

2014 Auditor General Report Responses, Findings and Recommendations Relating to Memorial University of Newfoundland

(The full Auditor General report is available or on line at <http://www.ag.gov.nl.ca/ag/annualReports/2014AnnualReport/ARFall2014.pdf>. The section relating to Memorial University of Newfoundland begins in Chapter 3).

In 2014, the Auditor General (AG) completed a review of Memorial University. The result of the AG review resulted in his making ten recommendations to the University and a further three recommendations to the Department of Advanced Education and Skills (AES), Government of Newfoundland and Labrador. These recommendations stemmed from 39 findings within the report, many of which were positive endorsements of ongoing practice and activities or statements of fact. The three segments of the report include objectives, recommendations and responses, and findings.

I. Objectives

The four objectives of the AG's review, and his conclusions are as follows:

1. to determine whether the University was adequately monitoring its financial position and operations;
Conclusion: *the University has adequate processes in place to monitor its financial position and operations;*
2. to determine whether recruitment and compensation practices were in accordance with university policy;
Conclusion: *overall, based on the samples reviewed, recruitment and compensation practices were in accordance with university policy;*
3. to determine whether leave and overtime were properly approved and monitored;
Conclusion: *based on our review, leave and overtime were not being properly approved or monitored in accordance with university policy and procedures and collective agreements; and*
4. to determine whether travel and relocation expenditures were approved and paid in accordance with university policy;
Conclusion: *based on the samples reviewed, the university was approving and paying travel and relocation expenditures in accordance with university policy.*

The one area where the AG's conclusion and recommendation is not entirely practical for the university is with regard to the process around leave and overtime documentation and approval for academic staff. Please see Recommendation #9 for the university's response to this issue.

II. Recommendations and Responses

(extracted from AG Report Response from Memorial University, submitted December 3, 2014)

1. The Province should review the Provincial funding model to determine if it is efficient and effective and includes such factors as the capacity of the University to deliver programs, program costs per student, enrolment and output results.

Response of the Province:

Budget 2013 directed Memorial University to conduct an efficiency review. This initiative, led by Memorial, includes a review of the relationship of programs to its mandate, administrative structures and policies, and sponsored research to determine its current and future capacity as an autonomous teaching and learning, research intensive and publicly engaged institution. The Department will further consider this recommendation, in collaboration with Memorial University, once the efficiency review is complete.

2. The Province should review the tuition freeze policy to ensure it is still meeting the objective of providing accessibility to education for students from Newfoundland and Labrador.

Response of the Province:

Government's tuition freeze policy has provided an affordable and accessible post-secondary education system for the benefit of students. The goal is to have more students pursue a post-secondary education in Newfoundland and Labrador and encourage them to stay here as highly skilled graduates needed for a fast-growing economy. The Department listens to the views of students about the affordability of tuition and diligently monitors Memorial University tuition fees, as compared with those in other jurisdictions, and inflationary pressures at Memorial University that may otherwise be addressed through increased tuition fees. Despite shrinking K-12 feeder pools, Memorial University has maintained stability in its overall enrolment numbers, largely due to increasing numbers of students enrolling from outside NL.

3. The University should ensure that recoverable amounts are collected in a timely manner.

Memorial's Response:

The university has numerous shared-services agreements with external partners and agencies. These arrangements are managed with due diligence with the appropriate financial arrangements incorporated within the university's operations. The two arrangements outlined in the Auditor General's report do not reflect ongoing shared-service arrangements; rather, they relate to two unique and complex situations that our normal processes did not track appropriately. We thank the Auditor General for identifying these oversights. We will review our processes and recover the funds.

4. The Province should consider a long term plan to address the University's aging infrastructure and maintenance needs.

Response of the Province:

Memorial University is currently undertaking an efficiency review and Government has committed that Memorial University can retain savings found through the efficiency review for priorities identified by the University. Memorial University has indicated that addressing its aging infrastructure and deferred maintenance needs are priorities for any savings.

Government is aware that Memorial University has completed significant work related to a multi-year infrastructure plan, including; the hiring of an Associate Vice-President (Facilities) with significant experience managing large public and private sector infrastructure portfolios, Board of Regents' approval in September 2014 of a multi-year planning document to be updated yearly with individual projects, and the refinement of its approach to guide projects through the business-case development, prioritization, functional planning through to tendering and contract management phases. The Government of Newfoundland and Labrador will continue to work with Memorial University regarding projects from its multi-year infrastructure plan for consideration for approval based on such factors as the impact on academic programs, research, life-safety, urgency and return on investment.

5. The University should ensure audits and inspections of infrastructure are completed to identify maintenance requirements, and that critical maintenance work is actioned in a timely manner.

Memorial's response:

As the Auditor General's report points out, more than half of the university's 103 buildings and infrastructure assets (52%) are 40 years of age or older. This reality poses a challenge for the university in prioritizing critical maintenance while respecting our fiscal realities. Within that context, Memorial believes the deferred maintenance funding has been used effectively and expeditiously to address the most critical maintenance in a timely manner. Certainly, we would like to be in a position to address 100 per cent of our infrastructure needs immediately, but our ability to finance and support such renewal and construction must be balanced with our obligation to maintain our ongoing operations. That is why the university has created a multi-year infrastructure plan that is updated annually and allows for effective and prioritized capital project management for both new and current infrastructure.

