

Memorial University Facilities Management

Independent Auditor's Report



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

January 2025

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Objective

To determine whether Memorial University effectively manages its capital portfolio.



Audit Period

January 1, 2022, to March 31, 2024



Why this Audit is Important

Memorial University is the only university serving the Province of Newfoundland and Labrador and is responsible for an infrastructure portfolio with a total replacement value of \$2 billion and deferred maintenance liabilities of \$481 million as at March 2024. This infrastructure forms the backbone of Memorial University's ability to provide educational programs and perform the research that supports its operations. Memorial University must have clear and effective means of managing this portfolio to ensure that it maintains this infrastructure prudently and with all due attention to efficiency and cost. We note two recommendations from our 2014 audit about facilities management remain partially implemented. We chose to audit Memorial University's facilities management to determine whether Memorial University's management and oversight of its capital portfolio, space needs, and deferred maintenance was effective and appropriate.



Conclusions

We found that Memorial University does not effectively or efficiently manage its capital portfolio. From a weak policy environment to poor space management practices to a questionable deferred maintenance procedure, it appears Memorial does not have the culture to manage its aging infrastructure. There is a lack of oversight throughout the organization, with many of the figures and information used for our audit being unreliable or questionable.

Unfortunately, some of what we found in this audit was not new. In 2014, our Office issued a recommendation to Memorial University to 'ensure audits and inspections of infrastructure are completed to identify maintenance requirements and that critical maintenance work is actioned in a timely manner'. We also issued a recommendation to the province to consider a long-term plan to address the University's aging infrastructure and maintenance needs. As of December 2024, both recommendations were still only partially implemented.

Without significant effort to re-focus and re-define the management of its capital portfolio, Memorial will continue to face challenges in maintaining appropriate facilities. Any funding needed to tackle the significant deficiencies should only be expended when a reasonable plan, with appropriate policies and oversight, is defined and implemented – otherwise, it will potentially be an ineffective and inefficient use of taxpayer and student dollars.



Summary of Recommendations

We recommend that Memorial University of Newfoundland and Labrador:

- Develop and implement a comprehensive facilities management strategy for the University, with attention to preventative, routine, and deferred maintenance needs as well as space allocation, utilization and need.
- Implement formal and consistent oversight processes to appropriately manage and monitor facilities management across the University, to ensure the best possible use of public resources.
- Create and update a complete portfolio of facilities-related policies, procedures, and processes, while ensuring their consistent application, review and communication across the University.
- Update and regularly report against facilities-related key performance indicators and benchmarks to provide meaningful and objective evidence of progress toward improvement.
- Formalize, implement and monitor academic space scheduling policies, procedures, and processes across the University.
- Develop and implement an appropriate and comprehensive University-wide space management system, including an accurate and inclusive space database.
- Regularly verify the accuracy of the space management system, including the performance of space audits and verification of data on insurable value reports.
- Appropriately procure, document and approve all facility lease arrangements, based on the evaluation of need and existing alternative space, to ensure the best possible use of public resources.
- Develop and implement a campus renewal fee strategy which includes detailed guidance, allocation methodology, prioritization, and appropriate communication.

What we Found

Policies and Procedures

- 11 of 14 space management policies and procedures (79%) were outdated, with nine policies over ten years past the review date (64 per cent).
- All seven of the 22 (32%) policies and procedures related to capital projects management were outdated.
- Space policies and procedures were not consistent across the University and its components.
- The Marine Institute did not have any of its own formal space management policies or procedures.
- Harlow Campus did not have any formal policies and procedures related to space management, capital projects, or deferred maintenance.
- The Capital Deferred Renewal Funding Procedure was not consistently implemented across the University, and four out of the six campuses or units we examined (67%) only applied certain aspects of its components. The same procedure did not mention the use of asset condition data in the determination of priorities; the determination of projects was subjective.
- The Capital Deferred Renewal Funding Procedure required recommendations from the Enterprise Risk Management Committee for the Annual Repair Program, however, the Committee did not meet between December 2019 and January 30, 2024.

Space Management

- Memorial has not had a space management system in place since January 2024 for updating and maintaining its space data and could not provide the total space it currently occupies.
- Facilities Management also did not request units to review and confirm annual space allocations, as required by procedure, since 2019.
- No Annual Space Report was produced by Memorial during our audit period.
- We compared ten buildings in the space database to the Insurable Value Report and found the total amount of space did not agree for any of them.
- Space audits to be performed by Facilities Management were not scheduled as required and there were none performed by the University between April 1, 2022 and March 31, 2024.
- There were no formal reports on space made available to the Vice-Presidents' Space Committee for decision-making purposes during our audit period, as required.

Leased Space Management

- Of the 68 leases (\$2 million) active during our audit period, we examined 35 and found no documentation to confirm Facilities Management explored other space options on campus before entering into all 35 leases (100%), which had a combined annual value of \$1.3 million.
- There was no documentation that the Vice-Presidents' Space Committee reviewed and recommended any of the leases we sampled to the Vice Presidents during our audit period, as required in the Committee's Terms of Reference.
- The Marine Institute did not have agreements in place for the two buildings it leases from government.
- Memorial was unaware of the amount of space it was leasing.

Classroom and Laboratory Space Utilization

- Memorial did not have formal policies or procedures for classroom scheduling.
- The Memorial Academic Scheduling Governance Committee, responsible for creating a scheduling policy, met only once in May 2022 since being tasked with developing the policy in April 2022.
- According to University officials, the Committee could not agree on its Terms of Reference; no other meetings occurred and the Terms of Reference never finalized. There were no minutes kept for the one meeting that was held.
- The University did not effectively utilize its academic spaces.
- Only 16% of classrooms and laboratories were controlled by the St. John's Campus' Office of the Registrar for academic scheduling purposes. The remaining 84 per cent was controlled by individual faculties and units.
- Shared classrooms controlled by the Office of the Registrar were, on average, 28% better utilized than non-shared classrooms controlled by faculties or units.
- Faculties or units could choose not to accept the Office of the Registrar's suggestions to maximize space utilization.
- Officials stated there was no individual, department or committee assigned to perform monitoring of the classroom and laboratory scheduling for classes. During the Winter 2024 semester, 19 courses had academic space reserved in Infosilem, despite zero enrolment.

Classroom and Laboratory Utilization Rates

- A consultant reported that Memorial's classrooms were utilized 40% of the available daytime hours; an underutilization of 40% based on the benchmark. Laboratories were utilized 22% of available hours; an underutilization of 38 per cent. Based on our audit work, it appears that utilization rates have not improved since this report.

Footprint and Student Population Growth Comparison

- The University's footprint had grown from 3.8 million square feet in Fall 2012 to 5.1 million square feet (34%) in Fall 2023, while the total student population had decreased by 1.4%.
- Government's footprint freeze did not have a material overall impact on the University's footprint growth.

Science Building Replacement

- Memorial's President stated the new Core Science Facility was intended to replace the original Science Building.
- As of March 2024, the original Science Building still had 49% of spaces occupied by active academic units, with 11% occupied by Faculty of Science departments.
- The new Core Science Facility - which cost \$347 million and is double the size of the original Science Building - did not have any shared classrooms or laboratories and had a utilization rate of 16%.

Deferred Maintenance

Campus Renewal Fees

- Memorial did not specify what was or was not an eligible expenditure from the campus renewal fee fund, as there were no related policy or guidance documents.
- The Marine Institute leases buildings from the government and other entities who own the Institute's buildings and are responsible for their deferred maintenance, however, the Marine Institute was still allocated campus renewal fees.
- 37 of our 62 samples (60%), totalling \$2.5 million or 73% of the total amount examined, had instances of expenditures funded by the campus renewal fee that did not appear to agree with the funding's purpose.
- 16 of the 37 campus renewal fund expenditures we examined (43%), totalling \$171,934 were for furniture and equipment purchases.
- Six of our 37 samples (16%), totalling \$1.3 million, were purchases of computer equipment or software.
- The only dedicated funding source at the University to address the \$481 million deferred maintenance liability was the campus renewal fee paid by students.
- Campus renewal fee revenue of approximately \$7.8 million annually was insufficient to address deferred maintenance requirements.
- The University's Campus Deferred Renewal Plan targeted an industry-standard buildings reinvestment rate of one to two percent annually. However, the average reinvestment rate since the inception of the campus renewal fee has been approximately 0.26%. To meet its target of one to two per cent, Memorial would need to reinvest between \$20 and \$40 million annually.
- In 2020, the Board of Regents approved a Deferred Maintenance Financing Program where \$100 million was to be borrowed and spent on deferred maintenance priorities over eight years. As of October 2024, no implementation action had been taken.

