



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba R3C 0C4

August 2003

The Honourable George Hickes

Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to transmit herewith my August 2003 report on An Examination of Le Collège de Saint-Boniface to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of The Auditor General Act.

Respectfully submitted,

A handwritten signature in dark blue ink, appearing to read 'Jon W. Singleton'.

Jon W. Singleton, CA•CISA
Auditor General

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Le Collège de Saint-Boniface is an important post-secondary institution, providing Manitoba students with the opportunity to pursue their studies in French without leaving the province. The College's success in meeting the needs of the community it services is demonstrated by the growth in its academic programs and student enrolments, accompanied by improvements to its physical and technological infrastructure.

This report identifies a number of opportunities to improve transparency and accountability processes at the College. The results of our review indicate the importance of organizations subjecting themselves to a periodic rigorous self-assessment. This is especially important during periods of time when an organization is experiencing significant growth or change.

In terms of public accountability, the College has represented an anomaly when it is compared to other post-secondary educational institutions. Its financial statements have never been made public. An important outcome of our examination will be the commencement of public reporting by this College.

I am encouraged by the cooperative responses from the College, the Council on Post-Secondary Education (COPSE) and the Department of Advanced Education and Training to this report, and by their formal commitment toward strengthening financial accountability and transparency. The comments from the College, COPSE, and the Province have been incorporated into this report.

I would like to thank the employees and Board members of the College, as well as representatives of COPSE, for their assistance and cooperation during this examination.



Jon W. Singleton, CA•CISA



Executive Summary

On June 28, 2002, the Office of the Auditor General (OAG) was requested by the Deputy Minister of Advanced Education and Training to conduct a review of allegations concerning the Le Collège de Saint-Boniface (College). On September 18, 2002, the OAG agreed to conduct an examination under the authority of Section 15(1) of The Auditor General Act.

The objectives of our examination were:

- To review specific allegations regarding human resources and expenditure actions of the College; and
- To determine whether appropriate internal controls and management practices were in place for the financial, human resources, and information technology processes.

In order to assess the allegations and the College's controls and general management of its operations, we focused the scope of our review in the following areas:

- Authority and Accountability Reporting
- Management Control Environment
- Human Resources Management
- Board Governance
- Foreign Student Recruitment
- Multimedia Centre Operations
- Information Technology Management and Security

The College is one of Canada's oldest French-language educational institution west of Quebec. It provides Manitoba students with the opportunity to pursue their post-secondary education in French without leaving the province. The College has enjoyed substantial growth in its academic programs and student enrolments, accompanied by improvements to its physical and technological infrastructure. It should be noted that an assessment of the quality of education and teaching provided at the College were outside the scope of this examination.

In summary, our examination found a number of opportunities to improve the management control practices at the College, including the need for documented policies clarifying purchasing processes, travel and other expense claims, and conflict of interest guidelines. Strengthening of management control practices in these areas would alleviate the future perception of preferential treatment, improve human resources management and enhance the management control environment.

Our report contains 38 recommendations, which are provided in full in Section 10.0. Some of the key recommendations are:

- That the Affiliation Agreement with the University of Manitoba be reviewed and updated to reflect the College's current needs and operating environment. The review process should ensure appropriate representation of all key stakeholders.

- That the College improve public reporting by making accountability documents such as an annual report, audited financial statements, and strategic plans available to key stakeholders and the public.
- That the College review their financial statement presentation and disclosure requirements to ensure that the financial statements incorporate fuller presentation and disclosure, and are prepared in accordance with generally accepted accounting principles.
- That the College strengthen its management control environment and controllership function to ensure appropriate stewardship of resources.
- That the College develop formal policies and procedures in areas of: conflict of interest; purchasing; credit card use; cash advances; and travel/expenses claims.
- That the College develop a human resources policy and procedures manual, and employ a dedicated human resources professional to more fully support human resources functions.
- That the College develop an integrated plan for recruitment of foreign students to ensure that enrolment targets are met with due regard for economy and efficiency.
- That the College develop comprehensive policies and procedures for the Multimedia Centre to provide guidance regarding acceptable operational and project management practices.

We thank the College's management and staff for their assistance and cooperation during our work.

1.0 Introduction

1.1 REQUEST

On June 28, 2002, the Office of the Auditor General (OAG) was requested by the Deputy Minister of Advanced Education and Training to conduct a review of allegations concerning the Le Collège de Saint-Boniface (College). After initial meetings and a review of the various issues, the OAG agreed on September 18, 2002 to conduct this examination and held a meeting with the College's Board Chair and President. As the College had not previously undergone such an examination, and with the support of the College, the scope of our examination was expanded to include a review of the financial, human resources, and information technology practices at the College.

The examination was conducted under the authority of Section 15(1) of The Auditor General Act which states:

"The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received."

Subsection 14(1) includes the following:

- a) *whether financial and administrative provisions of Acts, regulations, policies and directives have been complied with;*
- b) *whether public money has been expended with proper regard for economy and efficiency;*
- c) *whether the Assembly has been provided with appropriate accountability information;*
- d) *whether the form and content of financial information documents is adequate and suitable.*

1.2 OBJECTIVES AND SCOPE

The objectives of our examination were:

- To review specific allegations regarding human resources and expenditure actions of the College; and
- To determine whether appropriate internal controls and management practices were in place for the financial, human resources, and information technology processes.

In order to assess the allegations and the College's controls and general management of its operations, we focused the scope of our review in the following areas:

Section 3.0 - Authority and Accountability Reporting
 Section 4.0 - Management Control Environment
 Section 5.0 - Human Resources Management

Section 6.0 - Board Governance
Section 7.0 - Foreign Student Recruitment
Section 8.0 - Multimedia Centre Operations
Section 9.0 - Information Technology Management and Security

An assessment of the quality of education and teaching provided at the College were outside the scope of this examination. We note, however, that no concerns were brought to our attention in this regard.

The examination was conducted from September 2002 through February 2003, and included extensive interviews, analysis of financial information, and a review of relevant correspondence and other supporting documentation. We reviewed documentation and financial information for the College for various points in time between 1997 and 2002.

Our examination included such tests and other procedures that we determined were appropriate in addressing the scope of our work.

2.0 Background

2.1 ABOUT THE COLLEGE

The College is one of Canada's oldest French-language educational institution west of Quebec. It provides Manitoba students with the opportunity to pursue their post-secondary education in French without leaving the province, and provides ready access to a homegrown pool of bilingual graduates.

The College was founded in 1818 as a school for boys of the Red River Colony. It was officially incorporated under "Le Collège de Saint-Boniface Incorporation Act" in 1871. Along with two other Winnipeg colleges, St. John's College and Manitoba College, it co-founded the University of Manitoba in 1877. The College was headed by the Jesuits for a period of 85 years from 1885 to 1969. Today, the College is managed by a Board of Governors representing members of the francophone community in Manitoba; its mandate is to ensure the growth of Manitoba's only French post-secondary institution.

The College is formally affiliated with the University of Manitoba. The relationship between the two is governed by an Affiliation Agreement (Agreement) approved in 1972. This Agreement set out the following objectives for the College:

- to promote higher education for the francophone student population;
- to promote French culture by providing a French milieu as an integral part of the French community;
- to provide leadership for the French community of today and tomorrow, continuing the process of more than a century of contribution to the culture and education in Canada;
- to promote the French fact as a basic element of a Canada which recognizes an equal partnership between the two founding races; and
- to provide the opportunity, for students from Anglophone universities, with sufficient fluency in French, of furthering their studies in a French milieu.

Under the Agreement, the College is an autonomous entity in all matters pertaining to its administration, including staffing and financial administration. However, the College is subject to the provisions of the University of Manitoba Act, which, in part, states:

- “every affiliated college shall conduct every course of study leading to any certificate, diploma, or degree, of the university in compliance with the requirements of the [University of Manitoba] senate;
- no affiliated college shall enter into any understanding, agreement, federation or affiliation, whole or partial, with any college or university other than The University of Manitoba, whereby it may obtain in any such college or university for its students any credit, in any course leading to a certificate, diploma, or degree, except in theology or divinity, granted by that college or university”.

As a result of the provisions of the Agreement and the University of Manitoba Act, the University of Manitoba confers, based on the College’s recommendation, degrees on university graduates from the College.

The College’s purpose is set out in its mission statement:

“The Collège universitaire de Saint-Boniface (CUSB) is Western Canada’s oldest post-secondary institution and Manitoba’s unique French-Language University. Open to all individuals wishing to pursue post-secondary studies in French, the CUSB offers both general and specialized studies at the undergraduate and graduate level, as well as professional and technical training in selected fields relevant to community development.

Guided by its historical past within the Manitoban context, and conscious of its place within today’s social and cultural milieu, the CUSB seeks to prepare its graduates for leadership roles in a modern and diverse society. To this end, instruction and services at the CUSB are dedicated to promotion of the French language and development of the Franco-Manitoban culture within the CUSB’s broader mandate of multiple language learning and the enhancement of intercultural dialogue and understanding.”

