

parents and fewer children per household. As a result, vacancies in four and five bedroom units are becoming increasingly difficult to fill without over-housing the prospective tenants. At 11 December 2002, 2,026 units or 35% of the 5,756 rental units were occupied by families smaller than the unit's capacity.

2.33 Special Assistance

Special assistance is budgeted under the *Municipal* Financial Assistance Program of the Department of *Municipal* and Provincial Affairs to provide assistance to municipalities and other entities. Given the Department's focus on municipalities, it would be reasonable to expect that the majority of this assistance would relate to municipalities and in 1999, 2000, and 2001, the majority of assistance did relate to municipalities. However, in 2002 only 46% of funding related to municipalities and in 2003, only 47% of the funding related to municipalities. Special assistance funding to municipalities has decreased significantly since 1999 when 79% of the funding was provided to municipalities. In my opinion, the funds provided for in this account were not used for the purpose authorized by the Legislature and, therefore, the Department contravened the *Financial Administration Act*.

The Department is not complying with the Program Guidelines. In particular, our review of 110 approved projects indicated the following:

- Recommendations of the Department's Executive Committee, comprised of the Deputy Minister and the Assistant Deputy Ministers, were not documented; therefore, we could not determine whether funding decisions for any of the projects reviewed for the year ended 31 March 2003 were assessed and approved by this Committee.
- Projects were not always approved by the Minister of Municipal and Provincial Affairs as required. For 13 of 73 projects which were not approved by the Minister, the projects were approved by the Premier's Office or the Minister of Finance. Ten of the 13 projects were for groups other than municipalities.

- Project files did not always contain the required analysis or recommendation from the appropriate regional office or, where applicable, the Fire Commissioner's Office.
- Project sponsors did not always submit the required documentation to support how the funding was spent.

2.34 Agency of Record

The Department of Tourism, Culture and Recreation contracts an agency of record to serve as the sole advertising agency for tourism promotion in the Province. The agency of record provides advertising, marketing and research services, and print and electronic production capabilities to the Minister to promote Newfoundland and Labrador as a tourism destination.

Our review of the process used by the Department in selecting and monitoring the agency of record disclosed the following:

- Although the Department has a formal agency of record review process outlining the factors to be used in a review and appraisal, the required review was never completed for the contract period 2 November 1998 to 31 October 2000. Even though the agency of record's performance was never formally reviewed, the contract was extended for the period 1 November 2000 to 31 October 2001.

Furthermore, although there was no provision in the existing contract for any extension beyond 31 October 2001, the Department extended the contract for an additional seven months to 31 May 2002. As a result, the Department did not follow the spirit and intent of Government's public proposal call process.

- In March 2002, the Department conducted a public proposal call for an agency of record to cover the period June 2002 to May 2005 with two additional one year extensions.

The terms of reference requesting bids indicated that the value of the contract was approximately \$2.0 million