

Memorial University

Independent Auditor's Report



October 2023

OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

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Audit Overview



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR



Objectives

To satisfy the request of government regarding Memorial's spending and operations, specifically:

- to determine whether Memorial University's executive and management compensation was comparable to the provincial government and other universities of a similar nature;
- to determine whether Memorial University managed operating expenses in a manner that ensured the best use of public money; and
- to determine whether Memorial University had effective oversight processes to manage operations.



Audit Period:

April 2019 to
December 2022



Conclusions

As part of the public sector, Memorial has a responsibility to ensure the best possible use of its public money across its entire operation. Effective decision-making and oversight by the Board of Regents requires detailed, comprehensive, and complete information and analysis. The University's executive leadership requires that same level of information and analysis in order to implement the direction of the Board, fulfill effective oversight processes, and manage this diverse and complex organization. Memorial's ability to fulfill these responsibilities is impacted by the various audit findings in this report.

We found weaknesses in administrative structures that reduced Memorial's oversight of operations; gaps in policy and processes; and inadequate oversight of its entities. Memorial did not clearly define roles, responsibilities, and accountabilities, resulting in a decentralized structure where spending and hiring autonomy have contributed to higher administrative costs as compared to other universities. Memorial did not effectively monitor its financial information, activities from delegated authorities, compensation, and expenses in a meaningful way. Compensation costs were Memorial's largest operating expense. We found that its salaries and benefits continue to be higher than the provincial public service for the same classification of work. Almost one-third of the University's expenses are the responsibility of the President and not routinely reviewed by the Board. The Board of Regents does not have a decision-making and directing role in its relationship with the University's five entities, even though Memorial acknowledges it controls them. Recommendations for improved efficiency identified through internal reviews and its internal audit function have not been implemented.



Recommendations

1. Memorial University should evaluate its oversight functions, across its entire operation, to ensure alignment of policies, appropriate management of the organization, and the best possible use of public resources.
2. Memorial University should ensure that the Board of Regents, executive and administrative management have the necessary financial information and analysis, in a sufficiently detailed and timely manner, to facilitate appropriate oversight of the operations of the University.
3. Memorial University should ensure that all executive and administrative management position roles and responsibilities are clearly defined, documented and communicated, with appropriate performance measures in place for evaluation.
4. Memorial University should evaluate its administrative structure for potential operational efficiencies, with consideration given to the combination or realignment of administrative roles or activities to ensure effective risk management and the best use of public resources.
5. Memorial University should ensure that all University policies and procedures are complete and regularly reviewed, with updates approved and implemented in a timely manner.
6. Memorial University should evaluate its compensation policies and practices, across its entire operation, including consideration of alignment with government classification, pay scales, and benefits policies, to ensure the best possible use of public resources.
7. Memorial University should ensure all University operating expenses are reasonable and appropriately monitored, to ensure the best possible use of public resources.
8. Memorial University should ensure conflict of interest and fraud risk management processes are in place and working effectively so that transactions are free of perceived or real conflicts and any potential error or fraud is managed effectively.



After reading this report, you may want to ask the following questions of government:

1. How will government ensure that Memorial acts on the recommendations made in this report?
2. Why do Memorial's entities appear to have issues with being audited by the Auditor General?

What We Found Compensation

- Memorial's compensation policies were either non-existent or outdated.
- Memorial's Board of Regents did not approve compensation policies for its five entities, nor did Memorial include compensation from its entities in its annual compensation disclosures and none of these entities published their own compensation disclosures.
- Memorial did not have position descriptions for 97% (35 of 36) of our samples.
- Memorial and its entities did not use job evaluation methodology for some positions.
- Memorial paid significantly higher total compensation as compared to government for 97% (35 of 36) of the executive and management positions examined. Memorial's entities also paid higher total compensation as compared to government for 85% (22 of 26) of the executive and management positions examined.
- While Memorial had the Board of Regents' approved executive salary scales in place during our audit, prior to May 2022 there were five incumbent staff in executive positions with salaries above those scales. The May 2022 pay scale change increased the top of the scale beyond prior capped levels.
- The new Memorial executive salary scale included the discretion to increase salaries up to 10% above the new scale.
- With respect to Memorial's entities, we found that the majority of executive positions did not follow predetermined salary progression like the provincial government.
- C-CORE paid its executives ██████████ in bonuses and one-time special payments during our audit period.
- Genesis paid its executives ██████████ in bonuses and incentives during our audit period.
- Memorial and its entities paid higher salaries than government for 90% (43 of 48) management positions.
- We found seven instances where positions were not placed on one of the existing pay scales and were otherwise paid outside a scale or paid based on a contracted rate.
- There were no compensation reviews of management positions at C-CORE, The Works, Campus Childcare, and the Centre for Fisheries Innovation during our scope period.
- Memorial's policy for market differentials was pensionable.
- From 2019 to 2022, C-CORE's Board of Directors approved bonuses worth ██████████ for ██████████ management employees.
- From 2019 to 2022, Genesis' President and Chief Executive Officer approved incentives worth ██████████ for ██████████ management employees.
- We found significant differences between the benefits package that Memorial and its entities offered employees and the benefits package offered by government.
- Memorial and its entities contributed significantly more to health and travel, basic life, dependent life and basic accidental death and dismemberment insurance plan premiums than government.
- Memorial and its entities contributed to dental insurance plans, while government does not pay any dental plan premiums for its employees.
- Higher employer contribution percentages resulted in additional compensation costs of approximately \$16.4 million during our scope period for all active employees, approximately \$4.4 million annually.
- Memorial, Genesis, and the Centre for Fisheries Innovation provided vehicle allowances to some executive and management staff. Some of Memorial's management positions were also provided with mileage reimbursements in addition to their car allowances.
- Memorial's executive leave entitlement potentially totalled up to 95 paid leave days annually (37% of total working days), and combined, Memorial's management leave entitlement potentially totalled up to an annual 95 paid leave days.
- The pension plan for Memorial and The Works employees continues to be guaranteed by government and is more generous.
- Memorial and The Works co-pay retiree premiums for dental benefits at 40-50%. The provision of dental post-employment benefits cost Memorial \$2.8 million during our audit scope period - approximately \$0.7 million annually.
- Employee service gifts vary in cost and a total value of \$50,673 was given during our audit scope period.
- Memorial paid higher base salaries as compared to the National University Sector Market for all seven executive positions.
- For the 29 management positions examined, Memorial paid base salaries that averaged \$130,043, higher than the overall average of \$118,512 for the National University Sector Benchmark.

Operating Expenses

- Expense samples were generally within reasonable policy spending limits for 90% (110 of 122 samples) - 10% (12 of 122) were not.
- There was no policy for larger university-hosted events.
- Three of five hosting samples (60%) did not abide by policy.
- We found five hosting samples (29%) would be considered unreasonable or excessive compared to what would be permitted in the public service.
- In 2019, Memorial hosted a number of activities from July to December to celebrate the 50th anniversary of the Harlow Campus, costing more than \$127,000.
- In October 2022, an Employee Service Award Dinner for employees and their guests was held at a cost of \$6,936, including alcohol.
- In November 2022, Memorial hosted a three-day Arctic Forum for 40 attendees at a net cost of \$65,709.
- Special hosting allowance expenses for deans and directors, such as retirement functions, Christmas parties, or dinners attended solely by Memorial staff, totalled \$49,239 from April 1, 2019, to December 31, 2022.
- The former President and Vice-Chancellor organized a meeting with the vice-presidents at Signal Hill campus followed by a dinner for 10 people at their home. The cost for the event was \$1,452, including alcohol – significantly more than the allowable \$250 limit.
- Memorial used search firms to recruit 15 management and executive positions at a total cost of \$1.1 million. We also found that five of the 15 staff (33%) recruited through this method are no longer employed by the University.
- We noted a total cost of \$65,000 in fees paid for a consultant that did not submit a final report, as required in their contract. This individual was a member of the Harlow Board of Directors when hired as a consultant. University officials confirmed that no disclosure was made to the Conflict of Interest Committee about this consultant/board member.
- Memorial does not have a policy to guide donations and sponsorships. However, we found that the University executive contributed more than \$140,000 in donations and sponsorships to outside organizations during our audit scope period.
- We found two of 18 samples of gifts and other executive expenses (11%) that may be considered unreasonable or excessive. We found one sample of \$1,792 for custom-made chocolates purchased in December 2020 by the President's Office and used as gifts.
- We found that \$2,700 of \$16,828 (16%) for new furniture was for a desk and chair for the former President and Vice-Chancellor's home.
- Memorial's guidance allowed deviations with authorized approval, which was used excessively to approve spending beyond the thresholds outlined in the policy.
- 27 of the 38 relocation expenses (71%) exceeded policy spending limits for relocation expenses, such as the weight of shipped household items, requiring a deviation from policy to be approved.
- We found seven travel expenses (10%) of concern: five for the President that we question the appropriateness and two for other executives and senior management that may be considered excessive in a public sector context.
- In July and August of 2020, the former President incurred \$9,880 for a province-wide 24-day tour to visit various University facilities and personnel by car. Costs reimbursed for this travel included \$652 for car maintenance items, specifically car tire replacement and an oil change, even though the former President received a monthly car allowance of \$1,000 which included car maintenance. Memorial's travel policy does not allow for the reimbursement of maintenance costs.
- We found one trip in August 2021, in which the former President paid \$598 for a limousine service, stating there was no car rental available.
- The former President was a member of 15 boards, of which 11 were at the discretion of that President, and the former President did not take personal leave to attend six of these board meetings.
- We found that \$2 million was paid for a license fee for a management software package was not being used appropriately. A September 2021 internal audit concluded the software was inefficient and underutilized and recommended it be renewed for one year for evaluation. However, Memorial renewed the software in December 2021 for an additional five years at a cost of \$377,356 per year.

Oversight

- Memorial's policies and procedures meant to guide monitoring operating expenses were not comprehensive and did not require unit head review.
- The level of expenditure review at Memorial did not compare to the level of review within government.
- Memorial's policies and procedures were not followed effectively. Therefore, we could not confirm that appropriate oversight of expenses occurred.
- While the University created a delegation of authority policy in 2021, no registry of delegated authority or procedures on how authority was delegated had been developed.
- While Memorial had extensive policies and procedures to manage its operations, these had not been reviewed for updating as required.
- Memorial did not require Board of Regents or executive approval for its entities' policies and procedures.
- Memorial's entities' boards were responsible for approving compensation decisions within their respective entities without any requirement for approval from Memorial's Board of Regents.
- Memorial officials could not provide a policy for monitoring of the non-operating funds, nor could they advise whom amongst the vice-presidents had responsibility for monitoring or oversight of these funds. The Chair of the Board of Regents advised that oversight of Memorial's \$190 million non-operating funds was the responsibility of the President.
- There were only five financial updates provided to the Board of Regents over 45 months. The financial updates, which were used for reporting operating expenses to the Board of Regents, were highly summarized.
- There was no comparison of the year's budget to actual results presented to the Board of Regents at the end of any of the fiscal years included in our scope period.
- Unspent budgets are carried forward by individual units for potential future use.
- We could not assess the effectiveness of expense oversight due to a lack of documentation and inconsistent practice.
- There were no financial updates on non-operating funds (ancillary, plant, research, special purpose and trust) provided to the executive or Board of Regents. Further, we found that these funds were not part of the Board of Regents' budgeting process.
- There was no evidence that the Board of Regents received any updates on the financial activities of the Harlow campus from the President during our audit period.
- Annual reports and individual financial statements of Memorial's entities were not made public.
- While the Board of Regents was responsible for approving the appointment of directors to the boards of four of the University's entities, it was not responsible for making appointments to the Board of the University's fifth entity, C-CORE, as appointments were made by Memorial's President.
- Because of Memorial's decentralized nature, vice-presidents have the autonomy to manage their operations exclusively. We found that the vice-presidents acted and spent without consulting other vice-presidents in areas that overlap.
- We could not determine the exact number of staff performing specific functions within the University.
- Memorial's administrative structure allowed duplication of senior management positions because vice-presidents hired their own personnel to perform similar or identical services.
- Recommendations made by the Office of Internal Audit between February 2020 and June 2021 remain outstanding.
- In 2019 the University's Office of Internal Audit recommended the University consolidate the number of data centres. The recommendation targeted efficiencies by reducing the cost of maintenance and the risk of duplication of efforts. It remained outstanding.
- Memorial had not taken action to implement potential efficiencies identified through its own internal management reviews.
- Memorial had the highest administrative salaries per student (at \$2,369) when compared to similar universities, based on external third-party analysis. Further, Memorial's administrative cost was \$893 per student higher than the average for all universities compared.
- When compared with these same universities, Memorial has a higher number of vice-president positions reporting to the President.
- Memorial's administrative structures were less efficient than government.

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Background

Memorial University (Memorial or the University) was established in 1949 and is the province's only university. Memorial has approximately 19,000 students with seven faculties and 12 schools offering certificate, diploma, undergraduate, graduate, and postgraduate programs; as well as online courses. For the fiscal year ending March 31, 2022, Memorial's consolidated expenditures were approximately \$637.7 million, and Memorial received \$375.8 million in government operating grants, representing 78 per cent of its operating revenue.

Memorial is governed by the Memorial University Act, which specifies the roles, responsibilities, structure, and administrative aspects of the University. The University's governance structure is bicameral, meaning it has two governing bodies: the Board of Regents and the Senate:

- The Board of Regents has responsibility for university governance and is composed of 30 voting members including 17 government appointments, four student representatives, six members elected by alumni, and three University members (President, Chancellor, and Provost and Vice-President (Academic)). The Board of Regents was relevant to our audit.
- The Senate has responsibility for academic matters and is composed of 94 voting members including the Chancellor, President and Vice-Chancellor (President), Vice-Chair, 24 ex-officio members, 54 elected members and 13 students. The Senate was not part of our audit scope.

Memorial has three campuses in St. John's (St. John's campus, Marine Institute, and Signal Hill campus), one campus in Corner Brook (Grenfell campus), and one campus in Happy Valley-Goose Bay (Labrador campus). Its sixth campus, Harlow, is located in the United Kingdom. The University has five separately incorporated entities (the entities):

- C-CORE,
- Memorial University Recreation Complex Inc. (The Works),
- Campus Childcare Inc. (Campus Childcare),
- Genesis Group Inc. (Genesis), and
- Canadian Centre for Fisheries Innovation (Centre for Fisheries Innovation).

The University's structure is comprised of units, or departments, which are academic (e.g. faculties and schools) or administrative (e.g. finance and administrative services). Unit heads are deans, directors, and other senior-level administrators, including the President, vice-presidents, and associate vice-presidents.

Our audit period covered April 2019 to December 2022 and included three lines of inquiry: compensation, operating expenses, and oversight. There were six criteria to assess these lines of inquiry.

Compensation

The compensation section of this audit focused on the total compensation paid to an employee, which is the total of any salary, bonuses, incentives, and benefits provided to an employee.

The five compensation components outlined in this report are:

Base Salary: Compensation paid for a position, based on a pre-determined pay scale. Pay scales coincide with the points rating given to a position using job evaluation methodology, also known as position classification. Accountability, problem-solving, and know-how are the criteria used in this methodology. Any consideration or need for academic or professional credentials is included in know-how criteria. Memorial has one executive pay scale and three classes of management pay scales, with certain pay exceptions for executive and management positions where contracts are in place. C-CORE, The Works, and Genesis have their own pay scales. Campus Childcare and the Centre for Fisheries Innovation management pay is decided by their Boards of Directors with no established compensation scales. Memorial and entity pay scales are adjusted either due to general economic increases or as a result of compensation reviews. The provincial government has not adjusted its pay scales other than for general economic increases. Any general economic increases, also known as cost of living increases, increase all pay scales. For this audit, we use the top of the base pay scale for comparison to the provincial government and external reference markets.

Background

Salary Increases: Pay increases along a position's base salary scale, until an employee reaches the top of the pay scale. For most of Memorial's executive and management employee groups, and The Works management employees, increases result from annual performance reviews and are calculated at percentages along salary scales approved by the organization's board. For C-CORE and Genesis, increases result from annual performance reviews and are determined at amounts within the existing salary scale approved by their Boards. Campus Childcare and the Centre for Fisheries Innovation's pay increases are decided by their Boards. Provincial government employees' salary scale progression occurs annually at pre-determined steps.

Bonuses: Annual lump sum payments in excess of a base salary. C-CORE pays non-pensionable bonuses to executive and management employees, as approved by the organization's Board. Genesis pays non-pensionable bonuses to its President and Chief Executive Officer, as approved by the organization's Board. Memorial, The Works, Campus Childcare, and the Centre for Fisheries Innovation do not pay bonuses to management and executive employees. The provincial government does not provide any form of bonus compensation.

Incentives: Annual lump sum payments, also known as incentive compensation. Genesis provides non-pensionable incentive payments to executive and management, approved and based on a formula approved by the Board of Directors. Memorial, C-CORE, The Works, Campus Childcare, and the Centre for Fisheries Innovation do not offer incentive payments. The provincial government does not provide any form of incentive compensation.

Benefits: Compensation paid beyond salary, bonuses, and incentives. For Memorial, The Works, and the provincial government, employment-related benefits include group insurance premium cost-sharing; matched defined benefit pension contributions; and leave entitlements. In addition to group insurance premium cost-sharing and leave entitlements, Memorial's other entities provide pension benefits contributions in lieu of matched defined-benefit pension contributions. C-CORE and Campus Childcare offer matched retirement savings contributions, while Genesis and the Centre for Fisheries Innovation do not require matching employee contributions.

We used various job documentation in our audit of compensation, including job descriptions, job ads, and candidate profiles. Candidate profiles are written to attract applicants to apply for a position, while position descriptions contain specific information about a position's key duties and responsibilities and provides expectations, targets, and goals that aid in evaluating job performance. Position descriptions are detailed enough to facilitate classification for compensation levels.

Memorial's total compensation expense for the fiscal year ending March 31, 2022, was \$415.5 million; which represents 65 per cent of total consolidated expenses. This audit only assessed 21 per cent of that amount:

- \$2.3 million annually for 11 executive employees;
- \$80.5 million annually for 874 management employees; and
- \$5.4 million annually for 50 executive and management employees at Memorial's entities.

For this audit, other types of employees, such as non-bargaining non-management employees, bargaining unit employees, employees at the Harlow campus, academic executive and management employees (unless in a vice-president position), and the President were not considered.

Operating Expenses

Government's Treasury Board policies outline its expectations and requirements regarding discretionary and/or operating expenses within the public service. Government issued an order in council (OC2010-323) that provided Memorial with an exemption to the application of Treasury Board policies. Some of these policy areas, such as travel, relocation, professional fees, and institutional membership fees, are within the definition of operating expenses used in this audit. Our audit focused on selected discretionary expenses of the operating fund only, which are the expenses incurred by the University when performing its primary activities. Non-operating funds were not audited, including ancillary operations (e.g. bookstore); restricted funds for research activities; restricted endowed funds and externally restricted funds; and capitalized and amortized assets (e.g. major building construction and deferred maintenance projects).

Oversight

The Memorial University Act empowers the Board of Regents to establish and appoint committees and determine terms of reference for those committees in order to manage university governance. The Board of Regents had established 10 standing committees responsible for reviewing information from Memorial's executive and advising the Board on aspects of Memorial's operations.

Memorial is led by the President who is appointed by the provincial government based on recommendations from the Board of Regents and Senate. The Board approves the creation of, and appointment to, permanent executive positions (also known as vice-presidents). The President has the delegated authority to appoint executives into a temporary vice-president position. The seven vice-presidents are:

- Provost and Vice-President (Academic);
- Vice-President (Administration and Finance);
- Vice-President (Indigenous);
- Vice-President (Fisheries and Marine Institute);
- Vice-President (Advancement and External Relations);
- Vice-President (Grenfell); and
- Vice-President (Research).

The President and vice-presidents have created a number of committees to advise and assist on University matters. Memorial's administrative structure is generally distributed across units by campus location in a decentralized manner. Given Memorial's size and scale, and to fulfill our audit mandate, our audit scope focused on the effectiveness of the oversight processes managing the University's operations. We assessed the effectiveness of information flow to University executive and the Board of Regents.

Appendix II provides additional background information on Memorial and its entities.