Infrastructure Condition

- As of March 31, 2024, the University's facilities condition index was rated poor and nearing critical at 27.8 per cent. It appears based on our audit work that this rating may be inaccurate and in worse condition than Memorial has stated.
- We compared Memorial's 2012 and 2024 annual Condition Reports and found during this time, deferred maintenance grew by \$114 million (31 per cent), from \$367 million to \$481 million.
- Out of the total deferred maintenance of \$481 million, \$141 million (29 per cent) was past its recommended action date. Of the \$141 million, \$93 million (66 per cent) was classified as critical.
- 27 of 40 samples (68%), totalling \$22.1 million, were beyond the recommended date for work to be performed.
- A different set of 27 samples (68 per cent), totalling \$31.6 million, were removed from Condition Reports due to reassessments of assets by the third-party consulting firm and not repair or renewal work performed.
- One of the items sampled, exterior light infrastructure costing \$208,000, was 37 years past its action date when it was removed through reassessment.
- The consultant's documentation to support all 27 (100%) of the reassessment samples, which decreased the deferred maintenance liability value by \$31.6 million, was inadequate. It appears there was little oversight when it came to verifying and retaining appropriate documentation for these changes.
- A repair was funded from the campus renewal fee, but occurred at one of the University's separately incorporated entities, which are not intended to avail of campus renewal fee funds.

Infrastructure Management Oversight

- There was a lack of oversight of the allocation and use of campus renewal fee funding.
- The Multi-Year Infrastructure Plan stated that consideration could be given to budgeting a block of annual funding to improve infrastructure, however, we found no definitive plan to address the deferred maintenance liability was actioned as of December 2024.
- There were 12 committees related to infrastructure in operation during the audit period. Eight of these related specifically to infrastructure issues and four related to space management:
- Five of the University's 12 infrastructure-related committees (42%) either did not have Terms of Reference available or had an outdated Terms of Reference.
- Three of the 12 Committees (25%) had issues discharging certain roles and responsibilities.
- During our audit period, the Vice-President's Space Committee was only involved in matters related to the St. John's Campus.
- Nine out of the 12 (75%) documents we audited related to space management and deferred maintenance oversight were either not generated or did not flow to those charged with governance, as required by policies, procedures, and best practice.
- Three of six (50%) documents related to deferred maintenance were inadequate. Emergency repair information was inadequate as the University did not have a method to identify these types of expenditures and did not report them to those charged with governance.
- Expenditures that did not appear to agree with the purpose of the campus renewal fee fund and inadequate expenditure documentation. These issues were not identified by internal processes and reported to those charged with governance.
- Campus Deferred Renewal Plan information was inadequately reported to the appropriate level of oversight as not all campuses submitted their plans for approval as required.
- We analyzed the key performance indicator measurements against best practices and found a number of weaknesses.



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

As the provider of the vast majority of the University's operating funds, how will Government hold Memorial University accountable for:

- The physical state of the University's facilities,
- The weak policy culture and poor space management practices, and
- The lack of governance and progress regarding deferred maintenance.



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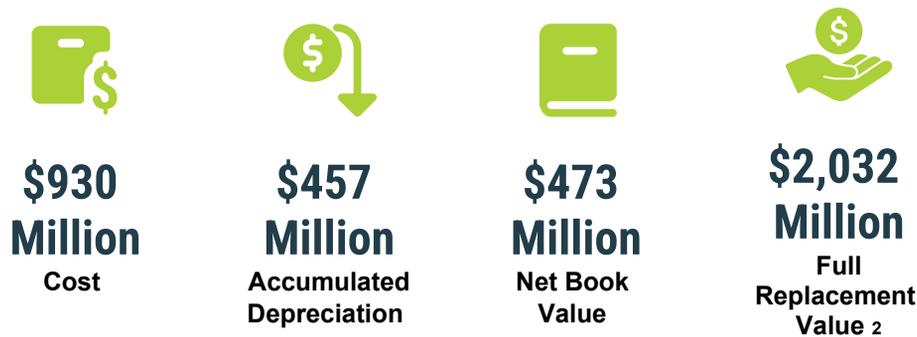
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Background

Memorial University of Newfoundland and Labrador (Memorial or the University) has been a degree-granting institution since 1949. Memorial has approximately 3,800 employees and 19,000 students with seven faculties and 12 schools offering programs across six campuses and online. Memorial's six campuses are the St. John's Campus on Prince Philip Drive, the Signal Hill Campus in St. John's, the Marine Institute Campus in St. John's, the Grenfell Campus in Corner Brook, the Labrador Campus in Happy Valley-Goose Bay, and the Harlow Campus in England. Memorial also has five separately incorporated entities. For the purposes of this audit, references to St. John's campus include the Signal Hill campus, Ocean Sciences Centre, and the Botanical Gardens, except where specifically noted. The Signal Hill Campus includes the Johnson Geo Centre and the Emera Innovation Exchange.

University operations are supported by tangible facilities, such as buildings, concrete, pavement, water systems, electricity systems, and waste management facilities. This infrastructure includes both physical and information technology components. The University has extensive infrastructure across its campuses, with new infrastructure being planned or under construction. As of March 31, 2024, the full replacement value of Memorial's infrastructure was over \$2 billion, with a net book value of \$473 million; this does not include information technology infrastructure, such as servers and software.

Figure 1- Value of Memorial University's Infrastructure
March 31, 2024 ¹



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

1. Infrastructure cost, accumulated depreciation and net book value figures were included in Memorial's March 31, 2024 audited financial statements. Full replacement value was provided by Memorial and are unaudited.

2. Excludes Marine Institute's Ridge Road Campus and Foxtrap facilities, which are owned by the Government of Newfoundland and Labrador (government). It also excludes the Labrador Campus which is a leased property.

As of March 2024, Memorial had outstanding repairs, also called deferred maintenance liabilities, of \$481 million due now or in the next five years. Deferred Maintenance liabilities represent the value of planned or unplanned infrastructure repairs that have been postponed to a later date.

During Budget 2021, government announced a freeze on Memorial's footprint growth.

Memorial uses asset condition data (via Condition Reports) which contain facilities condition indexes, an industry-standard measurement used to quantify the overall condition of an infrastructure portfolio. The metric gauges the relative physical condition of an infrastructure asset by totalling the cost of outstanding building repairs and requirements within the next five years and dividing by the current cost of replacing a building. The higher the percentage calculated for a building, the worse the overall condition. Recent facilities, such as the Animal Resource Center and the new Core Science Facility, are not included in this calculation until five years past completion; they will be included in 2026 and 2027 respectively.

Government provided \$10 million annually towards Memorial’s deferred maintenance, but this funding ceased in 2015-16. In response to the elimination in 2015-16, the University introduced a student-funded campus renewal fee to address critical infrastructure and information technology renewal starting in 2017-18. Memorial’s campus renewal fee is intended to provide critical funding to address the most pressing deferred maintenance projects at the University. Revenue from the fee was approximately \$7.8 million annually. According to Memorial's 2022-23 financial statements it spent approximately \$18.1 million on all repairs and maintenance, but this covers basic operational maintenance, such as snow clearing.

In July 2023, government offset the campus renewal fee by providing \$6.5 million to Memorial for the Fall and Winter 2024 semesters so students would not be required to pay. Aside from this campus renewal fee, Memorial did not separately budget funds to address deferred maintenance liabilities.

Figure 2 shows the fees students are required to pay with their tuition; these rates were applicable to students at the St. John's Campus as of Fall 2022.

