

The highlights from our review of audited financial statements and management letters of Crown agencies are presented in Part 2.2 of the *Report of the Auditor General to the House of Assembly on Reviews of Departments and Crown Agencies for the Year Ended 31 March 2005*.

2.3 Memorial University of Newfoundland

Memorial University of Newfoundland was founded in 1925 (as Memorial University College) and was granted university status in 1949. Today, the University's main campus and Marine Institute are located in St. John's, with other campus locations in Corner Brook (Sir Wilfred Grenfell College) and Harlow, England. Memorial is the largest university in Atlantic Canada, with 17,800 students engaged in full and part-time studies at under-graduate and graduate levels. Each year, the graduating class numbers in excess of 2,000 students. The University employs 950 full-time faculty and 850 sessional instructors, 2,300 administrative and support staff, plus 2,000 students in part-time jobs.

Conclusions from our review are as follows:

Board governance

The University is excluded from many of the requirements of the *Transparency and Accountability Act* (to be proclaimed). This *Act* is intended to hold Government departments and other Government entities accountable to Government and the House of Assembly.

Although my Office has been recommending for years that the University be included in the Province's Consolidated Summary Financial Statements, this has never happened. I am pleased to report, however, that Government approved consolidation of the University commencing with the 31 March 2006 Public Accounts.

The Chancellor, President, Chairperson of the Board of Regents, vice-presidents and other officers and employees of the University are not compellable to attend as witnesses before committees of the House of Assembly.

Other than approving the University's budget and reviewing other information in relation to Provincial funding, there has been little monitoring of the University's financial affairs by the Department of Education.

While a Strategic Framework was approved by the Board of Regents in 2000, it does not contain the comprehensive objectives and related performance indicators typically provided in such plans for use in assessing future progress. The University has started a new strategic planning process intended to set new goals and develop an integrated planning approach.

The University has established several Separately Incorporated Entities. These entities are controlled by the University and included in its consolidated financial statements; however, management agreements are not in place with all SIEs to address responsibilities and accountabilities.

Human resources

The University's compensation practices are not consistent with those of Government with regard to paying salaries, paying market differentials, paying administrative stipends, issuing forgivable loans, providing free course tuition, and subsidizing membership fees. Many of these benefits would not typically be available to employees in Government departments or other Government entities. These inequities usually result in increased costs and, therefore, less funds available within the University to fund programs.

Our review of human resources also indicated that the University's recruitment policies were not always complied with or compliance was not documented, the computer system used by the University for personnel and payroll purposes was not accurate, and there were inconsistencies in leave management processes and in pension plan requirements.

Revenue

The University had identified at least five instances between April 2002 and July 2004 relating to thefts of funds and missing deposits. One instance was noted in July 2004 where approximately \$90,000 in funds was missing from student registration fees at the University's Marine Institute Offshore Safety and Survival Center. At the time of our review, the matter was under investigation by the Royal Newfoundland Constabulary. Resulting from these issues, the University engaged a firm of private sector auditors to conduct a cash management review. That review had not been completed at the time of our review.

Issues were also noted with inconsistent controls over revenue recording and with the lack of independent appraisals obtained in assigning values for charitable receipts issued for tax purposes. Such receipts relate to Gift-in-Kind donations received by the University.

Purchasing

Our review of purchases, travel claims, relocation expenses and other expenses identified issues related to non-compliance with the *Public Tender Act*, inadequate documentation, non-compliance with University policies, claims for ineligible expenses, and overpayments of travel claims.

In the area of travel expenses in particular, the nature and extent of the errors and overpayments identified during our review indicates that the review of travel claims by source faculties, departments and divisions is unsatisfactory and that subsequent review at the Financial and Administrative Services Division is not always detecting errors missed.

Of the 137 purchases sampled that were greater than \$10,000, we found issues with 21. For example, there were 11 instances where the University claimed a sole source exemption when a tender could have been called and 3 instances where the University claimed an exemption for an emergency when a tender may have been able to be called or at a minimum the University could have obtained additional quotes.

The University also contravened the *Public Tender Act* in that the Minister of Government Services (since December 2004, the Government Purchasing Agency) was not always informed of *Public Tender Act* exceptions within 30 days of the acquisition of the goods or services. Therefore the House of Assembly was not informed of these exceptions as required under the *Act*. In addition, the forms required under the *Act* to be forwarded to the Minister of Government Services (since December 2004, the Government Purchasing Agency) to explain these exceptions were not approved by the President or his designate until well after the goods or services had been acquired.

Our review of the use of University procurement cards indicated weaknesses in monitoring card limits and usage, and purchases that were not made in compliance with established University policies.

Facilities management

Our review indicated concerns with management of the INCO Innovation Centre construction project as well as with vehicle fleet management, campus planning, maintenance (including deferred maintenance), and facilities management contracts.

Capital assets

While the University has a capital assets ledger, only items above \$2,500 are required to be recorded. Given this limit, a significant quantity of items are not tracked in the system and consequently no control mechanism is in place to track these assets, many of which are more susceptible to theft than items costing over \$2,500. As well, there is no formal policy and procedures manual in place to address how asset additions, transfers, disposals and other changes are to be handled and recorded. Also the University's capital asset ledger is not accurate.

There is no process in place for the periodic selection of auctioneering services relating to the disposal of University assets. In practice, one auctioneering services company has been used by the University whenever the disposal of assets is required.