Summary of Key Findings

Compensation

- Memorial's compensation policies were either non-existent or outdated.
- Memorial's Board of Regents did not approve compensation policies for its five entities.
- Memorial did not include compensation from its entities in its annual compensation disclosures and none of these entities published their own compensation disclosure.
- Memorial did not have position descriptions for 35 of our 36 samples (97 per cent).
- The Senior Administrative Management group's pay scales were created based on market maximum compensation, and while a 2019 review recommended no additional compensation be provided to those on the former scale, the Board approved that individuals on the former scale not be capped and be allowed to continue progressing along the scale to the maximum.
- The University and its entities did not use any job evaluation methodology for some positions. For example, no job evaluation methodology was used for Memorial's executive positions. We found that C-CORE used the same job evaluation methodology as some Memorial management groups, however, it was only applied to executive positions and not to C-CORE management positions.
- Memorial paid significantly higher total compensation as compared to government for 35 of the 36 (97 per cent) executive and management positions we examined. We also found Memorial's entities paid higher total compensation compared to government for 22 of the 26 (85 per cent) executive and management positions examined.
- For the 14 executive positions examined, we found Memorial and two of its entities (C-CORE and Genesis) paid significantly higher salaries than government.
- The Provost and Vice-President (Academic) had a top-of-scale salary of \$325,000 - almost two times that of a comparable deputy minister. Six University executive positions in our sample had top-of-scale salaries of \$290,019 and were paid approximately two-times that of a comparable assistant deputy minister position in government.
- Top-of-scale for all C-CORE executive positions, including bonus payments, were [REDACTED] that of comparable government positions; and top-of-scale for all Genesis' executive positions, including bonus and incentive payments, were higher than comparable government positions.
- While Memorial had the Board of Regents' approved executive salary scales in place during our audit, prior to May 2022 there were five incumbent staff in executive positions with salaries above those scales. The May 2022 pay scale change increased the top of the scale beyond prior capped levels.
- The new Memorial executive salary scale included discretion to increase salaries up to 10 per cent above the new scale. Memorial officials advised that they had not established procedures to support assigning executives a salary above the steps on the new executive scale.
- Some University executives, when hired or promoted, were placed on the approved pay scale while others negotiated contracts with salaries outside the executive pay scale.
- Because of the significantly higher dollar value of Memorial's executive salary scales as compared to equivalent government positions, Memorial's executive positions annual pay increases were significantly higher than government.
- We found Memorial only had two salary scales for executive positions - one salary scale for the Provost and Vice-President (Academic) and one for the remaining vice-presidents - regardless of portfolio.
- With respect to Memorial's entities, we found the majority of executive positions did not follow predetermined salary progression like the provincial government.
- Genesis' Board of Directors engaged a consultant to review the [REDACTED] compensation (completed in February 2022) and subsequently Genesis' Board of Directors approved a base salary increase from [REDACTED]
- C-CORE paid its executives [REDACTED] in bonuses and one-time special payments during our audit period.
- Genesis paid [REDACTED] in bonuses and incentives to [REDACTED] and incentives to [REDACTED] during our audit period.
- Memorial and its entities paid higher salaries than government for 43 of the 48 management positions (90 per cent) we reviewed.
- We found seven instances where positions were not placed on one of the existing scales and were otherwise paid outside a scale or paid based on a contracted rate.

Summary of Key Findings

- The Management Professional Staff salary scale had a 50 per cent increase from the bottom to the top of the scale, compared to government's scale increase of 30 per cent.
- In June 2021, Genesis' executive engaged a consultant to review compensation for [REDACTED] management positions; and in June 2022 they engaged the same consultant to review [REDACTED] management positions, including some of the positions examined in the previous review. The 2021 review resulted in a salary increase for [REDACTED] management position [REDACTED]. The 2022 review resulted in salary increases for [REDACTED] positions, including the same [REDACTED].
- There were no compensation reviews of management positions at C-CORE, The Works, Campus Childcare, and the Centre for Fisheries Innovation during our scope period.
- Memorial's policy for market differentials was pensionable.
- From 2019 to 2022, C-CORE's Board of Directors approved bonuses worth [REDACTED] for [REDACTED] management employees.
- From 2019 to 2022, Genesis' President and Chief Executive Officer approved incentive payments worth [REDACTED] for [REDACTED] management employees.
- We found significant differences between the benefits package that Memorial and its entities offered employees and the benefits package offered by government.
- Memorial and its entities contributed significantly more to health and travel, basic life, dependent life and basic accidental death and dismemberment insurance plan premiums for its employees than government.
- Memorial and its entities also contributed to dental insurance plans, while government does not pay any dental plan premiums for its employees.
- The higher employer contribution percentages resulted in additional compensation costs for Memorial of approximately \$16.4 million during our scope period for all active employees - approximately \$4.4 million annually.
- Memorial, Genesis, and the Centre for Fisheries Innovation provided vehicle allowances to some executive and management staff. Some of Memorial's management positions were also provided with mileage reimbursements in addition to their car allowances.
- Memorial's executive leave entitlement totalled up to 95 paid leave days annually (37 per cent of total work days), and combined, Memorial's management leave entitlement totalled up to an annual 95 paid leave days. Regardless of the policy, all of Memorial's entities' management employees could have availed of more paid leave than government's executive and management employees.
- The pension plan for Memorial and The Works employees continues to be guaranteed by government and is more generous. Memorial and The Works co-pay retiree premiums for dental benefits at 40-50 per cent. The provision of dental post-employment benefits cost Memorial \$2.8 million during our audit scope period, approximately \$0.7 million annually.
- Employee service gifts vary in cost and a total value of \$50,673 was given during our audit scope period.
- Memorial paid higher base salaries as compared to the National University Sector market for all seven executive positions.
- For the 29 management positions we examined, Memorial paid base salaries that averaged \$130,043, higher than the overall average of \$118,512 for the National University Sector benchmark.
- When compared to Memorial's policy comparators within the public sector for the Leadership Group (against the National Broader Public Sector), we found Memorial paid higher base salaries for seven of the eight positions (88 per cent) examined.
- When compared to Memorial's policy comparators within the public sector for Management Professional Staff (against the Atlantic Canada Public Sector) pay groups, we found Memorial paid higher base salaries for 10 of the 11 (91 per cent) positions.

Operating Expenses

- Expense samples were generally within reasonable policy spending limits for 110 (90 per cent) of our 122 samples; 12 of 122 samples (10 per cent) were not.
- There was no policy for larger university-hosted events.
- Three of five hosting samples (60 per cent) did not abide by policy.
- We found that five events samples (29 per cent) would be considered unreasonable or excessive compared to what would be permitted in the public service.
- In 2019, Memorial hosted a number of activities from July to December to celebrate the 50th anniversary of the Harlow campus, costing more than \$127,000. These expenses were recorded in various accounts, making it difficult to obtain a complete account of events.

Summary of Key Findings

- In October 2022, an Employee Service Award Dinner for attendees (employees and their guests) with 30 or more years of service, was held at the Signal Hill campus, at a cost of \$6,936, including alcohol.
- In November 2022, Memorial hosted a three-day Arctic Forum for 40 attendees at a net cost of \$65,709.
- Special hosting allowance expenses for deans and directors, such as retirement functions, Christmas parties, or dinners attended solely by Memorial staff, totalled \$49,239 for our scope period.
- The former President organized a meeting with the vice-presidents at Signal Hill campus followed by a dinner for 10 people at the President's home (for the vice-presidents and their spouses). The cost for the dinner event was \$1,452, including alcohol — significantly more than the allowable \$250 limit.
- We found six professional fee samples (15 per cent) that may be considered unreasonable or excessive in comparison to government practice.
 - In five samples, Memorial used search firms to recruit 15 management and executive positions at a total cost of \$1.1 million. We also found that five of the 15 staff (33 per cent) recruited through this method are no longer employed by the University.
 - We noted a total cost of \$65,000 in fees paid for a consultant that did not submit a final report, as required in their contract. This individual was a member of the Harlow Board of Directors when hired as a consultant. University officials confirmed that no disclosure was made to the Conflict of Interest Committee about this consultant/board member.
- Memorial does not have a policy to guide donations and sponsorships. However, we found that the University executive contributed more than \$140,000 in donations and sponsorships to outside organizations during our audit scope period.
- We found three expense samples were for donations and sponsorships, which may be considered unreasonable or excessive in comparison to government:
 - \$25,000 sponsorship by the President's Office.
 - \$2,800 for a number of sponsorships by the Office of the Vice-President (Grenfell).
 - \$8,000 sponsorship by the President's Office.
- Memorial had policies that guided spending on gifts, however, it was not clear and simply noted items of 'reasonable value' be pre-approved. There were no definitions or limitations noted for allowable gifts, or the occasions for which gifts may be provided.
- Two of the 18 samples of gifts and other executive expenses (11 per cent) may be considered unreasonable or excessive.
- We found one sample of \$1,792 for custom-made chocolates purchased in December 2020 by the President's Office and used as gifts from the former President for employees, other stakeholders and visitors.
- We found that \$2,700 of the \$16,828 (16 per cent) for new furniture was for a desk and chair for the former President's home.
- Memorial had policies that guided spending on travel which were generally consistent with government, however, we found instances where spending exceeded those policies.
- We found seven travel expenses (10 per cent) of concern: five for the former President that we question the appropriateness and two for other executives and senior management that may be considered excessive in a public sector context.
 - In July and August of 2020, the former President incurred \$9,880 for a province-wide 24-day tour to visit various University facilities and personnel by car. Costs reimbursed for this travel included \$652 for car maintenance items, specifically car tire replacement and an oil change, even though the former President received a monthly car allowance of \$1,000 which included car maintenance. Memorial's travel policy does not allow for the reimbursement of maintenance costs.
 - The former President claimed \$2,217 to travel to Corner Brook, primarily to announce the interim Vice-President (Grenfell Campus) and the resignation of the current Vice-President, in March 2021. The former President claimed \$132 for a dinner on March 17 and \$55 for meals on March 18 despite being on personal time during this portion of this trip. The dinner on March 17 included their spouse, and the former Vice-President (Grenfell) and their spouse. As stated earlier, Memorial's hosting policy does not allow hosting solely for Memorial employees.
 - We found that in November 2021, the former President travelled to Toronto and Montreal for VIA Rail board meetings and various meetings with alumni, donors and other organizations that cost the University \$1,782.
 - The former President was a member of 15 boards, of which 11 were at the discretion of that President, and the former President did not take personal leave to attend six of these board meetings.

Summary of Key Findings

- In April 2022, \$3,428 was spent for the former President to travel to Regina to attend an event at the University of Regina. The former President did not take personal leave to attend.
- We found one trip in August 2021 in which the former President paid \$598 for limousine service stating there was no other car rental available.
- We found that business class tickets were purchased in two of our 23 travel samples (nine per cent), despite the travel policy stipulating that all air travel be made at the lowest obtainable cost and should not exceed full economy fare. We also found that, for one of these business class trips for an executive member's trip to the Harlow campus 50th-anniversary celebrations, they claimed \$801 for one night's accommodations while the other accommodations had cost \$169 per night.
- The relocation policy lacked clarity and guidance on household relocation costs, specifically on reimbursement for house sale and purchase fees, shipping vehicles and scholarly goods.
- Memorial's guidance allowed deviations with authorized approval, which was used excessively to approve spending beyond the thresholds outlined in the policy.
- 27 of the 38 relocation expenses (71 per cent) exceeded policy spending limits for relocation expenses, such as the weight of shipped household items, requiring a deviation from policy to be approved.
- We found nine instances (41 per cent) where the membership fee policy was not followed. We also found one instance where the membership expense was incorrectly coded and could be considered unreasonable.
- The license fee was for a customer relationship management software package purchased to manage and improve student relations at a cost of \$2 million, but was not being used appropriately. A September 2021 internal audit report concluded this software was inefficient and underutilized and recommended the software be renewed for a year to allow an evaluation of future value. We found that Memorial renewed the software in December 2021 for an additional five years at a cost of \$377,356 per year (total contract value of \$1.9 million) with a two-year opt-out clause.
- Memorial's policies and procedures meant to guide monitoring operating expenses were not comprehensive and did not require unit head review.
- We found the checklist provided very little direction on how to perform recommended reviews and monitoring activities, and Units were not actually required to complete or submit this type of variance analysis each month.
- The level of expenditure review at Memorial does not compare to the level of review within government.
- Memorial's policies and procedures were not followed effectively. Therefore, we could not confirm that appropriate oversight of expenses occurred.
- Two of the six units (33 per cent) did not have supporting evidence to show that the required work in the financial checklist was performed. There was also no evidence that the unit head was informed of the outcome of the assessment and monitoring activities or approved that the work had been completed.
- Many units were not submitting their financial checklists on schedule.
- Oversight by the Department of Financial and Administrative Services on the review and monitoring activities consisted of the compilation of the completed checklists each month.
- There was limited oversight of expenses performed by the Budget Office.
- There was also no adequate analysis of variances between the budget and actuals documented in the submissions received and by the Budget Office at a consolidated level.
- Many units either did not submit, or were late submitting, their required budget updates. According to Memorial officials, units that did not submit their budget information for the update (39 per cent of our sample) were displayed as balanced, rather than being highlighted as missing.
- This report was only provided to units on a by request basis. We also found that the Budget Office's ability to generate this report had halted near the end of our scope period (November 2022) and its replacement had not yet been implemented as of December 31, 2022.
- We identified instances of incorrect coding of expense transactions — resulting in some expenses being overstated and some understated - that had not been identified by any expense monitoring processes.

Oversight

- While the University created a delegation of authority policy in 2021, no registry of delegated authority or procedures on how authority was delegated had been developed.
- The terms of reference for the Board's Finance Committee were vague in its requirement for monitoring the financial status of specific activities or projects.

Summary of Key Findings

- While Memorial had extensive policies and procedures to manage its operations, these had not been all reviewed for updating as required. We found that these updates did not happen and 75 of 86 policies (87 per cent) had passed the date for required review. A similar percentage of procedures had also not been reviewed, and we found that there was no formal report created or provided to executives to demonstrate the status of University procedures.
- Memorial did not require Board of Regents or executive approval for its entities' policies and procedures.
- Memorial's entities' boards were responsible for approving compensation decisions within their respective entities without any requirement for approval from Memorial's Board of Regents.
- Harlow campus' policies were incomplete and its governance policy, referenced in the 2018 Harlow Campus Usage policy, did not exist. We also found that policies and procedures for compensation at Harlow are not approved by the Board of Regents.
- Memorial officials could not provide a policy for monitoring of the non-operating funds, nor could they advise whom amongst the vice-presidents had responsibility for monitoring or oversight of these funds. The Chair of the Board of Regents advised that oversight of Memorial's \$190 million non-operating funds was the responsibility of the President.
- There were only five financial updates provided to the Board of Regents over 45 months. The financial budget updates that were completed were labelled as 'for information purposes only' and did not require any action by the Board.
- The financial updates, which were used for reporting operating expenses to the Board of Regents, were highly summarized. We found the commentary in the financial updates on the University's position was limited to one page and contained minimal analysis. Specifically, each of the executive offices, administrative departments, and most campuses were presented as a single line, compared against an overall operating budget amount. These updates did not contain a comparison to actual expenditures for the period; an analysis of significant variances by expense type; or any comparison to the prior year.
- The only information received by the Board of Regents regarding the types of expenses incurred was within the annual audited financial statements, which was presented at the consolidated level and did not provide actual versus budget comparisons.
- The Board of Regents did not receive detailed annual information on compensation expenses, which is the University's largest expense annually.
- There was no comparison of the year's budget to actual results presented to the Board of Regents at the end of any of the fiscal years included in our scope period.
- Unspent budgets are carried forward by individual units for potential future use.
- We could not assess the effectiveness of expense oversight due to a lack of documentation and inconsistent practice.
- There were no financial updates on non-operating funds (ancillary, plant, research, special purpose and trust) provided to the executive or Board of Regents. Further, we found that these funds were not part of the Board of Regents' budgeting process.
- There is no evidence that the Board of Regents received any updates on the financial activities of the Harlow campus from the President during our audit period.
- Annual reports and individual financial statements of Memorial's entities were not made public.
- The roles, responsibilities and authorities of Memorial's executive positions were not clearly defined, documented or communicated to the individuals in those positions.
- The Provost and Vice-President (Academic) had not been empowered with the authority by former Presidents to carry out the Chief Executive officer responsibilities. The executive structure had the Provost and Vice-President (Academic) at the same authority level as other vice-presidents; as a result, Memorial did not have a Chief Operating Officer and the position's responsibilities remained with the President.
- 12 of 19 executive appointments across the seven executive roles were not provided with, or required to sign, an agreement for their position. We found that while executive positions required an annual performance review by the President, due to a recent turnover in executive positions, Memorial officials were unable to state which vice-presidents currently had active performance review documentation.
- While the Board of Regents was responsible for approving the appointment of directors to the boards of four of the University's entities, it was not responsible for making appointments to the Board of the University's fifth entity, C-CORE, as appointments are made by Memorial's President.
- Because of Memorial's decentralized nature, vice-presidents have the autonomy to manage their operations exclusively. We found that the vice-presidents acted and spent without consulting other vice-presidents in areas that overlap.

Summary of Key Findings

- During the course of our audit work, we requested detailed information on personnel performing specific administrative functions within Memorial. However, the Department of Human Resources was unable to provide this data as their systems were not designed to document the roles and responsibilities of staff. As a result, we could not determine the exact number of staff performing specific functions within the University.
- Memorial's administrative structure allowed duplication of senior management positions because vice-presidents hired their own personnel to perform similar or identical services. These services were performed elsewhere in the University and were the responsibility of a different vice-president according to their candidate profile.
- Organizational charts across the University had different formats, title information, and level of detail, making it difficult to compare roles within the units and departments.
- Harlow campus did not have an organizational chart for its operations.
- Grenfell campus had a Manager of Indigenous Affairs, who was hired by, and reported to, the Vice-President (Grenfell). However, the position was also expected to maintain an indirect reporting relationship with Memorial's Vice-President's (Indigenous) portfolio. The Vice-President (Indigenous) was also responsible for coordinating all of Memorial's Indigenous relations.
- The Vice-President (Advancement and External Relations) was responsible for Memorial's communications, however, we found 14 senior communications positions reported within other vice-presidents' portfolios.
- The Vice-President (Administration and Finance) was responsible for day-to-day university administration, however, we found 25 senior administrative and finance personnel reported within other vice-presidents' portfolios.
- The Vice-President (Research) was responsible for Memorial's research activities, however, we found eight senior research personnel that reported within other vice-presidents' portfolios.
- Memorial's Office of Internal Audit had reported issues with roles, responsibilities, and the authorities of some administrative functions that were not clearly defined.
- Recommendations made by the Office of Internal Audit between February 2020 and June 2021 remain outstanding.
- The University's Office of Internal Audit in 2019 recommended the University consolidate the number of data centres. The recommendation targeted efficiencies by reducing the cost of maintenance and the duplication of equipment, systems and efforts. This recommendation had not had substantive action taken toward it.
- The University's Office of Internal Audit 2021 recommendation on the need to leverage technology to automate manual financial statement reporting processes remained outstanding.
- Memorial had not taken action to implement potential efficiencies identified through its own internal management reviews. We found no action had been taken on a recommendation from the Integrated Planning Committee to conduct ongoing reviews of administrative structures and processes to identify efficiencies and opportunities for collaboration. The recommendation noted opportunities with respect to a shared services model of administration and the use of technology to streamline processes. And no action had been taken on a recommendation from the Integrated Planning Committee to assess sustainability and the contributions of the entities to the University's core mission.
- Memorial had the highest administrative salaries per student (at \$2,369) when compared to other medium-sized universities, based on external third-party analysis. The next closest University had an administrative cost of \$1,994 per student, which was \$375 per student lower than Memorial. Further, Memorial's administrative cost was \$893 per student higher than the average for all universities compared.
- Memorial officials suggested that these universities were not comparable to Memorial, given its geographical location, multiple campuses, inclusion of a Faculty of Medicine, and position as the only university in the province. However, Memorial uses many of these same universities as market comparators for setting their executive compensation.
- When compared with other medium-sized universities we were able to obtain organizational charts from, Memorial has a higher number of vice-president positions reporting to the President.
- Memorial's administrative structures were less efficient than government.

