summary of the District’s capital assets.

**Figure 6**

**Nova Central School District**

**Tangible Capital Assets**

**Fiscal Years Ending 30 June 2008 and 2009**

($000’s)

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$2,493</td>
<td>$2,718</td>
</tr>
<tr>
<td>Buildings</td>
<td>143,167</td>
<td>145,460</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>21,559</td>
<td>22,298</td>
</tr>
<tr>
<td>Service Vehicles</td>
<td>263</td>
<td>245</td>
</tr>
<tr>
<td>Pupil Transportation (Note 1)</td>
<td>15,650</td>
<td>15,306</td>
</tr>
<tr>
<td><strong>Total Capital Assets</strong></td>
<td><strong>$183,132</strong></td>
<td><strong>$186,027</strong></td>
</tr>
</tbody>
</table>

Note 1: Includes land, buildings, service vehicles, buses and equipment

We identified issues in the following areas:

A. Safeguarding of Furniture and Equipment
B. Disposition of Vacant Buildings
4A. Safeguarding of Furniture and Equipment

The District has invested over $22 million in furniture and equipment (including computers). As furniture and equipment are moveable assets and more susceptible to loss, it is important that the District have controls in place to safeguard these assets. Our review identified the following issues:

- The District has not documented its procedures for the control of capital assets including proper recognition, safeguarding, write-downs and disposal of assets. Although the District has been provided with the Province’s Tangible Capital Assets Policies and Guidelines, the District has not developed specific procedures to ensure that the guidelines were followed or adapted, where necessary, to meet the needs of the District. For example, certain thresholds provided in the Guidelines are well above what the District would use for capitalization purposes (i.e. furniture and equipment is $15,000).

- Physical identification methods such as tagging were not used to identify furniture and equipment as District property. Without unique identification, the District could not determine if all assets were recorded and accounted for.

- There was no capital asset ledger maintained. There was, however, a listing of certain computer equipment. Computer equipment purchased by the District was recorded on a listing and computer equipment purchased by the Department and provided to the District was included on a listing prepared by the Department. However, computer equipment donated through the Computers for Schools Program was not recorded on the listing. Furthermore, the District’s listing was not maintained prior to February 2007 and did not include cost information. The Department’s listing did not include either cost information or the date of acquisition.

As part of our review we attempted to locate and examine a sample of 8 items recorded on the District’s computer equipment listing. Our review indicated that two laptop computers were not physically located at head office at the time of our examination. Apparently one computer was at an employee’s home while the other computer was in an employee’s vehicle. Although we asked the employee to retrieve the computer from the vehicle, the employee did not comply. Our review also indicated that the computer located at the employee’s residence was temporarily provided to the employee in September 2009 to administer school board elections; however, the computer was still assigned to the employee four months after the elections had been completed in November 2009.
Nova Central School District

- The District did not conduct periodic inventory counts to confirm/reconcile the furniture and equipment inventory.

As a result, the District cannot determine whether all capital assets were safeguarded and accounted for.

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**4B. Disposition of Vacant Buildings**

As of December 2009, the District reported 74 schools and 12 administrative/maintenance buildings. Our review identified that 8 (7 schools and 1 administrative building) were not being used by the District and have been vacant since as early as 2004. Although the District has taken various actions to address the disposition of the buildings, the duration since the vacancy of the buildings appears excessive. Our review also identified the following issues:

- Although the 8 buildings have been vacant (some as early as 2004) the District has been maintaining the buildings and paying for insurance, property taxes, snow clearing, heat and general maintenance. For example, the Department of Education continues to pay premiums through the Province’s school insurance policy for the 8 buildings, reported at a replacement value of $46.1 million. As Figure 7 shows, the District incurred operating costs at these vacant buildings totalling $129,368 during the fiscal year 2009. Although the District has taken various actions (e.g. contacted the denominational authorities and held discussions with the Department) to address the disposition of these vacant buildings, in our opinion, the District has not made a final plan of disposition in a timely manner.
Figure 7

Nova Central School District
Vacant Buildings
Operating Costs
Fiscal Year Ending 30 June 2009