Memorial's Facilities Management Department is responsible for appropriately applying the University Space Policy and Space Management Standards and Guidelines. Memorial University has 12 infrastructure-related committees, four of which are specifically space-related. The Vice-Presidents’ Space Committee, which reports to the University’s St. John’s Campus Vice Presidents and provides recommendations to the President’s Executive Committee, is responsible for planning and operational issues concerning space management and allocation. The Marine Institute, the Grenfell Campus, and the Faculty of Medicine also have space committees responsible for planning at these locations. The Facilities Management Department is also responsible for managing capital projects across the University.

The St. John’s Campus, the Grenfell Campus, and the Marine Institute each have their own Campus Master plan intended to help identify and prioritize capital projects. Memorial also has a multi-year infrastructure plan intended to guide decision-making. Memorial’s strategic plan ‘Transforming our Horizons’ included key performance indicators and measurements for assessing the progress on maintaining facilities.

Our audit period covered January 1, 2022 to March 31, 2024, and included one line of inquiry: to determine whether Memorial University effectively manages its capital portfolio. For the purpose of this audit, capital portfolio management refers to the acquisition, management, maintenance, and oversight of Memorial’s facilities. Four criteria were established to assess this line of inquiry.

In 2014, the Office of the Auditor General issued a recommendation to Memorial University to “ensure audits and inspections of infrastructure are completed to identify maintenance requirements and that critical maintenance work is actioned in a timely manner.” A recommendation was also made to the province to consider a long-term plan to address the University’s aging infrastructure and maintenance needs. As of May 2024, both recommendations were still only partially implemented.

Figure 2
Full-Time Student Fees per Semester
St. John’s Campus
As of Fall 2022 ¹



Source: Memorial University of Newfoundland website.
 1. The 2022-23 year was used because it was the last year students were required to pay the campus renewal fee.
 2. Campus renewal fees ranged from \$50 to \$250 per semester based on course load (up to five).
 3. Students could submit paperwork to opt out of health insurance with proof they have alternate coverage.

Summary of Key Findings

Policies and Procedures

- 18 of the 22 policies and procedures (82 per cent) were outdated.
- 11 of 14 space management policies and procedures (79 per cent) were outdated, with nine policies over ten years past the review date (64 per cent).
- All seven of the 22 (32 per cent) policies and procedures related to capital projects management were outdated.
- Space policies and procedures were not consistent across the University and its components.
- The Marine Institute did not have any of its own formal space management policies or procedures.
- Harlow Campus did not have any formal policies and procedures related to space management, capital projects, or deferred maintenance.
- There were five gaps in the completeness of Memorial University's space policies and procedures.
- The Space Management Standards and Guidelines were unavailable on the University's website. Officials noted it was taken down in April 2024 because the data needed to be updated; however, as of November 2024, these guidelines were still not available online.
- Facilities Management and the Office of the Vice President of Administration and Finance had originally planned an implementation date of March 2024 for internal audit recommendations; however, as of October 2024, they had not been completed.
- The Capital Deferred Renewal Funding Procedure was not consistently implemented across the University, and four out of the six campuses or units we examined (67 per cent) only applied certain aspects of its components.

Space Management

- A 2023 internal audit noted that space management data quality and integrity were poor because multiple sources of space data within the University led to discrepancies in the information.
- The University's space database was incomplete.
- Memorial could not quantify the total space it currently occupies because there were known gaps in the space database.
- Memorial has not had a space management system in place since January 2024 for updating and maintaining its space data and could not provide the total space it currently occupies.
- Running a space report and providing it to units for input did not happen in either 2022 or 2023, as required.
- Facilities Management did not request units to review and confirm annual space allocations, as required by procedure, since 2019.
- No Annual Space Report was produced by Memorial during our audit period.
- We compared ten buildings in the space database to the insured coverage and found the total amount of space did not agree for any of them.
- Space audits to be performed by Facilities Management were not scheduled as required and there were none performed by the University between April 1, 2022 and March 31, 2024.
- There were no formal reports on space made available to the Vice-Presidents' Space Committee for decision-making purposes during our audit period, as required.

Leased Space Management

- Of the 68 leases (\$2 million) active during our audit period, we examined 35 and found no documentation to confirm Facilities Management explored other space options on campus before entering into all 35 leases (100 per cent), which had a combined annual value of \$1.3 million.
- There was no documentation that the Vice-Presidents' Space Committee reviewed and recommended any of the leases we sampled to the Vice Presidents during our audit period, as required in the Committee's Terms of Reference.
- The University was unable to provide the required "Request for Additional Space Form" for 21 of the 35 lease samples (60 per cent).
- The Marine Institute did not have agreements in place for the two buildings it leases from government.
- Memorial was unaware of the amount of space it was leasing.
- The leased square footage was not included in the signed lease agreement for 20 of 35 samples (57 per cent).
- We were unable to determine the footprint increase attributed to new leases entered into during government's footprint freeze or if leases were intended to be included.

Classroom and Laboratory Space Utilization

- Memorial did not have formal policies or procedures for classroom scheduling.

Summary of Key Findings

- The Memorial Academic Scheduling Governance Committee, responsible for creating a scheduling policy, only met once in May 2022 since being tasked with developing the policy in April 2022.
- The University did not effectively utilize its academic spaces.
- Only 16 per cent of classrooms and laboratories were controlled by the St. John's Campus' Office of the Registrar for academic scheduling purposes. The remaining 84 per cent was controlled by individual faculties and units.
- Shared classrooms controlled by the Office of the Registrar were, on average, 28 per cent better utilized than non-shared classrooms controlled by faculties or units.
- Faculties or units could choose not to accept the Office of the Registrar's suggestions to maximize space utilization.
- Officials stated there was no individual, department or committee assigned to perform monitoring of the classroom and laboratory scheduling for classes
- During the Winter 2024 semester, 19 courses had academic space reserved in Infosilem, despite zero enrolment.

Classroom and Laboratory Utilization Rates

- A consultant reported that Memorial's classrooms were utilized 40 per cent of the available daytime hours; an underutilization of 40 per cent based on the benchmark of 80 per cent. Laboratories were utilized 22 per cent of available hours; an underutilization of 38 per cent based on the 60 per cent benchmark.
- The consultant also found seating capacity was underutilized 85 per cent of the time during the peak period analyzed.
- Over the seven semesters of our audit period from Winter 2022 to Winter 2024:
 - The St. John's Campus' non-shared classrooms and laboratories had an average utilization rate of 12 per cent; this correlates with a room being used just one day within a two-week window.
 - The St. John's Campus' shared classrooms and laboratories had an average utilization rate of 40 per cent; this correlates with a room being empty three out of five days.
 - The Marine Institute's 63 classrooms and laboratories had an average utilization rate of 38 per cent; this correlates with a room being empty about three out of five days.
 - The Grenfell Campus' 43 classrooms and laboratories had an average utilization rate of 25 per cent; this correlates with a room being used just two and a half days within a two-week window.

Footprint and Student Population Growth Comparison

- The University's footprint had grown from 3.8 million square feet in Fall 2012 to 5.1 million square feet (35 per cent) in Fall 2023, while the total student population had decreased by 1.4 per cent.
- Government's footprint freeze did not have a material overall impact on the University's footprint growth

Original Science Building Replacement

- As of March 2024, the original Science Building still had 49 per cent of spaces occupied by active academic units, with 11 per cent occupied by Faculty of Science departments and the remaining 38 per cent occupied by other faculties.
- During winter 2024 semester, the classroom utilization rate in the original Science Building was six per cent for non-shared classrooms and 59 per cent for shared classrooms. In comparison, the new Core Science Facility did not have any shared classrooms or laboratories and had a utilization rate of 16 per cent.
- Based on our analysis we note since 2012:
 - There has been no significant change to the value of deferred maintenance requirements for the original Science Building.
 - There has been no improvement in the consolidation of the Faculty of Science departments or units.
 - There has been no movement or timeline for renovating or demolishing the original Science Building, which is still being utilized and incurring significant operating costs.