Compensation Findings - Comparison to Government

Objective 1

Memorial University's executive and management compensation was comparable to the provincial government and other universities of a similar nature.

Criteria 1

Memorial University's executive and management compensation is comparable to the provincial government.



What We Expected

We expected Memorial, and all of its entities, to be highly aware of its roles and responsibilities as a public sector not-for-profit organization, and that this responsibility would result in the prudent pursuit of the lowest-cost alternatives, particularly where compensation expenses were concerned. Government's Order in Council (OC2010-323) provided Memorial with an exemption to the application of government's Treasury Board compensation policies. However, we would have expected Memorial to avail of this exemption with fiscal discretion.

Government pays its employees in accordance with position classification as approved by Treasury Board and in accordance with government compensation policies. We expected positions that were classified the same to be paid the same, regardless of where the employee worked in the public sector.



What We Learned

Policies and Procedures

We found Memorial's compensation policies were either non-existent or outdated. Memorial had no documented policy to guide executive compensation for vice-presidents, including no established job evaluation methodology. In some cases, compensation was based on negotiated contracts rather than a salary scale. We found Memorial did not update its 2016 management compensation policy to apply to the Leadership Group (created in 2019).

We found Memorial's Board of Regents did not approve compensation policies for its five entities. While we did not assess those compensation policies for entities, we used them to compare compensation components against government policies and practices.

We found Memorial did not include compensation from its entities in its annual compensation disclosures and none of these entities published their own compensation disclosures.

We found Memorial did not have position descriptions for 35 of our 36 samples (97 per cent). There were no position descriptions for the seven vice-president positions nor for 28 of the 29 management positions in our sample. In lieu of position descriptions, we performed our evaluation using candidate profiles developed during the recruitment process, organizational charts, job evaluation forms, and job advertisements. In three of the seven vice-president positions, we had to obtain clarifications from Memorial officials to perform the evaluation because job documentation was not sufficient enough to assess job size, accountabilities, and inter-relationships.

For the entities, we generally found that The Works, Campus Childcare, and Genesis had position descriptions for the positions we reviewed, with varying degrees of detail. The Centre for Fisheries Innovation did not have a job description for its one management position. For C-CORE, three of the 13 positions (23 per cent) reviewed did not have position descriptions; instead, we relied on employment contracts, an organizational chart and, in one case, a position description of a similar role. Nine of the remaining 10 C-CORE position descriptions provided were in draft form, including the President and Chief Executive Officer position, and had various levels of detail.

We found the Senior Administrative Management group's pay scales were created based on market maximum compensation. As noted in a consultant's review of this management group (completed in May of 2019) we also found that the salary scale became significantly higher than the National University Market Sector as a result of subsequent general economic increases. As a result, the Board of Regents approved that no further positions be placed on this scale and a new one be created that aligned with the National Broader Public Sector market. The Leadership Group management scale was implemented as a result. **While the 2019 review recommended no additional compensation be provided to those on the former scale, the Board approved that individuals on the former scale not be capped and be allowed to continue progressing along the scale to the maximum.** Any general economic increases for this management group required Board approval, however, there were none during our scope period.

We found the University and its entities did not use any job evaluation methodology for some positions. For example, no job evaluation methodology was used for Memorial's executive positions. We found that C-CORE used the same job evaluation methodology as some Memorial management groups, however, it was only applied to executive positions and not to C-CORE management positions. For the University's remaining four entities, either a different job evaluation methodology was used or the job classifications and salaries were at the discretion of the entity's Board of Directors based on the level of job function and responsibility.

In comparison, government uses the same job evaluation methodology for executive and management positions.

Compensation

We performed our examination with the assistance of a job evaluation consultant who compared 36 Memorial and 26 entity executive and management positions against positions in the provincial government that had comparable assessments (also known as points ratings) for accountability, problem-solving, and know-how criteria under the methodology. To be clear, any consideration or need for academic or professional credentials was included in the know-how criteria.

We found Memorial paid significantly higher total compensation as compared to government for 35 of the 36 (97 per cent) executive and management positions we examined. We also found Memorial's entities paid higher total compensation compared to government for 22 of the 26 (85 per cent) executive and management positions examined.

We used base salaries and salary scales that were in effect on December 31, 2022, at Memorial, its entities, and within government.



Executive Positions

For the 14 executive positions examined, we found Memorial and two of its entities (C-CORE and Genesis) paid significantly higher salaries than government. Since the assessment of accountability, problem-solving, and know-how were the same, the comparable government positions (deputy minister, assistant deputy minister or director) were equivalent from a classification point of view. Yet, the salary pay scales for equivalent positions varied significantly as shown in Table 1.

**Table 1 - Memorial and Entities Positions Compared to Government
Annual Executive Salary Compensation
As of December 2022**

Memorial

Executive Position	Base Salary (top-of-scale) Notes 2, 4	Bonus Note 3	Incentive	Total Salary	Government Base Salary (top-of-scale) Note 1	Minimal Annual Salary Difference	Minimal Annual Salary Difference %
Vice-President (Indigenous)	\$290,019	N/A	N/A	\$290,019	\$134,795	\$155,224	115%
Vice-President (Fisheries and Marine Institute)	\$290,019	N/A	N/A	\$290,019	\$140,828	\$149,191	106%
Vice-President (Advancement and External Relations)	\$290,019	N/A	N/A	\$290,019	\$140,828	\$149,191	106%
Vice-President (Grenfell)	\$290,019	N/A	N/A	\$290,019	\$143,013	\$147,006	103%
Vice-President (Research)	\$290,019	N/A	N/A	\$290,019	\$143,013	\$147,006	103%
Provost and Vice-President (Academic)	\$325,000	N/A	N/A	\$325,000	\$170,813	\$154,187	90%
Vice-President (Administration and Finance)	\$290,019	N/A	N/A	\$290,019	\$152,630	\$137,389	90%

Comparison to Government Compensation

C-CORE

Executive Position	Base Salary (top-of-scale) Notes 2, 4	Bonus Note 3	Incentive	Total Salary	Government Base Salary (top-of-scale) Note 1	Minimal Annual Salary Difference	Minimal Annual Salary Difference %
			N/A		\$155,602		
			N/A		\$120,633		
			N/A		\$127,102		
			N/A		\$127,102		
			N/A		\$127,102		

Genesis

	\$134,795	
	\$112,415	

Source: Prepared by the Office of the Auditor General based upon information provided by Memorial and the Treasury Board Secretariat (unaudited) and job analysis work completed by our consultant.

Note 1: Using the job evaluation methodology, the listed University positions are comparable to the government assistant deputy minister equivalent positions; except for the Provost and Vice-President (Academic), which is comparable to a government deputy minister. The [redacted] are comparable to the government assistant deputy minister equivalent positions, while [redacted] are comparable to government director positions. All compensation components reflect maximum rates for the positions based on entity policies and practices. Top of scale for government is step 25.

Note 2: Top of scale for Memorial vice-presidents represents step six, although the scale does allow for positions above step six, specifically five per cent and 10 per cent above step six.

Note 3: C-CORE bonus was not paid in 2022, instead a special one-time payment was made to executives.

Note 4: These position salaries may differ from public information disclosures depending on an employee's time in the role.

Comparison to Government Compensation

The Provost and Vice-President (Academic) had a top-of-scale salary of \$325,000 - almost two times that of a comparable deputy minister. Six University executive positions in our sample had top-of-scale salaries of \$290,019 and were paid approximately two times that of a comparable assistant deputy minister position in government.

Top-of-scale for all C-CORE executive positions, including bonus payments, were at least two times that of comparable government positions.

Top-of-scale for all Genesis' executive positions, including bonus and incentive payments, was higher than comparable government positions.

higher than a comparable government position.

Salary Scale Deviations and Modifications

While Memorial had the Board of Regents' approved executive salary scales in place during our audit, prior to May 2022 there were five incumbent staff in executive positions with salaries above those scales. We also noted of those five incumbents, three were appointed during our audit period whereby the President approved two interim appointments and the Board of Regents approved one permanent appointment that deviated from the scale between April 2019 and April 2022 - all of which were higher than the salary scale. For example, we found in March 2021, the Board of Regents approved the appointment of a Provost and Vice-President (Academic)'s salary of \$320,000, which was 17 per cent above the maximum of \$274,360 on the executive scale at the time of appointment.

Table 2 provides additional information on executive salary compensation, as a result of a higher scale implemented in May 2022.

**Table 2 – Memorial Pay Scale Comparison
Annual Executive Salary Compensation
As of May 2022**

Executive Position	Prior Pay Scale Base Salary (top-of-scale)	May 2022 - New Pay Scale Base Salary (top-of-scale) Note 1	Increase to Pay Scale Base Salary (top-of-scale)	Increase to Pay Scale Base Salary (top-of-scale)
Vice-President (Indigenous)	\$243,861	\$290,019	\$46,158	19%
Vice-President (Fisheries and Marine Institute)	\$243,861	\$290,019	\$46,158	19%
Vice-President (Advancement and External Relations)	\$243,861	\$290,019	\$46,158	19%
Vice-President (Grenfell)	\$243,861	\$290,019	\$46,158	19%
Vice-President (Research)	\$243,861	\$290,019	\$46,158	19%
Vice-President (Administration and Finance)	\$243,861	\$290,019	\$46,158	19%
Provost and Vice-President (Academic)	\$274,360	\$325,000	\$50,640	18%

Source: Prepared by the Office of the Auditor General based upon information provided by Memorial.

Note 1: Top-of-scale for Memorial vice-presidents represents step six, although the scale does allow for positions above step six, specifically five per cent and 10 per cent above step six.

The May 2022 pay scale change increased the top of the scale beyond prior capped levels. For example, a Vice-President (Administration and Finance) had a salary of \$253,738, which was \$9,877 (four per cent) higher than the top of the prior pay scale of \$243,861; however, with the new pay scales it was then within the new scale range. In fact, with the new scale, the position could then increase to a top-of-scale of \$290,019 - an additional increase of \$36,281 (14 per cent).

We also found that the new Memorial executive salary scale included discretion to increase salaries up to 10 per cent above the new scale. Memorial officials advised that they have not established procedures to support assigning executives a salary above the steps on the new executive scale. For example, the Provost and Vice-President (Academic) salary scale range maximum could have increased from \$274,360 to \$357,500 (a change of \$83,140 or 30 per cent) if the new 10 per cent discretion were used. The salary scale for the remaining vice-presidents maximum could have increased from \$243,861 to \$319,021 (a change of \$75,160 or 31 per cent) if the new 10 per cent discretion were used. No executives were receiving the plus five per cent or 10 per cent as of December 31, 2022.

Salary Increases

We found some University executives, when hired or promoted, were placed on the approved pay scale while others negotiated contracts with salaries outside the executive pay scale. Three Memorial executive appointments followed the steps of the salary scale or had reached the top of the scale, equivalent to a four to five per cent salary increase per year. In other cases, executives had negotiated a fixed salary amount outside of the pay scale with no pay increases across the term of the contract.

We found that Memorial's executive salary scale had six steps, allowing an executive to reach the maximum step after five years (one step per year) in the position, excluding the discretionary additional five and 10 per cent potential above the top of the scale. For comparison, government executive positions take six years (four steps each year), equivalent to a four to five per cent salary increase per year, to reach the top of their salary scale and generally do not progress beyond that.

Because of the significantly higher dollar value of Memorial's executive salary scales as compared to equivalent government positions, Memorial's executive positions annual pay increases were significantly higher than government. For example, the salary increase of a University vice-president moving from step one to step two would be from \$232,015 to \$243,616, a change of \$11,601 (five per cent). In comparison, the salary of a comparable assistant deputy minister moving from step one to step five would be an increase from \$110,010 to \$115,511, a change of \$5,501 (five per cent).

We found that Memorial only had two salary scales for executive positions - one salary scale for the Provost and Vice-President (Academic) and one for the remaining vice-presidents - regardless of the portfolio. In comparison, government has numerous salary pay scale levels for executive positions (depending on position classification relating to accountability, problem-solving and know-how).

With respect to Memorial's entities, we found the majority of executive positions did not follow pre-determined salary progression like the provincial government. C-CORE's President and Chief Executive Officer did not have a salary scale, instead, its Board of Directors determined a set salary amount and approved salary increases based on annual performance reviews. The remaining C-CORE executives did have a salary scale and progressed along the scale subject to salary increases approved by its Board of Directors, which were based on annual performance reviews and not at pre-determined scale increments. The vice-presidents' salary scale ranged from [REDACTED]

Genesis had a salary scale for executives which its Board of Directors used as guidance for salary increases in conjunction with annual performance reviews. The total percentage increase from the bottom of the Genesis scale to the top ranged between [REDACTED] depending on the executive position. For example, [REDACTED] salary scale ranged from [REDACTED]

We found Genesis' Board of Directors engaged a consultant to review the [REDACTED] compensation (completed in February 2022) and subsequently Genesis' Board of Directors approved a base salary increase [REDACTED]

Base Salary Pay Increases (General Economic Increases)

Memorial's executives did not receive any general economic increases during our audit period. However, future general economic increases will be at the discretion of the Board of Regents.

C-CORE executive positions received a total of [REDACTED] per cent in general economic increases during our audit period. Genesis' executive positions did not receive general economic increases during the same period. Entity officials advised that general economic increases were not provided during this time due to a number of factors, including ongoing compensation reviews. The Board of Regents did not approve any of the general economic increases of the five entities.

Government executive positions received a total of six per cent in general economic increases during the same period. In 2022, all provincial government employees received a one-time payment of \$2,000.

Bonuses and Incentive Pay

We found C-CORE paid bonuses to all executive positions during our audit period. C-CORE provided short-term, non-pensionable, discretionary bonuses based on established performance goals approved by its Board of Directors. The bonuses were paid for the years 2019 and 2020, however not for 2021 and 2022 and instead its Board approved a one-time payment in June 2022, in lieu of the short-term bonus. C-CORE paid [REDACTED] in bonuses and special payments to its [REDACTED] during our audit period, with the largest single bonus payment of [REDACTED] paid in 2020. C-CORE also paid total bonuses and one-time special payments of [REDACTED] to its [REDACTED] during our scope period. In all, **C-CORE paid its executives [REDACTED] in bonuses and one-time special payments during our audit period** as shown in Table 3.

**Table 3 – C-CORE Bonuses and Special Payments
Paid to Executive Employees
For the Period April 2019 to December 2022**

C-CORE Executives	2019	2020	2021	2022	Total
[REDACTED]			\$ -		
			\$ -		
			\$ -		
			\$ -		
			\$ -		
Total Executive Payments			\$ -		

Source: Prepared by the Office of the Auditor General based on information provided by Memorial.

We found that Genesis paid [REDACTED] in bonuses and incentives to [REDACTED] and incentives to [REDACTED] during our audit period.

Genesis paid [REDACTED] to its [REDACTED] during the audit period for bonus and incentive payments. The bonus payments were based on performance objectives and achievement of the metrics, as approved by its Board of Directors. Genesis' incentive payments were capped at [REDACTED] for the [REDACTED] (prior to June 2022 the cap was [REDACTED]).

Genesis paid [REDACTED] to its [REDACTED] during the period for incentive payments. Genesis' incentive payments were capped at [REDACTED] for the [REDACTED].

Memorial and provincial government executives did not receive bonuses or incentive pay during the scope period of our audit.



Management Positions

We found that Memorial and its entities paid higher salaries than government for 43 of the 48 management positions (90 per cent) we reviewed. Since the assessment of accountability, problem-solving, and know-how were the same, the comparable government management positions were equivalent from a classification point of view. Yet, the salary scales varied significantly as shown in Table 4.

**Table 4 – Memorial and Entity Positions Compared to Government
Annual Management Salary Compensation
As of December 2022**

Memorial - Leadership Group

Management Position	Base Salary (top-of-scale) Notes 2, 4, 5	Bonus Note 3	Incentive	Total Salary	Government Base Salary (top-of-scale) Note 1	Minimal Annual Salary Difference	Minimal Annual Salary Difference %
Director, Human Resources	\$213,295	N/A	N/A	\$213,295	\$127,102	\$86,193	68%
Chief Information Officer	\$213,295	N/A	N/A	\$213,295	\$134,795	\$78,500	58%
Director, Signal Hill Campus, Operations, Conference Services and Events	\$116,994	N/A	N/A	\$116,994	\$75,236	\$41,758	56%
Campus Registrar	\$140,393	N/A	N/A	\$140,393	\$95,619	\$44,774	47%
Senior Administrative Officer	\$116,994	N/A	N/A	\$116,994	\$82,515	\$34,479	42%
Associate Vice-President Administration & Finance, Marine Institute	\$168,472	N/A	N/A	\$168,472	\$120,633	\$47,839	40%
General Counsel	\$213,295	N/A	N/A	\$213,295	\$153,169	\$60,126	39%
Manager, Human Resources Marine Institute	\$116,994	N/A	N/A	\$116,994	\$95,619	\$21,375	22%

Memorial - Senior Administrative Management

Management Position	Base Salary (top-of-scale) Notes 2, 4,5	Bonus Note 3	Incentive	Total Salary	Government Base Salary (top-of-scale) Note 1	Minimal Annual Salary Difference	Minimal Annual Salary Difference %
Associate Director, Service, Delivery & Operations	\$137,561	N/A	N/A	\$137,561	\$75,236	\$62,325	83%
Director, Health Sciences Information and Media Services	\$153,123	N/A	N/A	\$153,123	\$86,641	\$66,482	77%
Director, Student Residences	\$153,123	N/A	N/A	\$153,123	\$86,641	\$66,482	77%
Director, Engagement Grenfell	\$137,561	N/A	N/A	\$137,561	\$86,641	\$50,920	59%
Director, Marketing & Communication Grenfell	\$153,123	N/A	N/A	\$153,123	\$100,472	\$52,651	52%
Chief Operating Officer (Faculty of Medicine)	\$153,123	N/A	N/A	\$153,123	\$112,415	\$40,708	36%



Memorial - Management Professional Staff

Management Position	Base Salary (top-of-scale) Notes 2, 4, 5	Bonus Note 3	Incentive	Total Salary	Government Base Salary (top-of-scale) Note 1	Minimal Annual Salary Difference	Minimal Annual Salary Difference %
Coordinator, Research Budgets	\$77,412	N/A	N/A	\$77,412	\$54,610	\$22,802	42%
Development Officer	\$102,034	N/A	N/A	\$102,034	\$75,236	\$26,798	36%
Manager, Business Development	\$93,139	N/A	N/A	\$93,139	\$75,236	\$17,903	24%
Manager, Communications	\$88,964	N/A	N/A	\$88,964	\$75,236	\$13,728	18%
Senior Administrative Officer	\$93,139	N/A	N/A	\$93,139	\$82,515	\$10,624	13%
Manager, Systems and Operations	\$84,928	N/A	N/A	\$84,928	\$75,236	\$9,692	13%
Team Lead, Financial Operation	\$84,928	N/A	N/A	\$84,928	\$75,236	\$9,692	13%
System Analyst	\$84,928	N/A	N/A	\$84,928	\$75,236	\$9,692	13%
Manager, Media Services	\$93,139	N/A	N/A	\$93,139	\$86,641	\$6,498	8%
Communications Advisor	\$77,412	N/A	N/A	\$77,412	\$75,236	\$2,176	3%
Manager, Finance & Administration	\$93,139	N/A	N/A	\$93,139	\$95,619	(\$2,480)	(3%)

Memorial - Other Management

Management Position	Base Salary (top-of-scale) Notes 2, 4, 5	Bonus Note 3	Memorial Incentive	Total Salary	Government Base Salary (top-of-scale) Note 1	Minimal Annual Salary Difference	Minimal Annual Salary Difference %
Associate Vice-President (Public Engagement & External Relations)	\$208,375	N/A	N/A	\$208,375	\$117,661	\$90,714	77%
Special Advisor to President, Continuing Education	\$178,530	N/A	N/A	\$178,530	\$120,633	\$57,897	48%
Ethics Director	\$102,847	N/A	N/A	\$102,847	\$100,472	\$2,375	2%
Director, Nunavut Arctic College Partnership	\$121,000	N/A	N/A	\$121,000	\$120,633	\$367	0%

C-CORE

	N/A		\$106,053	
	N/A		\$106,053	
	N/A		\$106,053	
	N/A		\$106,053	
	N/A		\$100,472	
	N/A		\$115,038	
	N/A		\$115,038	
	N/A		\$95,619	

The Works

Management Position	Base Salary (top-of-scale) Notes 2, 4, 5	Bonus Note 3	Incentive	Total Salary	Government Base Salary (top-of-scale) Note 1	Minimal Annual Salary Difference	Minimal Annual Salary Difference %
		N/A	N/A		\$63,589		
		N/A	N/A		\$127,102		
		N/A	N/A		\$86,641		
		N/A	N/A		\$86,641		
		N/A	N/A		\$63,589		
		N/A	N/A		\$108,044		

Campus Childcare

	N/A	N/A		\$95,619	
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Genesis

	N/A			\$100,472	
	N/A			\$86,641	
	N/A			\$95,619	

Centre for Fisheries Innovation

	N/A	N/A		\$115,038	
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Source: Prepared by the Office of the Auditor General based upon information provided by Memorial and the Treasury Board Secretariat (unaudited) and job analysis work completed by our consultant.