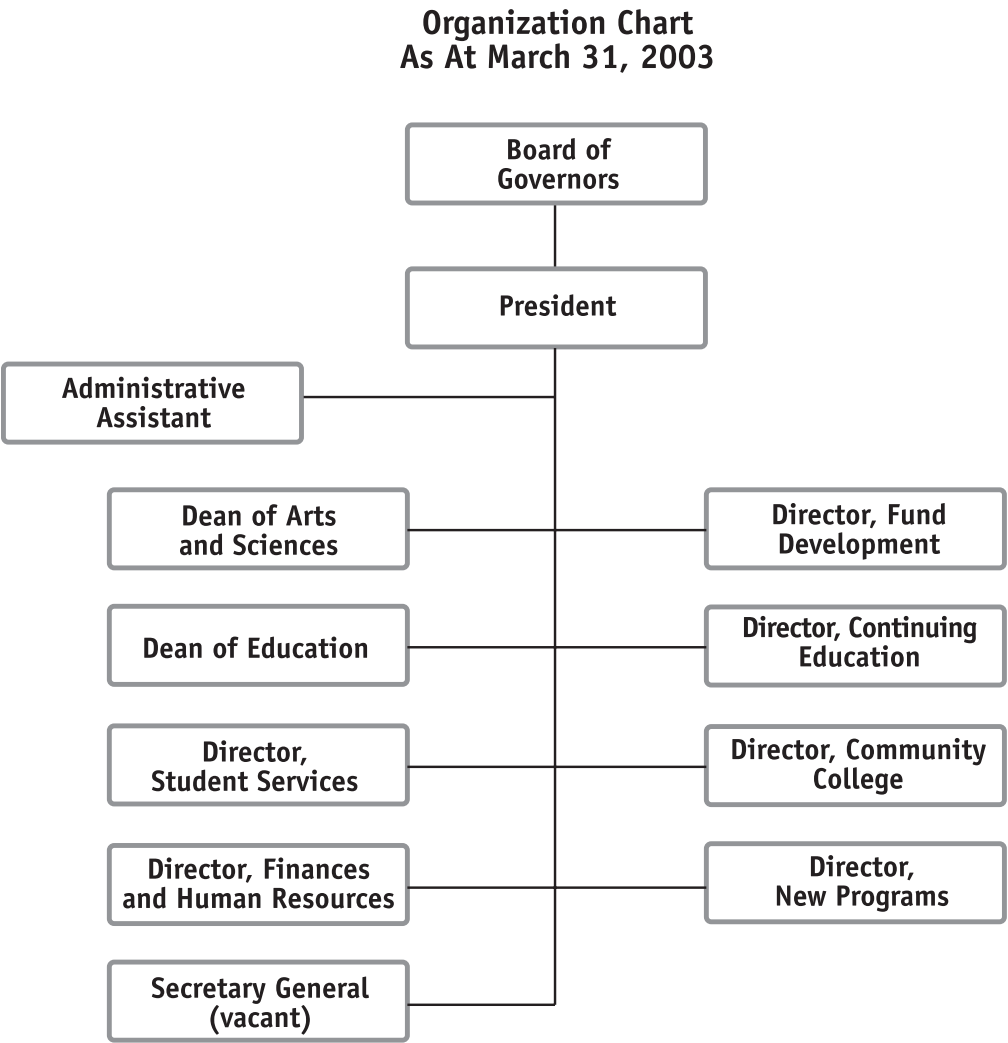
Through the auspices of the University of Manitoba, the College offers bachelor degrees in Arts, Science, Education, and Business Administration, as well as masters degrees in Education and Canadian Studies. Most recently, a Bachelor of Nursing degree has been initiated in conjunction with the University of Ottawa.

In 1975, the École technique et professionnelle (ETP) was established at the College to offer training in a range of technical and professional employment related programs. The community college segment of the College offers eight courses in a variety of areas including Business Administration, Multimedia Communications, Tourism, and Nursing. The College also has one of the province’s most advanced multimedia education centers, equipped with 20 workstations, a digital sound recording studio and DVD production, and video editing systems.

In addition, the College created a Continuing Education Division in 1977. It serves the business community as well as the general public. The Continuing Education Division provides an important link to the community, and provides educational services and training to approximately 3,500 people annually.

Figure 1 sets out the current organization chart for the College. The two deans of the University sector and the six directors of the College’s other operating divisions report directly to the President. At the time of our review, the position of Secretary General was vacant.

FIGURE 1



Source: Collège de Saint-Boniface

2.2 ENROLMENT

The College has experienced considerable expansion in programming and student enrollment over the past 5 years. Campus facilities have been expanded and renewed, and the technological infrastructure improved.

Figures 2 and 3 provide enrolment statistics for the College by source and by sector. For 2001/02 there were 778 students enrolled in University programs, and 188 students enrolled in Community College programs. About two-thirds of the University students are full time students, with one-third enrolled as part time students.

The largest source of students continues to be Manitoba Francophone students - 394 students (41%). However, high school French immersion programs are an increasingly important source of new students for the College. In 2001/02, 277 students (29%) were from immersion programs. The remaining students were from other provinces (68 students from 6 provinces) or were international students (67 students from 17 countries) or were distance education/other student (93 students). We were informed by the College its international students represent a higher proportion of the total student base relative to other Manitoba post-secondary institutions.

FIGURE 2

Enrolment Statistics by Source					
	1997/98	1998/99	1999/00	2000/01	2001/02
Students From Manitoba					
Francophone	350	368	368	384	394
Immersion	157	187	210	261	277
Landed Immigrants	27	31	50	56	67
Total From Manitoba	534	586	628	701	738
Percent	86%	78%	74%	78%	76%
Students From Other Locations					
Other Provinces	25	50	80	75	68
International VISA	12	12	40	43	67
Distance Education and Other	52	100	96	80	93
Total From Other Locations	89	162	216	198	228
Percent	14%	22%	26%	22%	24%
Total Student Enrolment	623	748	844	899	966
Percent	100%	100%	100%	100%	100%
Year-to-Year % Increase	-	20%	13%	7%	7%

Source: Collège de Saint-Boniface

FIGURE 3

Enrolment Statistics by Sector					
	1997/98	1998/99	1999/00	2000/01	2001/02
Regular Enrolment					
University Students	508	621	677	715	778
Percent	82%	83%	80%	80%	81%
Community College Students	115	127	167	184	188
Percent	18%	17%	20%	20%	19%
Total Regular Enrolment	623	748	844	899	966
Percent	100%	100%	100%	100%	100%
Continuing Education					
Francophone Clients	Not Available	734	729	1,414	1,736
Anglophone Clients		2,028	2,152	2,263	1,794
Total Continuing Education	-	2,762	2,881	3,677	3,530

Source: Collège de Saint-Boniface

2.3 FUNDING

As shown in Figure 4, the College's income comes from three main sources: the Province of Manitoba, the Government of Canada, and student tuition fees.

For the fiscal year ended March 31, 2002, the College's total consolidated income was \$17.1 million, with total operating expenses of \$14.8 million. This resulted in an excess of revenues over expenses of \$2.3 million, of which \$1.9 million was restricted for capital and student award purposes.

The College has operated within its available financial resources and avoided operating deficits. As a result, the College was financially stable with accumulated reserves of \$20.5 million (\$7.2 million unrestricted) as at March 31, 2002.

FIGURE 4

**Collège de Saint-Boniface
Financial Statistics
(000s)**

	1999/00	2000/01	2001/02
Revenue by Sector			
University Sector	\$ 6,453.0	\$ 6,755.3	\$ 7,354.0
College Sector	1,646.5	2,054.8	2,322.3
Continuing Education	926.1	959.1	962.5
Other	5,914.1	5,139.1	6,497.8
Total Revenue by Sector	\$ 14,939.7	\$ 14,908.3	\$ 17,136.6
Revenue by Source			
Federal Government	\$ 1,766.0	\$ 2,304.0	\$ 2,862.0
Provincial Government	8,664.5	8,115.0	9,449.4
Tuition Fees	2,123.8	2,283.9	2,484.8
Gifts and Donations	1,062.3	744.6	666.2
Investment Income and Other	1,323.1	1,460.8	1,674.2
Total Revenue by Source	\$ 14,939.7	\$ 14,908.3	\$ 17,136.6
Expenses			
Salaries and Benefits			
Academic:			
University Programs	\$ 3,144.0	\$ 3,375.0	\$ 3,968.0
College Programs	876.0	1,109.0	1,400.0
Continuing Education	803.0	698.0	825.0
Administration and Support Staff	2,620.0	3,100.0	3,328.0
Special Projects	300.0	350.0	253.0
Total Salaries and Benefits	\$ 7,743.0	\$ 8,632.0	\$ 9,774.0
Other Expenses			
Bursaries, Scholarships and Other Awards	\$ 340.1	\$ 351.0	\$ 258.9
Recruiting Costs	327.4	361.0	394.8
General Operating and Other Costs	5,049.0	4,526.9	4,380.1
Total Other Expenses	\$ 5,716.5	\$ 5,238.9	\$ 5,033.8
Total Expenses	\$ 13,459.5	\$ 13,870.9	\$ 14,807.8
Excess of Revenue over Expenses	\$ 1,480.2	\$ 1,037.4	\$ 2,328.8
Other Information			
Capital Expenditures (not included in above amounts)	\$ 904.4	\$ 700.3	\$ 1,971.4

Source: Collège de Saint-Boniface

2.3.1 Role Of The Council On Post-Secondary Education And The Ministry Of Advanced Education And Training

Like other post-secondary educational institutions in Manitoba, the College obtains its provincial public funding from the Department of Advanced Education and Training through the Council on Post-Secondary Education (COPSE). The College is accountable to COPSE for its use of funding.

COPSE was created by an Act of the Manitoba Legislature in November 1996 to facilitate the coordination and integration of post-secondary services and to promote fiscal responsibility and accountability. COPSE is also responsible for promoting excellence and cooperation within the post-secondary education sector to meet the diverse educational needs of Manitobans.

COPSE acts as an intermediary agency between the government and funded post-secondary educational institutions and is responsible for the annual allocation of grants to eight publicly funded post-secondary institutions and private religious-affiliated colleges. COPSE reports to the Legislative Assembly of Manitoba on its activities through the Minister of Advanced Education and Training.

2.3.2 Grants Under Federal/Provincial Agreements

As Manitoba's only French post-secondary institution, the College received a special grant of \$12 million paid over five years from April 1, 1998 to March 31, 2003, under the Canada – Manitoba Subsidiary Agreement on the Development of the Collège universitaire de Saint-Boniface.

The College also received a special grant of \$4.34 million under the Auxiliary Agreement on the Construction of the Student Centre of the Collège universitaire de Saint-Boniface, paid over two years ended March 31, 2003, to build a new student centre at the College, and renovate some classrooms and other areas.

Costs of these special grants were shared on an equal basis between the province and the federal government.

2.3.3 Fund Raising

The College undertakes fundraising and obtains donations from corporate and individual sponsors of the College and its programs. It has been successful in this endeavor, and in the year ended March 31, 2002 raised \$666,200 in gifts and donations for the College. The generosity and support from the community has allowed the College to institute a student scholarship program in the year ended March 31, 1999. For the year ended March 31, 2002 the College awarded \$233,000 to 308 students who obtained at least a 3.0 grade point average.

3.0 Authority And Accountability Reporting

3.1 AFFILIATION AGREEMENT WITH THE UNIVERSITY OF MANITOBA

Observations

- We reviewed the University of Manitoba Act and the Affiliation Agreement (Agreement) between the College and the University of Manitoba.
- The legal status of the College and its relationship to the University of Manitoba has not changed since 1972, when the Agreement between the College and the University of Manitoba was signed.
- Over the more than 30 years since the Agreement with the University of Manitoba was signed, significant changes have been made in the College's operations, course offerings, and marketing strategies. The Agreement has not been amended or otherwise updated to more adequately reflect the College's current needs and practices.
- The Board recognized that the Agreement required review, and in February 2000 established an ad hoc committee to review it. The process was abandoned in March 2002 because of differing internal perspectives.
- The legal "official" name of the College is "Le Collège de Saint-Boniface". However, the College has, over the years, come to utilize the adjective "universitaire" in its name (Collège universitaire de Saint-Boniface) on promotional material and other documents.
- In 1993, the University Grants Commission (currently COPSE) advised the College that for non-legal purposes, such as promotional material and advertising, the College could use the adjective "universitaire" as part of its name, but for legal purposes, such as bylaws and contracts, the College should continue to use its legal name. We noted that the College was incorrectly identified as the "Collège universitaire de Saint-Boniface" in the Canada-Manitoba Subsidiary Agreement and the Auxiliary Agreement on the Construction of the Student Centre.
- During the year ended March 31, 2002, the College entered into an agreement with the University of Ottawa for delivery of a Bachelor of Nursing degree program to College students using distance education technology. The degree is granted by University of Ottawa on the recommendation of the College. Under Section 58 of the University of Manitoba Act, the College is prohibited from establishing formal affiliations with other universities for the purpose of granting degrees.