Deferred Maintenance

Infrastructure Condition

- Memorial had no other deferred maintenance policies or procedures in place.
- The capital management software contained limited historical data on asset conditions, limiting the ability for Memorial to track condition changes over time.
- A consultant noted the industry standard for institutions in the education sector was to reassess asset conditions and update data on a five-year cycle, though it was also stated that all of Memorial's buildings would receive assessment over an eight-to-ten-year period.
- As of March 31, 2024, the University's facilities condition index was rated poor and nearing critical at 27.8 per cent.
- We compared Memorial's 2012 and 2024 annual Condition Reports and found during this time, deferred maintenance grew by \$114 million (31 per cent), from \$367 million to \$481 million.
- Deferred maintenance liabilities, excluding asset retirement obligations, are not recorded as an item on the financial statements; however their total value represented 27.6 per cent of the University's total liabilities in 2024.
- Among the reassessed buildings was the original Science Building. Its 2023 facilities condition index was 44 per cent., which is in the critical category. In 2024, it was 35 per cent, an improvement of nine per cent (\$8.4 million). However, no outstanding deferred maintenance repairs were performed on the building; this change was the result of the reassessment of assets.
- The original Science Building's replacement value on Condition Reports provided by the third-party consultant had not been updated since 2012, despite the increase in cost due to inflation over that time.
- Out of the total deferred maintenance of \$481 million, \$141 million (29 per cent) was past its recommended action date. Of the \$141 million, \$93 million (66 per cent) was classified as critical.

Summary of Key Findings

- 27 of 40 samples (68 per cent), totalling \$22.1 million, were beyond the recommended date for work to be performed.
- One of the items sampled, exterior light infrastructure costing \$208,000, was 37 years past its action date when it was removed through reassessment.
- 27 samples (68 per cent), totalling \$31.6 million, were removed from Condition Reports due to reassessments of assets by the third-party consulting firm and not repair or renewal work performed.
- The consultant's documentation to support all 27 (100 per cent) of the reassessment samples, which decreased the deferred maintenance liability value by \$31.6 million, was inadequate.
- It appears there was little oversight when it came to verifying and retaining appropriate documentation for these changes.
- Two emergency repairs, totalling \$46,400, were related to furniture replacements that were not on the Condition Report's list of required repairs. This repair was funded from the campus renewal fee, but occurred at one of the University's separately incorporated entities, which are not intended to avail of campus renewal fee funds.

Campus Renewal Fees

- Memorial did not specify what was or was not an eligible expenditure from the campus renewal fee fund, as there were no related policy or guidance documents.
- The Marine Institute leases buildings from the government and other entities who own the Institute's buildings and are responsible for their deferred maintenance, however, the Marine Institute was still allocated campus renewal fees.
- The decentralization of repair priorities and the method of campus renewal fee distribution led to critical repairs often not being addressed first or ever.
- There were campus renewal fee surplus carried over from previous years. These surpluses were maintained by campuses rather than being applied to critical projects at other campuses.
- 37 of our 62 samples (60 per cent), totalling \$2.5 million or 73 per cent of the total amount examined, had instances of expenditures funded by the campus renewal fee that did not appear to agree with the funding's purpose.
- There were non-critical renovations purchased with the funds, such as adding sound dampening to a cafeteria area at Marine Institute for \$12,801 and landscaping at the Faculty of Medicine for \$50,933.
- 11 of 37 campus renewal fund expenditures (30 per cent), totalling \$665,278, related to capital expenditures.
- Six of our 37 samples (16 per cent), totalling \$1.3 million, were purchases of computer equipment or software.
- 16 of the 37 campus renewal fund expenditures we examined (43 per cent), totalling \$171,934 were for furniture and equipment purchases.
- We found four of 37 campus renewal fund expenditures (11 per cent), totalling \$369,004, were for routine maintenance expenses.
- The only dedicated funding source at the University to address the \$481 million deferred maintenance liability was the campus renewal fee paid by students (between \$50 and \$250 per student each semester).
- Campus renewal fee revenue of approximately \$7.8 million annually was insufficient to address deferred maintenance requirements.
- The University's Campus Deferred Renewal Plan targeted an industry-standard buildings reinvestment rate of one to two per cent annually. However, the average reinvestment rate since the inception of the campus renewal fee has been approximately 0.26 per cent.
- To meet its target of one to two per cent, Memorial would need to reinvest between \$20 and \$40 million annually.
- In 2020, the Board of Regents approved a Deferred Maintenance Financing Program where \$100 million was to be borrowed and spent on deferred maintenance priorities over eight years. As of October 2024, no implementation action had been taken.

Infrastructure Management Oversight

- There were 12 committees related to infrastructure in operation during the audit period. Eight of these related specifically to infrastructure issues and four related to space management.
- Five of the University's 12 infrastructure-related committees (42 per cent) either did not have Terms of Reference available or had an outdated Terms of Reference.
- Three of the 12 Committees (25 per cent) had issues discharging certain roles and responsibilities.
- The Enterprise Risk Management Committee did not meet between November 27, 2019 and January 30. The Committee was required to meet at least once a semester or more often if deemed necessary.
- During our audit period, the Vice - Presidents' Space Committee was only involved in matters related to the St. John's Campus.
- Nine out of the 12 (75 per cent) documents we audited related to space management and deferred maintenance oversight were either not generated or did not flow to those charged with governance, as required by policies, procedures, and best practice.
- Three of six (50 per cent) documents related to deferred maintenance were inadequate. Emergency repair information was inadequate as the University did not have a method to identify these types of expenditures and did not report them to those charged with governance.
- Expenditures that did not appear to agree with the purpose of the campus renewal fee fund and inadequate expenditure documentation. These issues were not identified by internal processes and reported to those charged with governance.
- Campus Deferred Renewal Plan information was inadequately reported to the appropriate level of oversight as not all campuses submitted their plans for approval as required.
- There was a lack of oversight of the allocation and use of campus renewal fee funding.
- The Multi-Year Infrastructure Plan stated that consideration could be given to budgeting a block of annual funding up to \$44.9 million to improve infrastructure, however, we found no definitive plan to address the deferred maintenance liability was actioned as of December 2024.
- Memorial's Multi-Year Plan was outdated and there was no current movement to update it as of December 2024.
- We analyzed the key performance indicator measurements against best practices and found a number of weaknesses.

Findings - Policies & Procedures

Objective To determine whether Memorial University effectively manages its capital portfolio.

Criteria 1 Memorial University's policies and procedures for the management of its capital portfolio are clear and complete.



What We Expected

We expected the University to have clear and complete infrastructure policies and procedures that guide additions, renovations, removals, and repairs. We also expected Memorial to have clear and complete policies and procedures to guide space management and deferred maintenance activity and for these to be consistent across the organization. We expected the University's infrastructure policies to be reviewed and updated in a timely manner as per the University's Policy Framework and for procedures related to these policies to exist and be kept up-to-date. We also expected internal audit recommendations to be implemented in a timely manner.

