

Performance indicators not established for integrity measures

The Department has not established performance indicators which could be used to assess the effectiveness of the integrity measures which are designed to increase assurance that only eligible clients are receiving income support and that employment support is being provided to clients in cases where it would be beneficial.

2.16 Newfoundland and Labrador Housing Corporation Employee Computer Purchase Loan Program

Newfoundland and Labrador Housing Corporation provides its employees with computer purchase loans. Employees are required to provide proof of purchase to the Corporation for a loan to be advanced. The advance can be issued to either the employee or the vendor. The loans are then recovered through employee payroll deductions over a period not to exceed 36 months (defined in loan agreements between the Corporation and the employees). These loans bear interest at the Corporation's demand rate and the interest rate is adjusted semi-annually. The maximum loan is \$5,000.

All departments, boards, agencies and commissions, for which Government is the ultimate employer, are using public money to compensate employees. Therefore, it would be reasonable to expect that similar compensation practices would be consistently applied. However, the employee computer purchase loan program offered by the Corporation is not available for employees in central government. As a result, this compensation practice is inconsistent with Government's compensation practices.

Offering this sort of loan program exposes the Corporation to unnecessary risk. To illustrate, the program was briefly suspended in 2004 when the Corporation discovered that an employee received a computer purchase loan even though a computer had not been purchased. In this case, it was determined that insufficient documentation was provided. Eventually, a senior official was terminated and two others were suspended.

Since 1989, the Corporation has advanced approximately \$1 million to over 200 employees for 538 computer purchase loans. However, it has not determined the additional costs of administering the program such as staff time in administration, payroll and accounting.

2.17 Investment in a Manufacturing Company

Government has invested a total of \$750,000 in a manufacturing company in the City of Mount Pearl.

Contrary to the recommendations of officials at the Department of Finance and the Department of Innovation, Trade and Rural Development (INTRD), a directive from the Premier's Office in December 2003 resulted in the manufacturing company being provided with a \$300,000 loan in 2004. Officials cited issues such as:

- the loan would not be secured in that prior liens of other investors would have claim to the company's assets in the event of bankruptcy;
- the investment would not generate additional employment in the Province;
- a revised business strategy of the company was not advanced enough to determine if the company would be viable; and
- several other existing investors were not prepared to increase their investment.

Furthermore, officials were aware that this company had been experiencing financial difficulties since it commenced operations in 2001 and was unable to make any payments on the \$450,000 loan which Newfoundland and Labrador Industrial Development Corporation (NIDC) provided in 2001. In fact, in 2003 the company requested and received Government approval to convert the NIDC loan to redeemable preference shares of the company. As a result, the company does not have to repay the \$450,000 loan and the Province now holds 43,269 Class D redeemable preference shares of the company.