Conclusions

- Significant changes in post secondary education, such as the use of technology and advances in distance education, have occurred since 1972 when the Affiliation Agreement was established. These have created many new opportunities for academic partnerships with other universities operating in the French language. The Affiliation Agreement may not be meeting the College's current needs.
- The College acted outside of its Affiliation Agreement by entering into an agreement with another university to grant a degree in nursing.

3.2 REPORTING TO GOVERNMENT

The College receives the largest part of its funding from the provincial and federal governments. Provincial funding is provided through COPSE, the agency responsible for the allocation of annual grants to post-secondary institutions. COPSE requires that institutions receiving government funds report back to them by providing various detailed operational reports and information, including enrolment and staffing statistics, plans and budget information, status reports on new programs, and audited financial statements.

Funding from the federal government was received through two special funding agreements that set out the basis for the funding and also established compliance and accountability requirements.

In order to assess the adequacy of reporting to government, we reviewed the following:

- Section 3.2.1 - The Business Plan
- Section 3.2.2 - Completeness of Financial Reporting
- Section 3.2.3 - Compliance With Special Funding Agreements

3.2.1 The Business Plan

Observations

- The College does not have a long-term strategic plan. However, the College does prepare an annual Business Plan. The Business Plan is the main planning document for the College and is submitted to COPSE to communicate the College's planned activities and funding needs.
- We reviewed the College's December 2002 Business Plan against best practice criteria for effective business planning. We found that the College's Business Plan did not meet most of the criteria. Deficiencies were noted in the following areas:
 - Establishing a clear planning period;
 - Setting out the College's mandate, to accompany the established Vision Statement;
 - Articulating the College's understanding of government priorities as they pertain to the College, towards demonstrating how College programs contribute to government priorities and objectives;

- Providing a description of the main services of the College, and the organizational structure through which the services are delivered;
- Setting out the broad institutional objectives and desired outcomes;
- Identification and exploration of the internal and external trends and risks, as well as opportunities; along with an indication as to how these factors are to be addressed;
- Reporting the performance indicators that will be employed to assess the extent to which planned expected results have been achieved;
- Setting out expenses by sector, and revenues by source, along with the assumptions supporting the College's budgets. Information on investments and planned capital expenditures should also be included; and
- Benchmarking data on trends in the College's performance and providing results within the context of how other similar institutions are performing.

Conclusions

- There are a number of areas where enhancement to the Business Plan could be made. Such enhancements would provide a more comprehensive picture to the College's Board of Governors and other stakeholders of the potential impact of strategies and activities undertaken, by containing an estimate of financial and other resource requirements and linking them to specific strategies and activities.
- The lack of measurable performance indicators in the College's Business Plan related to strategies and activities undertaken does not allow for the subsequent evaluation of actual results and outcomes against expectations.

3.2.2 Completeness of Financial Reporting

Observations

- The College prepares audited financial statements for each of its seven sectors, as well as a consolidated financial statement.
- The College only submits financial statements for two sectors to COPSE: the University sector and the Community College sector.
- The College has not been providing COPSE with the Consolidated Financial Statement nor the financial statements for the following five sectors:
 - Continuing Education;
 - Administrative Fund;
 - Joseph-Dubuc Institute;
 - Research Centre; and
 - Western French Canadian Studies Centre.

- The Administrative Fund financial statements include data processing costs, partnership costs, and other special project costs. Although the College accounts for these costs in its Consolidated Financial Statement, it does not allocate these costs (\$3.4 million for the year ended March 31, 2002) to its financial statements for the three main operating sectors: the University, the Community College, and Continuing Education.
- The College's financial statements present highly summarized information. The audited financial statements are not presented in the same format as the budgeted financial information shown in the Business Plan. This makes it difficult to use the financial statements to assess the College's financial performance against plans.
- We reviewed the College's audited Consolidated Financial Statement for the year ended March 31, 2002 and identified the following presentation and disclosure issues:
 - externally restricted funds and internally restricted funds were not fully described (for example, a pension fund for \$1 million was recorded in the statements with insufficient note disclosure describing the nature of this fund);
 - revenue was not broken down by major source (for example, by level of government or other funding source); and
 - the nature and amount of changes in deferred contribution balances for the year were not disclosed.
- We reviewed the College's sector statements for the year ended March 31, 2002 and noted that unqualified audit opinions were issued on each sector statement. Because of this, related entities disclosure was needed for each sector, but was not included in the sector statements.
- Approximately \$1.1 million in funds received was incorrectly classified as deferred revenue on the College's Consolidated Financial Statement for the year ended March 31, 2002, rather than taken into revenue in the year in which the funds were received. As a result, the College's reported revenue was lower than it should have been, and the College's accumulated reserve account at March 31, 2002 was understated by the \$1.1 million.
- Approximately \$3.1 million was shown as deferred revenue instead of deferred contributions on the March 31, 2002 balance sheet, and was not disclosed as deferred contributions in the corresponding notes to the financial statements.

Conclusions

- In our opinion, the College's audited financial statements for the year ended March 31, 2002 should more fully incorporate presentation and disclosure requirements under generally accepted accounting principles (GAAP).
- The incorrect deferral of revenue, which resulted in an understatement of the College's reserves for the year ending March 31, 2002, means that the

College is in a stronger financial position than currently indicated by its financial statements.

- Because COPSE did not request, nor receive, the complete financial statements for all of the College's operations, COPSE was not in a position to assess the College's overall use of grant funds. In addition, because the College did not disclose deferred contributions as required by GAAP, COPSE was not aware of the level of the College's unexpended funds.

3.2.3 Compliance With Special Funding Agreements

Observations

- The College received significant funding under two major federal/provincial agreements. We reviewed these agreements to determine whether the College had complied with the main terms and conditions of the agreements.
- One agreement, the Canada-Manitoba Subsidiary Agreement on the Development of the Collège universitaire de Saint-Boniface provided \$12 million (50% federal and 50% provincial) in funding to the College over a five year period ended March 31, 2003 for the purpose of developing College programs and services.
 - This agreement required that the Province prepare an evaluation report at the end of the term. The Province commissioned an independent review of the evaluation report prepared by the College. The reviewer concluded that the report *"accurately describes the measures and activities undertaken by the CUSB within the framework of the Canada-Manitoba Subsidiary Agreement"*, and that *"the objectives stated in the College's Business Plan...will have been achieved"*.
- The second agreement, the Auxiliary Agreement on the Construction of the Student Centre of the Collège universitaire de Saint-Boniface provided \$4.34 million (50% federal and 50% provincial) in funding to the College for the construction of a Student Centre and other renovations. Funds were to be provided over a two year period ended March 31, 2003.
 - This agreement was between Manitoba and the Federal Government and stipulated that *"before awarding renovation or construction contracts, Manitoba shall publish a call for tenders in one or more English-language and French-language newspapers"*.
 - We determined that Manitoba (represented by the Minister of Advanced Education and Training) was not involved with awarding construction contracts as required by the agreement. Rather, the College was responsible for managing all aspects of the project, including awarding all contracts.
 - We noted that the project architect and the project manager were not selected through a tendering process. We further noted that tenders for sub trades were not published in newspapers as required. We were informed by College management that:

- The project architect was selected on the basis of professional abilities and experience, connection with the College (alumnus and donor), and previous satisfactory work for the College;
- The project manager was selected on the basis of previous satisfactory performance, ability to communicate in French, and management's view that the project manager's fees were reasonable; and
- While sub trades were selected on the basis of a competitive bidding process, the project plans were posted at the Winnipeg Construction Association rather than published in newspapers.

Conclusion

- Given that tendering was not used as required by the Auxiliary Agreement on the Construction of the Student Centre, the College cannot demonstrate that it has obtained the best value for services provided. The lack of a tender or other competitive bidding process for major expenditures may result in a perception of unfair or preferential treatment of selected suppliers.

3.3 PUBLIC REPORTING

Observations

- The College does not hold annual public meetings, produce an annual report, nor make audited financial statements and other accountability information available either directly to the general public or through the College's website.
- We noted that several other universities and colleges in Manitoba make accountability information available to the public, through printed material and websites. This contributes to the transparency of their operations and enhances public accountability.
- Section 24 of The Council on Post-Secondary Education Act requires that an annual report of operations, along with audited financial statements, be submitted by each post-secondary institution at the end of each fiscal year to COPSE and the Minister, who is required to table such reports before the Legislative Assembly. We noted that this process has not occurred for the College.
- The Freedom of Information and Protection of Privacy Act (FIPPA) designates the University of Manitoba, University of Winnipeg, and Brandon University, along with Red River College, Assiniboine Community College, and Keewatin Community College as an "educational body" subject to FIPPA. Under FIPPA, the public can request access to a wide range of information from these institutions. The College is not specifically named in FIPPA; College management indicated their belief that FIPPA does not apply to them.

Conclusions

- As the recipient of significant public funds and as required under Section 24 of The Council on Post-Secondary Education Act, we expected that the College would have produced accountability documents, such as annual reports that include financial information, which would be readily available to the public to demonstrate that public monies are appropriately used. We also expected COPSE to ensure that the process for tabling an annual report for the College would have occurred. By not following the requirements of the Act, the College and COPSE have precluded the Members of the Legislative Assembly from carrying out their oversight responsibilities.
- As a result of accountability information not generally being made available to the public, and given that the College is not named under FIPPA, there was limited opportunity for all stakeholders of the College to assess the College's operational performance.

