

## 2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program

### Introduction

#### Corporation employee computer purchase loan program

Newfoundland and Labrador Housing Corporation (the Corporation) provides its employees with computer purchase loans. Employees are required to provide proof of purchase to the Corporation for a loan to be advanced. The advance can be issued to either the employee or the vendor. The loans are then recovered through employee payroll deductions over a period not to exceed 36 months (defined in loan agreements between the Corporation and the employees). These loans bear interest at the Corporation's demand rate and the interest rate is adjusted semi-annually. The maximum loan is \$5,000.

#### Program history

The Corporation's Board of Directors approved the employee computer purchase loan program in February 1989. Since the program began in 1989, over 500 loans worth more than \$1 million have been advanced to over 200 employees.

#### Program Details

The following table provides details on the number of new loans issued each year, the dollar value of those loans, as well as the number and value of loans outstanding at year end.

Year	New Loans Issued		Loans Outstanding at Year End	
	Number	Dollar Value	Number	Dollar Value
2004/05	4	8,988	59	43,087
2003/04	38	53,880	79	81,646
2002/03	31	52,031	89	99,827
2001/02	32	59,803	91	126,543
2000/01	49	97,234	91	131,301
1999/00	25	47,908	98	93,086
1998/99	40	62,634	85	118,794
1997/98	42	84,636	84	132,280
1996/97	44	70,276	89	136,508
1995/96	49	110,380	83	144,018
1994/95	39	77,890	65	100,899
1993/94	27	53,496	47	71,799
1992/93	26	53,141	41	61,699
1991/92	16	30,961	60	57,168
1990/91	10	25,802	66	89,061
1989/90	56	148,603	65	135,289
1988/89	10	23,707	10	23,707
<b>Total</b>	<b>538</b>	<b>1,061,370</b>		

Source: Newfoundland and Labrador Housing Corporation

---

## 2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program

---

### Scope

---

---

We interviewed Corporation staff and examined the Corporation's policies, documentation and financial information relating to the employee computer purchase loan program. The review was completed in November 2005.

---

### Conclusions

---

#### Inconsistent compensation practice

All departments, boards, agencies and commissions, for which Government is the ultimate employer, are using public money to compensate employees. Therefore, it would be reasonable to expect that similar compensation practices would be consistently applied.

However, the Newfoundland and Labrador Housing Corporation provides its employees with computer purchase loans. Such a purchase program is not available for employees in central government. As a result, this compensation practice is inconsistent with Government's compensation practices.

---

#### Risk of program abuse

Offering this sort of loan program exposes the Corporation to unnecessary risk. To illustrate, the program was briefly suspended in 2004 when the Corporation discovered that an employee received a computer purchase loan even though a computer had not been purchased. In this case, it was determined that insufficient documentation was provided. Eventually, a senior official was terminated and two others were suspended.

---

#### Program costs not determined

Since 1989, the Corporation has advanced approximately \$1 million to over 200 employees for 538 computer purchase loans. However, it has not determined the additional costs of administering the program such as staff time in administration, payroll and accounting.

---

## 2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program

### Findings and Recommendation

**Program findings**

Our review of the Program indicated the following:

- The practice of providing computer purchase loans to employees is not consistent with Government practice. Such a purchase program is not available for employees in central government.
- Offering this sort of loan program exposes the Corporation to unnecessary risk. To illustrate, the program was briefly suspended in 2004 when the Corporation discovered that an employee received a computer purchase loan even though a computer had not been purchased. In this case, it was determined that insufficient documentation was provided. Eventually, a senior official was terminated and two others were suspended. The loan was transferred to the Corporation's "other receivables" and is being repaid.

The program was reinstated in 2005 and since that time, the Corporation has advanced 21 new loans totaling over \$30,000.

- Although the Corporation charges interest on the funds it advances to its employees for computer purchases, there are additional costs of administering the program. The following table outlines resources used to administer the program for which the Corporation has not determined the costs.

Area	Responsibilities
Administration	<ul style="list-style-type: none"> <li>- Processes and approves requests for loans</li> <li>- Approves invoice payments</li> <li>- Prepares promissory note, repayment schedule</li> <li>- Re-calculates interest semi-annually</li> </ul>
Payroll	<ul style="list-style-type: none"> <li>- Establishes payroll deductions from employee salary</li> <li>- Calculates recoveries when an employee leaves the Corporation with a balance owing</li> </ul>
Accounting	<ul style="list-style-type: none"> <li>- Processes cheques to vendors or employees</li> <li>- Performs annual reconciliations on employee computer loans accounts receivable, including interest calculation</li> </ul>

---

## 2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program

---

- There is a risk that an employee may end their employment with a balance owing for a computer purchase loan. When this occurs, additional Corporation resources are consumed to recover the funds and their efforts are not always successful. We identified 3 employee computer purchase loans that were written off for a total of \$920.
- In instances where employees are directly reimbursed, there is no mechanism to ensure the employee does not return the computer and receive the funds.

---

### Recommendation

---

*The Newfoundland and Labrador Housing Corporation should ensure that its compensation practices are consistent with Government's compensation practices.*

---

### Corporation's Response

---

*The Corporation recognizes the fact that providing its employees with computer purchase loans is not consistent with the Central Government's program practices, but is consistent with other public funded entities, such as Newfoundland & Labrador Hydro and Workplace Health Safety & Compensation Commission. Newfoundland and Labrador Housing Corporation feels that this should not preclude it from offering this type of program to its employees. The Corporation submits that under the Housing Corporation Act, section 24 (E) it has the legal authority in which to do so.*

*The computer purchase loan program was established in February 1989. It's mandate was to help and encourage employees to become computer literate by providing assistance to enable employees to purchase their own personal computers to use at home, thereby transferring these learned skills to the workplace. This philosophy is still relevant today with the ever increasing changes in computer technology in both software and hardware.*

---

## 2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program

---

*This program has been in place for 17 years and during that time \$1.0 million in loans that have been advanced have been repaid with interest, with the exception of \$920, which represents a write-off of 0.0009 percent, which is insignificant.*

*The program was briefly suspended in 2004 when it was detected that a loan was issued, but no computer was purchased. This loan has since been recovered and the individuals disciplined. The Corporation took immediate and decisive action at the time, including an extensive review of the program and its financial controls. As well, an employee survey was conducted and the survey results indicated an overwhelming support to continue with the program. Thus, approval to reinstate the program was given by Senior Management with final approval being given by the Board of Directors on May 27, 2005.*

*The computer purchase loan program is seen as a hallmark in the area of employee relations with the Corporation and would have detrimental impact on employee moral if it was cancelled.*

*The additional administrative cost to the Corporation to provide this program is minimal. On average there are approximately 30 new loans per year with each loan requiring 0.25 hours in total administration time, for a total of seven to eight hours per year.*

---

## **2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program**

---