6. The University should maintain adequate documentation in competition and personnel files to support personnel and payroll decisions.

Memorial's response:

The university maintains its competition and personnel files in accordance with institutional policy, and strives to ensure that each file is complete and contains the appropriate documentation. We recognize that there may be examples of specific files that do not include all recommended documentation as per that policy, and we will continue to make every effort to ensure all the necessary documentation resides in each file.

7. The University should review their current policy regarding the hiring of Provincial Government pensioners.

Memorial's response:

The university's greatest asset is the team of people who work diligently to fulfill our mandate as the province's only university. To ensure that we are successful, we strive to recruit the best person for every position. Like many organizations, we are competing for talent and all available expertise must be considered. At all times, our recruitment and employment practices are comprehensive and comply with relevant legislation and regulations and institutional policies.

8. The University should ensure all job positions are approved and classified.

Memorial's response:

We agree that this is an important practice in human resource management. The university maintains a comprehensive and established classification and approval process for its non-academic positions. In the vast majority of cases, this process is followed. When exceptions are made, it is in instances such as contractual or temporary employment where the time or resources required for such classification is not feasible. Any such exceptions are reviewed at the university's executive level before implementation.

9. The University should ensure employee leave and overtime is documented and approved in accordance with University policy and collective agreements.

Memorial's response:

It is important to understand the distinction between non-academic and academic employees at Memorial University. Each group has a distinctive working environment that is reflected in a variety of collective agreements, policies and practices. The agreements, policies and practices applicable to academic employees reflect the unique nature of academic freedom and the context in which teaching and learning, research, service and public engagement occurs. Unlike non-academic positions, academic roles do not encompass prescribed hours or days of work and cannot be performed without flexibility on the part of the individuals who fill these roles.

Universities must provide academic units and faculty members with the latitude to plan within broadly established institutional frameworks and having regard to the applicable collective agreements. As such, the university's leave practices for academic employees are not patterned on practices for employees of non-academic institutions, nor the practices for non-academic employees within the university. The nature of faculty employment, including the absence of prescribed hours or days of work, require very different considerations for leave than for non-academic employees.

Memorial's practices are consistent with leave management practices for academic employees at other Canadian universities. Annual leave and sick leave are not tracked centrally but are tracked informally by deans and department heads within academic units. Academic staff members are responsible for informing administrative heads of absences that impact upon their ability to perform their duties and responsibilities. The primary mechanism used by academic units for tracking annual leave and sick leave are Absence from Campus forms which are completed by academic staff members on a voluntary basis. Memorial does not recognize carry-over for annual leave that is not formally reported by academic staff members to administrative heads on a timely basis. Moreover, the requirement for twelve (12) months notice of retirement for academic staff members

provides Memorial with sufficient flexibility in the assignment of teaching to ensure that any carry over is used prior to retirement. Benefits for prolonged periods of sick leave are provided under the University's Long Term Disability Plan. Academic staff members are required to submit written documentation to demonstrate that they have been entitled to sick leave from Memorial for the 60 day period necessary to support a claim for long term disability benefits.

With regard to non-academic employees, the university has a rigorous and effective system for approval and documentation related to leave and overtime. We will continue with our efforts in this area to ensure there is complete documentation to support leave and overtime decisions.

10. The University should ensure employee leave and overtime is tracked and monitored.

Memorial's response:

The institution has the systems to track and monitor all leaves of non-academic employees. We recognize, however, that a more formal policy on leave management for non-academic employees is required. Accordingly, the university has begun the process of developing an attendance management program. A working group has been established and currently meets bi-weekly to discuss and review best practices and research policies and procedures at other Canadian universities. That work will inform the establishment of Memorial's own attendance management program.

While the university strives to maintain its documentation in accordance with policy, we recognize there are examples where the necessary documentation is not compliant. Overtime processes will be reviewed to improve documentation compliance, especially with regard to pre-approval. The university did approve, in special circumstances, a limited number of management employees to receive compensation for overtime in addition to a weeks' vacation in lieu of overtime. We will be reviewing this from a policy perspective.

11. The University should comply with the University's travel policies by ensuring travel is approved in advance and travel claims are properly submitted and approved.

Memorial's response:

In accordance with the procedure for travel requests, executive and senior management employees reporting to the President or a Vice President notify the President or respective Vice President of all absences due to travel prior to travel occurring. The Auditor General is correct in that the travel policy requires all employees to obtain prior approval and as such the procedure is in conflict with the policy. As such the policy with respect to senior management travel will be reviewed. All employees are required to complete a travel claim expense form for the recording and approval of expenses claimed. Only approved travel expenses are reimbursed to employees.