4.0 Management Control Environment

During the course of our examination, we reviewed a number of financial areas to determine the adequacy of management controls. These areas included:

- Section 4.1 – Financial Transactions With Related Parties
- Section 4.2 – Purchasing Policies and Procedures
- Section 4.3 – Use of Corporate Credit Cards
- Section 4.4 – Reimbursable Expenses – Travel, Meals, and Other Expense Claims

4.1 FINANCIAL TRANSACTIONS WITH RELATED PARTIES

Observations

- We noted instances of financial transactions where greater care should have been taken to avoid the perception of a conflict of interest or preferential treatment. These are detailed below:

Contracts With Related Parties

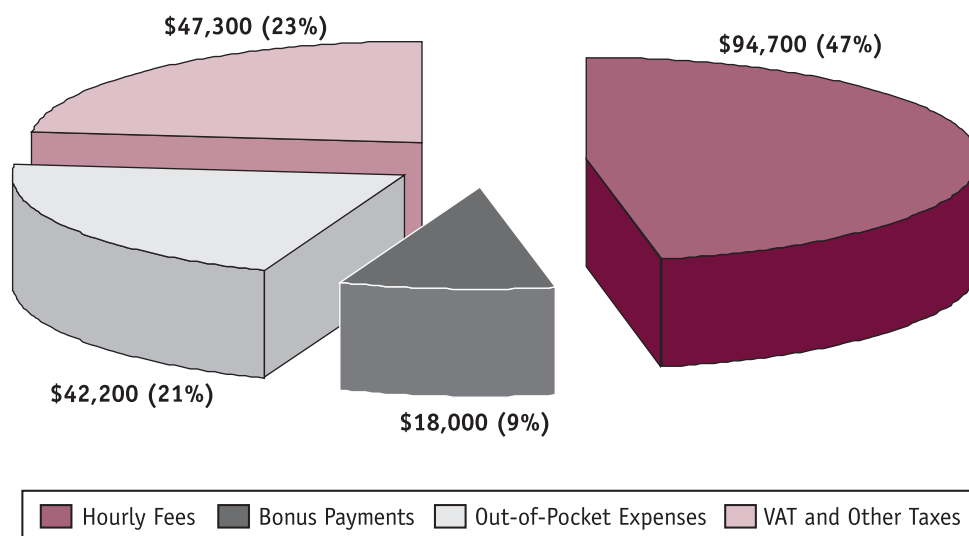
1. Recruiting agent in France

- In 1998, a relative of a senior official entered into an agreement with the College to act as the College's recruiting agent in France. We were informed by College management that this agent was selected because the agent was a former student of the College, had considerable knowledge of College programs and marketing skills, and had developed personal contacts in France that would benefit recruitment activities.
- We found no evidence that the related senior official was directly involved in this decision or in negotiating the terms of the arrangement. The Board of Governors and College management were aware of the relationship.

- We noted that the College did not sign a contract with the agent setting out the nature of the relationship, performance expectations, and remuneration. As a result, payments were approved based on verbal understandings, and/or emailed "budgets".
- The College paid the agent an advance of the full estimated costs of recruiting services (\$50,000) in the fall of each of the past 3 years, prior to any of the recruiting services being performed. At the end of the annual recruiting period, the recruiting agent would provide the College with a summary statement setting out the total hours worked and out of pocket expenses incurred. The agent would deduct the amount of the advance payment previously received, and request payment for the outstanding balance. The College did not request detailed time reports to substantiate the amounts billed, nor receipts to support out-of-pocket expense claims in each of the last 4 years. Further, the College did not verify the agent's calculations of bonus payments, nor challenge the calculation of various French taxes. Due to the inappropriate administration and management of this by the College, we estimate that the College overpaid approximately \$24,000 in taxes and \$2,000 in other payments over the 4 years.
- A breakdown of total payments of \$202,200, to the recruiting agent in France, covering the period April 1, 1997 to March 31, 2002 are detailed in Figure 5.

FIGURE 5

**Analysis of Total Payments to Recruiting Agent in France
(\$202,200 to March 31, 2002)**



2. Commissioned Artist

- In 2001, a senior official commissioned an artist who was previously related, to produce a number of original artworks as illustrations for a book the College was preparing to publish as a fund raising project. The art work was commissioned without an open competition.
- The senior official was directly responsible for negotiating the fee for service. Fees paid totaled \$19,000.

Use of College Resources To Benefit A Relative

- In 1999, the Multimedia Centre's resources were used to produce a CD to promote a theatre company in France associated with the recruiting agent. Although the College received a payment for producing this CD, the amount received did not cover travel and other related production costs.
- In 2000, the Multimedia Centre's resources were used to produce a DVD of a children's play for the same theatre company. No remuneration was received for the DVD production.
- For both of the above transactions, there were no contracts, production records, or any other supporting documentation available for our review.

Conclusion

- As a recipient of public funds, the College should have taken greater care to avoid situations of perceived conflict of interest and preferential treatment with related parties. Without sufficient documentation to demonstrate that these were arm's length transactions, the perception of conflict of interest and preferential treatment exists.

4.2 PURCHASING POLICIES AND PROCEDURES

Observations

- At the time of our review, there were no documented purchasing policies and procedures in place at the College.
- The College purchases approximately \$4.8 million in goods and services each year, but does not require formal tenders or other competitive bidding processes. Suppliers and service providers were often selected on the basis of positive past experience, personal preference, established relationships with the College (i.e., former students), ability to communicate in French, or supporting the local community.
- While some managers indicated they periodically obtain competitive quotes by the telephone or Internet, records and documentation of this process were not maintained.

- The College did not meet the requirements of the Agreement on Internal Trade (AIT). In 1998, COPSE issued a general purchasing directive to all post-secondary institutions instructing colleges and universities to comply with the purchasing requirements of the AIT. The AIT is a *“framework to ensure equal access to procurement for all Canadian suppliers”*. Effective July 1, 1999, all purchases of goods and services over \$100,000 and construction valued over \$250,000 were to be subject to a national tendering process. All post-secondary institutions were informed that they could, at no charge, post and distribute tenders on the MERX system, an electronic tendering bulletin board.

Conclusion

- Without formal purchasing policies and procedures in place, and in the absence of a documented competitive bidding process, the College is unable to demonstrate that they obtained the best value for goods and services purchased.

4.3 USE OF CORPORATE CREDIT CARDS

Observations

- At the time of our review there were no formal documented policies and procedures for credit card usage. The College uses two main credit cards: VISA and enRoute. As at March 2002, 5 VISA cards and 11 enRoute cards were held by staff members.
- A total of \$146,300 was charged to 7 VISA cards for the period April 1, 1999 to March 31, 2002. We noted that one Director's charges accounted for 77% of all charges to the College's VISA account. This Director charged \$112,800 to the VISA card over a three-year period from April 1, 1999 to March 31, 2002.
 - In addition to travel-related expenses and meal charges, this Director used their VISA card to purchase office supplies, computer software, equipment, and books and magazines (\$43,800) that could have been purchased through the College's normal systems.
 - We also found that \$41,800 (37%) of these charges were not supported by any original receipts; and \$8,900 (8%) were supported only by charge slips and not original receipts. We found no evidence to indicate that unsupported expenses were questioned by the College prior to payment.
 - This Director also used the College's VISA card to obtain six travel cash advances totaling \$3,000. No other College VISA or enRoute card holder used their card for this purpose. We noted one instance where expenses related to a credit card cash advance of \$700 were subsequently included on an expense claim by this Director. As the College did not have any system in place to track and account for cash advances obtained by credit card, they were unaware that these expenses had been covered by the cash advance and subsequently

paid the expense claim in error. When brought to attention of the College by the OAG, the College requested and received restitution from the Director.

- A total of \$221,200 was charged to 14 enRoute cards for the period April 1, 1999 to March 31, 2002. We reviewed the charges for six Directors totaling \$165,500 (75% of the total charged) and noted that \$129,700 (78%) of these charges were appropriately supported by receipts, while \$35,800 (22%) were not supported. Of these unsupported amounts, \$23,700 (66%) were for airline tickets and related costs, \$7,800 (22%) were for hotels, and \$3,800 (11%) were for meals.
- One senior official did not generally supply receipts to support charges made on their enRoute card. This official charged \$18,000 in expenses, but only \$2,600 (14%) was supported by receipts. Unsupported charges included \$2,600 for meals and \$6,000 for hotel expenses. We found no evidence to indicate that unsupported expenses were questioned by College management prior to payment.

Conclusion

- In the absence of formal policies and procedures for credit card usage and by not ensuring that all credit card purchases and advances are properly reviewed and supported by receipts, the College exposed itself to undue risk that inappropriate expenditures may be incurred and not detected.

4.4 REIMBURSABLE EXPENSE CLAIMS

Observations

- At the time of our review, the College did not have documented policy or procedures regarding reimbursable expenses, including guidelines for meal allowances and travel expenses. At times, College staff pay for work related goods or services including meals and other expenses, and at a later date, will request reimbursement for these expenses.
- We selected a sample of expense claims from April 1, 1998 to March 31, 2002 for 17 College employees, including senior management totaling \$100,900. We determined that \$73,000 (72%) of the expenses claimed in our sample were appropriately supported by receipts. The remaining \$27,900 (28%) were not adequately supported by original receipts:
 - \$14,600 (15%) were supported by photocopies of a receipt instead of an original receipt;
 - \$6,800 (7%) were supported by a credit card slip and not an original receipt; and
 - \$6,500 (6%) were not supported by any documentation.
- One senior official used reimbursable expense claims to purchase relatively high value items, such as furniture for student housing and the College, that could have been billed directly to the College. This official's expense claims accounted for \$43,100 (43%) of the total expenses in our

sample and were significantly higher than the claims made by the President or any other senior official.

- The College has not established per diem rates or other guidelines for travel expenses or meals to assist management in determining the appropriateness of claims and the suitability of supporting documentation. As such, claims were reviewed and approved on a subjective basis. Our review identified several examples of expenses that would be typically unallowable in a public sector organization.

Conclusion

- We believe that the College has not provided adequate guidance to management and staff regarding reimbursable expenses. Further, by not being sufficiently diligent in their review and approval of reimbursable expense claims, the College was exposed to undue risk of paying for inappropriate expenses. Documentation, communication, and monitoring for compliance with policies and procedures would have improved controls and helped the College demonstrate appropriate stewardship of resources.

5.0 Human Resources Management

Observations

- At March 31, 2002, the College had 165 employees (full time equivalent), with salaries and other employee related costs representing approximately \$9.8 million (66%) of the College's total expenditures.
- The College has three collective agreements covering administrators, instructors and professors and negotiated five-year contracts with each of its three unions which were effective in 1999. We reviewed both the current and previous collective agreements and noted that there were significant changes incorporated into the new contracts. The new provisions in these agreements significantly increased the complexity of the contracts, and will likely contribute to the necessity for more involvement of management to ensure the terms are complied with.
- Performance review requirements are set out in the current collective agreements. Reviews for professors and instructors are based largely on the course evaluation forms prepared by students. Based on discussion with managers and staff, and from our review of available documentation, we determined that performance reviews were conducted in keeping with the collective agreements.
- The College does not have a human resources policies and procedures manual to provide any guidance to management and employees. Neither does the College have a dedicated human resources professional on staff; human resources functions are currently the responsibility of the Director of Finance and Human Resources.