Note 1: Using the job evaluation methodology, the listed positions are generally comparable to government director or manager positions for the Leadership Group and Senior Administrative Management groups as well as the entities, while some of the Management Professional Staff and entities were comparable to government supervisor, consultant and administration roles. Top-of-scale for government is step 25.

Note 2: For some of the above University and entity positions, there is no pay scale. As a result, our consultant used the actual base salary to compare to the comparator markets with rounding for confidentiality.

Note 3: C-CORE bonus was not paid in 2022, instead a special one-time payment was made to management as shown in the table above.

Note 4: These position salaries may differ from public information disclosures depending on an employee's time in the role.

Note 5: Market differentials have been included as a part of base salary where applicable.

Comparison to Government Compensation

The Leadership Group position salaries we reviewed were all higher than comparable government positions, with the differences ranging between \$21,375 (22 per cent) for the Manager, Human Resources Marine Institute position to \$86,193 (68 per cent) for the Director, Human Resources position.

The Senior Administrative Management position salaries we reviewed were all higher than comparable government positions, with the differences ranging between \$40,708 (36 per cent) for the Chief Operating Officer position to \$66,482 (77 per cent) for the Director, Health Sciences Information and Media Services and Director, Student Residences positions.

Ten of the 11 Management Professional Staff position salaries we reviewed were higher than comparable government positions, with differences ranging between \$2,176 (three per cent) for the Communications Advisor position to \$26,798 (36 per cent) for the Development Officer position.

Across the three University management groups, nine of the 29 samples (31 per cent) were more than 50 per cent higher than government, and 14 of the 29 samples (48 per cent) were at least 40 per cent higher than government.

Entity position salaries were mostly higher than comparable government positions, with 15 positions of 19 (79 per cent) higher. The more significant differences were in C-CORE management with differences ranging between

Salary Scale Deviations and Modifications

While Memorial had salary scales for all management groups, **we found seven instances where positions were not placed on one of the existing scales and were otherwise paid outside a scale or paid based on a contracted rate.** Four of these seven positions (57 per cent) were selected in our review (categorized in this report's tables as Other Management). For example, the Ethics Director position was placed on a management scale but compensated at an off-scale amount of \$102,847 - five per cent higher than the top of that management scale of \$97,497. The Associate Vice-President (Public Engagement and External Relations) position, when created, was not assigned to any management scale and subsequently classified to the Leadership Group. The incumbent's salary of \$208,375 was \$39,903 (24 per cent) higher than the top-of-scale of \$168,472.

We found [REDACTED] C-CORE management position [REDACTED] above the applicable top-of-scale.

Salary Increases

Memorial and The Works' management employees progressed annually along base salary scales per their performance evaluations - which ranged from two per cent to five per cent depending on the scale.

Salary scales for management in the Leadership and Senior Administrative Management groups had nine steps each, taking eight years for a management employee placed on step one to advance to the maximum of the scale. The salary scales for the Leadership and Senior Administrative Management groups had a percentage increase from step one to step nine of 32 per cent, which amounts to three to four per cent per year.

The salary scale for Memorial's Management Professional Staff had 36 steps, and the maximum could be reached between 14 and 18 years depending on the salary band. **The Management Professional Staff salary scale had a 50 per cent increase from the bottom to the top of the scale, compared to government's scale increase of 30 per cent.**

Based on The Works' salary scale of 12 steps, a management employee could reach the top of the scale after 11 years. The salary scales had a percentage increase from step one to step 12 of 31 per cent, which amounts to two to five per cent per year.

C-CORE and Genesis management positions progressed along their salary scale annually subject to a performance review. The total percentage increase from the bottom of the scale to the top was 50 per cent for all C-CORE management positions. The total percentage increase from the bottom of the Genesis scale to the top ranged between 35 per cent and 38 per cent, depending on the management position.

In June 2021, Genesis' executive engaged a consultant to review compensation for management positions; and in June 2022 they engaged the same consultant to review management positions, including some of the positions examined in the previous review. The 2021 review resulted in a salary increase for [REDACTED]

The 2022 review resulted in salary increases for [REDACTED] positions, including the same [REDACTED] position - [REDACTED]

Campus Childcare and the Centre for Fisheries Innovation did not use salary scales, instead, increases were determined by their Board of Directors. While the Centre for Fisheries Innovation did not have a salary scale, there were two increases during our scope period of [REDACTED] each, for a total of [REDACTED]. Campus Childcare management did not receive salary increases during the scope period, other than the general economic increases mentioned previously. **We found that there were no compensation reviews of management positions at C-CORE, The Works, Campus Childcare, and the Centre for Fisheries Innovation during our scope period.**

Provincial government management employees receive pre-determined annual salary adjustments on the anniversary date they were hired, averaging three to four per cent annually – a total percentage increase from step one to step 25 of 30 per cent. In the provincial government, step increments do not normally go beyond the top of the scale and government does not provide salary adjustments or incentive payments as a form of compensation for performance.

Memorial's policy for market differentials was pensionable. In comparison, the provincial government's market adjustment policy is non-pensionable.

Memorial provided salary increases above the base salary in the form of pensionable market differentials for 24 management employees worth \$424,982 annually. Table 5 outlines averages by position.

Table 5 – Memorial Management Positions with Market Differentials
Averages by Position
As of December 31, 2022

Position Title	Number of Employees	Actual Base Salary (average)	Annual Market Differential (average)	Total Salary (average)
Special Advisor to President (Continuing Education)	1	\$146,400	\$32,130	\$178,530
Associate General Counsel*	1	\$140,393	\$14,039	\$154,432
Manager, Health Education, Technology & Learning	1	\$93,139	\$34,238	\$127,377
Manager, Course Development & Maintenance	1	\$93,139	\$34,238	\$127,377
Clinical Veterinarian	1	\$93,139	\$27,750	\$120,889
Senior Instructional Design Specialist	5	\$88,287	\$26,629	\$114,916
Development Officer	7	\$83,772	\$17,106	\$100,878
Supervisor, Electrical Systems	2	\$93,362	\$4,622	\$97,984
Supervisor, External Plant	1	\$88,742	\$4,160	\$92,902
Project Manager III	4	\$81,490	\$4,074	\$85,564

Source: Prepared by the Office of the Auditor General based on position information provided by Memorial.

*The Associate General Counsel position had the amount of \$14,039 miscoded as a market differential. This amount actually represents a salary approved beyond the top-of-scale.



The largest average annual market differentials of \$34,238 were provided to two positions: the Manager, Health Education, Technology and Learning, and the Manager, Course Development and Maintenance.

Base Salary Pay Increases (General Economic Increases)

Two of Memorial's three management pay groups (the Leadership Group and Management Professional Staff) received a total of four per cent general economic increase for the first three years of our audit period. The timing and amount of the 2022 general economic increase for these management groups is pending based on the completion of Memorial union negotiations. Memorial's third management pay group (Senior Administrative Management) did not receive general economic increases during our scope period as a result of the previously mentioned compensation review that highlighted this management group was paid above its market comparator.

The Boards of Directors for C-CORE, The Works, and Campus Childcare each approved general economic increases totalling [REDACTED] respectively, for their management employees during our audit period. Genesis' officials advised that general economic increases were not provided during this time due to a number of factors, including ongoing compensation structure reviews. The Centre for Fisheries Innovation did not provide general economic increases during our audit period.

In comparison, government management employees received a total six per cent general economic increase during our audit period.

Bonuses and Incentive Pay

From 2019 to 2022, C-CORE's Board of Directors approved bonuses worth [REDACTED] for [REDACTED] management employees. C-CORE discretionary bonuses were short-term, non-pensionable, and based on established performance goals approved by its Board of Directors.

From 2019 to 2022, Genesis' President and Chief Executive Officer approved incentive payments worth [REDACTED] for [REDACTED] management employees. These incentive payments were capped at [REDACTED] of management employees' annual salary.

**Table 6 – Entities Bonuses and Incentives
Paid to Management Employees
For the Period April 2019 to December 2022**

Entity	Number of Management Employees	Average Payment per Employee	Total Payments
C-CORE	[REDACTED]		
Genesis			
Total Bonuses and Incentives	[REDACTED]	[REDACTED]	[REDACTED]

Source: Prepared by the Office of the Auditor General based upon information provided by Memorial.

Memorial's management employees, as well as management employees of The Works, Campus Childcare, and the Centre for Fisheries Innovation did not receive bonuses or incentive pay during our audit scope period. The provincial government does not provide any form of performance pay to its management employees.

Executive and Management Employee Benefits

We found significant differences between the benefits package that Memorial and its entities offered employees and the benefits package offered by government.

Group Health/Life and Dental Insurance

Table 7 shows a comparison of employer contributions for group benefits. Memorial and its entities contributed significantly more to health and travel, basic life, dependent life and basic accidental death and dismemberment insurance plan premiums for its employees than government.

Memorial and its entities also contributed to dental insurance plans, while government does not pay any dental plan premiums for its employees.

The higher employer contribution percentages resulted in additional compensation costs for Memorial of approximately \$16.4 million during our scope period for all active employees - approximately \$4.4 million annually.

While we did not fully audit the coverage of group health, life, and dental insurances, we do note that it appears that Memorial offered more benefits than the provincial government's plan. For example, Memorial's nursing and personal care coverage was \$10,000 per year compared to government's home nursing care and personal care workers subject to a lifetime maximum of \$10,000.

**Table 7 – Employer Contribution Comparison
Benefit Premiums for Active Employees
As of December 31, 2022**

Benefit Types	Memorial and Entities	Government
Health and Travel	82%	50%
Basic Life	83%	50%
Dependent Life	75%	50%
Basic Accidental Death and Dismemberment	100%	50%
Dental	60%	0%

Source: Prepared by the Office of the Auditor General based on information provided by Memorial and the Treasury Board Secretariat.

Car Allowances

We found that Memorial, Genesis, and the Centre for Fisheries Innovation provided vehicle allowances to some executive and management staff. In total, during our audit period:

- Memorial paid \$29,223;
- Genesis paid [REDACTED] and [REDACTED]
- Centre for Fisheries Innovation paid [REDACTED]

Within Memorial, the annual allowances included \$5,000 for the Vice-President (Fisheries and Marine Institute) position and approximately \$700 annually for six management positions. Genesis provided [REDACTED] [REDACTED] the Centre for Fisheries Innovation received a [REDACTED] annual allowance during our audit period.

Some of Memorial's management positions were also provided with mileage reimbursements in addition to car allowances. The remaining executive and management employees within the entities were reimbursed based on mileage claims.

By comparison, government generally does not provide car allowances to executive or management staff, instead offering mileage reimbursement for work-related travel.

Severance

Memorial paid severance that was consistent with government's former severance policy, which paid employees a maximum of 20 week's salary if an employee had up to 20 continuous years' service. While government ended severance in May 2018, Memorial continued its severance accrual up to December 2021 for employees hired prior to October 2004; it ceased the practice for new hires after October 2004. Campus Childcare discontinued severance in March 2021. The Works discontinued severance in December 2021. The remaining three entities did not offer severance payments.

Leave Entitlements

Annual leave for Memorial's executive employees varied between 20 and 30 days. Executive employees also had access to an employer-paid short-term disability leave program, which provided up to 60 paid sick days per incident. Combined with up to six family leave days in each two-year fiscal period, and two extra leave days between Christmas and New Year's Day, **Memorial's executive leave entitlement totalled up to 95 paid leave days annually (37 per cent of total work days).**

Some vice-presidents were also entitled to administrative leave, which accumulated to 48 days per year and was to be taken at the end of their term, usually five years. Administrative leave is intended for academic staff re-entering academic duties at the conclusion of an administrative appointment. For those in the vice-president positions during our scope period, 12 of the 17 executives (71 per cent) were entitled to this additional leave.

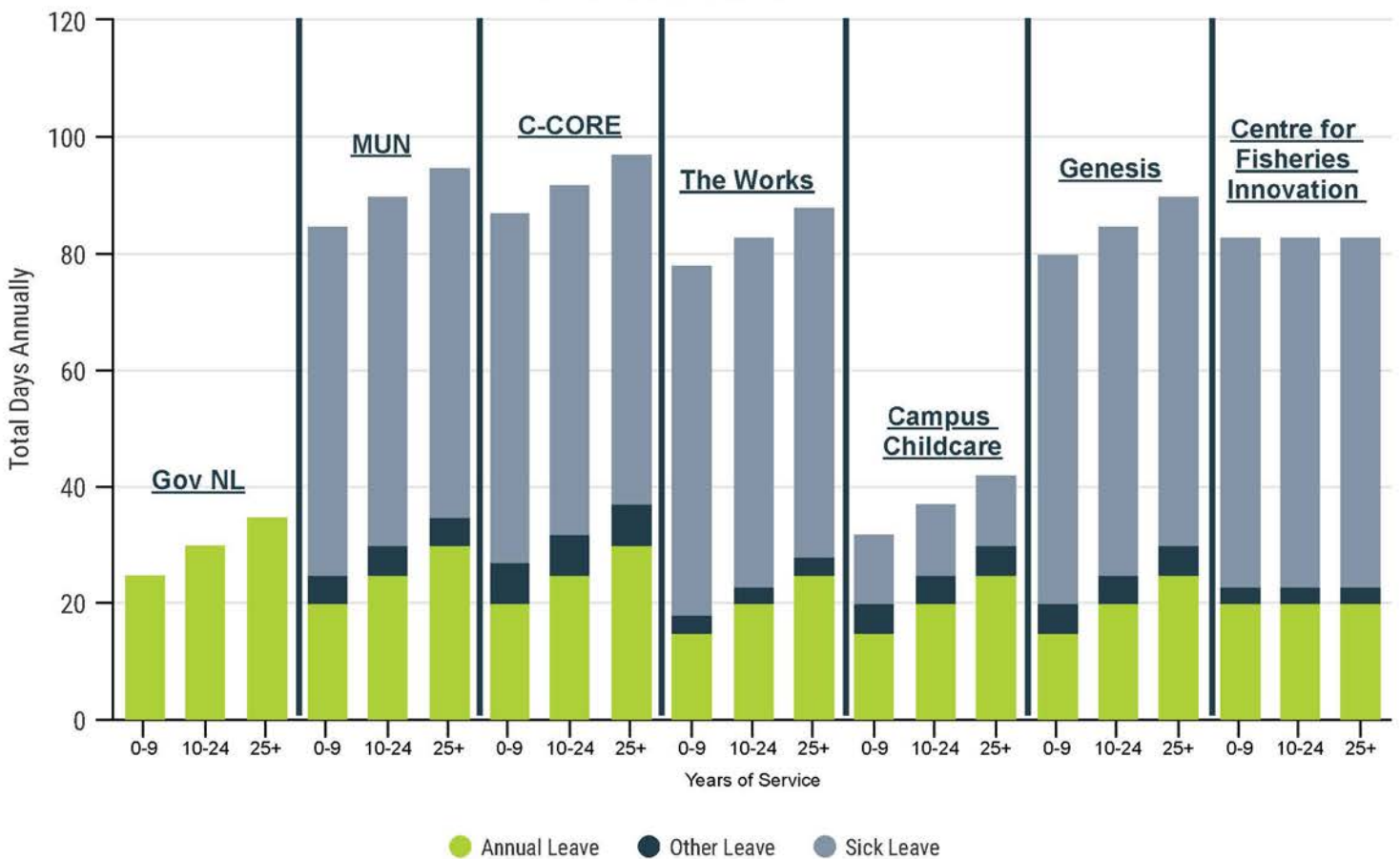
Memorial's management employees received 20 to 30 annual leave days depending on years of service (including an additional five days in lieu of paid overtime); two extra leave days between Christmas and New Year's Day; and up to six family leave days in each two-year fiscal period. Memorial's management employees also had access to an employer-paid short-term disability leave program, which provided up to 60 paid sick days per incident. **Combined, Memorial's management leave entitlement totalled up to an annual 95 paid leave days.**

We found that there was a range of different leave entitlements across Memorial's entities. Genesis followed Memorial's leave policies, while the other entities followed their own leave entitlement policies. **Regardless of the policy, all of Memorial's entities' management employees could have availed of more paid leave than government's executive and management employees.** Further details are shown in Graph 1.

In comparison, provincial government executive and management employees receive between 25 and 35 paid leave days annually, depending on standard hours and years of service. These government employees do not have an employer-paid short-term disability leave program; do not earn sick leave entitlements while in executive or management positions; and do not have separate family or personal leave days.



**Graph 1 – Employee Benefits Comparison
Annual Management Leave Entitlements
As of December 2022**



Source: Prepared by the Office of the Auditor General based upon information provided by Memorial and the Treasury Board Secretariat.
Note 1: Other leave may include family leave, leave in lieu of overtime, and additional leave days during December holidays.

Pension Entitlements

Memorial, The Works, and government provide defined benefit pension plans to employees.

We found the pension plan for Memorial and The Works employees continues to be guaranteed by government and is more generous. Most provincial government employees are subject to a joint trusteeship arrangement that changed their pension entitlements and risks as of 2015 under the Public Service Pension Plan and the Teachers' Pension Plan. The Memorial plan includes a pension benefit based on an employee's best five years average salary, retirement at age 55, and indexing. In comparison, the Public Service Pension Plan's benefit is based on the employee's best six years average salary (if hired after January 2015), retirement at age 58, and has no indexing from 2015 onward.

Table 8 outlines the pension benefits offered by the remaining four entities.

Table 8 – Pension Benefits
Maximum Employer Contribution
As of December 2022

Entities	Maximum Employer Contribution	Type of Retirement Plan
C-CORE	6-8%	Matched group registered retirement savings plan – based on years of service
Campus Childcare	3-6%	Matched group registered retirement savings plan – based on years of service
Genesis	8%	Employer payment in lieu of pension benefits - no employee matching contribution
Centre for Fisheries Innovation	9%	Employer contribution to a registered retirement savings plan - no employee matching contribution

Source: Prepared by the Office of the Auditor General based on information provided by Memorial.

Other Post-Employment Benefits

Government, Memorial, and The Works contribute 50 per cent for health, travel, and basic life for retirees hired on or before March 31, 2020, and 40 per cent for retirees hired on or after April 1, 2020. Similarly, **Memorial and The Works co-pay retiree premiums for dental benefits at 40-50 per cent.** The provincial government does not pay any dental plan premiums for retirees. **We found that the provision of dental post-employment benefits cost Memorial \$2.8 million during our audit scope period - approximately \$0.7 million annually.**

The remaining entities either do not co-pay (C-CORE) or do not provide post-employment benefits (Genesis and Centre for Fisheries Innovation). We could not determine Campus Childcare's premiums for retirees as there is no policy and no one has retired from its one management position. Table 9 provides comparative information.

Table 9 – Employer Contribution Comparison
Benefit Premiums for Retired Employees
As of December 31, 2022

Benefit Type	Memorial and The Works	C-CORE, Genesis, Centre for Fisheries Innovation	Government
Health and Travel	40-50%	0%	40-50%
Basic Life	40-50%	0%	40-50%
Dependent Life	0%	0%	40-50%
Basic Accidental Death and Dismemberment	0%	0%	40-50%
Dental	40-50%	0%	0%

Source: Prepared by the Office of the Auditor General based upon information provided by Memorial and the Treasury Board Secretariat.