12. The University should review its relocation policies to ensure they are appropriate given the current environment.

Memorial's response:

Memorial acknowledges that, as part of the recruitment process, it has been necessary to deviate from practice, as provided for within the policy, for a number of employee relocations during the period of 2011 to 2013. Under current university policy, these deviations are permissible with appropriate approvals, which were given in the cases

noted. At the same time, the university agrees that this is a signal that a policy review is needed. Memorial has a policy framework that governs such a review process, and the Travel -- Relocation and Removal policy is currently scheduled within that process for review in 2016. During the review process, the problematic areas of the policy that currently require deviations will be given serious consideration

13. The University should record and approve all employee relocation expenses on a Staff Settlement Claim form.

Memorial's response:

The Staff Settlement Claim Form includes all expenses paid to the new employee. Other relocation expenses paid to vendors are filed with the Staff Settlement Claim Form to ensure full tracking of costs for the relocation. A new summary form will be developed to record all relocation expenses paid to and on behalf of a new employee. The form will include amounts reimbursed to the employee on a Staff Settlement Claim Form as well as any relocation expenses paid directly to vendors.

III. The 39 Findings

The Auditor General specified 39 findings, on which the 13 recommendations were based. The university administration was not offered the opportunity to respond to the AG's findings for his public report. However, detailed responses to the 39 findings have been compiled and are listed below:

Finding # 1:

- **The University reported an unrestricted net deficiency of \$106.3 million, an increase of 58% over nine years.**

Detailed Response:

- This is mainly due to the university recording its liability for post-employment benefits as required under Canadian accounting principles. Post-employment benefits include employee future benefits (severance, health and dental benefits and life insurance) and the voluntary early retirement income plan.
- The university received permission from the Lieutenant-Governor-in-Council to exclude post-employment benefits expenditures from the calculation of its deficit when determining compliance with the *Memorial University of Newfoundland Act*.
- The University pays the annual expenses related to post-employment benefits from its current year operating budget.

The overall university accumulated deficit carryover must not exceed the limits expressed in the *Act*. Section 37 of the *Act* states:

"The Board shall not incur any liability or make any expenditure beyond the amount unexpended on any grant made to the University by the Legislature of Newfoundland and the estimated revenue of the University from other sources for the current year unless an estimate thereof has been first submitted to and approved by the Lieutenant-Governor in Council."

"Notwithstanding subsection (1), the Board may, without the consent of the Lieutenant-Governor-in-Council, incur any liability or make any expenditure not to exceed the amount of one-quarter of one per cent of the total of:

- a. any grant made to the university by the Legislature; and
- b. estimated revenue of the university from other sources for the current year."

Finding # 2

- **The liability for post-employment benefits has increased 67% over the past four years from \$119.0 million in 2010 to \$198.6 million in 2014.**

Detailed Response:

- This liability is an actuarial calculation of the university's liability for post-employment benefits. As per our actuaries, the main items contributing to the increase are as follows:
 - Natural growth due to employee population growth
 - Changes to mortality tables (this had significant impact on health/dental liabilities as it extends life expectancies by several years)
 - Significant drop in prescribed interest rates
 - And an adjustment in the 2012 valuation to reset health/dental premium inflation (from 4% per annum to 7% p.a. grading down by 0.5% p.a. to 4% p.a.)

Finding # 3

- **The University reported a pension deficit of \$222.8 million at March 31, 2014.**

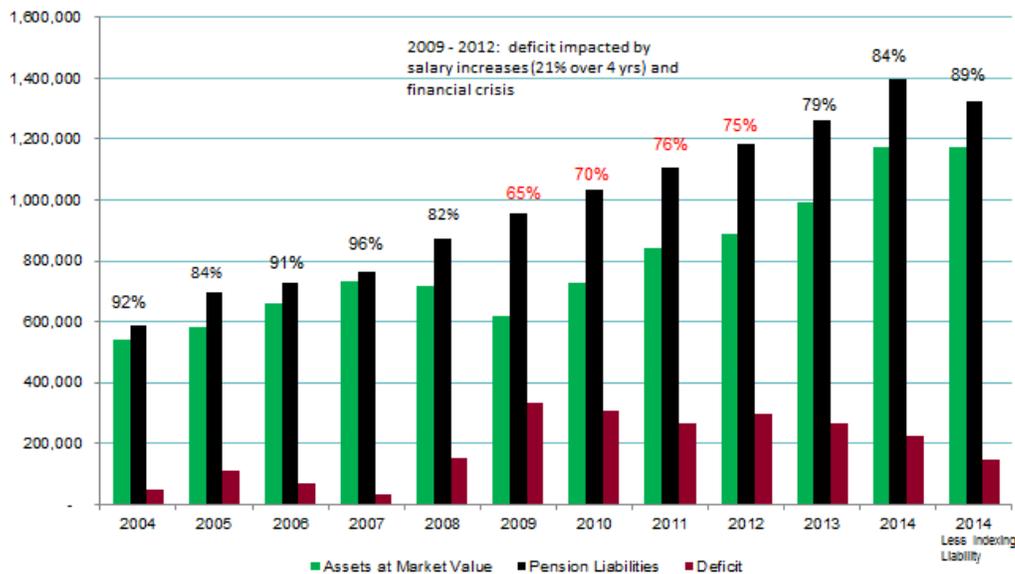
Detailed Response:

- In today's pension environment, it is not uncommon for a pension plan such as Memorial's to experience funding deficiencies. For the Memorial plan in particular, the existing deficit is a direct consequence of a number of contributing factors which include:
 - the global financial crisis of 2008-2009
 - wage gains in the public sector that occurred in the years 2008-2011, and
 - improvement in pensioner mortality, reflected in revised mortality tables.
- At \$222.8 million, the pension plan is approximately 84 per cent funded and improving. In addition, a portion of the existing deficit is attributable to a modest measure of indexing for which a separate and sustainable financing plan is in place. Excluding this indexing liability, Memorial's plan is closer to 89 per cent funded. It is also important to note that unlike other provincial public sector pension plans, the Memorial pension plan has a history of surplus positions with the most recent being just before the financial crisis of 2008-2009.