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Location</th>
<th>Vacant Date</th>
<th>Operating Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summerford Elementary</td>
<td>Summerford</td>
<td>June 2004</td>
<td>$5,653</td>
</tr>
<tr>
<td>Baie Verte Middle</td>
<td>Baie Verte</td>
<td>June 2005</td>
<td>7,707</td>
</tr>
<tr>
<td>L.P. Purchase Academy</td>
<td>Botwood</td>
<td>January 2007</td>
<td>17,672</td>
</tr>
<tr>
<td>M.W. Jean Academy</td>
<td>Burlington</td>
<td>June 2007</td>
<td>8,939</td>
</tr>
<tr>
<td>South Brook Academy</td>
<td>South Brook</td>
<td>June 2007</td>
<td>8,368</td>
</tr>
<tr>
<td>Former School Board Office</td>
<td>Grand Falls-Windsor</td>
<td>September 2007</td>
<td>9,551</td>
</tr>
<tr>
<td>Exploits Valley High-Maple</td>
<td>Grand Falls-Windsor</td>
<td>March 2008</td>
<td>63,518</td>
</tr>
<tr>
<td>Deckwood Elementary</td>
<td>Woodstock</td>
<td>June 2008</td>
<td>7,960</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$129,368</strong></td>
</tr>
</tbody>
</table>

Source: District information

**Disposed buildings still included on insurance listing**

- A review of the District’s insurance listing identified 3 residence buildings at a replacement cost of $466,800; however, an official indicated that the residences were disposed of before 2004. As the buildings were still included on the insurance listing it should be assumed that insurance premiums were being paid for over the 6 years.

**Recommendations**

The District should:

- develop and implement policies and procedures for the identification, recording, controlling and monitoring of capital assets; and

- dispose of vacant buildings in a timely manner to reduce unnecessary costs.
5. Vehicles

Overview

As of December 2009, the District maintained 180 buses and 28 service vehicles. During the fiscal year 2009, the District spent approximately $1.9 million in vehicle operating expenses for busing and $185,000 for service vehicles. Of this, the District spent approximately $1.1 million in fuel for its buses and service vehicles. For fueling purposes, the District used fuel credit cards or had accounts set up at various service stations that did not accept fuel credit cards. The District maintained a fuel credit card listing which recorded 111 fuel credit cards from 3 vendors.

5A. Vehicle Usage and Expenses.

Our review of controls over vehicle usage and expenses identified the following:

- Although the District established a budget for vehicle operating costs by functional group (i.e. pupil transportation, maintenance, administration, etc.) and established schedule accounts for 17 of its 28 service vehicles to report costs by vehicle, the District did not formally monitor the operating cost of each vehicle (including buses) by vehicle or kilometres driven.

- The District had an arrangement with various service stations whereby their vehicles can refuel and information such as vehicle number, driver name, litres purchased, total cost, date and odometer reading was recorded on a log sheet. Although these log sheets were attached to the monthly statements, they were not reviewed by the District in order to monitor fuel consumption and costs.

- 16 of the 28 District service vehicles were being kept at employees’ homes after working hours and weekends. Government policy requires that Government vehicles are only to be kept at employees’ homes when the employee is officially on call or it has been determined that it is advantageous for the employee to be able to leave their home to go to their work site. We found that:

  - There was no documentation to demonstrate that these 16 vehicles should be kept at personal homes.
Nova Central School District

- 4 of the 16 vehicles were located in communities where a District depot was also located. As a result, it is difficult to understand why the employee would be permitted to have the District vehicle parked at their home.

- 2 of the 16 vehicles were used by management employees who drove 44 kilometres return (Glenwood to Gander Depot) and 70 kilometres (Botwood to Grand Falls-Winsor Depot) return each day from their home to their headquarters. Government policy states that no employee shall use a Government vehicle to travel from their home to work on a daily basis unless authorized by a department head. No such authorization was on file at the District.

- Used oil must be disposed of by companies certified under the *Used Oil Control Regulations* under the *Environmental Protection Act*. We identified that 5 of the 6 bussing depots did not use a certified oil disposal company to dispose of used oil at the sites. An official indicated that the District knew that the local companies or individuals that disposed of the used oil were not certified.