Service Awards

The University gives employee gifts for service starting at 20 years and for every five years thereafter. **We found employee service gifts vary in cost and a total value of \$50,673 was given during our audit scope period.** In comparison, government recognizes 20, 25, 30 and 35 years of service with a certificate, and no gifts are provided to recognize years of service.



Why It Matters

Compensation costs were Memorial's largest operating expense - comprising 65 per cent of its 2022 annual expenses. As a public sector corporation, Memorial has a responsibility for fiscal stewardship on behalf of taxpayers and students.

The use of a consistent and appropriate compensation methodology within the public service can ensure that the accountability, problem-solving, and know-how of executive and management positions are used to correctly determine the level and value of compensation provided to an employee. This disciplined approach, combined with appropriate and equitable compensation reviews, also ensures comparability and equity.

When a public service entity's salary and benefit practices are more lucrative than others, it creates disparity in the public service; adds to recruitment and retention challenges; and ultimately reduces the public's trust that public money is being managed appropriately. Aspects of the compensation system, such as disparity of wage scales and employer benefits, add to such disparity. Inconsistent policies among the University and its own entities create further differences and beg questions about management oversight and equity.

Since Memorial's pension plan has not undergone reform like the other public sector pension plans, the government remains responsible for covering potential pension benefit payments and administration costs if Memorial's pension plan does not have sufficient assets to cover deficits. Furthermore, Memorial's pension includes retiree benefits that are more costly than those provided by other public service pension plans.



Compensation Findings - Comparison to Market

Criteria 2

Memorial University's executive and management compensation is comparable to other universities of a similar nature.



What We Expected

We expected Memorial to be highly aware of its roles and responsibilities as a public sector non-profit organization. As such, we expected that comparisons to industry, with respect to compensation practices, would only be relevant in instances where documented recruitment and retention issues existed. When such issues were identified, it is reasonable to expect that Memorial would consider market adjustment policies similar to those that exist in government. We expected Memorial to conduct market reviews every three to five years if deemed necessary from a pressing operational need, and only for the employee groups where that need existed.



What We Learned

We compared 36 Memorial positions against benchmark market positions with comparable assessments for accountability, problem-solving, and know-how criteria.

Memorial uses different market comparators for its executive and management groups:

- National University Sector market for executives and Senior Administrative Management;
- Broader Public Sector market for Leadership Group; and,
- Atlantic Canada Public Sector market for Management Professional Staff.

Market benchmarks of total cash (base salary plus bonuses and incentives) were available and used only for our comparison of the Leadership Group to the National Broader Public Sector market. While we compared salaries to other similar universities, we did not compare the benefit packages of these universities. All of Memorial's entities were included in this audit report; however, we did not compare compensation for their respective industries.

Executive

We found Memorial paid higher base salaries as compared to the National University Sector market for all seven executive positions. Four vice-president positions had the largest discrepancy - \$61,492 (27 per cent) above the market base salary as shown in Table 10. The other three positions with base salaries above market ranged between a difference of \$14,862 and \$23,890.

**Table 10 – Memorial Positions Compared to Market
Annual Executive Salary Compensation
As of December 2022**

Executive Position	Base Salary (top-of-scale)	University Sector Market Base Salary (median; mid-point)	Minimum Annual Salary Difference	Minimum Annual Salary Difference %
Vice-President (Grenfell)	\$290,019	\$228,527	\$61,492	27%
Vice-President (Fisheries and Marine Institute)	\$290,019	\$228,527	\$61,492	27%
Vice-President (Indigenous)	\$290,019	\$228,527	\$61,492	27%
Vice-President (Advancement and External Relations)	\$290,019	\$228,527	\$61,492	27%
Vice-President (Administration and Finance)	\$290,019	\$266,129	\$23,890	9%
Vice-President (Research)	\$290,019	\$266,129	\$23,890	9%
Provost and Vice- President (Academic)	\$325,000	\$310,138	\$14,862	5%
Average	\$295,016	\$250,929	\$44,087	18%

Source: Prepared by the Office of the Auditor General based on job analysis work completed by our consultant and information provided by Memorial.

Management

For the 29 management positions examined, Memorial paid base salaries that averaged \$130,043 higher than the overall average of \$118,512 for the National University Sector benchmark, as shown in Table 11. Specifically, we found Memorial paid higher management base salaries than the National University Sector Market for 20 positions (69 per cent) and paid lower than the National University Sector Market for nine positions (31 per cent).

We found Memorial's Leadership Group's base salaries were mostly higher than the National University Sector Market used for comparison. Seven of the eight positions (88 per cent) were above the market base salaries and the other position (13 per cent) was one per cent below the market. The differences compared to the National University Sector Market ranged between \$14,645 (14 per cent) and \$25,788 (23 per cent).

For Memorial's Senior Administrative Management group, we found all six of the positions examined were above the National University Sector Market. The differences compared to the National University Sector Market ranged between \$23,477 (18 per cent) and \$50,774 (50 per cent).

We found mixed results when comparing Memorial's Management Professional Staff base salaries to the National University Sector Market. Five of the 11 positions (45 per cent) were above the National University Sector Market and the other six (55 per cent) were below the market base salaries. The above market differences compared to the National University Sector Market ranged between \$1,095 (one per cent) and \$18,625 (22 per cent).

**Table 11 – Memorial Positions Compared to University Market
Annual Management Salary Compensation
As of December 2022**

Leadership Group

Executive Position	Base Salary (top-of-scale)	National University Sector Market Base Salary (median; mid-point)	Minimum Annual Salary Difference	Minimum Annual Salary Difference %
Director, Signal Hill Campus, Operations, Conference Services and Events	\$116,994	\$92,044	\$24,950	27%
Campus Registrar	\$140,393	\$114,605	\$25,788	23%
Manager, Human Resources Marine Institute	\$116,994	\$102,349	\$14,645	14%
Senior Administrative Officer	\$116,994	\$102,349	\$14,645	14%
Director, Human Resources	\$213,295	\$197,052	\$16,243	8%
Chief Information Officer	\$213,295	\$197,052	\$16,243	8%
General Counsel	\$213,295	\$197,052	\$16,243	8%
Associate Vice- President Administration & Finance, Marine Institute	\$168,472	\$170,591	(\$2,119)	(1%)
Average	\$162,467	\$146,637	\$15,830	13%

Senior Administrative Management

Director, Health Sciences Information and Media Services	\$153,123	\$102,349	\$50,774	50%
Director, Student Residences	\$153,123	\$102,349	\$50,774	50%
Associate Director, Service, Delivery & Operations	\$137,561	\$92,044	\$45,517	50%
Director, Marketing & Communications, Grenfell	\$153,123	\$114,605	\$38,518	34%

Comparison to Market Compensation

Executive Position	Base Salary (top-of-scale)	National University Sector Market Base Salary (median; mid-point)	Minimum Annual Salary Difference	Minimum Annual Salary Difference %
Director, Engagement Grenfell	\$137,561	\$102,349	\$35,212	34%
Chief Operating Officer (Faculty of Medicine)	\$153,123	\$129,646	\$23,477	18%
Average	\$147,936	\$107,224	\$40,712	39%

Management Professional Staff

Development Officer	\$102,034	\$83,409	\$18,625	22%
Coordinator, Research Budgets	\$77,412	\$64,956	\$12,456	19%
Manager, Systems and Operations	\$84,928	\$83,409	\$1,519	2%
System Analyst	\$84,928	\$83,409	\$1,519	2%
Manager, Business Development	\$93,139	\$92,044	\$1,095	1%
Manager, Communications	\$88,964	\$92,044	(\$3,080)	(3%)
Communications Advisor	\$77,412	\$83,409	(\$5,997)	(7%)
Team Lead, Financial Operations	\$84,928	\$92,044	(\$7,116)	(8%)
Senior Administrative Officer	\$93,139	\$102,349	(\$9,210)	(9%)
Manager, Media Services	\$93,139	\$102,349	(\$9,210)	(9%)
Manager, Finance & Administration	\$93,139	\$114,605	(\$21,466)	(19%)
Average	\$88,469	\$90,366	(\$1,897)	(1%)



Other Management

Executive Position	Base Salary (top-of-scale)	National University Sector Market Base Salary (median; mid-point)	Minimum Annual Salary Difference	Minimum Annual Salary Difference %
Associate Vice-President (Public Engagement & External Relations)	\$208,375	\$170,591	\$37,784	22%
Special Advisor to President, Continuing Education	\$178,530	\$170,591	\$7,939	5%
Ethics Director	\$102,847	\$114,605	(\$11,758)	(10%)
Director, Nunavut Artic College Partnership	\$121,000	\$170,591	(\$49,591)	(29%)
Average	\$152,688	\$156,595	(\$3,907)	(3%)
Overall Management Average	\$130,043	\$118,512	\$11,531	10%

Source: Prepared by the Office of the Auditor General based on job analysis work completed by our consultant and information provided by Memorial.

Note 1: Data does not include incentives for the National University Sector Market, if any.

Note 2: Where salary scales are not used, our consultant compared the actual base salary to the comparator markets.

When compared to Memorial's policy comparators within the public sector for the Leadership Group (against the National Broader Public Sector), we found Memorial paid higher base salaries for seven of the eight positions (88 per cent) examined, as per Table 12. For the Leadership Group positions examined, Memorial paid an average base salary of \$162,467, which is higher than the total cash average of \$150,049 for the National Broader Public Sector. The average salary of the eight positions was approximately \$12,418 above the base salary of the National Broader Public Sector market.

**Table 12 – Comparison to National Broader Public Sector
Leadership Group
As of December 2022**

Position Title	Base Salary (top-of-scale)	Public Sector Total Cash Salary (median; mid-point) Note 1	Minimum Annual Salary Difference	Minimum Annual Salary Difference %
Director, Signal Hill Campus, Operations, Conference Services and Events	\$116,994	\$91,080	\$25,914	28%
Campus Registrar	\$140,393	\$116,481	\$23,912	21%
Manager, Human Resources Marine Institute	\$116,994	\$103,560	\$13,434	13%
Senior Administrative Officer	\$116,994	\$103,560	\$13,434	13%
Director, Human Resources	\$213,295	\$203,401	\$9,894	5%
Chief Information Officer	\$213,295	\$203,401	\$9,894	5%
General Counsel	\$213,295	\$203,401	\$9,894	5%
Associate Vice- President Administration & Finance, Marine Institute	\$168,472	\$175,504	(\$7,032)	(4%)
Average	\$162,467	\$150,049	\$12,418	11%

Source: Prepared by the Office of the Auditor General based on job analysis work completed by our consultant and information provided by Memorial.

Note 1: Total cash salary includes base salary plus incentive compensation and bonuses for the National Broader Public Sector.

When compared to Memorial's policy comparators within the public sector for Management Professional Staff (against the Atlantic Canada Public Sector) pay groups, we found Memorial paid higher base salaries for 10 of the 11 (91 per cent) positions, as per Table 13.

For the 11 Management Professional Staff positions, Memorial paid base salaries that averaged \$88,469, which is \$8,104 higher than the overall average of \$80,366 for the Atlantic Canada Public Sector.

**Table 13 – Comparison to Atlantic Canadian Public Sector
Management Professional Staff
As of December 2022**

Position Title	Base Salary (top-of-scale)	Public Sector Base Salary (median; mid-point)	Minimum Annual Salary Difference	Minimum Annual Salary Difference %
Development Officer	\$102,034	\$75,056	\$26,978	36%
Coordinator, Research and Budgets	\$77,412	\$61,037	\$16,375	27%
Manager, Business Development	\$93,139	\$81,640	\$11,499	14%
Manager, Systems and Operations	\$84,928	\$75,056	\$9,872	13%
System Analyst	\$84,928	\$75,056	\$9,872	13%
Manager, Communications	\$88,964	\$81,640	\$7,324	9%
Senior Administrative Officer	\$93,139	\$89,499	\$3,640	4%
Manager, Media Services	\$93,139	\$89,499	\$3,640	4%
Team Lead, Financial Operation	\$84,928	\$81,640	\$3,288	4%
Communications Advisor	\$77,412	\$75,056	\$2,356	3%
Manager, Finance & Administration	\$93,139	\$98,845	(\$5,706)	(6%)
Average	\$88,469	\$80,366	\$8,104	11%

Source: Prepared by the Office of the Auditor General based on job analysis work completed by our consultant and information provided by Memorial.

Note 1: Data does not include incentives for the Atlantic Canada Public Sector market.



Why It Matters

Compensation costs were Memorial's largest operating expense - comprising 65 per cent of its 2022 annual expenses. As a public sector corporation, Memorial has a responsibility for fiscal stewardship on behalf of taxpayers and students.

While it is fair to acknowledge that Memorial was competing against other private and public sector companies for employees, Memorial and its entities are public sector organizations and share the need for fiscal prudence, transparency, and equity across the broader public service. When a public sector entity's salary and benefits' practices are more lucrative than others, it creates disparity in the public service, adds to recruitment and retention issues, and ultimately reduces the public's trust that public money is being managed appropriately.



Operating Expenses Findings - Reasonability

Objective 2

To determine whether Memorial University managed operating expenses in a manner that ensured the best use of public money.

Criteria 1

Memorial University's operating expense policies are comparable to the provincial government and operating expenses are incurred with consideration of the cost to taxpayers.



What We Expected

We expected Memorial University's policies and procedures to clearly define all acceptable operating expenses, as well as clearly define spending limits and approval requirements. We expected Memorial's actual operating expenses to be within those stated spending limits. It is reasonable to expect that appropriate management oversight happened routinely, ensuring a pressing business need for the expenditure before it is incurred.

We expected Memorial University to be highly aware of its role and responsibilities as a government not-for-profit organization. It is reasonable to expect that this responsibility would result in the prudent pursuit of the lowest-cost alternatives, particularly for expenses that are considered discretionary. Government's Order in Council (OC2010-323) provided Memorial with an exemption to the application of Treasury Board policies, specifically travel, relocation, and professional and membership fees in this audit report. However, we would have expected Memorial to avail of this exemption with fiscal discretion.



What We Learned

Policies and Procedures

We reviewed Memorial's operating policies and procedures to assess whether they clearly define all allowable operating expenses, spending limits and approval requirements. Table 14 summarizes our findings and our observations about policy gaps.

Table 14 – Operating Expenses – Policy Assessment

Type of Operating Expense	Does the Policy Define the Allowable Expense?	Have Spending Limits been Outlined in the Policy?	Have Approvals been Outlined in the Policy?	Does the Policy Compare to Government?
Hosting	Some	Some	Some	No
Professional Consultant Fees	Yes	N/A	Yes	Yes
Executive Donations and Sponsorships	No	No	No	N/A
Gifts and Other Executive Expenses	Some	Some	Yes	No

Reasonability of Operating Expenses

Type of Operating Expense	Does the Policy Define the Allowable Expense?	Have Spending Limits been Outlined in the Policy?	Have Approvals been Outlined in the Policy?	Does the Policy Compare to Government?
Travel	Yes	Yes	Yes	Some
Relocation	Most	Some	Yes	No
Institutional Membership Fees	Yes	No	Yes	Yes
Other Operating Expenses*	Yes	Yes	Yes	Yes

Source: Prepared by the Office of the Auditor General based upon information provided by Memorial University

* Other operating expenses include building and space rentals, library acquisitions and renewals, and finance and insurance fees.

We examined 225 samples of operating expenses incurred between April 1, 2019 and December 31, 2022. Of these samples, 122 had relevant spending policies. All of these policies apply to Memorial, except entities that may elect to have their own policies. **Expense samples were generally within reasonable policy spending limits for 110 (90 per cent) of these 122 samples; 12 of 122 samples (10 per cent) were not.**

Hosting

Memorial's hosting policy states hosting with third parties at restaurants is permitted with prior approval, using a per-person cost of \$15 for breakfast, \$25 for lunch and \$50 for dinner. **There was no policy for larger university-hosted events**, and University officials advised they used the University's hosting policy as a guide to determine the reasonableness of large university-hosted events. Government has a limit of \$2,500 for events such as receptions, dinners, press conferences and luncheons with Treasury Board approval required for exceptions.

We tested 17 samples of University events (including large events, small events, home hosting and special hosting by deans and directors). **Three of five hosting samples (60 per cent) did not abide by policy.** While these deviations may have been approved by the appropriate authority within the University, approval documentation was dated after the event for two of our three samples. **We found that five events samples (29 per cent) would be considered unreasonable or excessive compared to what would be permitted in the public service.**

#1

In 2019, Memorial hosted a number of activities from July to December to celebrate the 50th anniversary of Harlow campus, costing more than \$127,000. These expenses were recorded in various accounts, making it difficult to obtain a complete account of events. Celebrations included dinners (one of which included alcohol for attendees), a pub event, and ticketed theatre shows. The alcohol for attendees was initially paid for by Memorial but was subsequently covered by a donation from one of the attendees, who joined the Harlow Board of Directors three months later. Events were held in both London and Newfoundland and Labrador for personnel and alumni of the Harlow, St. John's, and Grenfell campuses, with event attendance ranging from 21 to 50 people. Total costs included:

- \$44,431 for project management fees (consultant to coordinate the events);
- \$42,292 for direct event costs, including advertising of \$19,351;
- \$31,403 for travel by University officials at an average of \$3,925 for two trips each for two officials and one trip each for four officials; and,
- \$9,172 for artwork shipped to Harlow campus from St. John's.

#2

In October 2022, an Employee Service Award Dinner for attendees (employees and their guests) with 30 or more years of service, was held at the Signal Hill campus, at a cost of \$6,936, including alcohol. Typically an annual evening event, the 2022 event covered 2019 to 2022 due to the pandemic. Per the guidance, the allowance was \$4,500 total, an average of \$2,436. By comparison, the government recognizes employee service with non-monetary awards and ceremonies.

#3

In November 2022, Memorial hosted a three-day Arctic Forum for 40 attendees at a net cost of \$65,709 as detailed in Table 15. The first day was held in St. John's and the other two days at a hotel on Fogo Island. While the hosting policy states the guidelines are not applicable where the cost is being recovered through external revenues, we used the hosting policy as a comparator. We found the Fogo Island portion of the trip had a catering cost of \$19,752 (including alcohol) versus the guidance - an overage of \$12,552 and almost triple the \$7,200 guidance used by the University.

Table 15 – Arctic Forum Costs

Cost Breakdown	Cost
Fogo accommodations cost for 11 Memorial staff	\$10,872
Event administrative costs (net of contributions)	\$27,438
Transportation and on-board entertainment	\$6,415
Travel claims by six Memorial staff for transportation	\$6,694
Meal costs (net of contributions)	\$14,290
Total Net Costs to Memorial	\$65,709

Source: Prepared by the Office of the Auditor General based on expenses data from Memorial University.

#4

Special hosting allowance expenses for deans and directors, such as retirement functions, Christmas parties, or dinners attended solely by Memorial staff, totalled \$49,239 for our scope period. We found that policy stated that this allowance was specifically to pay for expenses that would not normally be permitted under the hosting policy. For example, this allowance permits deans and directors to perform hosting for invited guests and employees or to pay for working luncheons. The policy does not define allowable expenses, but does provide an annual allowance for these expenses depending on the specific position which ranged from \$1,700 to \$4,100.

#5

Memorial's hosting policy allows for 'home hosting' is limited to \$15 (per person) for lunches, \$25 for dinners and \$250 for a reception (25 people).

We found in one of our home hosting samples **the former President organized a meeting with the vice-presidents at Signal Hill campus followed by a dinner for 10 people at the President's home (for the vice-presidents and their spouses). The cost for the dinner event was \$1,452, including alcohol – significantly more than the allowable \$250 limit.** The hosting policy in general also does not permit luncheons or dinners attended solely by University employees or activities involving spouses of faculty or staff.



