

The School contravened the *Public Tender Act* in that it did not always obtain the required three quotes or provide documentation that a fair and reasonable price was established.

School officials were unable to explain a shortage of \$157 that we identified during a cash count of the School's \$2,000 petty cash float.

Contrary to the Department of Education's policy, the School is providing textbooks for all students without charge. Furthermore, up to 2002, the School provided supplies to its students without charge.

The School opened a bank account without the required approval by Treasury Board Secretariat to deposit receipts from the rental of the School's theatre, gym and other facilities, as well as donations from religious and other non-profit organizations. Amounts were spent from this account to pay for conference costs, equipment rental, residential supplies, bus transportation and miscellaneous expenses. As a result of not having these expenditures processed through Government's financial management system, they were not subject to approvals and controls applicable to all Government purchases. Instead, these funds are spent at the discretion of School officials.

The School is not adequately controlling its capital assets in that the inventory listing is incomplete and not maintained on a current basis, not all assets have unique identification numbers affixed, and a physical count has not been conducted in the past 10 years. Our testing of capital assets indicated instances where assets on the listing could not be located and assets in various locations could not be traced to the listing.

2.11 School Board Executive Compensation Practices

In contrast to the old *Schools Act* which allowed a board to set remuneration for its staff, the *Schools Act, 1997* states that salaries for directors and assistant directors (executive) will be paid in accordance with scales approved by the Lieutenant-Governor in Council and that a board will not pay remuneration greater than the approved scales.

Our review of school boards' executive compensation practices indicated the following:

New Boards

The Department of Education has created inconsistencies in the salary scales of the newly created boards similar to the inconsistencies created in 1996 and which contributed to former boards contravening legislation and Government policy. For example:

- Effective 1 September 2004, the Province restructured the school board system and reduced the number of boards from 11 to 5. Cabinet approved new salary scales for the three newly established boards while the salary scales for the two unchanged school boards remained the same. In addition, the Department of Education did not adjust the salaries of all executives of the former boards who were taking positions in the new boards to account for salaries which were in excess of that approved by Cabinet.
- Contrary to Government's policy, the Department of Education placed 5 education officers (former associate assistant directors) in the three new boards above step 25 of the Province's management employee (HL28) scale.

Former Boards

As at 31 March 2004, 10 of the 11 school boards had approved salaries for 38 of its 42 executive personnel totalling approximately \$322,000 in excess of salaries approved by Cabinet. From October 2002 to February 2004, the boards approved payment of approximately \$248,000 in retroactive pay to executives for unapproved increases to step 33. As a result, the boards are not complying with the *Schools Act, 1997* or Government policy, and are utilizing operating funds that could be used for other purposes. In addition to the salary top-ups, executives will eventually be eligible to receive higher pensions, severance, redundancy, and accrued paid leave on retirement or termination of their position as a result of the top-ups.

The Department of Education did not ensure that former boards placed employees on the approved scale and step as directed by Cabinet. In fact, the Department approved certain salaries paid to executives above those approved by Cabinet and Government policy. In other instances, the former boards were refused approval to top-up salaries and, as a result, the Department contributed to inconsistencies within the system. These salary inconsistencies were a major argument that the former boards gave when they disregarded the Cabinet directive on executive salaries.

In addition to regular salaries, some former boards contravened Government policy in compensating executive staff in other areas. For example, one former board reimbursed each of its four executives \$252 per month or \$12,096 annually for local travel in lieu of submitting travel claims and other supporting documentation. Another former board paid its Assistant Director of Finance approximately \$34,000 for leave and overtime in contravention of executive compensation practices and is allowing this individual to accrue annual leave and sick leave instead of paid leave as per Government policy.

2.12 Student Transportation

At 31 March 2003, there were approximately 84,000 students enrolled in schools in the Province of Newfoundland and Labrador, of which an estimated 57,000 were transported by school buses. These students are transported over a total of about 37,000 kilometers each day. Under the *Schools Act, 1997*, school boards are required to arrange for the transportation of students to and from schools where deemed necessary. Through budgetary, policy setting and monitoring processes, the Department of Education has a shared responsibility with the school boards for student transportation in the Province.

Department of Education officials indicated that a number of years ago a decision was made in certain school districts to have board-owned buses. The reason given at that time was that it was believed to be cheaper for the board to operate their own buses rather than contract out student transportation to private contractors. This has since been proven to not be the case. Furthermore, a financial report issued by Government in January 2004 indicated that approximately