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5B. Monitoring of Vehicle Fuel Purchases

Our review of fuel credit card transactions identified the following:

- At the time of our audit, the District was verifying the location of its fuel credit cards to its listings. Although the District has 111 fuel credit cards, they were not necessarily assigned to a particular vehicle in order to allow monitoring of costs. Of the 111 fuel credit cards, the District reported that:
  - 14 cards were kept at service stations;
  - 70 cards were issued to staff or bus depots;
  - 19 cards were located at the District office and not being used; and
  - 8 cards had not been located.

Subsequent to our review, the District indicated that 2 of the unidentified cards were located at service stations and destroyed by the service station as either a new card had been issued or the service station had established an account and was now submitting invoices for payment purposes.
Nova Central School District

Vehicle fuel purchase not adequately monitored

- We found 26 instances of expenditures totalling $860 inappropriately charged to the fuel credit cards. In particular, $753 related to restaurant charges and $107 related to one unspecified purchase at a convenience store. Restaurant charges, if claimable, should be included on employee travel claims. In addition, two slips, a restaurant charge for $51 and a convenience charge of $107 were not attached to the statement.

- Employees were required to record the vehicle number or license plate number, kilometre reading and initial the receipt at the time of fuel purchase. Our review of 150 fuel credit card slips of 11 fuel credit cards for one vendor account for the period July 2008 to November 2008 indicated that 14 gas receipts did not have kilometres recorded, 14 gas receipts did not have the licence plate number recorded and 18 gas receipts were not signed by the employee using the vehicle.

- The District was not adequately reviewing card slips to ensure the reasonableness of each transaction. For example, 2 instances were identified where slips attached for 2 separate buses (1 for $170 – 17 June 2008 and 1 for $100 – 8 October 2008) were for gas purchases in which the buses were diesel vehicles. There was no notation on the slip or statement to indicate that any follow-up had taken place.

- Fourteen of the 111 fuel credit cards were maintained at service stations which were available for use by District staff to refuel vehicles. Having fuel credit cards maintained at service stations for use by a variety of District staff increases the risk of unauthorized use. Government policy requires that fuel credit cards be issued to a specific vehicle and only for fuel purchases of that vehicle. Although log sheets were maintained at these service stations which record the purchase amount, litres purchased, fuel type, kilometres, and employee initial, it was common to see multiple vehicles using the same card.

Recommendations

The District should:

- monitor the cost, use and accessibility of District-owned vehicles;
- comply with the Used Oil Control Regulations under the Environmental Protection Act; and
- issue and maintain fuel credit cards per vehicle to ensure fuel purchases are appropriately tracked and reported.
District’s Response

Response to the items listed in the Auditor's report under Compensation and Recruitment Practices for the Nova Central School District:

Item 1A: Job competitions

The report indicated a concern with seasonal maintenance competitions prior to February 2009 however since this group has been negotiated into the NAPE Master Collective Agreement for Support Staff in 2009, practices have changed and recruitment procedures currently follow as per the collective agreement.

With respect to fair and complete process prior to 2009: external applications were accepted and filed in the HR division under general pool applications for a period of one year (purged annually). When a manager indicated a need for additional seasonal maintenance staff, resumes were pulled from the pool for interviewing. HR is unable to provide applications for the July 2007 timeframe in question due to annual purging for volume /storage capacity. The reference to the common law spouse and manager relationship, this scenario would have been processed through the general application pool. The applicant was interviewed by impartial interview panel and met the minimum qualification requirement of a labourer position. The conflict of interest with manager was removed as he was not involved in the interview or hiring process.

Clarification around the temporary assigning of an employee into a higher paying position: The employer's intent was to forward the new job description to PSS for review and place the employee into the role due to the fact this was a payroll position with time constraints until the position was officially reviewed. Miscommunication led to the description not being filed in a timely manner however it has since been completed and reviewed. PSS has officially reclassified this employee to the higher position of Payroll Clerk III effective July 20, 2010.