Professional Consultant Fees

Memorial's spending on professional fees is guided by the University's purchasing policy. Given professional fees did not have a spending limit, we did not find any instances in which spending exceeded policy. We tested 40 samples of professional consultant fees for reasonability. **We found six professional fee samples (15 per cent) that may be considered unreasonable or excessive in comparison to government practice.**

#1 - #5

In five samples, Memorial used search firms to recruit 15 management and executive positions at a total cost of \$1.1 million. Two search firms had been engaged to recruit five positions, including the Provost and Vice-President (Academic), Vice-President (Fisheries and Marine Institute), Vice-President (Administration and Finance), Associate Vice-President (Indigenous), and the President. **We found that five of the 15 staff (33 per cent) recruited through this method were no longer employed by the University.** Furthermore, we found that of the five samples, three resigned within one year.

The recruitment costs ranged from \$42,000 to \$70,000 for each position, plus additional administrative and engagement support fees as incurred. The base salary for these positions ranged from \$134,184 to \$450,000. Contracts stipulated that if the candidate recruited leaves for performance-related issues within 12 months, the search would be conducted again at no additional cost (excluding administrative and engagement support fees). This clause excluded situations where the candidate resigns due to personal matters or changes in the duties or reporting relationship of the position.

#6

In the sixth sample, **we noted a total cost of \$65,000 in fees paid for a consultant that did not submit a final report, as required in their contract.** The consultant was hired in 2019 to provide advice on maintaining and further developing Harlow campus. The contract had no term limit, and over the course of the contract, only one written document was submitted by the consultant despite the contract requiring monthly updates to Memorial's executive. The only additional evidence that Memorial officials could provide regarding the consultant's work was one written summary of a meeting the consultant held with Memorial officials.

We found that this individual was a member of the Harlow Board of Directors when hired as a consultant. Memorial has a conflict of interest policy which requires all individuals to refer potential and real conflicts of interest to the University's Conflict of Interest Committee for review. However, **University officials confirmed that no disclosure was made to the Conflict of Interest Committee about this consultant/board member.**

Executive Donations and Sponsorships

Memorial does not have a policy to guide donations and sponsorships. However, we found that the University executive contributed more than \$140,000 in donations and sponsorships to outside organizations during our audit scope period. Since we did not audit other expense categories, our findings are limited to executive expenses.

We found three expense samples were for donations and sponsorships, which may be considered unreasonable or excessive in comparison to government.

#1

\$25,000 sponsorship by the President's Office for a table at the India@75 Anniversary Celebrations in Ottawa (attended by the former President and one University employee).

#2

\$2,800 for a number of sponsorships by the Office of the Vice-President (Grenfell), such as a municipal Come Home Year pub event and a municipal fire department.

#3

\$8,000 sponsorship by the President's Office to the Institute for Research on Public Policy for a table at a gala in Ottawa in November 2022, which was attended by the former President who was also a Board member.

Gifts and Other Executive Expenses

Memorial had policies that guided spending on gifts, however, it was not clear and simply noted items of 'reasonable value' be pre-approved. There were no definitions or limitations noted for allowable gifts, or the occasions for which gifts may be provided. We also examined expenses related to renovations within the University's executive offices. We examined 18 samples for reasonability and found **two of the 18 samples of gifts and other executive expenses (11 per cent) which may be considered unreasonable or excessive.**

#1

We found one sample of \$1,792 for custom-made chocolates purchased in December 2020 by the President's Office and used as gifts from the former President for employees, other stakeholders, and visitors. A review of the full data provided by Memorial for our scope period revealed a total of \$22,800 in purchases across the University for these same custom-made chocolate products. These purchases were made by 17 executive and non-executive offices, with nearly half incurred by the Division of Events - Marketing and Communications (\$4,589), the President's Office (\$3,354), and the Office of the Provost (\$2,691).

#2

One executive expense sample was for renovations of the Office of the President in 2020. The total cost was \$56,504, of which \$16,828 (30 per cent) was for new furniture and equipment. **We found that \$2,700 of the \$16,828 (16 per cent) for new furniture was for a desk and chair for the former President's home.**

Travel

Memorial had policies that guided spending on travel which were generally consistent with government, however, we found instances where spending exceeded those policies.

We reviewed all trips made by the two former Presidents during our scope period, as well as 23 samples of travel by other executives and senior management. We did not assess the reasonableness of the President's travel, however, our review raised some questions as to the appropriateness of certain travel expenses. For context, the two former Presidents we assessed had 44 trips for a total of \$105,477.

- The first former President had five trips between April 2019 and March 2020 of our scope period totalling \$9,569 (approximately one every two months). No issues were noted in the travel of the first former President.
- The most recent former President had 39 trips between March 2020 to December 2022 totalling \$95,908 (approximately one per month). All references below refer to the immediately former President.

We found seven travel expenses (10 per cent) of concern: five for the President that we question the appropriateness of, and two for other executives and senior management that may be considered excessive in a public sector context.

#1

We found that in July and August of 2020, the former President incurred \$9,880 for a province-wide 24-day tour to visit various University facilities and personnel by car. Costs reimbursed for this travel included \$652 for car maintenance items, specifically car tire replacement and an oil change, even though the former President received a monthly car allowance of \$1,000 which included car maintenance. **Memorial's travel policy does not allow for the reimbursement of maintenance costs.** We also found that during this trip, the former President claimed accommodations for a weekend costing approximately \$342 per night, during which time they had no university-related business. We note that this cost was \$180 higher than the average of \$162 per night incurred for the other 22 days of the trip. The former President did not use any personal leave for this trip.

#2

We found the former President claimed \$2,217 to travel to Corner Brook, primarily to announce the interim Vice-President (Grenfell Campus) and the resignation of the current Vice-President, in March 2021. We found this amount included four nights in the executive suite of a hotel costing \$1,288 (\$322 per night). **We also found that the former President claimed \$132 for a dinner on March 17 and \$55 for meals on March 18 despite being on personal time during this portion of this trip.** Memorial policy only allows meal per diems to be claimed when travelling for university business. **The dinner on March 17 included their spouse, and the former Vice-President (Grenfell) and their spouse. As stated earlier, Memorial's hosting policy does not allow hosting solely for Memorial employees.**

#3

We found that in November 2021, the former President travelled to Toronto and Montreal for VIA Rail board meetings and various meetings with alumni, donors and other organizations that cost the University \$1,782. The former President was a board member of VIA Rail, unrelated to the former President's role at Memorial. The former President attended VIA Rail Board meetings, for which VIA Rail paid for meals, accommodations, and a portion of airfare, resulting in a net cost of \$491 to the University. We also found that the former President did not claim personal leave for the days related to the VIA Rail board meetings.

In addition to this sample travel item, we also found that the former President was a member on 15 boards, of which 11 were at the discretion of that President. Six of the 39 trips (15 per cent) taken during our scope period were for the former President's attendance at meetings of two boards, which Memorial officials confirmed would be considered discretionary membership. Only the President attended these board meetings. Memorial was a member of five of these boards previously; of the remaining six, two related to the former President's research; **we also found that the former President did not take personal leave to attend the six meetings.** Five of these six trips (83 per cent) had a portion of the cost of airfare and accommodation paid for by the respective board - VIA Rail and the Institute of Research for Public Policy.

#4

We found that, in April 2022, \$3,428 was spent for the former President to travel to Regina to attend an event at the University of Regina. Attendance to this event appeared to be the primary purpose for travel as only one night's accommodations was claimed. **The former President did not take personal leave to attend.**

#5

We found one trip in August 2021 in which the former President paid \$598 for limousine service stating there was no other car rental available. The purpose of the two-day trip to Halifax was to visit with two potential donors. The limousine service was used to travel to and from the airport as well as to and from one meeting which was an hour away from the hotel. Memorial's travel policy requires employees use the most economical mode of transportation available.

#6 & #7

We reviewed \$431,491 of other executive travel expenses across the audit period and found instances of excessive spending. **We found that business class tickets were purchased in two of our 23 travel samples (nine per cent), despite the travel policy stipulating that all air travel be made at the lowest obtainable cost and should not exceed full economy fare.** We also found that, for one of these business class trips for an executive member's trip to the Harlow campus 50th-anniversary celebrations, they claimed \$801 for one night's accommodations while the other accommodations had cost \$169 per night. We further found that, from our testing on event expenses, another trip to attend Harlow Board meetings and a dinner related to 50th-anniversary celebrations had the same executive member spend \$1,406 (average of \$703 nightly) for two nights' accommodation.

Relocation

The relocation policy lacked clarity and guidance on household relocation costs, specifically on reimbursement for house sale and purchase fees, shipping vehicles, and scholarly goods. Reimbursement for these costs was offered in some employment contracts. Government policy addressed these costs in detail, imposing limits and requirements for house sale and purchase fees and shipping vehicles.

Memorial had policies that guided spending on relocations. **Memorial's guidance allowed deviations with authorized approval, which was used excessively to approve spending beyond the thresholds outlined in the policy.** We examined 38 samples of relocation expenses within Memorial for reasonability. **We found that 27 of the 38 relocation expenses (71 per cent) exceeded policy spending limits for relocation expenses, such as the weight of shipped household items, requiring a deviation from policy to be approved.** While these deviations may have been approved by the appropriate authority within the University, the number of these samples that required a deviation from policy appeared unusual because the policy is intended to set and ensure the threshold is adhered to. We also found that five of these 27 samples with deviations (19 per cent) included shipping costs for motor vehicles, which was above government's \$3,000 policy limit for these expenses. Costs ranged from \$3,116 to \$4,423.

Institutional Membership Fees

Policies that guided membership fees did not outline a spending limit; however, they did require a justification form. We examined 26 samples of institutional membership fee expenses for reasonability (22 membership and four subscription samples). **We found nine instances (41 per cent) where the membership fee policy was not followed. We also found one instance where the membership expense was incorrectly coded and could be considered unreasonable.**

#1

We found there were nine of the 22 membership renewal fee samples (41 per cent) that did not have appropriate documentation outlining the reason for renewals as required on an Eligibility of Membership form. This form requires staff provide a reason for a membership fee, including its benefits to the institution. However, we found that only a description of the membership being renewed was provided, instead of a reason for that renewal.

#2

During our sample selection, we found one expense that was coded to memberships, but was actually a license fee. On further investigation, it was noted that this license fee may be considered unreasonable or excessive in a public sector context. We found that **the license fee was for a customer relationship management software package purchased to manage and improve student relations at a cost of \$2 million, but was not being used appropriately. A September 2021 internal audit report concluded this software was inefficient and underutilized and recommended the software be renewed for a year to allow an evaluation of future value. We found that Memorial renewed the software in December 2021 for an additional five years at a cost of \$377,356 per year (total contract value of \$1.9 million) with a two-year opt-out clause.**

Other Operating Expenses

We found there were policies that guided other operating expenses such as building and space rentals, library acquisitions and renewals, and finance and insurance fees. We examined 16 samples for reasonability. We did not find any instances of expenses that were unreasonable or excessive.



Why It Matters

Clearly defined policies and procedures ensure that employees know what spending is acceptable, what expenses can be reimbursed, and what controls are in place for approvals. Management oversight is expected in the approval process to ensure expenses incurred are appropriate, supported by a business purpose and able to be reimbursed. With respect to operating expenses, there is a risk that inappropriate spending, lack of internal controls, or unacceptable costs being reimbursed could happen due to a lack of policy guidance. The extent of approved deviations from policy also brings into question whether the policy is considered adequate or appropriate.

Discretionary expenses are often not mandatory to incur or can be subject to internal corporate policy, which can be changed if costs outweigh benefits. Operating expense policies that are not consistent across the public sector environment can lead to disparity in the service and the development of corporate cultures that may allow excessive or unreasonable expenses to occur.



Operating Expenses Findings - Monitoring

Criteria 2

Memorial University is effectively monitoring operating expenses.



What We Expected

We expected Memorial University would have clear guidance to monitor operating expenses across all areas of the organization. We expected that Memorial would perform regular and detailed variance analysis between the budget and actual expenditures for all expense categories and that this analysis would occur consistently at all levels of the organization. We expected variance analysis across units to be consolidated and reported to the appropriate department heads and then to the responsible vice-president. We also expected information to be completed and provided to senior management in a timely manner and in sufficient detail for appropriate oversight, and corrective action if necessary, to be performed.



What We Learned

Policies and Procedures

We found Memorial's policies and procedures meant to guide monitoring operating expenses were not comprehensive and did not require unit head review.

According to the University Operating Budget policy, unit heads have responsibility for all funds allocated to them. The Department of Financial and Administrative Services did set out a Monthly Financial Oversight Checklist, which is a one-page document that outlines the minimum transaction review and budget monitoring activities that should be performed on a monthly basis by all units that make financial transactions. However, we found the activities noted in this checklist were not comprehensive, such as variance analysis is not required to be performed or submitted.

We also found the checklist provided very little direction on how to perform recommended reviews and monitoring activities. For example, the budget monitoring guidance recommended a review and assessment of the actual versus budgeted results by account and to take appropriate action. However, there was no direction on the threshold for this review or the actions that may be required or deemed appropriate in the case of variances or concerns. Furthermore, Memorial officials confirmed that **units were not actually required to complete or submit this type of variance analysis each month.** The only required variance analysis carried out annually is done by the Department of Financial and Administrative Services for the external auditors of the University's financial statements.

The level of expenditure review at Memorial does not compare to the level of review within government. Government has comprehensive financial monitoring processes for government departments, including bi-weekly payroll register approvals and monthly budget monitoring reports. The Department of Finance oversees monthly budget monitoring and each department provides detailed variance explanations to its Deputy Minister for approval. This information is then submitted to the Department of Finance for review and follow-up with each department.

Expenditure Monitoring

We found that Memorial's policies and procedures were not followed effectively. Therefore, we could not confirm that appropriate oversight of expenses occurred.

We requested supporting documentation for the June 2021 checklists from six units to assess the monitoring process. **We found that two of the six units (33 per cent) did not have supporting evidence to show that the required work in the financial checklist was performed. There was also no evidence that the unit head was informed of the outcome of the assessment and monitoring activities or approved that the work had been completed.** Financial checklists only required the signature of the senior administrative officer or equivalent for a unit and not the unit head (dean or director). Despite the University Operating Budget policy stating that unit heads have ultimate responsibility for the funds allocated to their unit, we found that there is no verification requirement that the steps in the financial checklist were actually performed.

It appears, according to instructions on the checklist, that the Department of Financial and Administrative Services completed a very limited oversight function regarding the transaction review and budget monitoring activities. The instructions noted that completed checklists for a given month were to be filed with the Department of Financial and Administrative Services by the 15th of the following month. However, in our sample of two months of checklists, **we found that many units were not submitting their financial checklists on schedule.** For example, for the month of June 2021, 32 of the 54 units (59 per cent) had not submitted checklists on time, with nine units (17 per cent) having checklists outstanding for two or more months prior. **Oversight by the Department of Financial and Administrative Services on the review and monitoring activities consisted of the compilation of the completed checklists each month.**

We found that there was limited oversight of expenses performed by the Budget Office. The Budget Office's role is to ensure there is stewardship of financial resources and that units spend within their budget allocations. **There was also no adequate analysis of variances between the budget and actuals documented in the submissions received and by the Budget Office at a consolidated level.** For example, the analysis was not based on a predetermined threshold, not all significant variances were explained, and some explanations lacked sufficient details.

We also found that many units either did not submit, or were late submitting, their required budget updates. We examined the submissions for the September 30, 2022, update and found that 21 of the 54 units (39 per cent) had not submitted any information for the budget update, while a further nine units (17 per cent) had submitted their information too late to be included in the update. **According to Memorial officials, units that did not submit their budget information for the update (39 per cent of our sample) were displayed as balanced, rather than being highlighted as missing.**

The Budget Office also had the ability to generate a report monthly from the University's financial system outlining the previous month's budget changes. Budget changes include transfers (one-time reallocations between expense categories) within and between units that are approved and finalized by the Budget Office. **We found that this report was only provided to units on a by-request basis.** This report could have been very valuable for oversight by the Budget Office and unit head if it had required the report to be distributed to and reviewed monthly by the units. **We also found that the Budget Office's ability to generate this report had halted near the end of our scope period (November 2022) and its replacement had not yet been implemented as of December 31, 2022.**

Inaccurate Accounting Records

During the course of our audit work, we identified instances of incorrect coding of expense transactions – resulting in some expenses being overstated and some understated – that had not been identified by any expense monitoring processes.

In one instance, we found that software rental expenses, related to the previously noted customer relationship management software package, were understated by \$2.0 million across our scope period because these costs were incorrectly charged to the membership fees account. In another instance, we found that \$277,835 in relocation expenses were incorrectly charged to another account meant for local office moving expenses. As a result, relocation expenses were understated. During our sampling process for home hosting, we found half of the expenses were miscoded into the home hosting accounts as they related to other activities and expenses. In another instance, we found the sample for the dean's special hosting allowance expense had also been miscoded in the accounting records.



Why It Matters

Operating expenses are by their very nature expenses that need to be managed, reviewed and scrutinized. They require consistent and constant management oversight to ensure they are reasonable and appropriate. Monitoring and budgetary processes facilitate this while ensuring adherence to policies and guidelines. If actual expenses exceed their policy limits, management attention may be required to ensure corrective action is taken and cost escalation is controlled. Occasionally, policies may require review given changing organizational requirements.

Information on monitoring must be provided in sufficient detail to those overseeing operations to ensure that they are aware of the activity and can respond to issues in a manner that allows them to be addressed. Centralized oversight allows for strategically focused efficiencies, identifying areas where spending should be reduced and allowing for better decision-making for future expenditures. Accurate expense coding is also critical. As the ultimate head of the organization, executive and board members need to be appropriately and comprehensively informed on all aspects of the organization's operating expenses in order to perform their due diligence and oversight. Due to procedures not being verified as being completed by the unit head, we could not conclude that unit heads are monitoring or providing oversight appropriately.



Oversight Findings - Information Flow

Objective 3

To determine whether Memorial University had effective oversight processes to manage operations.

Criteria 1

Memorial University's oversight processes promote effective information flow to the executive and the Board of Regents.



What We Expected

We expected Memorial would have implemented a structure that promoted the clear, relevant, and timely flow of information about its operations to its executive and those charged with governance. We also expected policies and procedures to exist that reinforced this information flow within the University structure and that these policies and procedures would be reviewed and updated in a timely manner.

We expected Memorial would have clearly defined delegations of authority, from the Board to the executive to the administration; and a registry that would clearly define the roles and responsibilities of each level of authority over operations and relevant information.

For effective oversight of Memorial's compensation and operating expenses, we expected the Board of Regents would receive detailed financial information on all University funds and operations, including relevant variance analysis and explanations. We expected that these updates would have been provided on a regular basis, including a comparison of year-end results.



What We Learned

Policies and Procedures

As stated in the background of this report, the University is governed by the Memorial University Act, which specifies the roles, responsibilities, structure and administrative aspects of the University. Memorial operates with six campuses and five entities as a government not-for-profit organization. Its Board of Regents holds power over the management, administration, and control of University affairs. A combination of academic and administrative structures were led by the President and the executive, with authority delegated to staff to facilitate efficient operations.

We found that, while the Board of Regents had created a Board delegations of authority policy in 2021, no registry of delegated authority or procedures on how authority was delegated had been developed. A recommendation to create this policy and registry was provided by the University's Office of Internal Audit and had been accepted by the Board of Regents. However, these had not been created by the end of our audit period.

We found the terms of reference for the Board's Finance Committee were vague in its requirement for monitoring the financial status of specific activities or projects, with the wording in the terms of reference describing this monitoring as being determined from time to time by the Board.



We found that, while Memorial had extensive policies and procedures to manage its operations, these had not all been reviewed for updating as required. The Board of Regents is responsible for approving all University policies, and the Office of the Board of Regents maintains an online database of active policies and procedures for the University, as well as a framework for reviewing and updating these policies on a scheduled basis. Policies also have an assigned sponsor responsible for reviewing the policy every four years for potential updates. **We found that these updates did not happen and 75 of 86 policies (87 per cent) had passed the date for required review.**

Procedures, which are connected to policies, are not approved by the Board and are the responsibility of the sponsor and their administrative staff to create and maintain. Memorial's procedure framework specifies that procedures require updating when their associated policy is updated. Given that 87 per cent of policies had not been reviewed on time, **a similar percentage of procedures had also not been reviewed.** However, **we found that there was no formal report created or provided to executives to demonstrate the status of University procedures.**

We found that Memorial did not require Board of Regents or executive approval for its entities' policies and procedures. These entities could choose to adopt Memorial's policies or create their own. In that case, they are required to inform the Vice-President (Administration and Finance) of their alternative policy. No approval is required or provided on these alternative policies and procedures.

