

- 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

annually. However, the Department had estimated that this contract would be worth approximately \$4.0 million annually, and this was the basis for its 2002-03 budget. As a result of not referring to the increased actual anticipated value of this contract, it is not known whether additional companies may have responded.

Furthermore, although the Department established a five member review committee to review proposals and make a recommendation to the Minister, we identified a number of issues relating to the process used by the Committee. For example, information on billing rates was requested from bidders but not rated by the Committee, only four of the five Committee members completed the evaluation forms and only two of the four evaluation forms were fully completed for all established criteria. We also found that the review committee did not provide bidders with an opportunity to provide a presentation as was done for the previous contract.

- The Department does not always receive complete documentation to support payments to the agency of record as required under the contract. Details on third party costs and professional fees are not always provided with project estimates or as support for amounts included with billings received from the agency of record. The Department does not follow-up on missing documentation; instead, it pays the billings as submitted by the agency of record. As a result, the Department is not always adequately verifying billings before payment. Furthermore, although the contract provides the Department with the authority to request that records related to completed projects be made available, such a request has never been made.
- The Department contravened the *Public Tender Act* by not calling public tenders relating to selling advertising for the *2003 Travel Guide*. The agency of record received \$32,278 for this service relating to the *2003 Travel Guide*.

The Department contravened the *Financial Administration Act* by not recording in-kind contributions totalling \$16,375 for 2002-03 in the accounts of the Province as revenue and

by not recording the \$32,278 paid to the agency of record as an expenditure.

Furthermore, the acceptance of in-kind contributions is inappropriate and is not in accordance with the spirit and intent of the *Financial Administration Act*.

Officials of the Department informed us that the in-kind contributions totalling \$16,375 consisted of airline credits of \$10,000 and vacation package credits of \$6,375. In-kind contributions are very difficult to control and are open to misuse. We found controls over the in-kind contributions to be severely lacking. After several inquiries to Departmental staff, we were informed that there was no documentation available for 2002-03 and any prior year as to who used the in-kind credits. The lack of documentation regarding these credits is of considerable concern.

2.35 Newfoundland and Labrador Legacy Nature Trust

On 22 March 1999, the Minister of Forest Resources and Agrifoods announced the establishment of the Newfoundland and Labrador Legacy Nature Trust, an incorporated non profit agency with a mandate to raise funds nationally and internationally to finance conservation projects in Newfoundland and Labrador.

On 14 September 1999, the Newfoundland and Labrador Legacy Nature Trust was incorporated by a founding committee of individuals from various sectors of the provincial environmental movement. On 7 March 2000, the Province entered into an agreement with the Trust and paid the Trust \$1 million in seed funding.

The Department of Forest Resources and Agrifoods contravened the *Financial Administration Act* in providing the \$1 million to the Trust through the use of a special warrant. The special warrant was issued in March 1999 and was indicated to be required on an urgent basis. However, the Trust did not exist at that time and in fact was not incorporated until September 1999, and the \$1 million cheque was not paid to the Trust until almost a year later in March 2000.