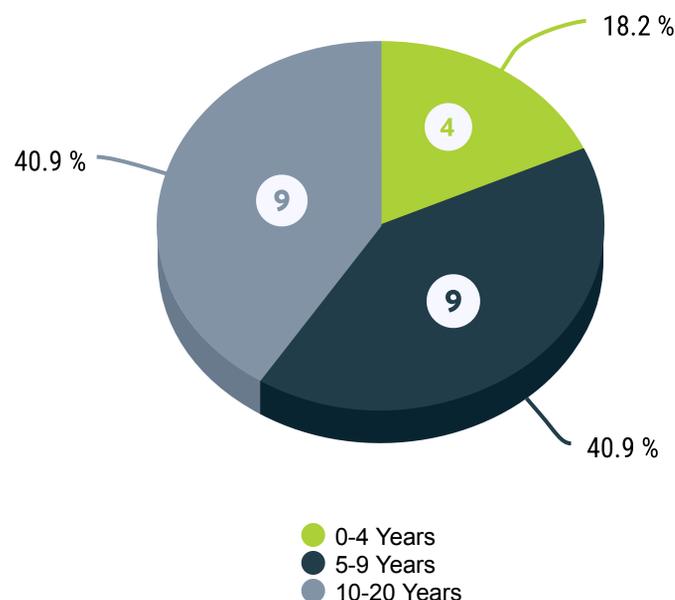


What We Learned

Policy Review and Renewal

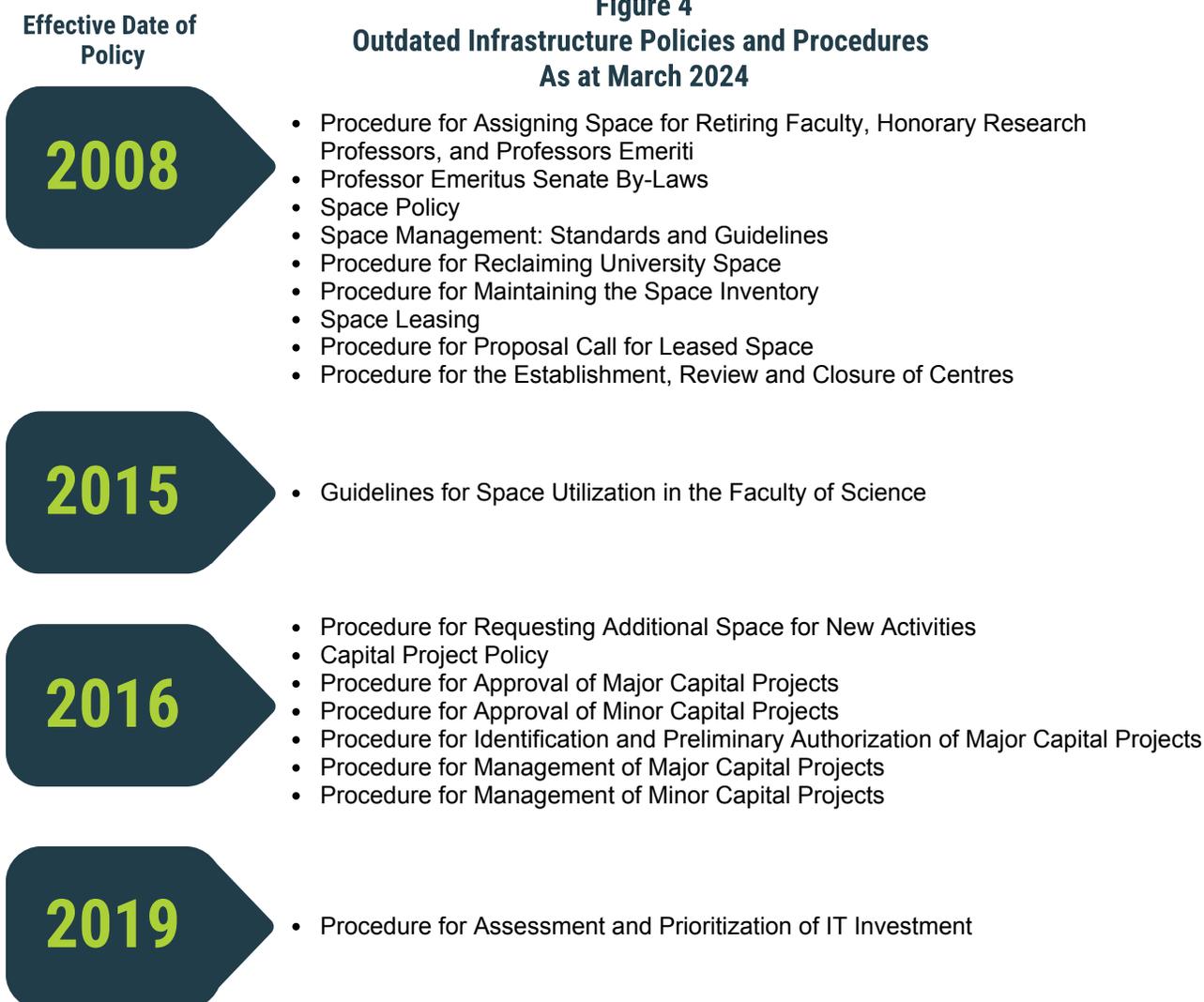
We examined policies and procedures related to the management of the University's infrastructure. Memorial's Policy Framework requires each policy to be reviewed every four years. **We found 18 of the 22 policies and procedures (82 per cent) were outdated** (Figures 3 and 4).

Figure 3
Memorial University Infrastructure Policies and Procedures
Years Since Update



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

Figure 4
Outdated Infrastructure Policies and Procedures
As at March 2024



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

There were 14 policies and procedures out of the 22 infrastructure policies and procedures (64 per cent) related to space management. **We found 11 of these 14 space management policies and procedures (79 per cent) were outdated, with nine policies over ten years past the required review date (64 per cent). All seven of the 22 (32 per cent) policies and procedures related to capital projects management were outdated.** The remaining item was a procedure related to deferred maintenance and was not outdated.

Space Management Policies and Procedures

We found space policies and procedures were not consistent across the University and its components

Memorial's Space Policy (approved by the Board of Regents) was created to establish the authority for the planning, allocation, and administration of University space. However, it was only applicable to the St. John's Campus, therefore, the Grenfell Campus, the Labrador Campus, the Harlow Campus, the Marine Institute, and the Faculty of Medicine were not covered by its requirements.

The University's separately incorporated entities operate on property owned by the University, but are not required to follow the Space Policy as they have their own policies and procedures according to their own management agreements.

We found the Marine Institute did not have any of its own formal space management policies or procedures.

Institute officials stated the campus applied elements of Memorial's Space Policy, such as the acquisition of space being approved by the Board of Regents, however, it was not a policy requirement.

The Faculty of Medicine had its own Space Committee and Policy which was largely similar to Memorial's Space Policy. However, it also included specific procedures to appeal decisions made by its Committee; Memorial's Space Policy did not have such a process.

Memorial officials stated the Labrador Campus followed Memorial's Space Policy, though there was no policy requirement to do so. Grenfell officials also stated their Campus followed Memorial's Space Policy; however, we found the Grenfell Campus had its own internal Space Advisory Committee and maintained its own space management database, both of which were not consistent with Memorial's Space Policy. **Harlow Campus did not have any formal policies and procedures related to space management, capital projects, or deferred maintenance.**

We found five gaps in the completeness of Memorial University's space policies and procedures (Table 1):

Table 1
Space Management Policy and Procedure Gaps

Policy/Procedure	Gap
Procedure for Requesting Additional Space for New Activities	No details on how request should be investigated or validated.
Scheduling Academic Space	No written policy or procedure.
Space Leasing Policy	No details on the process to verify space requirements or pursuit of alternative space in the University's own facilities.
Procedure for Maintaining the Space Inventory	No direction relating to employee roles authorized to update space information in the space database.
Procedure for Assigning Space for Retiring Faculty, Honorary Research Professors, and Professors Emeriti	No details on the annual review process to approve carryover of previously allotted space.

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

Memorial's Space Management Standards and Guidelines did not specify who was responsible for timely reviews and updates to the document. **We also found the Space Management Standards and Guidelines were unavailable on the University's website. Officials noted it was taken down in April 2024 because the data needed to be updated; however, as of November 2024, these guidelines were still not available online.** We found the Faculty of Science guidelines for Space Utilization also had no named sponsor to coordinate reviews and timely updates of the guidelines, as required by the Policy Framework.

Implementation of Internal Audit Recommendations

In February 2023, an internal audit report recommended the development of university-wide space management policies and procedures and updating of space standards and guidelines to be in line with other Canadian universities. The report also stated the University did not have standards to guide faculties and departments' prioritization or selection of classrooms based on space attributes (such as enrolment or capacity). **The Facilities Management and the Office of the Vice President of Administration and Finance had originally planned an implementation date of March 2024 for internal audit recommendations; however, as of October 2024, they had not been completed.**

Deferred Maintenance Policies and Procedures

Memorial had one procedure document related to deferred maintenance, known as the Capital Deferred Renewal Funding Procedure; however, this document was approved by and internal to the Facilities Management Department. This Procedure provided details on how deferred maintenance projects would be prioritized and references the Campus Deferred Renewal Plan approved by the Board of Regents.

The Capital Deferred Renewal Funding Procedure was not consistently implemented across the University, and four out of six campuses or units we examined (67 per cent) only applied certain aspects of its components (Table 2). As a result, projects across the campuses were approved and actioned in isolation from other campuses.

