

55% of the \$424.4 million total reported by all eight boards for 2002-03. The total unfunded liabilities of the Health Care Corporation of St. John's have increased by 36% from \$171.4 million in 1999-00 to \$233.4 million in 2002-03.

Provincial funding has increased from \$651.6 million in 1999-00 to \$857.4 million in 2002-03 and during this period, annual operating deficits have decreased from \$33.6 million in 1999-00 to \$18.9 million in 2002-03. Although all boards reported an annual operating deficit during the year, three boards had deficits which were less than those reported in 2001-02 (Avalon, Western, and Labrador).

2.24 Coast of Bays Corporation

In March 2003, the Public Accounts Committee made a resolution that “... *the Auditor General be asked to consider performing an audit of the Regional Economic Development Boards in the Province ...*”. Further to this resolution, I performed an audit of three zonal boards during the year. As requested by the Public Accounts Committee, the results of my work are included in my Annual Report to the House of Assembly on Reviews of Departments and Crown Agencies.

The Coast of Bays Corporation was incorporated in 1996. The Corporation covers an area on the island's south coast, including 22 communities, with a combined population of 8,538 (2001).

The Corporation receives its funding from the Federal and Provincial governments. Approximately \$1.2 million in funding was received relating to administration expenses since the Corporation's inception in 1996, while \$640,000 was received to fund initiatives in accordance with the Corporation's strategic economic plan.

Our review indicated that the Corporation is not always publicly tendering for goods and services, is not fully complying with its performance contract with the Provincial government, and requires improvements in controls in several areas. Specifically:

- **Purchasing Practices.** The Corporation's purchasing policies were not being followed. For example:

- Although the Board's policy is that any expenditures in excess of \$7,500 are to be publicly tendered, we found instances where such purchases were not tendered. The Corporation acquired a vehicle costing \$25,742, had road construction work completed at a cost of \$12,709, and had engineering work completed at a cost of \$11,491 - all without a public tender call.

In two instances, the Corporation did not have sufficient documentation on file to support how the bids received were analysed and whether the best bid was accepted. One instance related to office space rented for \$9,840 per annum while the other related to a project requiring boat rental and diving costs totalling \$11,200.

- Although the Board has a policy whereby three written quotes must be obtained from potential suppliers of goods or services that exceed \$1,000 per item, we found instances totalling \$22,983 where the required three written quotes were not obtained.

- **Compliance with Authorities.** The Corporation has not fully complied with the requirements of its performance contract with the Federal and Provincial governments. The Corporation purchased a vehicle costing \$25,742, increased an employee's salary by \$1,000, and spent \$4,557 on gifts and Christmas parties. These were not direct operating expenditures as defined in the contract and therefore would have required specific approval from the Management Committee. No such approval was obtained. Also, the Corporation did not provide the required information to the Management Committee on economic activities.

The Corporation opened a bank account for the purchase of the vehicle in an attempt to circumvent the performance contract which did not permit such a purchase. Monthly payments of \$839 are being made from this account over a three year period starting in September 2001. Deposits for

this account resulted from charges to the project and operating accounts for the use of the vehicle and other assets as well as surplus funds from an aquaculture project.

The Corporation is required to repay any unexpended operational funds promptly and in any event within 30 days of written notice by the Management Committee. The Corporation has not remitted any unexpended operational funds and furthermore, the Corporation has not received written notification requesting that the amounts be repaid.

- **Planning, Monitoring and Reporting.** While the Board does receive some information on the status of how projects are proceeding when it meets, we found that there was insufficient information provided by Corporation officials at these meetings to enable the Board to monitor how resources were utilized in meeting stated objectives contained in work plans and the Strategic Economic Plan.

There is no annual evaluation undertaken by Corporation officials of the various initiatives and projects which could be used by the Board to determine whether the initiatives or projects achieved the intended results and contributed to planned objectives.

- **Controls and Expenditures.** In addition to the public tender issues identified above, we found issues relating to the following:
 - travel claims lacked complete documentation, were not always either signed by the claimant or approved, and there were duplicate travel claim payments;
 - we identified 30 purchases totalling \$1,364 made with the Corporate Visa card where documentation was inadequate to support the expenditure;

- the control log to record usage of the vehicle is not complete in that 11,400 kilometres of the 52,000 kilometres recorded on the vehicle were not accounted for; and
- unused cheques are sometimes pre-signed and bank reconciliations are not independently reviewed.
- **Project Administration.** There were a number of issues identified relating to project administration. In one project, the Corporation paid a consultant \$88,000 for work which was later deemed unusable. In this case, another consultant was paid \$11,491 to complete the required work. In another project, the Corporation spent \$51,827 to construct a road and wharf, the road portion of which was later found to be unusable and will have to be moved at an additional estimated cost of \$10,323.

The Corporation has commenced a process towards the construction of an Arts and Exploration Centre in the Coast of Bays Region. The Centre is estimated to cost \$1.6 million and will be funded primarily by the Federal Government. The ongoing operating and maintenance costs will be the responsibility of the Board. The construction of this property and responsibility for ongoing operating and maintenance costs is not consistent with the Corporation's existing mandate.

- **Human Resources.** Contrary to the Corporation's policy, three staff positions were filled without a public job competition. Furthermore, not all job competition files contained sufficient information to establish how the successful candidates were determined. In one instance, a job competition file could not be located. Attendance records are not maintained and annual performance evaluations are not performed.
- **Capital Assets.** The Corporation does not have a complete and accurate record of its capital assets.