- Plan results to December 31, 2014, indicate a 93 per cent funded ratio.
- With the right fiscal measures, the magnitude of the funding deficit is manageable. We have reviewed the changes that have been announced for the Public Service Pension Plan and will continue to monitor these and other developments that may occur which could have an impact on Memorial's plan.

Please refer to the table below for a history of the plan's funded position.

MUN Pension Plan: 2004 - 2014



Finding # 4

- The University's combined deficit as at March 31, 2014, totaled \$329.0 million.

Detailed Response:

- \$329 million is a combination of the pension plan deficit and the university's unrestricted net deficiency in its financial statements, which is mainly due to recording the university's liability for post-employment benefits.
- The \$106 million net deficiency is comprised of a \$172 million post-employment benefits liability that is partially offset by surpluses in other areas. The post-employment benefits liability is comprised primarily of

future health and dental plan premiums for existing employees to be paid after they retire. This amounts to approximately \$140 million and is determined by actuaries based on assumptions of health cost inflation, interest rates, retirement age and age at death.

- The other significant portion of post-employment benefits liability is severance pay. This amounts to approximately \$30 million to be paid to employees after they retire. It is also determined by actuaries based on assumptions of wage cost inflation, interest rates and retirement age.
- Post-employment benefits are funded annually as they are paid and are accommodated in the university's operating budget each year.

Finding # 5:

- **The Province funds the University using a base-budget approach which uses the previous year's funding levels as a base amount which is amended for programming changes. This approach has inherent risks as annual funding is not directly linked to the University's capacity to deliver programs, registration/enrolment levels, or outputs.**

Detailed Response:

- The university will work with government to review its funding model. Any funding model will be impacted by the province's fiscal capacity and by provincial government priorities.

Finding # 6:

- **University expenses have increased 85% over the past nine years. Cumulative expense growth for the Province over the corresponding period was 58%.**

Detailed Response:

- The province has made significant strategic investments in support of the university over the past 9 years. Some examples of the province's targeted investments (in millions) include:

▪ Faculty of Medicine	\$11.8
▪ Faculty of Nursing	\$1.4
▪ Faculty of Social Work	\$0.5
▪ Faculty of Engineering	\$2.9
▪ Faculty of Science	\$0.4
▪ The Centre for Environmental Excellence	\$2.2
▪ Grenfell Campus	\$6.5
▪ Marine Institute	\$5.4
▪ Distance Education	\$0.5
▪ Marketing	\$0.8

▪ Professional Schools	\$2.2
▪ Health Faculties	\$2.9
▪ Special Pension Fund Payments	\$20.3
▪ Graduate Student support	\$3.0
▪ Utilities	\$4.0
▪ Deferred Maintenance	<u>\$10.0</u>

Investments Total **\$74.8**

- As well, the university has increased its total research activities by 80 per cent over the past nine years and actual research expenditures have increased \$17.2 million during this period.

Finding # 7

- **Since 2004, the number of employees at the University has grown by 23% while the rate of growth in student enrolment has been 5%.**

Detailed Response:

○ Employee growth summary since 2004	<u>Number</u>	<u>%</u>
▪ Medicine standardized patients (casual call in)	456	10.8
▪ Medicine non-stipendiary clinical faculty	201	4.7
▪ Medicine growth	149	3.4
▪ Grenfell Campus funded growth	104	2.5
▪ Marine Institute growth	53	1.3
▪ Externally funded research growth	45	1.1
▪ Office of Research, Contracts and Grants	42	1.0
▪ Facilities Management	42	1.0
▪ Deputy Provost portfolio	37	0.8
▪ Engineering growth	33	0.8
▪ Insourcing of Edutech/IT position growth	30	0.7
▪ Alumni Affairs and Development	23	0.5
▪ Marketing and Communications	21	0.5
▪ Risk / Health and Safety	21	0.5
▪ All other net	-1	0.0
▪ Memorial University Recreation Complex	<u>-265</u>	<u>-6.2</u>
Total	<u>991</u>	<u>23.4</u>

The statement that Memorial has increased its employee numbers by 23% does not convey the reality of the situation. For example, 10.8% of the increase is in casual standardized patients (aged 2 to 90) who might be required only a few hours per year. The next largest increase at 4.7% represents clinical faculty that are not paid by the University but must have a title for academic purposes. The remaining growth would be expected given the investments made by the Province and the University.

Finding # 8

- **Provincial Government operational funding has more than doubled (113%) over the past nine years, from \$182 million in 2004-05 to \$388 million in 2013-14.**

Detailed Response:

- The university's largest expense is salaries and employee benefits. Over the past nine years, the university's operations have grown, resulting in the hiring of more faculty and staff; and cumulative salary increases of approximately 29% have occurred based on the government approved salary template.
- See also Finding #6 above.