We also found that Memorial's entities' boards were responsible for approving compensation decisions within their respective entities without any requirement for approval from Memorial's Board of Regents. For example, while Memorial's Board of Regents was provided information from Genesis in relation to its incentive program when implemented (in 2008), the Board did not provide approval for the program because "this item was for information only and did not require a resolution of the Board."

We found Harlow campus' policies were incomplete and its governance policy, referenced in the 2018 Harlow Campus Usage policy, did not exist. We also found that policies and procedures for compensation at Harlow are not approved by the Board of Regents.

We found Memorial officials could not provide a policy for monitoring of the non-operating funds, nor could they advise whom amongst the vice-presidents had responsibility for monitoring or oversight of these funds. The Chair of the Board of Regents advised that oversight of Memorial's \$190 million non-operating funds was the responsibility of the President. These non-operating funds represented almost 30 per cent of Memorial's total expenditure for the fiscal year ending March 31, 2022.

As noted in the compensation section of this report, we found Memorial's executive compensation policy did not exist and the management compensation policy had not been updated since 2016. We also found Memorial did not include compensation of its entities in its annual compensation disclosure listing and none of these entities published their own compensation disclosure listings.

As noted in the operating expenses section of this report, there were deficiencies in the monitoring of operating expenses' policies and procedures. These operating policies were generally the responsibility of the Vice-President (Administration and Finance).

Information Flow Assessment

The University's Procedure for Budget Forecasting stated that financial updates to the Board were required three times a year, which, for our audit period, should have resulted in 11 updates. **We found there were only five financial updates provided to the Board of Regents over 45 months.** Six of the expected updates were missing, with none provided at all during 2020. **The financial budget updates that were completed were labelled as 'for information purposes only' and did not require any action by the Board.**

We found the financial updates, which were used for reporting operating expenses to the Board of Regents, were highly summarized. We found the commentary in the financial updates on the University's position was limited to one page and contained minimal analysis. Specifically, each of the executive offices, administrative departments, and most campuses were presented as a single line, compared against an overall operating budget amount. Updates only included:

- the base budget;
- the adjusted budget;
- the forecasted expenditure;
- the projected surplus/deficit (difference between the adjusted budget and forecasted expenditures); and
- the cumulative carryover (prior year carryover plus current year surplus/deficit).

We found that these updates did not contain a comparison to actual expenditures for the period; an analysis of significant variances by expense type; or any comparison to the prior year.

The only information received by the Board of Regents regarding the types of expenses incurred was within the annual audited financial statements, which was presented at the consolidated level and did not provide actual versus budget comparisons.

We found that the Board of Regents did not receive detailed annual information on compensation expenses, which is the University's largest expense annually. Compensation was \$416 million or 65 per cent of its budget for the year ending March 31, 2022. The information received by the Board was once again highly summarized, composed only of the audited consolidated financial statements and the budget for the year, both of which did not provide compensation costs by unit or campus.

We found there was no comparison of the year's budget to actual results presented to the Board of Regents at the end of any of the fiscal years included in our scope period. In comparison, government requires a detailed analysis and explanation of variances between budgeted expenditures and the actual results for all expenditure categories by department.

We found that the final report for the fiscal year, which compared the University's budget to its actual expenditures for the period, was generated, but was only informally discussed with some executive. This report for fiscal 2020-21 noted that the University had generated a cumulative surplus of \$6.8 million against the expected budget for the 2020-21 fiscal period and a total surplus of \$41.9 million against the expected budget from this and prior fiscal periods. **Unspent budgets are carried forward by individual units for potential future use.** In comparison, government provides a budget to departments (by division) for a specific year only, and no surplus or savings are allowed to be carried forward for future use.

We found that a more detailed variance analysis of revenue and expenses by major financial statement categories was requested by a former Finance Committee Chair and presented to the Board of Regents in October 2020. We found this was the only time a detailed variance analysis was provided to the Board during our audit period and there were no plans for it to be provided again.

Memorial officials advised us that expense oversight was performed by the executive through meetings with staff that reported directly to them. **We could not assess the effectiveness of expense oversight due to a lack of documentation and inconsistent practice.** The President had informal discussions with their staff as well as documented regular meetings of the executive. The vice-presidents advised that they received financial and operational information for units that directly reported to them. However, through our examination of the monthly financial oversight checklist, we found that some unit heads did not perform this work.

We found that there were no financial updates on non-operating funds (ancillary, plant, research, special purpose and trust) provided to the executive or Board of Regents. We also found that non-operating funds were not clearly identifiable in the University's audited financial statements, as all funds are consolidated. **Further, we found that these funds were not part of the Board of Regents' budgeting process.**

We found there was no evidence the Board of Regents received any updates on the financial activities of the Harlow campus from the President during our audit period. The Harlow campus was included in the financial updates presented two to three times a year to the Board of Regents, but this was a single line of highly summarized information without analysis or discussion. We found that Harlow campus' financial activity was not consolidated into Memorial's financial statements. According to Memorial officials, the funds to support Harlow are expensed as a grant from Memorial on their financial statements and the Harlow financial statements are not consolidated as it is immaterial to the entity.

We found that annual reports and individual financial statements of Memorial's entities were not made public. These entities were consolidated into Memorial's financial statements, which provided results on the entire University and not on the parts that compose it. These entities were also not included in Memorial's annual report, apart from a note to the financial statements which mentioned their consolidation.



Why It Matters

As a public sector corporation, Memorial has a responsibility for fiscal stewardship and should ensure appropriate information flows to the Board and executives on all its operations. It is vital that the Board of Regents have detailed and comprehensive information about all aspects of operations. Equally vital, the executive of the University requires detailed and comprehensive information in order to implement the direction of the Board of Regents and operate the University. The flow of information across the University facilitates efficient and effective public program delivery, worth \$600 million annually.

Effective decision-making is made based on the availability of detailed, accurate, and timely information. Financial information presented to the Board of Regents that is highly summarized and with limited detail does not provide a complete picture of the financial health of the University. The fact that almost one-third of the University's expenses are delegated to the President and not reviewed routinely by the Board of Regents is concerning. The lack of reporting relationships with the entities further indicates ineffective oversight of the operations of the University.



Oversight Findings - Administrative Structure

Criteria 2

Memorial University's oversight processes have an effective administrative structure to manage operations.



What We Expected

We expected Memorial to have effective oversight structures and processes that ensured the best use of public resources.

We expected the Board of Regents had clear policies and procedures for appointing executive staff. We also expected the Board to hold the executive accountable for the operation of the University, by setting their roles, authority, responsibilities, key performance indicators, and compensation. This information was expected to be clearly documented and communicated to staff.

We expected Memorial had clearly defined administrative structures and functions that operated cooperatively and with appropriate documentation. We also expected that the administrative functions were not duplicated across the University, ensuring financial and administrative efficiencies and cost-effectiveness. We also expected that Memorial had assessed and acted on opportunities for efficiencies.



What We Learned

Roles, Responsibilities, and Authorities

We found that the roles, responsibilities and authorities of Memorial's executive positions were not clearly defined, documented or communicated to the individuals in those positions. Specifically, we found that there were no job descriptions used for the vice-president positions, with only a candidate profile available from the recruitment process. In the absence of a job description, the President was responsible for setting the authority of the vice-presidents.

According to the candidate profile, the Provost and Vice-President (Academic) is meant to serve as Memorial's Chief Operating Officer, with responsibility for internal governance and University management. The candidate profile also stated that the position was responsible for leadership of the vice-presidents and other senior personnel, in order to ensure that academic and administrative plans and activities aligned with Memorial's vision. The Provost and Vice-President (Academic) earned more compensation than the other vice-presidents to match these increased responsibilities. However, **we found that the Provost and Vice-President (Academic) had not been empowered with the authority by former Presidents to carry out these responsibilities. The executive structure had the Provost and Vice-President (Academic) at the same authority level as other vice-presidents; as a result, Memorial did not have a Chief Operating Officer and the position's responsibilities remained with the President.**

Normally, agreements are provided for executive appointments, stating the terms of employment and the conditions under which an individual may be removed from that position. **We found 12 of 19 executive appointments across the seven executive roles were not provided with, or required to sign, an agreement for their position.**

We found that while executive positions required an annual performance review by the President, due to a recent turnover in executive positions, Memorial officials were unable to state which vice-presidents currently had active performance review documentation. Memorial was only able to provide an evaluation for one vice-president for our scope period.

We found that while the Board of Regents was responsible for approving the appointment of directors to the boards of four of the University's entities, it was not responsible for making appointments to the Board of the University's fifth entity, C-CORE as appointments are made by Memorial's President. The role of Memorial's President is listed as the member, also known as the owner, of C-CORE and is responsible for the appointments to its Board. Memorial is listed as the member, also known as the owner, of the other four entities and, as a result, the Board of Regents makes appointments to its boards.

Decentralized Administrative Structure

Memorial's administrative structure is decentralized with functions, such as finance and information technology, occurring in different units and campuses.

The Chair of the Board of Regents advised that the decentralized administrative structure was not intentional, but rather evolved over time due to the history of the organization and political pressures from communities where campuses are located (such as Corner Brook for Grenfell campus).

Because of Memorial's decentralized nature, vice-presidents have the autonomy to manage their operations exclusively. We found that the vice-presidents acted and spent without consulting other vice-presidents in areas that overlap.

During the course of our audit work, we requested detailed information on personnel performing specific administrative functions within Memorial. However, the Department of Human Resources was unable to provide this data as their systems were not designed to document the roles and responsibilities of staff. As a result, we could not determine the exact number of staff performing specific functions within the University.

As a result, we found Memorial's administrative structure allowed duplication of senior management positions because vice-presidents hired their own personnel to perform similar or identical services. These services were performed elsewhere in the University and were the responsibility of a different vice-president according to their candidate profile.

We found that organizational charts across the University had different formats, title information, and level of detail, making it difficult to compare roles within the units and departments. We also found that the Harlow campus did not have an organizational chart for its operations.

We found the autonomy created within Memorial's decentralized structure had created unusual reporting relationships. For example, **The Vice-President (Indigenous) was responsible for coordinating all of Memorial's Indigenous relations. Grenfell campus had a Manager of Indigenous Affairs, who was hired by, and reported to, the Vice-President (Grenfell). However, the position was also expected to maintain an indirect reporting relationship with Memorial's Vice-President's (Indigenous) portfolio.**

We also found numerous examples where management positions reported outside of the portfolio of the vice-president responsible. Table 16 provides additional details. For example:

- **The Vice-President (Advancement and External Relations) was responsible for Memorial's communications, however, we found 14 senior communications positions reported within other vice-presidents' portfolios.**
- **The Vice-President (Administration and Finance) was responsible for day-to-day university administration, however, we found 25 senior administrative and finance personnel reported within other vice-presidents' portfolios.**
- **The Vice-President (Research) was responsible for Memorial's research activities, however, we found eight senior research personnel that reported within other vice-presidents' portfolios.**

Table 16: Positions Outside the Responsible Vice-President's Portfolio

Senior Administrative Functions	Total Number of Employees	Vice-President Responsible for Activities	Positions Reporting to Vice-President Responsible	<u>Positions Reporting Elsewhere</u>	
				Number of Positions	Details
Managers of Communications	18	Vice-President (Advancement and External Relations)	4 (22%)	14 (78%)	Provost and Vice-President (Academic) – 10 positions Vice-President (Administration and Finance) – 1 position Vice-President (Research) – 1 position Vice-President (Fisheries and Marine Institute) – 1 position Vice-President (Grenfell) – 1 position
Managers / Directors of Finance and Administration	37	Vice-President (Administration and Finance)	12 (32%)	25 (68%)	Provost and Vice-President (Academic) – 19 positions Vice-President (Research) – 3 positions Vice-President (Advancement and External Relations) – 1 position Vice-President (Fisheries and Marine Institute) – 1 position Vice-President (Grenfell) – 1 position
Managers of Research	17	Vice-President (Research)	9 (53%)	8 (47%)	Provost and Vice-President (Academic) – 5 positions Vice-President (Advancement and External Relations) – 1 position Vice-President (Fisheries and Marine Institute) – 1 position Vice-President (Grenfell) – 1 position
Managers of Procurement	5	Vice-President (Administration and Finance)	3 (60%)	2 (40%)	Provost and Vice-President (Academic) – 2 positions
Managers of Human Resources	9	Vice-President (Administration and Finance)	6 (67%)	3 (33%)	Provost and Vice-President (Academic) – 1 position Vice-President (Fisheries and Marine Institute) – 1 position Vice-President (Grenfell) – 1 position
Managers / Directors of Information Technology	35	Vice-President (Administration and Finance)	29 (83%)	6 (17%)	Provost and Vice-President (Academic) – 3 positions Vice-President (Research) – 1 position Vice-President (Fisheries and Marine Institute) – 1 position Vice-President (Grenfell) – 1 position

Source: Prepared by the Office of the Auditor General based upon information provided by Memorial.

Internal Reviews

We found that Memorial's Office of Internal Audit had reported issues with roles, responsibilities, and the authorities of some administrative functions that were not clearly defined. One report found that authority delegated throughout the University, and the responsibility for monitoring these delegations, was unclear. Another report indicated that roles, responsibilities, and assignments of authority for key activities, such as the preparation of financial statements, had not been defined or documented. As well, it was found that the specific allocation of roles and responsibilities for procurement personnel was unclear, making it difficult to assess the effectiveness of control activities. **Recommendations made by the Office of Internal Audit between February 2020 and June 2021 remain outstanding.**

We found that the University's Office of Internal Audit in 2019 recommended the University consolidate the number of data centres; the recommendation targeted efficiencies by reducing the cost of maintenance and duplication of equipment, systems and efforts. The proposed recommendation to consolidate data centres, if implemented, would have allowed for effective management of physical security and access control, while reducing the risk of loss due to inconsistent business continuity and disaster recovery. We found that this recommendation has not had substantive action taken toward it.

We found that the University's Office of Internal Audit 2021 recommendation on the need to leverage technology to automate manual financial statement reporting processes remained outstanding.

We also found that Memorial had not taken action to implement potential efficiencies identified through its own internal management reviews:

- **We found no action had been taken on a recommendation from the Integrated Planning Committee to conduct an ongoing review of administrative structures and processes to identify efficiencies and opportunities for collaboration.** The recommendation noted opportunities with respect to a shared services model of administration and the use of technology to streamline processes. In May 2018, in April 2019, and again in March 2020, the Integrated Planning Committee made this recommendation to Memorial.
- **We found no action had been taken on a recommendation from the Integrated Planning Committee to assess sustainability and the contributions of the entities to the University's core mission.** The Integrated Planning Committee noted that Memorial's contributions to the entities, whether direct or indirect (e.g. space, fuel, electricity, information technology services, etc.), were a cost to the University and recommended they should have been reviewed.

Comparison to Other Universities

We found Memorial had the highest administrative salaries per student (at \$2,369) when compared to other medium-sized universities, based on external third-party analysis. The next closest University had an administrative cost of \$1,994 per student, which was \$375 per student lower than Memorial. Further, Memorial's administrative cost was \$893 per student higher than the average for all universities compared.

Memorial officials suggested that these universities were not comparable to Memorial, given its geographical location, multiple campuses, inclusion of a Faculty of Medicine, and position as the only university in the province. However, Memorial uses many of these same universities as market comparators for setting their executive compensation.

We found that, when compared with other medium-sized universities we were able to obtain organizational charts from, Memorial has a higher number of vice-president positions reporting to the President. Memorial has seven vice-president positions compared to the average of five for other universities. We also found that the heads of all schools and faculties in the comparative universities report to the Provost, while this is not the case for Memorial.

Comparison to Government

We found that Memorial's administrative structures were less efficient than government.

Structurally, core government operates most major administrative functions through centralized offices or divisions, with information technology, financial services, human resources, and communications managed through single operating units.

Two examples of the administrative structure differences between Memorial and government are:

- Information technology policy, operations, and administration for the core public service are operated through the Office of the Chief Information Officer for government. By comparison, Memorial's vice-presidents were able to employ information technology staff and operate independent servers, software packages, and hardware.
- Government's communication functions are handled through its Communications and Public Engagement Branch, with communications staff assigned to individual departments to manage their communication requirements. By comparison, Memorial has a decentralized communications structure, with the Vice-President (Advancement and External Relations) directing only a portion of the University's communications staff. Most vice-presidents have their own communications staff, outside the control of the communications portfolio.



Why It Matters

As a public sector corporation, Memorial University has a responsibility for fiscal stewardship and should ensure effective oversight is exercised on all of its operations.

Clearly defined roles and responsibilities are vital for ensuring an organization is effectively governed and operated. Without them, there is an increased risk that administrative activities are duplicated, causing inefficiencies or resulting in higher overall costs to the public. Executive positions with high levels of authority hold high levels of accountability that require monitoring and evaluation.

When internal analysis and reporting structures suggest changes to make the University more efficient, accountable, or cost-effective, it is vital that management, the executive, and the Board of Regents act quickly to evaluate them. Failure to act results in continued inefficiencies and higher costs.

Centralized administrative functions can ensure consistency, efficiency and accountability by standardizing how and where a function is performed and by whom. The current decentralized administrative structure within Memorial has led to duplicated functions across faculties and portfolios, resulting in a waste of public funding.

Subsequent Events

Preliminary findings have been shared with Memorial officials since the end of the audit scope period in December 2022.

Board Changes

There were a number of Board related changes since the end of our audit period, including:

- In January 2023, a member of the MUN UK Board of Directors, who was also hired as a consultant while on the Board, resigned.
- In August 2023, the Board of Regents re-organized its committees resulting in a reduction from 10 to eight committees and new terms of reference.

Leadership Changes

A number of senior leadership changes occurred since the end of our audit period, including:

- In January 2023, Genesis eliminated the [REDACTED] position [REDACTED]. They also hired a new [REDACTED].
- In March 2023, the Vice-President (Administration and Finance) left the University and the Vice-President (Advancement and External Relations) was placed in the role on an interim basis.
- In April 2023, the former Memorial President was terminated without cause. Memorial's Executive Committee agreed, in April 2023, to pay up to \$25,000 for the former President's moving expenses and \$15,000 in legal expenses, in addition to other severance benefits. Upon the departure of the former President, a desk purchased for use at the former President's home was returned; to date, a chair has not been returned and the University has not requested its return.
- In April 2023, an interim President was appointed for a two-year period.
- In September 2023, Memorial increased the responsibilities of the Director of Financial and Administrative Services and retitled the position as Chief Financial Officer.
- As of September 2023, Memorial has not pursued replacing the former President on any of the 11 external boards that were subsequently deemed discretionary.

Policy and Other Changes

There were numerous policy and other changes since the end of our audit period including:

- In March 2023, C-CORE's Board of Directors approved a [REDACTED] increase for annual cost of living adjustment to salary bands.
- In March 2023, the Genesis Board of Directors approved the execution of Genesis' incentive payout for fiscal year 2023, resulting in a [REDACTED] payment to eligible employees.
- In May 2023, The Works' Board of Directors approved a [REDACTED] general economic increase to the management salary scale.
- In June 2023, Genesis' Board of Directors approved a compensation and benefits policy. This policy specifically excludes the [REDACTED] and made changes to more clearly define job titles and descriptions. It also requires a full review of all salary scales to be completed no less than once every three years and that employees may not advance twice in one year unless under extraordinary circumstances and at the discretion of the President and Chief Executive Officer.
- In June 2023, Memorial released its annual compensation disclosure of employees earning in excess of \$100,000, which did not include the entities.
- In July 2023, Memorial updated its travel policy and increased its meal per diem allowance. The rate increased from \$50 to \$60 per day for breakfast, lunch and dinner, resulting in Memorial's rate being \$7.56 per day higher than government.
- In July 2023, the Budget Office implemented a new financial monthly report for units to replace the report discontinued in November 2022.
- In August 2023, Memorial officials notified its software vendor of its intention to discontinue the student support software program on the early termination date effective June 2024.
- In October 2023, we were advised that a new travel claim approval process was approved for Memorial's President and vice-presidents. Travel requests for vice-presidents must be approved by the President, while travel claims for the President must be approved by the Chair of the Board of Regents.