Table 2
Deferred Maintenance Procedure Application

Location ¹	Applies the Capital Deferred Renewal Funding Procedure
St. John's Campus	Yes
Faculty of Medicine	Yes
Marine Institute ²	Partial
Grenfell Campus	Partial
Harlow Campus	No
Separately Incorporated Entities	No

Source: Prepared by the Office of the Auditor General based on information provided by Memorial University of Newfoundland and Labrador.

1. Labrador Campus is not included as, being a leased property, Memorial is not responsible for its deferred maintenance.

2. Marine Institute Campus' buildings are government-owned except for The Launch.



Why It Matters

Incomplete and outdated policies and procedures undermine the University's ability to serve its students effectively and responsibly manage public funds. Operating with outdated policies implies that the University is not adjusting to account for changing operational or organizational circumstances. Regularly updating and enforcing these policies is essential to maintaining Memorial's integrity, safety and long-term success.

Policy and procedure inconsistencies across campus locations may result in sub-optimal and disjointed infrastructure planning and development as well as the potential for the perception of bias. Having institution-wide policies and procedures enhances synergies between campuses and streamlines capital projects, space, and deferred maintenance processes to best address the most critical needs at the best cost.

The lack of formal deferred maintenance policies and procedures increases the risk of inconsistent and ineffective operations, which could lead to a more rapid deterioration of infrastructure than would otherwise occur. Poor building conditions increase the risk of compromised student safety and unexpected unavailability of academic space.

The lack of formal space management policies and procedures increases the risk of space being underutilized. As a publicly-funded institution, underutilized space represents wasted money, as funds are used to build and maintain empty classrooms.



Memorial University Underground Tunnels - 2024

Findings - Space Management

Objective

To determine whether Memorial University effectively manages its capital portfolio.

Criteria 2

Memorial University appropriately manages its capital portfolio additions, renovations, replacement, removals, and maintenance as well as its current and expected space needs.



What We Expected

We expected the University to have processes in place to accurately determine and manage its current space needs and expected there to be an accurate and complete space inventory listing.

We expected the Facilities Management Department to conduct routine audits of space inventory and perform site visits as required. We expected Memorial to use classroom and laboratory spaces effectively and to have consistent policies and procedures for scheduling the use of space for all campuses.

We expected using leased space to be a last resort and for all leases to have documented justification for not using existing University-owned space. We expected the lease information provided to the Board of Regents for approval to be accurate, complete, and sufficiently detailed. We also expected lease agreements to be in place for all leased buildings.

We also expected Memorial to have processes to monitor and assess its footprint growth in relation to current and predicted student in-person and online enrolment. We expected Memorial to comply with the government-directed freeze on obtaining additional space.



What We Learned

University Owned Space Management

The Facilities Management Department was responsible for the space database, which is created from the information input into the space management system. **A 2023 internal audit noted that space management data quality and integrity were poor because multiple sources of space data within the University led to discrepancies in the information. We also found the University's space database was incomplete. Memorial could not quantify the total space it currently occupies because there were known gaps in the space database.**

Memorial initially had software called Aperture to manage its space inventory. We found that, in 2017 Memorial became aware of Aperture's planned discontinuation and end of support for existing contracts by 2023. The University did not issue a Request for Proposal for new software until January 2024. In 2022, Memorial replaced Aperture with a Microsoft SharePoint database, which was used until early 2024, when it was identified as a high security risk. Officials stated no Request for Proposal bids were accepted due to budget constraints. As a result, **Memorial has not had a space management system in place since January 2024 for updating and maintaining its space data and could not provide the total space it currently occupies.**

Memorial's Procedure for Maintaining Space Inventory requires Facilities Management to provide an annual space report to units to confirm and provide updates to their space information. To fulfill its obligation, all units (faculties, programs, divisions, etc.) are required to provide accurate data on their space annually.

We found that running a space report and providing it to units for input did not happen in either 2022 or 2023, as required. Facilities Management also did not request units to review and confirm annual space allocations, as required by procedure, since 2019. We found Memorial could not provide formal documentation demonstrating that units had submitted their space information for 2022 and 2023, as required.

We found changes in the space database could not be tracked year-to-year within Aperture or SharePoint software. Changes could theoretically be compared through Annual Space Report comparison; however, **no Annual Space Report was produced during our audit period** (January 2022 to March 2024).

We found the space database was not reconciled with the Insurable Value Report to ensure accuracy. The Insurable Value Report calculates the estimated insurance coverage on each building based on the square footage and contents. Unlike government's self-insured approach, Memorial pays premiums based on insurable values. **We compared ten buildings in the space database to the insured coverage and found the total amount of space did not agree for any of them.** With respect to risk management, there appears to be a gap in accuracy of insurance coverage based on insurable value listings we audited.

Space Audits and Reviews

We found space audits to be performed by Facilities Management were not scheduled as required and there were none performed by the University between April 1, 2022 and March 31, 2024. The Procedure for Reclaiming University Space requires Facilities Management to conduct routine space audits. A space audit is the review of an assigned space through site visits to determine if space is used optimally or if changes are required.

We found there were no formal reports on space made available to the Vice-Presidents' Space Committee for decision-making purposes during our audit period, as required. The Vice-Presidents' Space Committee Terms of Reference requires the Committee to periodically review the existing allocations of space in order to meet the University's changing needs, however, we found there was no evidence of these reviews being completed. No discussions were noted in Vice-Presidents' Space Committee minutes of recommendations to the Vice-Presidents or the President's Executive Committee on space matters.

Leased Space Management

The University's Space Leasing Policy states "the leasing of external space is seen as a last resort to address increased space needs and is only considered after all other options have been pursued in accordance with the Space Leasing Policy." There were 68 total leases in place during, or for part of, our audit period with a combined annual cost of \$2 million. There were a total of 19 new leases during our audit period, representing 41 per cent of that annual cost (Table 3). The remaining leases related to parking, land, office space, and medical resident housing.

**Table 3
New Leases Between January 2021 and March 2024**

Year	Number of New Leases	Total Annual Cost of New Leases
2021-22	3	\$59,562
2022-23	6	\$448,924
2023-24	10	\$301,714
Total	19	\$810,200

Source: Prepared by the Office of the Auditor General based on information from Memorial University Annual Lease Reports.



Original Science Building - 2024

Of the 68 leases (\$2 million) active during our audit period, we examined 35 and found no documentation to confirm Facilities Management explored other space options on campus before entering into all 35 leases (100 per cent), which had a combined annual value of \$1.3 million.

There was also no documentation that the Vice-Presidents' Space Committee reviewed and recommended any of the leases we sampled to the Vice Presidents during our audit period, as required in the Committee's Terms of Reference.

The University was unable to provide the required "Request for Additional Space Form" for 21 of the 35 lease samples (60 per cent). This form is required for all lease requests and seeks information on the type and size of space, the intended function or use, occupants, and whether the space is needed temporarily or permanently.

We found the Marine Institute did not have agreements in place for the two buildings it leases from government. The Space Leasing Policy requires a lease contract stating the terms and conditions for every lease arrangement.

We found Memorial was unaware of the amount of space it was leasing. The 2023-24 Annual Report on Leased Space to the Board of Regents did not include any details on the extent of square footage leased by the University. Previous reports prepared during our audit included this information, however, we found the leased square footage in these reports was incomplete. The square footage acquired was missing from this Annual Report on Leased Space for 25 of our 35 samples (71 per cent). **We also found the leased square footage was not included in the signed lease agreement for 20 of 35 samples (57 per cent). As a result we were unable to determine the footprint increase attributed to new leases entered into during government's footprint freeze or if leases were intended to be included.**

Leases were tracked on a manual spreadsheet and compiled for the Board of Regents. We compared the list generated for the Board to the manual spreadsheet and found three discrepancies in the annual lease details listed. For two of these leases, the combined annual lease cost was overstated in the submission to the Board by \$481,846. The other lease was with the University as the lessor, and understated the annual revenue generated by Memorial of \$10,800.

