

attendance or leave records maintained. Also, there is no documented approval for overtime worked.

Our review also indicated that two complaints against the Corporation had been filed with the Human Rights Commission.

- **Capital Assets.** The Corporation does not have a complete and accurate record of its capital assets.

## 2.26 Marine and Mountain Zone 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 Marine and Mountain Zone Corporation was incorporated in 1996. The Corporation covers the island’s southwest coast, including 27 communities, with a combined population of 9,668 (2001).

The Corporation has received approximately \$1 million in funding from the Federal (70% - \$700,000) and Provincial (30% - \$300,000) governments relating to administration expenses since its inception in 1996. The Corporation also received approximately \$1.4 million for 2000, 2001 and 2002 to fund 11 initiatives in accordance with the Corporation’s strategic economic plan. Of this \$1.4 million, \$1.2 million was provided by the Federal government, \$75,000 was provided by the Provincial government and the remaining \$89,000 was provided by the private sector.

Our review indicated that the Corporation has made unauthorized payments, is not complying with its performance contract with the Provincial government and with other authorities, and requires improvements in controls in several areas. Specifically:

- **Unauthorized Payments.** One item of particular concern resulting from our review was the fact that unauthorized

payments totalling \$13,339 were made directly to, or on behalf of, the Corporation's former Executive Assistant. These unauthorized payments were made over a period from 1996 to 1999, and while \$8,213 was recovered from the employee, the balance of \$5,126 has not been recovered.

- **Compliance with Authorities.** The Corporation has not repaid any of its unexpended operational funds totalling approximately \$38,000 as it is required to do under the performance contract and has not provided information required to be submitted to the Management Committee on investment, number and type of businesses, and economic activity. As well, the Corporation has been spending monies on gifts which are not permitted under the performance contract.

Also, the Board is not always complying with the requirements of the *Public Tender Act* and *Regulations* which it has adopted as policy.

- **Planning, Monitoring and Reporting.** No new long-term Strategic Economic Plan has been developed to replace the original plan which expired in 2002. For 2002-03, the Corporation only established strategic initiatives in its annual Work Plan. Without a long-term strategic plan to provide a focus, it is difficult for the Corporation to demonstrate how annual initiatives will contribute to any long-term objectives.

Furthermore, 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.** Travel claims do not always include all of the required information such as time of departure and return. We also identified one duplicate payment, and a claim that was paid without all of the required supporting documentation.

In addition, although Corporation policy requires that all cheques be signed by two individuals, in August 2002 the Corporation authorized the bank to process 20 cheques totalling \$12,509 with only one signature because there was no second signing officer available. In this case, four letters were prepared for the release of the 20 cheques and each letter had the signature of the Chairperson affixed at the bottom. Our review indicated that the letters were not actually signed by the Chairperson; instead, the signature was placed on the letters from another Corporation document, photocopied and then faxed to the bank. These incidents represent a serious breach of control and may also be illegal.

- **Project Administration.** For one project, the Corporation paid fees which were higher than the contract and, although additions and changes to the contracted work were made, there was no documentation or prior approval of the additional costs. For another project we found that, although an entity was not complying with the agreement and was not providing the services required, the Corporation continued to pay for services which it had not received.
- **Human Resources.** Employee attendance records are not maintained and employee pay and benefits are communicated verbally and not in writing. As well, the required annual performance evaluations are not documented. Also, deductions are not always taken from payroll as required and the Canada Customs and Revenue Agency has provided the Corporation with notice of the matter.
- **Capital Assets.** Not all assets are identified and tagged and stickers used to tag some computer equipment have fallen off. As well, the database maintained by the Corporation does not include all assets and does not provide an asset's specific location. Also, forms used to track assets on loan are not always being completed.