- Human resources activities, such as performance reviews, hiring, and disciplinary actions, are managed by individual managers on a day-to-day basis. Managers indicated that access to a specialized human resources support person would be of benefit to them. The College had budgeted for this position during the year ended March 31, 2000. The College has not yet taken action to fill this position.
- During the course of our review, we were informed that complaints of harassment and other improper behavior had been made. We noted that individual Directors to whom the complaints had been brought, kept their own personal notes regarding the nature of the complaints and action taken to resolve matters. We were also told that documentation of these complaints was contained in securely stored files in a central location. However, we were subsequently informed that centrally stored files did not exist. Therefore we could not determine the number, nature, or final resolution of the alleged complaints.
- During the course of our review, concerns were expressed of inappropriate student hiring practices in a particular area of the College. While our review was unable to substantiate this concern, we noted that the College did not follow a formal, consistent process in hiring students.

Conclusions

- The lack of documented human resource policies and procedures, and the absence of a dedicated human resources professional, increases the risk that human resources issues that arise at the College may not be fully and appropriately addressed. Further, the hiring practices of students in a particular area of the College may have created a perception of unfair access to College employment opportunities that might have been avoided if formal, consistent processes were in place.
- No formal documentation on harassment complaints was provided for our review. We are concerned that this lack of documentation may be perceived as undermining the credibility of the process for resolving complaints. In addition, appropriate documentation of a complaint, whether formal or informal, could aid in establishing a pattern of behaviour in case a person is the subject of subsequent complaints.

6.0 Board Governance

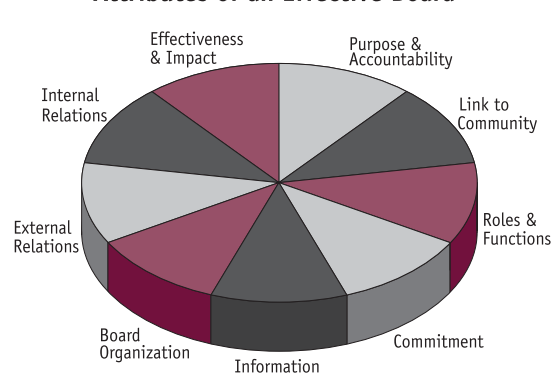
As one aspect of our review, we examined the governance practices of the College's Board of Governors (the Board). Our work consisted of a review of Board by-laws, Board minutes, and Board policies and procedures. We examined three years of Board activity from September 1999 to June 2002. Interviews were held with all current members of the College's Board, including the College's President. Board composition changes occurred during the course of our review; in most instances, the vacating Board member was interviewed.

Corporate governance is the system by which an organization is directed and controlled. Effective corporate governance is built upon four pillars:

1. **Stewardship** - As stewards, boards act on behalf of others, and are trustees of an organization's mandate and its resources. A board is therefore given the overall authority for the actions of its organization. As a result of this stewardship, any public sector board needs to honour the trust citizens have placed in it.
2. **Leadership** - A board fulfils a leadership role and as leaders, board members are expected to reflect the priorities and values of the community they represent and from which they are drawn. Leadership is about the relationship between the governors and those governed. Therefore, a board needs to develop positive relationships with all stakeholders, ensure respect between parties, and build a sense of commitment.
3. **Responsibility** - Having been given a fiduciary responsibility, boards are expected to manage the resources of the organization efficiently and effectively to accomplish the desired aims. Board members are expected to be reliable, and to allow appropriate factors and considerations to influence their judgment, including consideration of the effect of their choices on others. They are also expected to devote personal time and energy to ensure that governance is appropriate and adequate.
4. **Accountability** - Boards are ultimately accountable for the actions of their organization. Accountability is the requirement to answer for the discharge of responsibilities that have been conferred and that affect others in important ways. It requires that boards understand who is responsible for what, what performance is to be achieved, and what information is required to ensure appropriate decision-making.

Building upon these four pillars of good governance, and based upon a review of leading research and perspectives of board governance, a Model of Governance was developed by the OAG and used as the basis in conducting this review. In general, the more a board fulfils each of the attributes of this Model, the more effective it is.

Attributes of an Effective Board*



Observations

- The College's Board is comprised of 12 members, who meet approximately once per month between September and June. Seven Board members are nominated as representatives of a particular community group. These include: the Archdiocese of St. Boniface (2 members); the Franco-Manitoban Society (2 members); the College's University Professors' Union Association (1 member); the College Instructors' Union Association (1 member); and the College Students' Association (1 member). A further four members are

*Detailed information on the OAG's Model of Governance can be obtained from previously issued reports, available on our website (www.oag.mb.ca).

self-selected by the Board. The College's President also sits on the Board as a voting member. Board members serve for two-year terms, which can be renewed indefinitely. Currently, the longest-serving Board member has been on the Board for twelve years.

- The College's Board has no representation from its primary funders, the provincial and federal governments, nor from the University of Manitoba with whom they are affiliated.
- Board members are highly committed to the College and informed us that they felt primarily accountable to the Francophone community in Manitoba. We were told that the Board functions well together as a team and that members contribute fully at meetings. Our review of past Board minutes noted that, with one exception, all resolutions have been adopted unanimously.
- The College has not formally articulated an overall long-range strategic plan and the Board currently has no strategic planning process in place. We noted that the Board has not held a planning session to deal specifically with strategic issues since 1998. College management does, however, prepare an annual Business Plan which is submitted to the Board for approval. A detailed discussion of our review of the College's 2002 Business Plan is provided in Section 3.2.1.
- The majority of information provided to the Board by the College's senior management is delivered verbally. The Board receives presentations by specific functional areas according to a pre-defined annual schedule. Formal written reports, containing an analysis of alternative options and their financial consequences, as well as performance information which integrates both financial and non-financial indicators, are not generally provided to the Board. Yet, the majority of Board members told us they were satisfied with the information they received, and rarely felt they had to ask for more in making their decisions.
- The majority of Board members noted that the Board was effective in its role as a "policy" board that did not micro-manage the day-to-day administration of the College. Our review of Board minutes noted that in the last three years only one policy had been approved in 2002 by the Board. When asked, the majority of Board members informed us that they were satisfied with the current operational policies and related procedures in place at the College, and that copies were available from the administration. As noted in Section 4 of our report, the College has few documented operational policies and procedures, and relies on an informal management control environment.
- Two Board members represent the Board on the Conseil de direction des études (CDE). The CDE acts as the College's equivalent of a university senate and provides academic direction and authority over course programs and curriculum. As the Board has overall and ultimate responsibility for the financial and administrative affairs of the College, final ratification of all programs and strategic direction rests with the

Board. As an evaluation of academic direction/programs was outside the scope of this review, we did not assess the functioning of the CDE.

- While the Board has established three Standing Committees (Executive, Finance, and Personnel), the majority of matters are dealt with by the entire Board. The Finance Committee meets on a regular schedule about 3 - 4 times per year. Other committee meetings occur on an “as needed” basis and are generally held directly after the Board meeting. Our review noted that the Executive Committee has not held a meeting since 1999, and the Personnel Committee held two very brief meetings in 2002. As well, ad-hoc committees are formed by the Board to deal with specific issues as required.
- Our review noted that the Board has not established an Audit Committee. Although the Finance Committee meets with the external auditors once per year to receive the audited financial statements and audit opinion, it does not perform the other functions typical of an Audit Committee, including meeting with the external auditor prior to the audit to review scope, ensuring the integrity of internal fiscal control and management information systems, and ensuring legal and regulatory compliance. Currently, the Finance Committee does not have any members with specific financial expertise.
- The majority of Board members indicated that they trust the College’s management and are highly satisfied with the actions of management, as well as the current functioning of the organization. We noted that the President is directly accountable to the Board, while all other senior managers are accountable to the President. The Board formally evaluates the President’s performance once every five years. The expenses of the President are not submitted to the Board (or Finance Committee) for approval. The President’s expenses are currently forwarded to the Director of Finance and Human Resources for approval.
- An evaluation of Board performance has not been conducted since 1994. We noted that, based on the 1994 evaluation, the Board instituted a formal orientation process to assist new Board members in becoming familiar with the College and the Board. This process was considered useful by Board members, and is an example of the enhancements that can be made to Board functioning as a result of an effective evaluation process. Our review further noted that no formal Board training and development is provided throughout a Board member’s term.

Conclusion

- As the ultimate authority of an organization, a board takes responsibility and accountability for the mandate and goals of its organization, as well as oversight responsibility for the actions of the organization. The College’s lack of an articulated strategic plan and the Board’s lack of involvement in a strategic planning process is a concern. The findings reported in other sections of this report indicate that the quality of

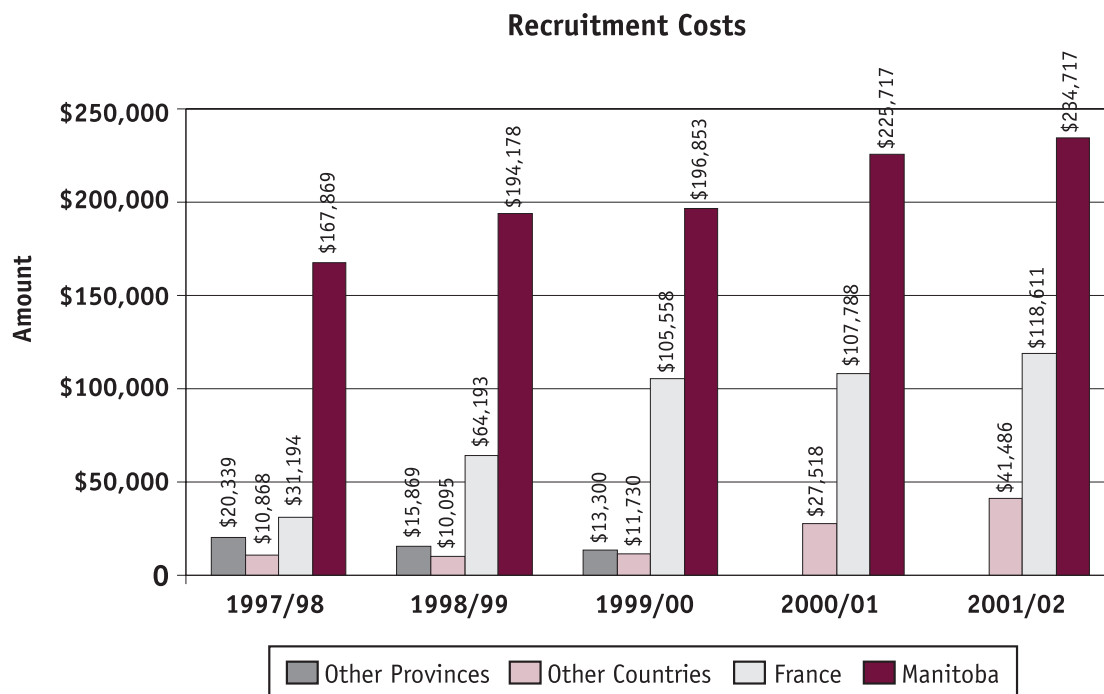
performance and financial information provided to the Board, in conjunction with the current informal nature of the College's internal control environment, does not facilitate the Board's ability to assess operational and management performance. Improvement is required in the Board's control and oversight responsibilities if the Board is to effectively operate as a mechanism of corporate accountability.