Subsequent Events

- In October 2023, Memorial indicated resources within its Department of Human Resources will be used to support executive searches, rather than the use of executive search firms. The use of executive search firms will require approval by the President's Executive Council, based on the recommendation of the specific search committee.

Other Events

There were several other noteworthy events since the end of our audit period including:

- In July 2023, Memorial University removed itself from having significant control over the Harlow Campus with the Government of the United Kingdom in error. In October 2023, we inquired about this situation, as we had discovered it during the course of concluding our audit. Memorial advised that they had mistakenly filed a request to be removed from the registry of companies in the United Kingdom as the sole owner of MUN (UK) Ltd (the Corporation that holds the Harlow Campus of Memorial). This action resulted in there currently being no owner on record for this Corporation. Memorial officials advised that they are currently looking into this issue.
- We had considerable difficulty obtaining all of the Board of Regents and its Committees' minutes during the course of our audit. As of our audit report date, there remained 25 outstanding sets of meeting minutes related to our audit period and the subsequent period up to our audit report date.
- In August 2023, our Office received a cease and desist letter from the lawyer representing Genesis to

“...formally request removal of information pertaining to Genesis and its employees. Inclusion of Genesis within your audit of Memorial exceeds your jurisdiction...”

Also in August 2023, counsel for C-CORE sent a letter to our Office further to and in support of the issues raised in the letter sent on behalf of Genesis, with a similar comment.

Our legal counsel responded to C-CORE and Genesis in writing to advise that this audit was conducted as per s.22 of the Auditor General Act, 2021, and to meet the requirements of a special assignment (per Order in Council 2022-088). Our jurisdiction is contained wholly within the statute and is not limited by the Order in Council. As a result of being included in the Public Accounts, by way of Memorial's consolidated financial statements, the entities are considered a matter relating to the financial affairs of the Province and appropriate for audit. As a special assignment, our Office has no authority to release the particulars of this report to the public and to do so would be in violation of parliamentary privilege. The decision to release the report publicly is solely within the purview of the Lieutenant-Governor in Council.

Conclusions

Overall, we had concerns with the spending and operations of Memorial University, based on our three lines of inquiry.

As part of the public sector, Memorial has a responsibility to ensure the best possible use of its public money across its entire operation. Effective decision-making and oversight by the Board of Regents requires detailed, comprehensive and complete information and analysis. The executive leadership of the University requires that same level of information and analysis in order to implement the direction of the Board, fulfill effective oversight processes, and manage this diverse, complex organization. Their abilities to fulfill these significant responsibilities are impacted in light of the various audit findings in this report.

We found weaknesses in administrative structures that reduced Memorial's oversight of operations; gaps in policy and processes; and inadequate oversight of its entities. Memorial did not clearly define roles, responsibilities, and accountabilities, resulting in a decentralized structure where spending and hiring autonomy contributed to higher administrative costs at Memorial when compared to other universities.

Memorial did not effectively monitor its financial information, activities from delegated authorities, compensation, and expenses in a meaningful way. Compensation costs were Memorial's largest operating expense. We found that its salaries and benefits continue to be higher than the provincial public service for the same classification of work. Almost one-third of the University's expenses are the responsibility of the President and not routinely reviewed by the Board. The Board of Regents does not have a decision-making and directing role in its relationship with the University's five entities, even though Memorial acknowledges it controls them. Recommendations for improved efficiency identified through internal reviews and its internal audit function have not been implemented.

Memorial is the province's only university and has a special obligation to the people of our province. Our recommendations are intended to assist Memorial in resolving the issues and concerns we have detailed in this report.

Recommendations

1. Memorial University should evaluate its oversight functions, across its entire operation, to ensure alignment of policies, appropriate management of the organization, and the best possible use of public resources.

Memorial University's Response: Memorial University accepts this recommendation.

2. Memorial University should ensure that the Board of Regents, executive and administrative management have the necessary financial information and analysis, in a sufficiently detailed and timely manner, to facilitate appropriate oversight of the operations of the University.

Memorial University's Response: Memorial University accepts this recommendation.

3. Memorial University should ensure that all executive and administrative management position roles and responsibilities are clearly defined, documented and communicated, with appropriate performance measures in place for evaluation.

Memorial University's Response: Memorial University accepts this recommendation.

4. Memorial University should evaluate its administrative structure for potential operational efficiencies, with consideration given to the combination or realignment of administrative roles or activities to ensure effective risk management and the best use of public resources.

Memorial University's Response: Memorial University accepts this recommendation.

5. Memorial University should ensure that all University policies and procedures are complete and regularly reviewed, with updates approved and implemented in a timely manner.

Memorial University's Response: Memorial University accepts this recommendation.

6. Memorial University should evaluate its compensation policies and practices, across its entire operation, including consideration of alignment with government classification, pay scales, and benefits policies, to ensure the best possible use of public resources.

Memorial University's Response: Memorial University accepts this recommendation and recognizes that compensation policies and practices should be regularly evaluated. Memorial is committed to ensuring the best possible use of public resources while attracting and retaining employees with the necessary skills and experience to run its operations effectively within the post-secondary sector.

7. Memorial University should ensure all University operating expenses are reasonable and appropriately monitored, to ensure the best possible use of public resources.

Memorial University's Response: Memorial University accepts this recommendation.

8. Memorial University should ensure conflict of interest and fraud risk management processes are in place and working effectively so that transactions are free of perceived or real conflicts and any potential error or fraud is managed effectively.

Memorial University's Response: Memorial University accepts this recommendation and is committed to maintaining the public trust through strong risk management processes, policies and procedures.

Appendix I - About this Audit

Why this Audit was Conducted

In April 2022, the Lieutenant-Governor in Council requested that the Auditor General perform an audit of the operations and spending at Memorial University Order in Council (OC2022-088). Given the size and complexity of the University, we selected three lines of enquiry to satisfy the request broadly and in a timely manner. Specifically, our objectives were based on routine areas of audit, such as compensation and operating expenses, or areas specific to oversight at Memorial, including information flow, as well as the administrative structure.

Objectives

The objectives of our audit of Memorial University were to determine whether:

1. Memorial University's executive and management compensation was comparable to the provincial government and other universities of a similar nature.
2. Memorial University managed operating expenses in a manner that ensured the best use of public money.
3. Memorial University had effective oversight processes to manage the operations.

Criteria

The Office of the Auditor General developed criteria for this audit based on our review of relevant documentation regarding the subject matter, pertinent legislation, Memorial policies and procedures, reviews of literature including reports of other legislative auditors, as well as discussions with University officials. The Office of the Auditor General defined six criteria regarding the objectives. Memorial's senior management accepted the criteria as suitable.

The Office of the Auditor General assessed whether Memorial's executive and management compensation was comparable to provincial government and other universities of a similar nature against the following criteria:

- Memorial University's executive and management compensation is comparable to the provincial government.
- Memorial University's executive and management compensation is comparable to other universities of a similar nature.

The Office of the Auditor General assessed whether Memorial managed operating expenses in a manner that ensured the best use of public money against the following criteria:

- Memorial University's operating expense policies are comparable to the provincial government and operating expenses are incurred with consideration of the cost to taxpayers.
- Memorial University is effectively monitoring operating expenses.

The Office of the Auditor General assessed whether Memorial had effective oversight processes to manage the operations against the following criteria:

- Memorial University's oversight processes promote effective information flow to executive and the Board of Regents.
- Memorial University's oversight processes have an effective administrative structure to manage operations.

Scope & Approach

Our audit planning began in May 2022 and the audit plan was finalized in November 2022. The audit period covered April 2019 to December 2022 and included all campuses and entities of Memorial. We conducted our audit using a risk-based approach based on our understanding of the entity.

Our audit procedures included interviews and discussions with select Memorial officials and four members of the Board of Regents, including the Chair. Our procedures also included an examination of information and data, policies and procedures, correspondence, board meeting minutes, contracts, and reports. We conducted a detailed inspection of the information received and analyzed the data to assist with our audit procedures. We performed sampling procedures related to all audit objectives. Sampling selections were non-statistical and selected judgmentally.

Appendix I

The audit objective related to compensation included executives (i.e. vice-presidents) and management, as well as executive and management at the entities. However, this objective did not include comparisons to compensation and benefits of other employee groups, such as non-bargaining, non-management employees, unionized employees, employees at the Harlow campus, academic executive and management employees (unless in a vice-president's position), and the President. While we compared salaries to markets, we did not compare benefit packages. Memorial's comparison markets included: the National (Canadian) University Sector market for all executive and Senior Administrative Management group; the National Broader Public Sector for the Leadership Group; and the Atlantic Canadian Public Sector for the Management Professional Staff. We engaged a job evaluation consultant to perform comparisons to these markets using their proprietary market data and were limited to the comparisons included within their database. All of Memorial's entities were included in this audit; however, we did not make comparisons to their respective industries.

The audit objective concerning operating expenses considered selected discretionary expenses of the operating fund and did not include expenses under Memorial's other funds; such as ancillary operations (e.g. bookstore); restricted funds for research activities; restricted endowed funds and externally restricted funds; and capitalized and amortized assets (e.g. major building construction and deferred maintenance projects). We also excluded the expenses of the entities. Our audit included a review of relevant expense policies, including approval requirements, however, we did not audit approvals of expenses in our sampling.

The audit objective related to oversight focused on the effectiveness of the oversight processes managing University operations. We assessed the effectiveness of information flow to University executive (the President and seven vice-presidents) and the Board of Regents. Specifically, we assessed policies, procedures, and processes related to the communication of compensation and expenditure information to the executive, the Board of Regents and/or various Board committees. We also examined the administrative organizational structure to determine its effectiveness in managing Memorial's operations, including size and composition of the administrative structure. Our audit scope relating to oversight did not consider other governance areas, such as the Board of Regents' framework for decision-making, systems, processes or structure, and policies (except those related to executive and management compensation and selected expenses). We did not assess any matters related to the Senate or oversight activities related to Memorial's academic activities or the appropriateness of operations as related to academic activities. Information flow for oversight processes of academic and non-operating expenses was not within this audit's scope.

Audit Standards

This independent assurance report was prepared by the Office of the Auditor General of Newfoundland and Labrador on Memorial's compensation, select operating expenses, and oversight. Our responsibility was to independently audit these areas to provide objective information and recommendations. Memorial's senior management acknowledged their responsibility for the audit subject matter and the terms of the audit, including audit objectives, scope, and approach.

This audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada and under the authority of the Auditor General Act, 2021.

The Office applies the Canadian Standard on Quality Management 1. This standard requires our Office to design, implement, and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of the Association of Chartered Professional Accountants of Newfoundland and Labrador.

Management Representation

The President confirmed that senior management had provided the Office of the Auditor General with all the information they were aware of that had been requested or that could significantly affect the findings or conclusions of the audit report. We also received confirmation from the heads of the entities regarding the relevant information they were aware of that had been requested or that could significantly affect the findings or conclusions of the audit report, this included: the President and Chief Executive Officer, C-CORE; the Director/General Manager, Memorial University Recreation Complex Inc.; the Executive Director, Campus Childcare Inc.; the President and Chief Executive Officer, Genesis Group Inc.; and, the Managing Director, Canadian Centre for Fisheries Innovation.

Use of Expert

During this audit, the Office of the Auditor General used a compensation benchmarking and evaluation consultant. The Office also used the services of a lawyer specifically to provide advice regarding the legal letters received during the course of this audit.

Date Conclusion Reached

We obtained sufficient and appropriate audit evidence on which to base our conclusions on October 13, 2023, in St. John's, Newfoundland and Labrador.

A handwritten signature in blue ink, appearing to read "D Hanrahan", with a long horizontal flourish extending to the right.

DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

Appendix II - Additional Background Information

Financial Information

The majority of Memorial's revenues are from government grants and student fees; salaries and employee benefits are its most significant expense. The provincial grant has three components: a general operating grant, a grant in lieu of tuition increases, and an operating grant to the Faculty of Medicine. Table 17 below outlines the consolidated revenues and expenses as of March 31 of each fiscal year.

**Table 17 - Memorial University Consolidated Financial Statements
Revenues and Expenses for the Year Ending March 31**

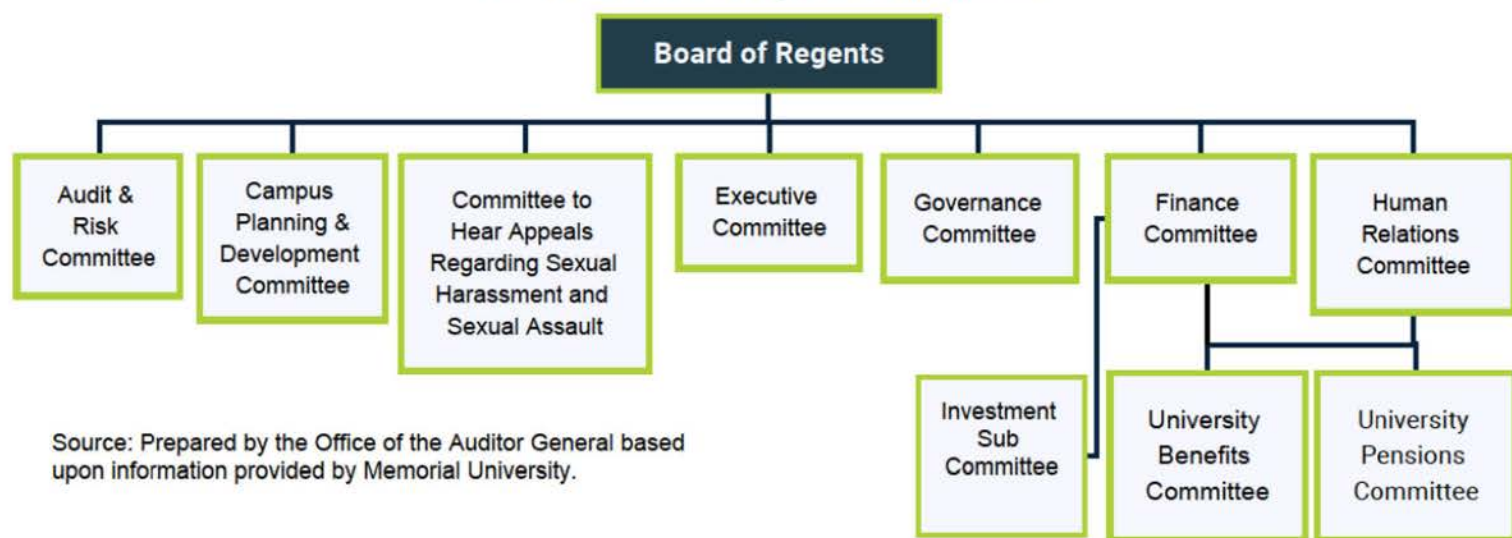
	2020	2021	2022
	\$000's	\$000's	\$000's
Revenue			
Government Grants (Note 1)	422,772	400,158	430,878
Student Fees	85,700	80,430	94,541
Other Revenues	124,278	87,551	125,849
Total Revenue	632,750	568,139	651,268
Expenses			
Salaries and Employee Benefits	413,600	402,959	415,514
Other Expenses	204,484	168,346	222,165
Total Expenses	618,084	571,305	637,679
Net Income (Deficit)	14,666	(3,166)	13,589

Source: Prepared by the Office of the Auditor General based on the Audited Financial Statements

Note 1: Included in Government Grants are the general operating of \$375.8 million, research fund of \$54.3 million, plant fund of (\$3.1 million), special purpose and trust of \$2.8 million, and ancillary fund of \$1.0 million

As of December 31, 2022, the Board of Regents had established ten committees as shown in Chart 1.

Chart 1 - Board of Regents' Committees



Harlow Campus

In 2016, Memorial established MUN UK Ltd, a limited guarantee corporation, to carry on the operations of the Harlow campus. Oversight of the Harlow campus is performed through MUN UK Ltd's Board of Directors and its Harlow Financial Oversight Committee. MUN UK Ltd's Board of Directors reports to the Board of Regents through its Chair, Memorial's President, who also sits on the Board of Regents. The Board of Regents is responsible for the budget of Harlow campus (funded from the University's operating budget) and appointments to the MUN UK Board.

Select Committees Created by Memorial's Executive Team

The President and vice-presidents formed the President's Advisory Team, which provided leadership in and stewardship of University operations. The former President also created a separate President's Advisory Council comprised of individuals from outside the University and the Board of Regents who provided strategic advice and guidance to Memorial's executive. This council did not have decision-making authority. Memorial had an Integrated Planning Committee, established in 2016, that was composed of faculty, staff and students and chaired by the Provost and Vice-President (Academic). The Committee's mandate was to advise the President on Memorial's budget planning. This Committee operated until early 2020, providing its report in March 2020, and has not operated since. Oversight for the entities is performed primarily through the Separately Incorporated Entities Committee, which reports to the Vice-President (Administration and Finance) and is comprised of Memorial officials.

Separately Incorporated Entities

Memorial has five entities that it controls and consolidates into its financial statements. The core functions of the entities, which are each managed by a Board of Directors, include:

- C-CORE offers research-based advisory services and technology solutions to clients from the St. John's campus and an office in Ottawa, Ontario.
- The Works operates the Field House, Aquarena, and other recreation facilities on the St. John's Campus.
- Campus Childcare offers childcare services and programs on the St. John's Campus.
- Genesis services technology companies to help entrepreneurs develop business plans, raise equity capital, and secure market access. It is located at the Signal Hill campus.
- The Centre for Fisheries Innovation provides scientific research and technical services to the fishery and aquaculture industry from its location at the Marine Institute campus.

Appendix II

The Board of Regents (through the Audit and Risk Committee) is responsible for the ultimate oversight of the University's entities. The Vice-President (Administration and Finance) is responsible for functional oversight and to provide information and advice to the Audit and Risk Committee on the entities. This committee is responsible for reviewing and making recommendations regarding the results of the Corporate Governance Checklists received from the entities; ensuring timely submission of the checklists; recommending appointments to entity boards (excluding C-CORE); and reporting on the current appointment status of the directors of entity' boards annually. The Committee must also review the entities' annual reports and audited financial statements, as well as management agreements to determine if any changes are needed. We note that the Centre for Fisheries Innovation was the only one of Memorial's entities that did not have a management agreement.

Representatives from Memorial sit on each entity's Board of Directors. The entities may follow Memorial's policies and procedures or develop their own. Memorial provides in-kind services to its entities, such as processing payroll and financial transactions while maintaining all records regarding the resulting transactions. Other services that may be provided include facilities management, campus enforcement services, and information technology support. For The Works, Campus Childcare, and Genesis, the University is the owner of the intellectual property, real property, and all other assets and liabilities and accordingly, these entities manage the assets.

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About Us

Vision

Promoting positive change and accountability in the public sector through impactful audits.

Mission

To promote accountability in government's management and use of public resources and encourage positive change in its delivery of programs and services.

Values

Above all else, the Office of the Auditor General must have independence, credibility and integrity. These are essential to everything we do; critical to our success. The Office of the Auditor General complies with professional and office standards to produce relevant and reliable audit reports. The Office of the Auditor General's independence of government, in fact, and in appearance, provides objective conclusions, opinions and recommendations on the operations of government and crown agencies. Our staff work in a professional and ethical manner, ensuring respect, objectivity, trust, honesty and fairness.

Audit Team

The Auditor General wishes to thank the diligent audit team who performed their work with independence, credibility and integrity:

Sandra Russell, CPA, CA – Deputy Auditor General
Trena Keats, CPA, CA – Assistant Auditor General
Rhonda Steele, CPA, CGA, CIA – Audit Principal
Adam Martin, CPA, CA – Audit Principal
Kerry Griffiths, CPA, CA – Audit Manager
Stephanie Cross, CPA, CA – Audit Manager
Peter Ineh, CA, CISA – Audit Manager
Bamidele Oba, CA, CIA, CFE – Audit Senior
Sujin Gu, CPA – Audit Senior
Jillian Roberts – Audit Senior
Sharf Chowdhury – Audit Senior
Lindy Stanley, CPA, CA – Engagement Quality Reviewer

The Auditor General also would like to thank Chrysta Collins, Manager of Communications and Stakeholder Engagement, for report editing and design, as well as stakeholder management. Select photos courtesy of Brandon Ryan.

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