Finding # 9

- **The Province spent \$193.4 million since 2005-06 to support a freeze on tuition at the University.**

Detailed Response:

- The Board of Regents sets tuition rates in accordance with the *Memorial University Act*. For over a decade, the province has had an agreement with the board whereby tuition fees have been frozen and foregone tuition increases offset by a government grant "in lieu of a tuition increase." This agreement has resulted in an additional \$44.4 million in Memorial's base budget.

Finding # 10

- **The University has the lowest tuition fees in Canada for a full-time study program.**

Detailed Response:

- Yes, this is accurate.

Finding # 11

- **In excess of \$112 million of the Provincial 2013-14 operating grant to the University effectively subsidizes students from outside the Province – an increase of \$80 million since the start of the tuition freeze.**

Detailed Response:

Since this is a public policy matter of the province, we provide a precis of the Minister of Advanced Education and Skills' interview on CBC Crosstalk January 12, 2015, in response to a similar question:

- First and foremost we are Newfoundlanders and Labradorians, secondly we are all Canadians. We in Newfoundland and Labrador, as in all other

provinces except Quebec, treat each other equally and haven't considered otherwise.

- The population of out-of-province MUN students is around 20%. They come for two reasons: they come for tuition and they come for the programs, and the calibre and quality of the programs provided by Memorial University.
- A number of these particular students that attend university at Memorial and the College of the North Atlantic remain in the province afterwards. 43% of graduates from other Canadian provinces actually live in our province today.
- We have aging population, we're doing a much, much better job of retaining youth in our province. We lost about 70k from 1992-2003. One of the first things we had to do as a government was to stabilize our population and the outmigration of our youth to other provinces and elsewhere in the world. Now with the economy that we have and post-secondary education opportunities we have, they're staying in the province.

Finding # 12

- **The University had not recovered \$151,340 related to two employees from shared services agreements.**

Detailed Response:

- The university has numerous shared-services agreements with external partners and agencies. These arrangements are managed with due diligence, with the appropriate financial arrangements incorporated within the university operations. The two arrangements outlined in the Auditor General's report do not reflect ongoing shared-service arrangements; rather, they relate to two unique and complex situations that our normal processes did not track appropriately. We thank the Auditor General for identifying these oversights. We will review our processes and recover the funds.

Finding # 13

- **52% of the 103 buildings and other infrastructure assets on the main campus of the University were 40 years of age or older as of February 2013.**

Detailed Response:

- Yes, this is accurate.

Finding # 14

- **The University identified that approximately \$144.8 million was needed to address urgent deferred maintenance over the next five years, and included \$30.2 million in its priority deferred maintenance list to the Provincial Government for the year ended March 31, 2013. Deferred maintenance funding for the year ended March 31, 2013 was only \$10 million, or 33% of the requested annual funding.**

Detailed Response:

- Aging infrastructure is a risk to Memorial, in that the longer it takes to address this issue, the problems compound and remediation costs increase. As well, facilities that are in a state of disrepair can contribute to making it difficult for the university to attract high quality faculty and top students. Due to the amount of aging infrastructure on campus, the university is faced with a challenge in prioritizing critical maintenance while respecting our fiscal realities. The university has a multi-year infrastructure plan that is updated annually and allows for effective and prioritized capital project management for both new and current infrastructure.
- The amount of funding required to address current needs is significant and although the current funding is substantial and enables significant renewal projects to occur, it is not enough to cover everything that is required. The university has been tasked by government to undertake an efficiency review, which the university initiated last year as the Operations and Budgets Review. The savings identified through this process will support the infrastructure plan.

Finding # 15

- **Nine University buildings, with Facility Condition Index costs totaling \$54.2 million, did not have a detailed audit (inspection) completed by engineering consultants. Without these audits being completed, the University did not have accurate information to make informed decisions on capital planning and funding purposes.**

Detailed Response:

- The university has a very comprehensive plan for tracking capital renewal requirements. Of the total of university buildings, only nine buildings have not had detailed audits completed. FCI costs total \$54.2M for these nine buildings. There is only one major building on this list that has a high FCI, the Earth Sciences building. The FCI is \$33,245,570 for Earth Sciences which represents ~12 per cent of the university's total FCI cost. A detailed audit for this building is currently underway. The remaining eight buildings have low FCIs, resulting in a combined FCI cost of ~\$21M which represents less than eight per cent of the university's total FCI cost. There is no need to do detailed audits on these eight buildings while their FCI is low.

Finding # 16

- **Critical maintenance items were not being actioned in a timely manner.**

Detailed Response:

- The university has been tasked by government to undertake an efficiency review, which the university initiated last year as the Operations and Budgets Review. The savings identified through this process will support the infrastructure plan.

Finding # 17

- **Competition files did not always include all documentation as recommended or required by University policy to support the competition process.**

Detailed Response:

- The university maintains its competition and personnel files in accordance with institutional policy, and strives to ensure that each file is complete and contains the appropriate documentation. We recognize that there may be examples of specific files that do not include all recommended documentation as per that policy, which is a challenge for any large organization. We will however continue to make every effort to ensure all the necessary documentation resides in each file.