7.0 Foreign Student Recruitment

Observations

- Attracting international students to the College is an important strategic direction for the College and the resources committed are viewed as a long term investment. College management informed us that the primary purpose for the desired presence of international students is to broaden the learning experience of all students at the College by providing them with exposure to different cultural ideas and practices. Recruiting students from France was expected to enhance international recognition of the College. These views are shared by the College's Board, which supports the international recruitment initiatives. International students pay higher tuition fees than domestic students.
- During the year ended March 31, 1998, the College initiated a program to actively recruit students in France. These activities started modestly, and based on the initial success, the program was expanded to Mali and Senegal during the year ended March 31, 2000. During the year ended March 31, 2002, the student body included 21 students from France, 17 students from Mali, 4 students from Senegal, and 25 students from 14 other countries.
- College management informed us that they considered their foreign recruitment program to be successful and cost effective. However, the College does not have an integrated foreign student strategic recruitment plan, nor have documented evaluations or analysis of actual performance of recruiting activities been conducted. For example, the College has not calculated the average cost of recruiting a foreign student, nor compared recruiting costs for foreign students to incremental tuition revenues in order to determine whether the costs of recruitment were covered by the additional revenue generated.
- We performed an analysis of the recruitment costs, as shown in Figure 6. International recruiting costs have increased from 18% during the year ended March 31, 1998 to 41% of total recruiting costs during the year ended March 31, 2002, reflecting the College's increasing commitment to recruiting students outside of Manitoba.

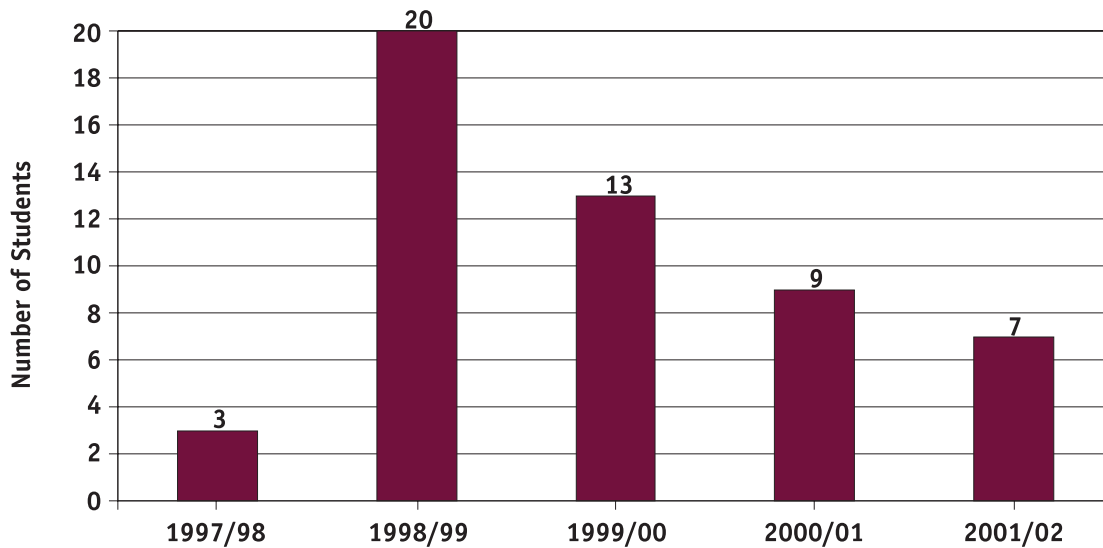
FIGURE 6



- We were informed by College management that, for a variety reasons, a dedicated recruitment agent was required in France. As the College undertook recruitment in France without formally evaluating alternative strategies, we examined recruitment activities and costs for France in detail. As shown in Figure 7, during the first year of active recruitment in France (year ended March 31, 1998), the College registered three students. In the following year, this increased significantly and an additional 20 students attended the College. In subsequent years, we noted the number of students recruited from France has steadily declined, while recruiting costs continued to increase (as per Figure 6).

FIGURE 7

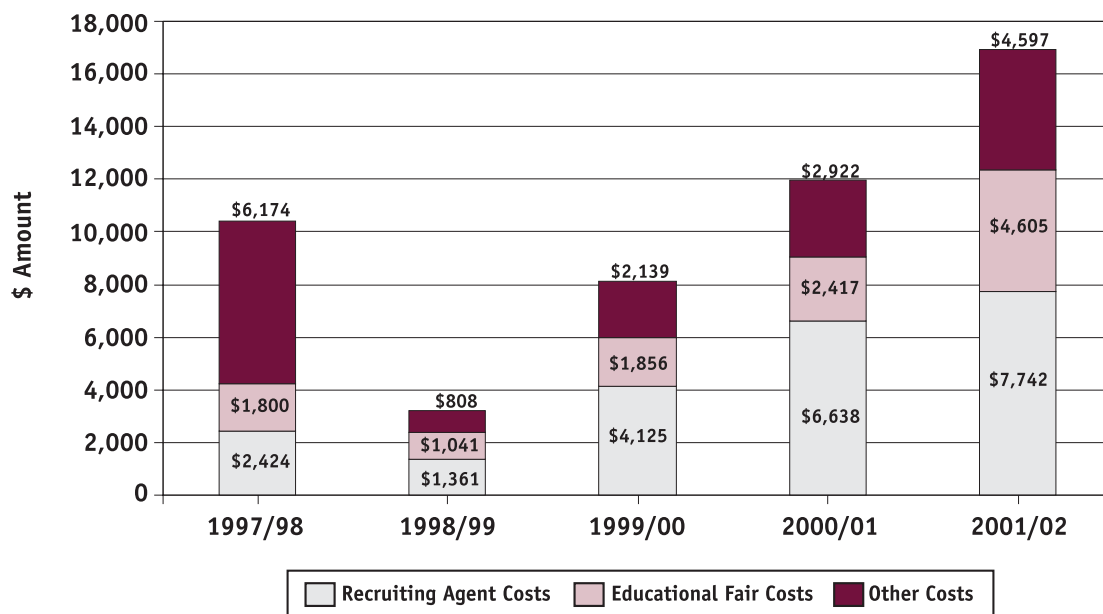
Number of Students Recruited in France



- As shown in Figure 8, the increase in recruiting costs coupled with the decline in the number of students recruited has resulted in a sharp rise in the per-student cost of recruitment. For the year ended March 31, 1999, the most successful recruiting year from France (20 students), the average cost per student was \$3,210 (20 students; total cost \$64,193). For the year ended March 31, 2002, when only 7 students were recruited, the average cost per student increased to \$16,944 (7 students; total cost \$118,611).

FIGURE 8

Recruitment Cost Per Student - France



- As a result of the high per-student cost for recruitment in France, estimated total tuition fees for students recruited during the year ended March 31, 2001 and during the year ended March 31, 2002 did not cover the investment in recruiting activities. Costs exceeded total expected tuition fees by \$9,700 and by \$17,200 respectively.
- Payments to the recruiting agent in France were paid on the basis of an hourly rate plus out-of-pocket expenses, regardless of the number of students recruited. In addition, a bonus is also paid for each year a recruited student continues studies at the College. From April 1, 1997 to March 31, 2002, the College had paid their recruiting agent in France a total of \$202,200 to recruit 52 students (average cost - \$3,890 per student).
- We reviewed the practices of other educational institutions that use recruiting agents and found agents are most often paid on a commission basis for those students successfully recruited; usually 15% of the first year's tuition. If the College had paid their agent in France on the same basis as other educational institutions, they would have paid between \$720 and \$1,650 per student, including bonus payments. In our opinion, using that method, total recruiting costs could have been reduced by approximately \$116,000 over the five year period.

Conclusion

- The College's foreign student recruitment program was not appropriately managed, which may have contributed to the excessive cost of recruitment from France. The lack of an integrated plan and related performance measures did not enable the College to assess the accomplishments of their recruitment programs and ensure that College resources were effectively used. Without benchmark guidelines, such as average cost per student, comparisons with other institutions, or other documented critical analysis, management appeared to have relied on their intuition regarding the success of the program.

8.0 Multimedia Centre Operations

Observations

- In 1996, the College submitted a proposal for funding to the Department of Advanced Education and Training to develop a state-of-the-art multimedia service at the College. This document set 10 specific objectives for the program including:
 - to promote self training on the use of technology to staff, students, and the community;
 - to undertake innovative projects;
 - to provide information on new technologies; and
 - to contribute to the economic development of Manitoba.

- In 1997, the Multimedia Centre (the Centre) began providing state-of-the-art multimedia production capabilities to College staff, students, and the community. The Centre is one of the province's most advanced multimedia education centers and has the capacity to handle virtually any kind of production, including sound, video, photography, and animation. Productions can also be presented in a number of different formats, including CD, tape, and DVD. The Centre has two full time staff - a Director and a Project Coordinator - and for the year ended March 31, 2002 had an operating budget of \$333,000.
- Since the inception of the program, a number of significant changes in the nature of the Centre's operations and production focus have been made. Initially, projects were "staffed" by students who were supervised and trained by the Director in the various technical activities needed for a project. Today, the Centre mainly contracts with external production professionals for production services, some of whom are graduates of the multimedia program.
- The Centre initially pursued commercial productions but now focuses on the preparation of educational material for College professors, instructors, and other French educators in the community.
- No documented strategic plan for the Centre has been developed by the College. As well, documented project management policies and procedures have not been developed. The Director did provide us with a document that outlined some basic project management requirements, including the need for contracts, meeting notes, project goals, budgets, production schedules, evidence of product branding, and other supporting documentation. We examined a sample of 10 project files and noted that these project management requirements were not consistently followed. While most files contained a description of the project, only two files contained a contract or evidence of meeting notes. In addition, four of the files did not contain budgets or evidence of product branding, and five of the files did not contain production schedules.
- While the College's accounting system had been set up to handle project costing, our review noted that not all Centre projects were appropriately accounted for in the accounting records. The Director provided us with a listing of 82 projects covering 1977 to 2002, but at March 31, 2002 only 31 projects were recorded. We were informed that some project expenses were not recorded on the basis of the nature and purpose of the expense. Rather these project expenses were recorded to general ledger production accounts based on which accounts had unexpended fund balances.
- We also reviewed a number of commercial projects that required international travel. These are detailed below:
 - In October 1999, the Director and a part-time assistant traveled to France to produce a promotional CD for a French theatre company associated with the College's recruiting agent. While there was no invoice or billing for this project, the College identified a payment of \$3,700 received in November 1999 from the theatre company as

payment for this project. We examined the CD and noted that there was no College branding on either the disk or the promotional packaging. The trip lasted approximately 12 days and travel costs, exclusive of production costs, are estimated at \$6,900.