Item 1B: Employee Leave

As referenced in the report, the online leave system continues to be rolled out to the District. All management staff are now using the online system, with schools being brought online incrementally throughout the year. An alert email is currently being tested to increase accountability for approval and tracking measures.
The Auditor General noted that the district did not record the liability of approximately $400,000 as at June 30, 2009 for senior administrative employees. It should be noted that it was assumed by the District that the employees in question, (due to the fact that their payroll was paid directly by the Department of Education) that the subsequent year end reports for other employees paid directly by the Department of Education, included these totals. The District felt it had recorded this liability. It is our understanding that all other schools districts in the province made the same assumption. The most recent audited statements for our District now include this liability.

Response to the items listed in the Auditor's report under Tendering of Goods and Services for the Nova Central School District:

Item 2A: Goods and Services Greater than $10,000

No Form B

The Auditor General identified six instances where no Form-B was filed. However, it is the opinion of The Nova Central School District, that two of the identified items did not require a Form-B.

The software maintenance agreement (1 February, 2009 - $ 33,320) is not only a sole source supplier as indicated by the AG; it is also a service that requires technical expertise: 2(g) "services" does not include legal, engineering, architectural, accounting, land surveying, banking or insurance services, voice telephone services, or other services that require the giving of an opinion, creativity, the preparation of a design, or technical expertise..." therefore a tender is not required and section 10(1) does not apply.

The Computers for Schools upgrades (2008-2009 - $ 60,120) is considered a sole source provider. However in addition, it was the opinion of the Nova Central School District that this provider: Computers for Schools, was another government funded body with direction from the Department of Education to avail of the service. Computers for Schools, is a not for profit corporation, created with partnerships from other government funded bodies, including, Memorial University, Newfoundland and Labrador School Board Association and the Province of Newfoundland and Labrador. The act speaks to this: 3(c ) “where the work can be more expeditiously or economically executed by the employees of the government funded body or, with the prior approval of the Treasury Board, the employees of another government funded body” therefore a tender is not required and section 10(1) would not apply.
The Nova Central School District acknowledges and agrees with the other four items identified by the Auditor General. The Nova Central School District has since implemented additional control procedures to ensure that Form-B's are filed with government.

**Issues with items tendered**

The Auditor General noted purchases for musical equipment, where it was his opinion that the specification was so specific that it did not meet the spirit or intent of the act. He noted that the tender included specific requirements and included the term "or equivalent".

**It was the intent of the board to obtain the highest quality musical instruments for the students of Nova Central School District.** The specification was done in consultation with instructors and program specialists. It should be noted that the tender was awarded for musical instruments to two of the three bidders and in two instances "equivalents" were accepted. The District feels that the spirit and intent of the act was met while balancing the need of the students of the District.

With respect to the tender for mechanical tools, originally the lowest tender was forwarded to the Department of Education for approval. It was advised that the tendered should be awarded based on individual line items rather than the complete tender response. The tender was then awarded to two separate suppliers who met all the specifications (based on the tender responses at the individual mechanical tool price quoted). In hindsight there were instances where the suppliers who did not meet all the requirements, but did meet the requirements on some individual items could have been included. However, to award the tender to so many suppliers would have forced logistical costs on to the District, given the various locations that the items need to be shipped and received throughout the District. The District agrees that this information/ reasoning should have been included in the tender file.

The contracts awarded to both fire alarm inspections and fire extinguisher inspections should have included either proof of insurance or workers health and safety clearance. This was an oversight, however it should be noted that both suppliers had the required documents on file in previous years and subsequent years and thus this oversight is not incessant.

**Issues with items not tendered**

With respect to the acoustic ceiling tiles, ventilation system cleanings, air conditioning units and oil tank services where the auditor general has identified deficiencies:
The maintenance department within the Nova Central School District, operates its annual maintenance programs under an annual budget, further its capital projects are directed through the Department of Education budgets. These projects and programs are under constant change throughout the year in terms of scope and budget constraints. If projects change in scope/budget; further capital priorities and maintenance priorities are evaluated. In addition logistics plays a large role in a district that covers a vast geographical area. We strongly disagree that sufficient information is always available to determine the scope of these projects in order to always facilitate larger purchases that would require a tender. However after consideration given to the auditor general recommendations, the board has begun to obtain standing offers for various supplies of services and maintenance items. This should facilitate the best value for the board. It is important to note, that although tenders were not called for the invoices identified, quotes were obtained and documented.