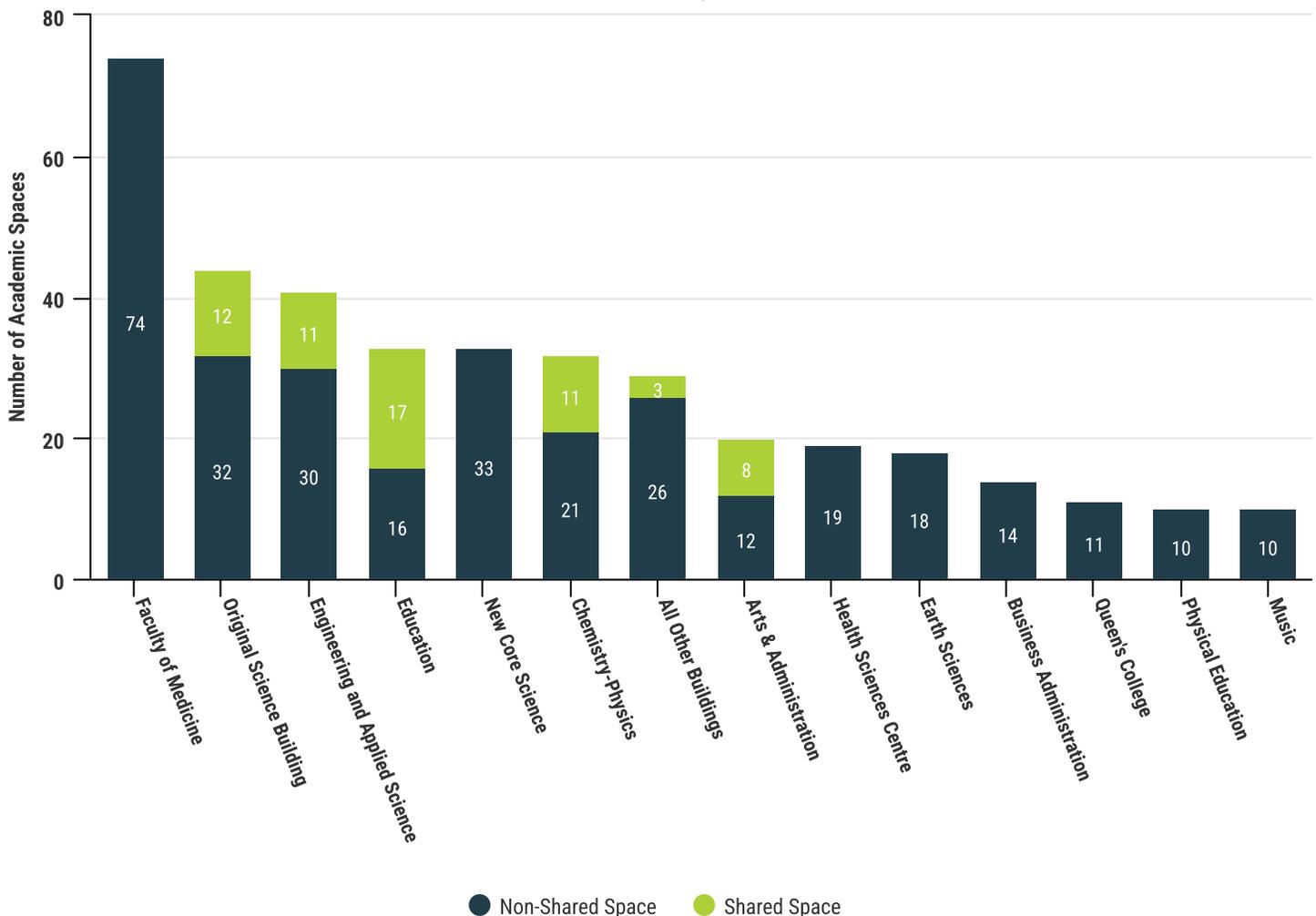


Classroom and Laboratory Space Utilization

We found Memorial did not have formal policies or procedures for classroom scheduling. The Memorial Academic Scheduling Governance Committee, responsible for creating a scheduling policy, only met once in May 2022 since being asked to develop the policy in April 2022. According to University officials, the Committee could not agree on its Terms of Reference; no other meetings were held and the Terms of Reference were never finalized. We also found there were no minutes kept for the one meeting that was held.

Classrooms and laboratories at the St. John’s Campus were divided into shared spaces controlled by the Office of the Registrar and non-shared spaces controlled by the faculties. There were 388 academic spaces at the St. John’s Campus as of March 31, 2024. Of these, 326 were not shared by faculties or units and 62 were shared. Figure 5 provides the breakdown of shared versus non-shared academic spaces for certain buildings. We found there was no consistent method of scheduling non-shared classrooms within the faculties and departments at the St. John’s Campus. We note that the Grenfell Campus’ and Marine Institute’s utilization reports did not include a breakdown of shared and non-shared space. **We found the University did not effectively utilize its academic spaces. Only 16 per cent of classrooms and laboratories were controlled by the St. John’s Campus’ Office of the Registrar for academic scheduling purposes. The remaining 84 per cent was controlled by individual faculties and units. We found shared classrooms controlled by the Office of the Registrar were, on average, 28 per cent better utilized than non-shared classrooms controlled by faculties or units.**

Figure 5
St. John’s Campus Shared and Non-Shared
Classrooms and Laboratories
As of March 31, 2024 ¹



Source: Prepared by the Office of the Auditor General based on Memorial University Infosilem Reports, unaudited. 1. Other is comprised of the remaining St. John's Campus buildings not identified separately in this figure, such as St. John's College.

To aid in scheduling classroom and laboratory space, Memorial purchased a software package called Infosilem Campus in 2019. Infosilem Campus was intended to automate and simplify space bookings for shared academic space course and exam schedules; it was already in use by Memorial to store course room bookings. However, we found Infosilem was not tied to Facilities Management’s space management system and could not interact or reconcile with the space database. As a result, changes in space availability were not reflected in Infosilem, meaning spaces could be booked for classes by the Office of the Registrar, but were unavailable due to repair work being performed.

The Office of the Registrar could monitor departmental space entered into Infosilem and suggest alternate classrooms to maximize utilization. However, **we found faculties or units could choose not to accept the Office of the Registrar’s suggestions to maximize space utilization.** The Office of the Registrar did not perform checks on courses or course enrolments, but could monitor the scheduling activity in Infosilem. We also found some scheduled classroom and laboratory spaces in Infosilem remained booked despite zero enrolments because faculties or units did not notify the Office of the Registrar the course was cancelled. **Officials stated there was no individual, department or committee assigned to perform monitoring of the classroom and laboratory scheduling for classes. During the Winter 2024 semester, 19 courses had academic space reserved in Infosilem, despite zero enrolment.**

Classroom and Laboratory Utilization Rates

In October 2022, a consultant hired by the University recommended a utilization rate benchmark of 80 per cent for classrooms and 60 per cent for laboratories. The consultant’s report contained a breakdown of classroom and laboratory spaces but not shared and non-shared space. However, **the consultant reported that Memorial’s classrooms were utilized 40 per cent of the available daytime hours; an underutilization of 40 per cent based on the benchmark of 80 per cent. Laboratories were utilized 22 per cent of available hours; an underutilization of 38 per cent based on the 60 per cent benchmark (Figure 6).**

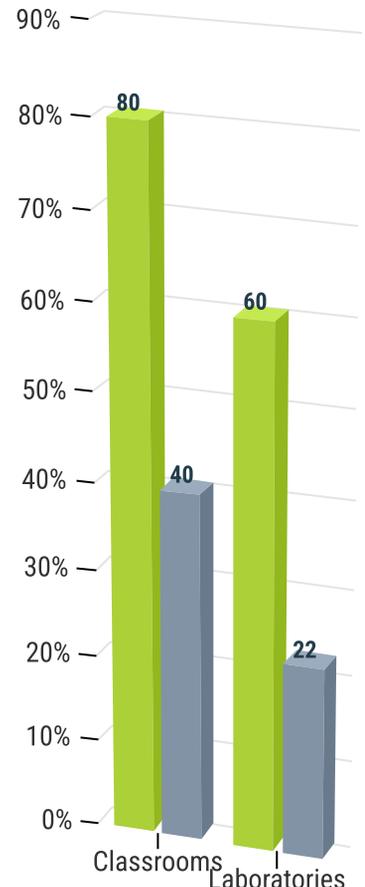
The consultant also found seating capacity was underutilized 85 per cent of the time during the peak period analyzed. Based on our audit work, it appears that utilization rates have not improved since the consultant’s report in 2022.