- In May 2000, the Director and a contract employee traveled to a number of locations in France (Paris, Nice, Toulouse, Montpellier, and Monaco) to assess the feasibility of establishing a commercial web page to promote French music and artists. The contract employee had been hired to develop the web page and to assist in its promotion. Upon return to Canada, the Director placed the project on “hold” and terminated the contract employee because there was insufficient support from the local community for the project to continue. The trip lasted approximately 15 days with travel costs estimated at \$8,400.
- In November 2000, the Director and a part-time assistant traveled to France to meet with a French publishing company in order to demonstrate an interactive DVD for language instruction that had been developed by the Centre. The DVD was produced on speculation; the Director hoped that it would assist the College in acquiring work from the publishing company. However, the publishing company was not interested in developing the project further. During this trip, the Director also produced a DVD of a children’s play for the recruiting agent’s theatre company. The theatre was not invoiced or billed for this project, and no payment was received. We examined the DVD and noted that there was no College branding on either the disk or the promotional packaging. The trip lasted approximately a week with travel costs estimated at \$7,200.

Conclusions

- Given that the College possesses one of the province’s most advanced multi-media education centers, a strategic plan setting out objectives and production goals, along with measurable performance targets, would have better facilitated management’s review of the Centre’s operations by providing a benchmark against which to assess actual results.
- We are concerned that the inconsistent basis for recording project costs may result in inaccurate cost records and management may not be aware of over expenditures or under expenditures on projects.
- Pursuing speculative international projects is more costly and riskier than developing projects locally, with a lower probability of achieving a positive return to the College. By not ensuring that there was sufficient documentation on hand to support their decisions to pursue international projects, and to demonstrate that these projects were in the best interests of the College, management has exposed the College to undue risk that the College’s funds were inappropriately spent.

9.0 Information Technology Management And Security

The Information Technology (IT) Department has annual expenditures of about \$585,000. They support over 1,200 computer user-accounts for students, over 250 computer user-accounts for College personnel, and over 330 computers.

The objective of our review of information technology was to identify opportunities where the College could improve computer security controls. We assessed the College's information technology practices against industry-recognized standards for operations including those developed by the Computer Security Division of the United States National Institute of Standards and Technology (NIST) and set out in their publication *"An Introduction to Computer Security: The NIST Handbook, Special Publication 800-12"*.

We assessed the control environment from the following perspectives:

- Section 9.1 - Management Controls
- Section 9.2 - Operational Controls
- Section 9.3 - Technical Controls

9.1 MANAGEMENT CONTROLS

Management controls are techniques that are normally addressed by management as part of the computer security program of an organization. These controls focus on the management of the computer security program and the management of risk in the organization, and includes computer security policies. Risk management is the process of assessing risk, taking steps to reduce risk to an acceptable level, and maintaining that level of risk. Computer security risk management addresses risks that arise from an organization's use of information technology.

Observations

- The IT Department has not developed documented strategic or business plans for this operation.
- The IT Department has developed an overall computer policy that addresses acceptable use of College computers including respecting copyrights, adhering to software licenses, behaviour in computer labs, etc., but has not documented policies regarding a number of computer security issues including computer security incident reporting and handling, E-mail privacy, disposal of electronic data media, transmitting data by fax or e-mail, the use of modems, and the classification, ownership, and security measures regarding information.
- The IT Department neither has a formal computer security program nor formally manages computer security risks. However, the computer network manager has general responsibility for computer security and on occasion has scanned computers for vulnerabilities. In addition, the IT Department has also received advice from consultants regarding e-mail server configuration and firewall configuration.

- IT Department staff members advised that security-related updates (patches) are applied to computer software on a timely basis. The computer network manager subscribes to various external sources of information regarding the primary computer software products in use at the College, including alerts regarding security matters.

Conclusion

- The College cannot demonstrate that it has appropriate safeguards in place to protect IT systems and electronic data and information. While all risk to computers cannot be eliminated, we would have expected that the College would have developed a risk assessment process for analyzing and interpreting risk. The informal approach to management of the IT Department, including the lack of a documented strategic plan, risk management process, and policies and procedures increases the IT security risks to the College.

9.2 OPERATIONAL CONTROLS

Operational controls are implemented and executed by people, as opposed to computer systems. These controls are put in place to improve the security of a particular system or group of systems. They often require technical or specialized expertise and rely upon management activities, as well as technical controls. Operational controls include user issues regarding computer security, contingency and disaster plans, computer security incident reporting, and security awareness, training and education programs.

Observations

- There is no formal program to assess and document what permissions should be assigned to staff members regarding data and computer applications. Supervisory personnel use their judgment to determine what access permissions are assigned to employees.
- Currently, students are not required to sign an acceptable use form, but beginning in September 2003, they will have to acknowledge IT use policies electronically as they log on to the College's network for the first time after an account is created or renewed. All student computer accounts expire at the end of the school year unless arrangements are made to keep the account active over the summer.
- New staff members receive a basic information handout and are asked to sign and date a form to request a computer account. However, sometimes this process is not followed and a supervisor will phone and request that an account be created without the staff member signing the request form. Further, there is no requirement for staff members to sign an acknowledgement form each year. Supervisors are to advise the IT Department when staff are terminated or change positions, but this is usually done verbally. There are no formal processes in place to ensure that the IT Department is advised on a timely basis.
- The College does not have a formal computer security awareness and training program. While the College does provide periodic orientation

sessions regarding the use of computers, attendance at the sessions is optional, and there is no structured program to remind users on an ongoing basis of safe computer practices, such as posters or bulletins. The College does not have staff members devoted to computer security and consequently does not arrange for in-depth computer security training for any staff members.

- The College does not have a disaster recovery/business continuity plan, nor has the College developed formal procedures for handling computer security incidents.
- While some operational procedures have been documented, the security aspects of a computer application system are not documented, including security plans, contingency plans, risk analyses, and security policies and procedures.
- Physical security including access to computer laboratories is adequate. IT Department staff members visit the computer labs twice a day to inspect problems.

Conclusions

- The College is unable to demonstrate that it can handle significant IT disruptions or disasters, and could as a result suffer serious operational difficulties.
- The College has reasonable physical access controls and has implemented adequate fire safety measures.

9.3 TECHNICAL CONTROLS

Technical controls are controls that a computer system executes. These controls require consideration of their effects on operations and should be consistent with the management of security within an organization. Technical controls include identification and authentication mechanisms, logical access controls, maintenance and review of audit logs, and encryption of data.

Observations

- With respect to the College's technical controls, we identified several opportunities to decrease the risk of unauthorized access to its systems. These were brought to management's attention in a separate memo and included the need to improve identification and authentication mechanisms and the need to monitor audit logs for operating systems and the network.

Conclusion

- Without the strengthening of technical controls, including the maintenance and review of audit logs, and better control of internet access, the College has an increased risk of not detecting unauthorized access to their systems.

10.0 Recommendations

AUTHORITY AND ACCOUNTABILITY REPORTING

Affiliation Agreement With The University of Manitoba

- That the College use its legal name (Le Collège de Saint-Boniface) for all legal documents, including contracts, agreements, bylaws, etc., unless the College formally changes its legal status and name.
- That the Affiliation Agreement with the University of Manitoba be reviewed and updated to reflect the College's current needs and operating environment, given that it dates back to 1972, and that the review process ensure appropriate representation of all key stakeholders (Board, faculty, staff and students, University of Manitoba, community, and province).
- That, until such time as the Affiliation Agreement is amended, the College comply with the provisions of the Agreement and obtain formal permission from the University of Manitoba prior to entering into any agreement with other universities. In order to facilitate its continued relationship with the University of Ottawa, the College should obtain formal approval from the University of Manitoba.

Reporting to Government

- That the College strengthen its business planning processes to better reflect best practices. The annual Business Plan should include resource needs, trends and risks, strategies and goals, and performance measures.
- That the College review their financial statement presentation and disclosure requirements to ensure that the financial statements incorporate fuller presentation and disclosure, and are prepared in accordance with GAAP.
- That the College provide COPSE with complete financial reporting for all of the College's operations, including the audited consolidated financial statement.
- That COPSE ensure that they receive and review all relevant financial reporting information of the College to better facilitate review and assessment of the College's entire operations.
- That the College comply with all provisions of joint federal/provincial funding agreements, including provisions relating to the tendering for goods and services.

Public Accountability

- That the College improve public reporting by making accountability documents such as an annual report, audited financial statements, and strategic and other plans available to key stakeholders and the public.

- That COPSE ensure that the College comply with the reporting requirements under Section 24 of the COPSE Act.
- That COPSE ensure that the Minister of Advanced Education receives a copy of the College's annual report for tabling in the Legislative Assembly.
- That the Province review the application of FIPPA to the College and determine if amendments are required to specifically name the College.

MANAGEMENT CONTROL ENVIRONMENT

- That the College strengthen its management control environment and controllership function to ensure appropriate stewardship of resources.
- That the College develop formal policies and procedures in support of the management control environment, including the following specific areas where policy and procedures are required:
 - Conflict of interest policy and related procedures that applies to College employees and clear guidelines to identifying and declare potential areas of conflict.
 - Purchasing policies and procedures to help ensure that the College obtains the best value for the goods and services purchased through a documented, competitive bidding process.
 - Credit card use policies and procedures that address the assignment of staff credit cards, the appropriate use of the card, and the supporting documentation required to substantiate charges made.
 - Cash advances policies and procedures that provide for the central tracking and monitoring of all cash advances to facilitate the process for accounting for all cash advances on a timely basis.
 - Travel and other expense claims policies and procedures that provide guidelines describing "allowable expenses" such as acceptable rates for meals, alcohol and other entertainment expenses, incidental items when in travel status, and the procedures for approving expense claims.

HUMAN RESOURCES MANAGEMENT

- That the College develop a human resources policy and procedures manual to operationalize the provisions of the collective agreements, to ensure fair access to College employment opportunities for students, and to assist College management in carrying out human resources activities.
- That the College employ a dedicated human resources professional to more fully support human resources functions.
- That the College review its harassment policy in order to ensure that all complaints, whether formal or informal, are appropriately handled and that documentation of the final resolution or disposition of any complaints is filed in a secure location.