Finding # 18

- **Two contractual positions did not have competitions conducted. As a result, there was no documentation to support that the most qualified individual was hired for the position.**

Detailed Response:

- Memorial strives to ensure the best possible person is hired for each position. The institution has rigorous recruitment protocols that ensure that this objective is met and that the university uses fair practices in making hiring decisions. This is usually done through competitive processes; however there are exceptions, driven by pressing operational requirements or unforeseen circumstances, that allow for hiring decisions to be made through other methods. This situation may occur where there is a sudden need for a contractual appointment to cover absentees or for specific, project-oriented work.

Finding # 19

- **During 2012, the University employed 51 employees that were in receipt of a Provincial Government pension. The University does not restrict the hiring of Provincial Government pensioners.**

Detailed Response:

- The university's greatest asset is the team of people who work diligently to fulfill our mandate as the province's only university. To ensure that we are successful, we strive to recruit the best person for every position. Like many organizations, we are competing for talent and all available expertise must be considered. At all times, our recruitment and employment practices are comprehensive and comply with institutional policies and relevant legislation and regulations.
- The university does not discriminate. A prospective candidate isn't judged by whether they may have earned a pension from any employer or if they are of a particular age. The only factor that may be relevant is in the case where there is a candidate that is currently receiving a pension from Memorial's plan. While we would consider their candidacy, they may have to suspend their pension payments and re-enter our pension plan as an active member (if they are hired into a position that is considered pensionable under Memorial's pension regulations).

Finding # 20

- **There was inadequate documentation to support additional salary payments totaling \$117,000 paid to three employees.**

Detailed Response:

- Two employees paid for teaching duties at the Gardiner Centre did not have signed teaching agreements on file with the Gardiner Centre for payments totalling \$19,800 and \$92,200.
- Employee 1:
 - An invoice for services rendered submitted by the individual for the period April 1, 2011, to March 31, 2012, totalling \$19,800 is in the personal file.
 - This individual was previously assessed within Employee Versus Independent Contractor Guidelines and was determined to be employee and therefore was paid through the payroll system.
 - There is no formal teaching agreement signed as the individual is not an academic staff member
- Employee 2:
 - Is a faculty member who additionally teaches at Gardiner Centre
 - Invoices for services rendered submitted by the individual for the period April 1, 2011, to March 31, 2012, totalling \$92,212 are in the personal file.
 - In this case, there is an agreement with the Gardiner Centre on a "profit sharing" arrangement, in which Gardiner Centre receives 50 per cent and he receives 50 per cent of the profits from the courses he teaches.

- With regard to the third employee, the payroll system shows that a payment of \$5,000 was paid for the period ending September 23, 2011. There is no further documentation available in the employee personal file or the Payroll Division, as the AG reports.

Finding # 21

- **Employee positions were not always classified, not classified in a timely manner, or assigned duties had changed significantly and a reclassification had not been undertaken. Positions not classified in accordance with a union agreement or through the University's classification process, could result in inappropriate compensation.**

Detailed Response:

- The university maintains a comprehensive and established classification and approval process for its non-academic positions. This is managed through the university's HR department. In the vast majority of cases, a rigorous classification process is followed, and the new Budget by Position system ensures positions are identified and traceable. When exceptions are made, it is in instances such as contractual or temporary employment where the time or resources required for such classification is not feasible. Any such exceptions are reviewed at the university's executive level before implementation.

Finding # 22

- **Bonuses were not always supported by established criteria, approved or paid in a timely manner.**

Detailed Response:

- The majority of bonuses paid through the university's pay system is associated with our separately incorporated entities, or have been established for unique circumstances and approved by the Board of Regents. Other situations involving university employees and bonuses relate to employees who are physicians and receive a provincial government bonus associated with their clinical specialty.

Finding # 23

- **Documentation was not always on file to support administrative stipends paid to non-academic employees.**

Detailed Response:

- The university maintains its competition and personnel files in accordance with institutional policy, and strives to ensure that each file is complete and contains the appropriate documentation. We recognize that there may be examples of specific files that do not include all recommended

documentation as per that policy, and we will continue to make every effort to ensure all the necessary documentation resides in each file.

Finding # 24

- **There was a lack of documentation and effective monitoring of annual leave for academic employees to ensure leave usage and carry forward balances were properly recorded, approved, and monitored. In addition, there were inconsistent leave practices between faculties.**

Detailed Response:

- It is important to understand the distinction between non-academic and academic employees at Memorial University. Each group has a distinctive working environment that is reflected in a variety of collective agreements, policies and practices. The agreements, policies and practices applicable to academic employees reflect the unique nature of academic freedom and the context in which teaching and learning, research, service and public engagement occurs. Unlike non-academic positions, academic roles do not encompass prescribed hours or days of work and cannot be performed without flexibility on the part of the individuals who fill these roles.
- Universities must provide academic units and faculty members with the latitude to plan within broadly established institutional frameworks and having regard to the applicable collective agreements. As such, the university's leave practices for academic employees are not patterned on practices for employees of non-academic institutions, nor the practices for non-academic employees within the university. The nature of faculty employment, including the absence of prescribed hours or days of work, require very different considerations for leave than for non-academic employees.
- Memorial's practices are consistent with leave management practices for academic employees at other Canadian universities. Annual leave and sick leave are not tracked centrally but are tracked informally by deans and department heads within academic units. Academic staff members are responsible for informing administrative heads of absences that impact upon their ability to perform their duties and responsibilities. The primary mechanism used by academic units for tracking annual leave and sick leave are Absence from Campus forms which are completed by academic staff members on a voluntary basis. Memorial does not recognize carry-over for annual leave that is not formally reported by academic staff members to administrative heads on a timely basis. Moreover, the requirement for 12 months notice of retirement for academic staff members provides Memorial with sufficient flexibility in the assignment of teaching to ensure that any carry over is used prior to retirement. Benefits for prolonged periods of sick leave are provided under the University's long term disability plan. Academic staff members are required to submit

written documentation to demonstrate that they have been entitled to sick leave from Memorial for the 60-day period necessary to support a claim for long term disability benefits.

Finding # 25

- **Annual leave for non-academic employees was not always approved, documented and recorded accurately.**

Detailed Response:

- Memorial has a comprehensive process that requires leave requests to be documented. While the vast majority of these events are fully documented, Memorial, like most other large employers will experience situations where the leave is approved, but not fully documented as per policy and procedure. We will continue to work with our management team to strive to improve our documentation.

Finding # 26

- **Nineteen academic administrators were eligible for administrative leave for up to two years and 84 academic administrators were eligible for administrative leave for up to one year at full salary at the conclusion of their term as academic administrators for the purposes of full re-entry to the non-administrative aspects of academic life (teaching and research).**

Detailed Response:

- This is in accordance with the university compensation system

Finding # 27

- **In one instance, the University Payroll Division was not notified when an administrative employee went on administrative leave to ensure the administrative stipend was not paid while the employee was on leave. This dean was overpaid \$8,154.**

Detailed Response:

- The university will develop a system to monitor administrative stipends paid to academic administrators.

Finding # 28

- **One executive employee, who is on administrative leave effective September 2013, will be overpaid \$45,268 during 21 months of leave due the incorrect salary being used in calculating the employee's eligible administrative leave pay.**

Detailed Response:

- The university disagrees with the Auditor General's interpretation of the employment contract and we do not share the opinion that there is an overpayment.

Finding # 29

- **Four professors retired immediately after taking their sabbatical leave, and as a result, the professors did not comply with the work requirements, as stipulated in the MUNFA collective agreement.**

Detailed Response:

- One faculty member did not return for health related reasons, two faculty members did not return in accordance with early retirement agreements negotiated as per the MUNFA collective agreement. One faculty member did return following leave and is currently employed as a faculty member, but is of an age where he is entitled to collect both his salary and pension.

Finding # 30

- **The University does not have a formal management system in place for the reporting and monitoring of sick leave for academic employees. As such, the University could not provide sick leave cost or usage information for its academic employees. We also identified that each faculty was responsible for its own leave reporting and monitoring processes which resulted in inconsistent and inadequate record keeping.**

Detailed Response:

- It is important to understand the distinction between non-academic and academic employees at Memorial University. Each group has a distinctive working environment that is reflected in a variety of collective agreements, policies and practices. The agreements, policies and practices applicable to academic employees reflect the unique nature of academic freedom and the context in which teaching and learning, research, service and public engagement occurs. Unlike non-academic positions, academic roles do not encompass prescribed hours or days of work and cannot be performed without flexibility on the part of the individuals who fill these roles.
- Universities must provide academic units and faculty members with the latitude to plan within broadly established institutional frameworks and having regard to the applicable collective agreements. As such, the university's leave practices for academic employees are not patterned on practices for employees of non-academic institutions, nor the practices for non-academic employees within the university. The nature of faculty employment, including the absence of prescribed hours or days of work, require very different considerations for leave than for non-academic employees.

- Memorial's practices are consistent with leave management practices for academic employees at other Canadian universities. Annual leave and sick leave are not tracked centrally but are tracked informally by deans and department heads within academic units. Academic staff members are responsible for informing administrative heads of absences that impact upon their ability to perform their duties and responsibilities. The primary mechanism used by academic units for tracking annual leave and sick leave are Absence from Campus forms which are completed by academic staff members on a voluntary basis. Memorial does not recognize carry-over for annual leave that is not formally reported by academic staff members to administrative heads on a timely basis. Moreover, the requirement for 12 months notice of retirement for academic staff members provides Memorial with sufficient flexibility in the assignment of teaching to ensure that any carry over is used prior to retirement. Benefits for prolonged periods of sick leave are provided under the University's long term disability plan. Academic staff members are required to submit written documentation to demonstrate that they have been entitled to sick leave from Memorial for the 60-day period necessary to support a claim for long term disability benefits.

- With regard to non-academic employees, the university has a rigorous and effective system for approval and documentation related to leave and overtime. We will continue with our efforts in this area to ensure there is complete documentation to support leave and overtime decisions.