Concerning the wheelchair lift; on the surface this would look like it was not an emergency situation. However, the decision to purchase as an emergency expenditure was made in good faith, after a discussion with the Department of Education. The old stair lift, which had been serviced in August, ceased to function in September. This meant that one student in a wheelchair could not attend classes with her peers, nor could she avail of the labs. The Board acted quickly to approve the purchase with the knowledge that it could take a couple of months to get the lift manufactured and installed. Awarding without full tender process would save the Board a month's time in resolving the situation. It was felt that this month would be crucial to the student's education. Several problems with Government Services approvals and with the manufacturing process arose after the award causing the lift to be delayed until March. In the interim, the Board installed a "stair climber". This device is a last resort and is used as infrequently as possible. Many people simply refuse to use such a device for fear of tipping although they are reputed to be quite safe.

Concerning the septic waste disposal, as the Auditor general noted the $1,495 flat fee was far less expensive than the $0.08 x 65,000 liters and the contract was awarded correctly. The tipping charge was originally paid to the town of Gander until the District discovered that the contractor could dispose of the septic waste for a fee of $275, or as the Auditor General points out: twice for $550. To alleviate the concerns raised by the Auditor General, The district will re-examine the invoices to ensure the correct amounts were billed. Any overbilling will be charged back to the supplier.
Concerning the Garbage collection; the initial contract covered all of the schools in GFW and Bishop's Falls. In March 2008, the District closed EV Intermediate - Maple division and opened the extension at EVI - Greenwood. The contract does address buildings, however in this situation the Greenwood building was extended and thus an increase in volume. The contractor was informed that the work performed for the Maple building had to be performed at the Greenwood building. This is not a situation where the District was paying for garbage collection at an empty building.

The Auditor General also included a number of other items that were not tendered (Figure 5).

The hazardous materials assessments were performed by consultants and quotes were obtained. Consulting services do not require a tender to be issued.

The Provincial high school drama festival and the district professional development accommodation and meals were subject to logistical issues. The number of staff and students requiring transportation to and from venues and/or supervision by chaperons dictated the locations for accommodations. The Board recognizes in these instances a Form “B” should have been filed. The Nova Central School District has since implemented additional control procedures to ensure that Form-B’s are filed with government.

The Nova Central School District did tender the supply of used vehicles; however all of the tender responses came in over budget. The School district worked with the suppliers to obtain alternate vehicles. It should be noted that all the respondents to the original tender shared in the subsequent purchases.

Septic tank cleaning services were performed at the request of the department of education under their supervision and authority.

Elevator inspections are performed as need by the request of the government based on their inspections. The board, does not anticipate the in advance the need for the repairs making a larger annual tender difficult, however the Board in an attempt to follow the public tendering act and anticipation of required service, will begin to obtain standing offers for this type of service. It should be noted the great difficulty that the Board faces when attempting to obtain such services in rural areas.

The garbage collection referred to in figure 5, were a renewal option of a previous tender.
Item 2B: Goods and Services $10,000 or Less

Quotes were not always obtained

The Nova Central School District makes every effort to obtain a fair and reasonable price. The 4 of the 25 purchases examined that did not have adequate documentation to support such efforts is unfortunate. The Nova Central School district will follow up to ensure that proper policy is followed.

Other Issues

The Auditor general also identified an instance where an invoice provided by a supplier of service did not show adequate information. It should be noted that before an invoice is paid, the employee responsible for the budget line would need to approve the invoice and would be familiar with the scope and detail of the work performed, thus determining that the work was performed at the quoted rate.

The District agrees that documentation should have been available to show the reasoning behind the purchase of the more expensive air conditioner. Further investigation revealed that the less expensive air conditioner did not meet the requirements for the district. Adherence to purchasing policy was communicated to staff for this oversight.

Response to the items listed in the Auditor's report under Travel Claims, Cell Phones and Other Expenditures:

Item 3A: Travel Claims

Approval for out of province travel

The auditor general noted that sufficient documentation was not available or attached to the relating travel claim for pre-approval of out of province travel. The Nova Central School District has since implemented a policy and form to be used in all out of province travel to eliminate this deficiency.