BOARD GOVERNANCE

- That the College's Board review its composition to ensure it is inclusive and reflective of its primary funders and stakeholders. Provincial representation would ensure it is consistent with most other post-secondary institutions in Manitoba.
- That the Province review "Le Collège de Saint-Boniface Incorporation Act" of 1871 and assess whether the composition of the College's Board should be made compatible with other post-secondary institutions.
- That the College's Board develop a formal strategic plan which articulates the long term strategic direction of the College. The Board, in conjunction with senior management and with input from key stakeholders, would be responsible for articulating the plan and ensuring management is held accountable for achieving the goals/objectives set.
- That the College's Board review its current Committee structure, to ensure it best reflects the information needs and oversight responsibilities of the Board. Committees can be an important vehicle for providing information and analysis that can assist a board in decision-making. The establishment of an Audit Committee could assist the Board in ensuring appropriate and independent oversight of financial information and internal controls, as well as in monitoring conflict of interest issues.
- That the College's Board conduct the President's performance evaluation on an annual basis. Such annual evaluations are an opportunity for the Board to assess senior management's performance against plans and ensure that annual objectives are achieved.
- That the College's Board approve the expenses of the President. This may be done, on the Board's behalf, by the Board Chair or the Finance Committee.
- That the College's Board conduct annual board evaluations as a way to highlight strengths and address opportunities for improvement in governance practices.
- That the College's Board establish regular training and development opportunities for its Board members in areas that enhance effective corporate governance, such as financial literacy, risk management and performance measurement.

FOREIGN STUDENT RECRUITMENT

- That the College develop an integrated plan for recruitment of foreign students to ensure that enrolment targets are met with due regard for economy and efficiency.
- That the College reassess its recruiting strategy in France to determine whether a more cost effective recruiting alternative can be found, and that until such time, the College strengthen its due diligence review and

payment approval process regarding transactions with the existing recruiting agent in France. Specifically we recommend that the College:

- Obtain a signed contract that clearly sets out all aspects of the understanding between the College and the agent, including remuneration rates and performance expectations.
- Renegotiate the compensation arrangement to better reflect standard recruitment remuneration practices (i.e., a commission basis for students successfully recruited). Consultation with other institutions that use recruiting agents would help the College determine what would constitute “reasonable” rates.
- Discontinue the practice of advance payments to the recruiting agent in France and require invoices be submitted on a timely basis and be adequately supported by detailed time sheets and original receipts to substantiate any out-of-pocket expense claims.
- Adjust subsequent payments and/or obtain repayment for overpayments resulting from miscalculation of French VAT and other taxes, recruitment bonuses, and clerical errors.

MULTIMEDIA CENTRE OPERATIONS

- That the College develop a strategic plan for the Multimedia Centre that sets out clear objectives, production goals and measurable performance targets. This would allow the College to assess whether new projects pursued by the Centre are in keeping with the documented strategic objectives.
- That the College develop comprehensive policies and procedures for the Centre to provide guidance regarding acceptable operational and project management practices.

INFORMATION TECHNOLOGY MANAGEMENT AND SECURITY

- That the College develop a documented strategic plan for the IT Department.
- That the College develop policies and procedures regarding a number of computer security issues, such as incident reporting, email privacy, disposal of electronic data media, the use of modems, etc.
- That the College initiate a formal risk assessment process to identify and document potential computer security risks and implement security controls to reduce risk to a level acceptable to management.
- That the College initiate computer security awareness training and education efforts, such as making orientation sessions mandatory and having an ongoing program to remind users of safe computing practices.
- That the College follow a formal process for assigning staff members with access permissions to computer systems and have all users, including

students and the public, periodically acknowledge that they adhere to the College's computer-related policies and procedures.

- That the College develop and communicate an Internet-use policy, and obtain computer user consent forms from all Internet users, including the public.
- That the College develop a disaster recovery plan for the IT Department.
- That the College implement a program for the periodic audit of computer security.
- That the College maintain and review audit logs on the computer operating systems, on the network operating system, and on network devices, such as routers and firewalls, in accordance with benchmark practices available from computer security organizations.

Comments from the College

The recommendations that have arisen out of the Office of the Auditor General's comprehensive review of the College's administrative practices, processes and policies review will prove very helpful as the College moves forward.

The College has focused on the quality and breadth of its academic offerings, and this has led to very positive results in the form of increased program offerings, vastly expanded enrolments, and a stable financial position. Our President has positioned the College well to move on to the next phase of its development.

We acknowledge that our rapid growth has contributed to a gap between our academic success and our administrative processes. We recognize that the size and complexity of our operations and the importance of the issues involved require closer attention and fuller documentation processes.

While the "lean administration" approach was reasonable when the College was a much smaller institution, we accept the necessity to improve our attention to administrative matters now that the College has grown so substantially and is on the cusp of further expansion. Before the next round of expansion, additional administrative resources and adequate written policies will be put in place to support our philosophy of personal and budget accountability. In taking this approach, the College will keep its investment in administrative processes as reasonable as possible, so as to maintain its primary focus on academic programming and its students.

To address the Auditor General's recommendations, the College will undertake an immediate study to determine the sequence and implementation specifics of the following intended actions:

- *Employment of additional support personnel, as may be required:*
 - *To address contractual and documentation matters, leading to improvements in processes.*

- To strengthen human resources functions.
- To improve management controls and processes of the Multimedia and Information Technology departments.
- Development of adequate administrative policies and procedures, including conflict of interest, purchasing, credit card use, cash advances, travel and other expense claims.
- Review and improvement of foreign student strategies and processes, as well as the development of an integrated plan for future student recruitment. The past difficulties experienced with the administration of the foreign recruitment effort in France was the responsibility of the College, and not the recruiting agent.
- Since the OAG's review, the College has signed a formal contract with its recruiting agent in France and entered into an agreement with the Université de Moncton to share the costs of student recruitment in France. The arrangement with the Université de Moncton specifies that recruitment for Moncton will only occur with respect to academic programs not offered at the College. The presence of french speaking foreign students on campus provides a distinctive and important element to the value of the College's programs. The College takes the view that the promotion of the advantages of a small Francophone undergraduate university located in a region of Canada that experiences harsh winters requires a dedicated agent in France.
- Improvement of the College's public reporting through the preparation of an annual report including the audited financial statements. The Finance Committee will be updating its understanding of what represents best practices with respect to the functioning of Audit Committees.

We draw attention to the fact that the College has amended its financial statement presentation so as to address the accounting and disclosure issues cited in the review, beginning with the financial statements of March 31, 2003. The College intends to work with COPSE to ensure that COPSE receives all the information that it requires to properly assess our operations; until this review, the College was under the impression that COPSE relied upon the annual estimates document and related information rather than the audited financial statements. Further, the College will ensure that its obligations with respect to its agreements are formally complied with in the future. With respect to the excess revenue over expenses disclosed in Figure 4, only \$417,000 relates to a net increase in unrestricted funds for the year ended March 31, 2002. As to the observations with respect to the cost-effectiveness of certain aspects of past student recruiting and Multimedia Centre operations, the intentions were to benefit the College and adjustments to the approaches then-taken have been made.

The College's accumulated reserves represent funds held to support future student awards and capital projects (65%); provide for contingent pension plan adjustments (5%); and, given that a significant portion of on-going academic programs are funded from term limited revenue, meet any future revenue deficiency that may be associated with continuing academic program expenditures (30%).

We assure the Legislative Assembly and all members of our community that the College does not condone harassment, nor the inappropriate use of College resources, regardless of the amount. Policies and procedures will be strengthened to best ensure proper process and action in the future.

Comments from COPSE

The Council on Post-Secondary Education (COPSE) responds as follows to the review and recommendations:

- 1. In correspondence dated March 13, 2003, COPSE requested that the College submit an annual report and **complete** audited financial statements as per requirements in the COPSE legislation. COPSE expects the College to meet disclosure requirements under GAAP.*
- 2. The OAG has noted that the current Affiliation Agreement with the University of Manitoba is outdated. COPSE supports revision of this agreement in order that it reflects current practices of program affiliation at the College. Linkages with other French language post secondary institution programs serve to strengthen programming offered at the College and is supported by COPSE. COPSE understands that the University of Manitoba was in agreement with this arrangement.*
- 3. COPSE expects that the College will undertake the required policy developments as noted in the report and will be expecting such developments to occur during the 2003/04 year. COPSE will also encourage the College to hire a human resources specialist to oversee all human resources issues, including harassment, staff management and file management.*
- 4. COPSE also expects the College to improve policies and processes in its information technology department including the development of a disaster recovery plan.*
- 5. COPSE will encourage the College Board to undertake a board development program to strengthen board management and policy development responsibilities as suggested by this report.*
- 6. International Education is important to Government economic and educational direction. COPSE will provide policy and business direction to the College in order to support revamping its program to one that is*

viable and defensible within the public post secondary system. COPSE will ask for both a program and financial report for international student recruitment and the multimedia center to ensure that public dollars used to support these two program areas are supported by a strategic and business planning process.

- 7. COPSE agrees public accountability needs to be strengthened. COPSE will ensure that the College provides its annual report including audited financial statements to the Minister for tabling in the Legislative Assembly beginning with the 2002/03 report. COPSE and the post-secondary system are developing outcome indicators, which will be publicly reported and the College will be required to submit its results. COPSE will also review with the College greater public accountability measures in general.*
- 8. COPSE will encourage the Board of the College, in conjunction with its new president, to develop a strategic planning process that will guide the institution in its next years of development.*

Comments from the Department of Advanced Education and Training

The Department of Advanced Education and Training is very concerned with the findings set out by the Office of the Auditor General (OAG) in this review. Actions within government purview that will be taken immediately are:

- 1. Directing the Council on Post-Secondary Education (COPSE) to ensure that beginning in 2003/04 all documentation required for funding approval or performance measurement is submitted in a timely fashion and is prepared in a format established through best practice standards. Specifically this will concern the annual report, the annual business plan and the financial statements required, including the year-end audited financial statements.*
- 2. The Department of Advanced Education and Training expects that policy development deficits outlined in this report will be corrected during the 2003/04 academic year. The Department of Advanced Education and Training signals its intention to ask for a follow up review by the OAG in June of 2004 to determine if appropriate policy and procedures have been developed and operationalized.*
- 3. Public accountability must be comparable to other publicly funded institutions. To that end the Department of Advanced Education and Training intends to request that the College be included in the FIPPA legislation. A review of FIPPA legislation is currently underway.*

4. Finally, the Department of Advanced Education and Training will review its legislative or policy options in two areas:

- the acquisition and disposition of surplus funds derived from government funding; and
- the conformance of board composition and appointment with other Manitoba public post secondary institutions.