Finding # 31

- **Employees were not always submitting the required leave forms and/or medical certificates, and leave was not always accurately recorded in the leave database for non-academic employees.**

Detailed Response:

- It is important to note that the Auditor General did not report misuse of leave. The report outlined instances where documentation for the leave was either not fully completed as per policy or there were data entry errors. We appreciate the comments regarding full documentation and data errors and will review our practices to improve. There are also certain instances in the report where documentation may not fully comply with policy. These were situations where the special individual circumstances of the employees were taken into account by the university and decisions made to deviate from usual practice. These decisions did not result in inappropriate leave.

Finding # 32

- **Employees were incorrectly paid while on sick leave as University policy was not followed.**

Detailed Response:

- Appendix C of the CUPE collective agreement provides a sick leave schedule for unionized employees whose positions do not qualify for long term disability benefits. It details how salary will be adjusted during sick leave based on years of service. It has been the practice of the university to not offer lesser benefits to non-unionized staff in serious health situations.
- Employee # 1: Human Resources (HR) was asked by the then-director of the employee's unit to consider the circumstance of this non-unionized staff person on compassionate grounds and HR agreed to apply the same level of coverage that a CUPE employee would receive.
- Employee #2: This person was gravely ill. The Faculty of Arts asked HR to consider this employee's circumstance on compassionate grounds as per the Appendix C of the CUPE collective agreement and HR agreed.

Finding # 33

- **The University has no policy in place to limit the total number of sick days per year an employee can be eligible for in any year or in aggregate during their employment except for the 60 consecutive calendar day (43 work days) requirement under the LTD plan.**

Detailed Response:

- The university has specific reporting protocols for accessing sick leave. It also has stringent limits for usage of sick leave before an employee exhausts sick leave benefits from the university and is subject to the criteria under a long term disability plan provided through an insurer.
- Our data regarding long-term usage is regularly reviewed for usage and cost. While there are policy and procedures in place, we recognize that further work is required to improve the review of data related to short-term sick leave usage.
- The LTD plan is mandatory and employee-funded. In the public service the government bears the costs of sick leave plans.

Finding # 34

- **Our review identified instances of intermittent use of sick leave benefits but we found that the University did not have a policy on the monitoring and management of chronic absenteeism.**

Detailed Response:

- The departments and faculties do monitor and follow up concerns around chronic absenteeism. The Auditor General was provided several examples of such actions. We do acknowledge that further policy work is required at an institutional level. In this regard the university has commenced the process of developing an attendance management program. A working group has been established and is meeting bi-weekly to discuss and review best practices and research policies and procedures at other Canadian universities.

Finding # 35

- **Overtime documentation was not always completed to support the overtime, overtime was not always approved in advance of the overtime being worked and overtime forms were not always signed by the employee or the supervisor.**

Detailed Response:

- There were no instances where the employee was not entitled to payment of the overtime. In many of the instances cited, there was documentation, but not full completion as per policy. The issue is not necessarily the denial of a payment that is due an employee; rather it is one where we need to ensure full documentation is present and we will be reviewing this more fully to look for increased compliance.

Finding # 36

- **For the year ended March 31, 2012, approximately 573 management employees were eligible for an additional five days of vacation in lieu of being paid overtime. Our review identified 43 management employees that were paid an additional \$123,478 in overtime.**

Detailed Response:

- The university does have a specific policy that outlines the terms and conditions with respect to recognition of overtime. The payments that were approved were related to extraordinary events that resulted in very onerous overtime requirements on these employees. In most cases, these payments resulted from events or conditions beyond what was envisioned as the normal overtime requirements of these positions; therefore, exceptions were made to recognize the special circumstances. In light of this finding, we will be reviewing this policy and practice.

Finding # 37

- **Executive and senior management employees were not required to complete and attach documentation that indicated the approval to travel or the estimated travel costs, to the travel claim. As a result, travel expenses could be incurred for travel that did not receive prior approval from the University.**

Detailed Response:

- Prior to travel, all unit heads and vice-presidents are required to report in writing to their vice-president or the president, respectively, all absences due to travel prior to the travel occurring. Executive and senior management are held accountable for their units' budgets so they are responsible to keep their travel costs within a reasonable limit.

Finding # 38

- **Relocation expenses for 11 out of 13 employees reviewed, totaling \$52,972, or 19% of total relocation expenses of \$281,767 examined, were approved by the respective Vice-President or their designate at amounts which exceeded that permitted by policy. Given the level of exceptions approved, it is possible that University policy needs to be revised.**

Detailed Response:

- The university's household relocation policy provides the guideline for employee relocations. However, sometimes there are deviations required due to specific circumstances. The policy was last reviewed in April 2013 and thus will be reviewed again in 2015 as per the University Policy Framework.

Finding # 39

- **All relocation expenditures were not recorded on a Staff Settlement Claim form which is signed by an employee to verify the expenditures. As a result, there is a risk the University may not recover 50% of total expenses paid, if an employee leaves within two years.**

Detailed Response:

- Household relocation expenses being reimbursed directly to an employee are recorded on one form. Copies of additional expenses paid directly to other vendors related to the employee's move are kept in the individual employee household relocation file along with the form. This ensures that if the individual were to leave Memorial's employ within his/her first two years, we would have a full account of how much to be repaid by the employee.
- Rarely do employees leave before their two years of service are complete; however if they do, the university asks the employee to repay 50 per cent of their relocation expenses.