Travel claims not always completed as required

The thousands of travel claims ($1.1 million from July 2008 to December 2009 as identified by the Auditor General) are processed by one employee, who, due to the nature of this position, is extremely well versed in the nature of the types of travel (teacher in-service, program staff in a very large district, board travel and management travel) and the applicable rates. The District also requires approval for the travel claims before being processed, where they are again scrutinized. However, the District appreciates the need
to perform better documentation and the completeness of the forms. The District has begun development of an electronic travel claim where, all the required fields are complete before submission for approval can occur.

The Auditor General also noted the need for timeliness of travel claims and the District agrees to these statements. It is for this reason that the Director of Education’s travel claims were approved by the assistant Director of Finance. The Auditor General notes that accountability should exist. The Board of trustees approves the Directors travel budget at the beginning of the year and subsequently during the semiannual report and annual report.

**Corporate travel cards transactions not always supported**

The Auditor General Identified an instance where invoices were not attached to the statement. The corporate Travel Credit Card is often paid through internet billing and the subsequent charge found on the bank statement. It is normal procedure to attach the supporting documentation to the means of payment. In this instance the supporting documentation was included with the monthly bank reconciliation.

The District agrees that corporate card account should be paid regularly to avoid interest payments.

The Auditor General discovered an error whereby a manager, while attempting to correct a travel claim, inadvertently increased the reimbursement. We agree that the corporate travel cards should be reconciled to the travel claims associated.

**Item3B: Cell Phones**

**Cell Phones usage and monitoring**

As the Auditor General noted a review of cell phone plans and policies was begun before and continued during the time of the Auditor Generals visit. The Board now has an inventory of cell phones and has begun updating the various plans as the contracts are required for renewal.
Item 3C:  

Other Expenditure Items  

Purchases orders not always completed properly  

The District acknowledges the issues identified surrounding purchase orders. The District has begun to eliminate manual purchase orders in favor of online (web based) purchase orders and begun to investigate additional purchasing support in the finance department. This should, along with improved communication to staff surrounding the policies, lower the number of users authorized to issue purchase orders, and improve compliance to existing policies.

District did not always demonstrate that expenditures were monitored  

The District makes every attempt to ensure that value is provided when making purchases. The Auditor General points to an instance where, in their opinion, the board should have investigated other arrangements concerning the high cost of an instance of special transportation.

While the District is responsible for the tendering process, in cases of special transportation contracts, the Department of Education provides the approval and guidance. The District will follow the Departments direction in these matters. The Auditor General raised concerns concerning the high costs of electrical services. The District will begin to obtain standing offers on electrical services as with other services outlined earlier in this response.

The Nova Central School District agrees that the instances of not availing of discounts should be corrected and will examine policies to ensure this in the future.

Debt Incurred without Prior Approval of the Minister  

The District lease expenses relate largely to photocopier equipment at the 66 Schools and regional offices. The district and the former smaller districts had such agreements in place, dating back some time. The vehicles under leasing arrangements, were replacements of existing vehicles. The district acknowledges that it should seek approval from the Department of Education for such agreements and will adopt internal procedures to ensure compliance with the Schools Act, 1997.
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No Internal Audit Function

As the auditor General states; the Nova Central School District acknowledges the need for an internal auditor. The Nova Central School District hopes to have such a position in place in the near future.

Response to the items listed in the Auditor's report under Building Furniture and Equipment:

Item 4A: Safeguarding of Furniture and Equipment

Controls not adequate over furniture and equipment

The Nova Central School District agrees that there are insufficient controls over capital assets. The District would require funding for at least one fulltime position in order to create and monitor such records given our district consist of 66 schools, a board office, regional office and various maintenance and bussing depots over such a large geographical area. In an attempt to come to a partial solution; the Nova Central School District has been in discussion with capital asset software solution providers. The District is hoping to determine if this can be a cost effective means of monitoring land, buildings service vehicles and student transportation assets more closely. These assets account for 88% of all capital assets reported by the District, however would not provide the needed controls over equipment.

Item 4B: Disposition of Vacant Buildings

Vacant buildings not disposed of in a timely manner

The Nova Central School District acknowledges the need for the timely disposition of the vacated buildings. The District requested the approval for demolition of Exploits Valley High-Maple and Baie Verte Middle School in January 2009, offered deeds of quit claim to denominational authorities and has since sold Deckwood Academy. As the Auditor General has noted, we have taken various actions. However we are limited in dealing with such matters due to the other parties involved.

Disposed buildings still included on insurance listing

The statement that insurance premiums on disposed of residential buildings are being paid by the district is believed to be inaccurate. The listing of insured buildings received from Treasury Board did not match the listing held by the Auditor General’s Office. The District has contacted Treasury Board to verify this statement.
Response to the items listed in the Auditor's report under Vehicles

Item 5A: Vehicle Usage and Expense

Inadequate controls over vehicle usage

As the Auditor General states, the Nova Central School District has established a budget for vehicle operating costs by functional group. These budgets are monitored and reported to senior management, the board and with respect to student transportation, to the Department of Education. Further a majority of the service vehicles are tracked individually by budget line. Given the limited resources of the District further monitoring of operational cost is difficult to perform on a regular basis and thus monitored on the budget level to identify if further investigation is required.

Further discussion on vehicle log sheets is available under vehicle fuel cards not adequately tracked.

Decisions to provide positions with vehicles and where they were parked were made quite some time ago (greater than 10 years). With school board reorganization these practices continued. Unfortunately the District has no policy in place pertaining to the use and assignment of vehicles. Since the Auditor General raising this concern; the District has been keeping statistics on the vehicles in question. We will then formulate an opinion on whether it is advantageous to the District. If such a determination is made we will seek approval from the Department of Education. The District will develop and adopt policies consistent with Government.

Concerning waste oil; not all Depots have approved waste oil tanks to store waste oil. We have recently received limited funding to explore the feasibility of removing our current underground tanks that had been used for fuel/waste oil over the years. These are not in use as they are not approved. Currently our Depots have the following setups in place for disposal of Waste Oil;

1. Gander - Approved Waste Oil Tank installed outside of Depot within past 3 years. Waste oil is picked up by an approved disposal company.

2. Baie Verte - Approved Waste Oil Tank installed outside of Depot a number of years ago. Waste oil is picked up by an approved disposal company.


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6. Grand Falls / Windsor - The underground waste oil tank was in use until recently. Waste oil disposed of in Waste Oil Furnace by local Company.

Item 5A: Monitoring Vehicle Fuel Purchases

Vehicle fuel cards not adequately tracked or monitored

The Nova Central School District, due to its large geographical area with rural communities faces some difficult challenges. Several communities only sell one brand of fuel while other communities, different brand. Concerns have been raised about the security of School buses and the logic of keeping credit cards attached to a vehicle. Further complications arise due to the fact that fuel companies require payment with two weeks of purchases, the timeliness of receiving credit card slips signed dated with vehicle id and kilometer readings at the District office from the rural locations is not often possible. Ad hoc solutions have been implemented to accommodate such things as changing school bus routes and bus locations in the district; such as keeping fuel cards at service stations. These ad-hoc solutions have made it difficult to clearly communicate standard policies within the organization. Limited staff and lack of clear policy has made it difficult to more closely monitor fuel and vehicle expenses. For this reason shortly before the Auditor Generals visit the district began to review matters and investigate alternatives. It was at this time an inventory of credit cards was taken. Accounts with fuel providers were consolidated in late 2009 and contact was made with several fleet credit card providers to discuss best practices. It was determined that the district should implement one fuel card for all fuel purchases that can be used at various fuel providers. This would eliminate the need for cards to be located at fuel providers, offer a greater length of time for payment, communicate clear policy, and, as chip technology on credit cards become more prevalent, allow for exception reporting on inappropriate purchases as well as provide improved vehicle expense tracking.

It is important to note that the expense was not inappropriate, simply the method of payment. Staff has been reminded to use travel claim forms for meal purchases. Convenience store purchases are likely to consist of oil for vehicles or windshield wash for vehicles, on an as needed basis or cases to be stored at various depots. While all the current fleet of school buses uses diesel fuel the district has no control over the attendant at the service station recording the purchase as gas.