Our audit period encompassed seven semesters within the audit period – Winter 2022 to Winter 2024. We selected a typical week without any holidays or other reductions in class time, representing nine available daily hours. Utilization was calculated by averaging the time classrooms and laboratories in a building were booked over available daily hours in the five days of a typical week. This was used as the basis of our analysis of shared and non-shared space utilization. Memorial advised that utilization rates from the Infosilem software used in our analysis were limited to information that had been entered into the system and that related to academic courses. Some spaces may have been used outside of these utilization rates for non-academic purposes, such as meetings or events.

We found over the seven semesters of our audit period from Winter 2022 to Winter 2024:

- **The St. John’s Campus’ non-shared classrooms and laboratories had an average utilization rate of 12 per cent; this correlates with a room being used just one day within a two-week window.**
- **The St. John’s Campus’ shared classrooms and laboratories had an average utilization rate of 40 per cent; this correlates with a room being empty three out of five days.**
- **The Marine Institute’s 63 classrooms and laboratories had an average utilization rate of 38 per cent; this correlates with a room being empty about three out of five days.**
- **The Grenfell Campus’ 43 classrooms and laboratories had an average utilization rate of 25 per cent; this correlates with a room being used just two and a half days within a two-week window.**

**Figure 6
St. John’s Campus
Space Utilization Rate
Compared to Benchmarks**



● Industry Benchmark Rate
● St. John's Utilization Rate

Source: Prepared by the Office of the Auditor General based on Memorial University of Newfoundland Campus Master Plan Update, unaudited.

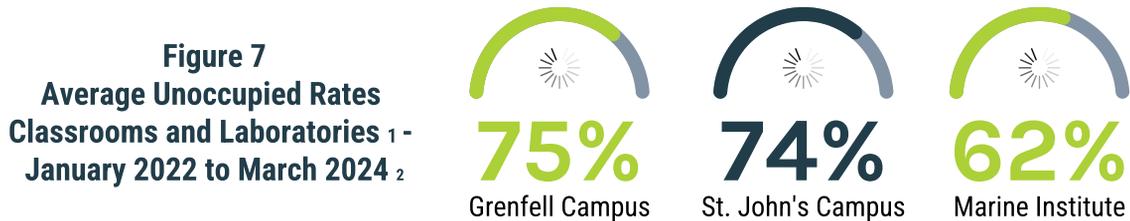
Table 4 summarizes average rates of unoccupied space for the St. John’s Campus (which includes the Faculty of Medicine) over the semesters during our audit period. This was determined by looking at the average utilization rates of those spaces and calculating the amount of time these classrooms and laboratories stood vacant.

Table 4
Average Unoccupied Rates - St. John's Campus Classrooms and Laboratories ¹
January 2022 to March 2024

Semester	Non-shared Unoccupied Rate	Shared Unoccupied Rate
Winter 2022 ²	86%	51%
Spring 2022	93%	83%
Fall 2022	85%	55%
Winter 2023	88%	53%
Spring 2023	92%	83%
Fall 2023	85%	47%
Winter 2024	87%	46%
Overall	88%	60%

Source: Prepared by the Office of the Auditor General based on Memorial University Infosilem Reports, unaudited. 1. The consultant's benchmark unoccupied rates were 20 per cent for classrooms and 40 per cent for laboratories. 2. Winter 2022 coincided with the January 2022 post-pandemic return to in-person classes at Memorial.

Figure 7 provides the average rates of unoccupied space for three major campuses during our audit period.



We recalculated samples of buildings within these seven semesters and found similar utilization rates. Table 5 provides the highest and lowest utilization rates by building for our sample selections during the audit period.

The highest utilized building over our sampled semesters for non-shared classrooms and laboratories was the St. John’s College and still showed spaces vacant four out of five days of the week. The highest utilization for shared classrooms and laboratories was the Computing Services building, which was used half of available time and was near industry benchmarks for preferred laboratory utilization rate.

Table 5
Average Utilization Rates- Lowest and Highest Sampled Semesters ¹

	Non-shared Classrooms and Laboratories	Shared Classrooms and Laboratories
Lowest Average Utilization Rate	1% (Ocean Sciences Centre)	32% (Education Building)
Highest Average Utilization Rate	19% (St. John’s College)	49% (Computing Services Building)

Source: Prepared by the Office of the Auditor General based on Memorial University Infosilem Reports, unaudited. 1. The consultant's benchmark utilization rates were 80 per cent for classrooms and 60 per cent for laboratories. A. Prepared by the Office of the Auditor General based on Memorial University Infosilem Reports, unaudited. 1. The consultant's benchmark utilization rates were 80 per cent for classrooms and 60 per cent for laboratories. 2. The Labrador Campus and Harlow Campus did not use the Infosilem system during our audit period. The Faculty of Medicine and Ocean Sciences Centre were included in the St. John’s Data.

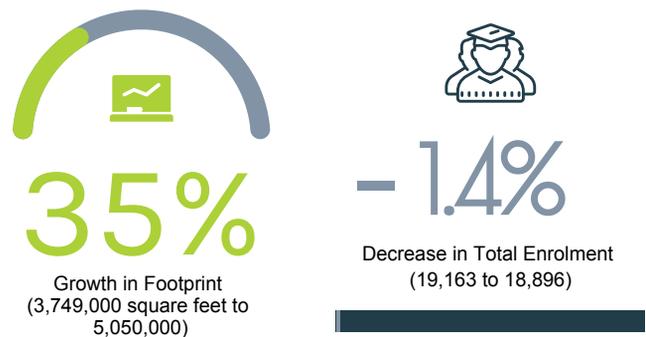


QEII Library - 2024

Footprint and Student Population Growth Comparison

We found the University’s footprint had grown from 3.8 million square feet in the of fall 2012 to 5.1 million square feet (35 per cent) in the fall of 2023, while the total student population had decreased by 1.4 per cent. Subsequent to our audit period, enrolment decreased by another 5.4 per cent (1,014 students). Government stated in its 2021’s budget announcement that “there will be a temporary freeze on any expansion of [Memorial’s] physical footprint.” We found government’s footprint freeze did not have a material overall impact on the University’s footprint growth. Officials stated that while it required some investment of resources to work through the new approval process, requests had mostly been approved. The most recent major approved facility construction project within our audit period post footprint freeze, was the Harsh Environment Research Facility, estimated to cost \$25.5 million. Figure 8 provides a comparison of the physical footprint growth to student enrolment growth.

Figure 8
2012-2023
 Footprint Growth Compared to Student Enrolment



Source: Prepared by the Office of the Auditor General based on Memorial University reports, unaudited.

Major additions to Memorial’s footprint between these dates included the new Core Science Facility (480,000 square feet), Macpherson College (184,032 square feet), the Emera Innovation Exchange (94,126 square feet), and the Johnson Geo Centre (33,600 square feet). We found the overall undergraduate population had fallen by nine per cent (1,369 students) while the graduate population had grown by 39 per cent (1,307 students) between Fall 2012 and Fall 2023 (Table 6). Of the 18,896 enrolments in Fall 2023, 14 per cent of students (2,659) were online learning compared to 12 per cent in Fall 2012. While online-only enrolment had decreased by 75 students (three per cent) from Fall 2021 to Fall 2023, online enrolment had remained stable as a percentage of total enrolment. We note that Memorial advised that it is difficult to correlate physical space with enrolment numbers because, for example, graduate students require more space than undergraduate students and various programs have varied space needs.

Table 6
Memorial University Student Enrolment
2012 to 2023

Enrolment	2012			2023			Increase / (Decrease)	Increase / (Decrease)
	In-Person	Online	Total	In-Person	Online	Total	#	%
Undergraduate	13,138	1,712	14,850	11,883	1,598	13,481	-1,369	-9.2%
Graduate	2,453	933	3,386	3,951	742	4,693	1,307	38.6%
Post-graduate Medicine	239	6	245	253	1	254	9	3.7%
Certificates and Diplomas	674	8	682	449	19	468	-214	-31.4%
Total	16,504	2,659	19,163	16,536	2,360	18,896	-267	-1.4%

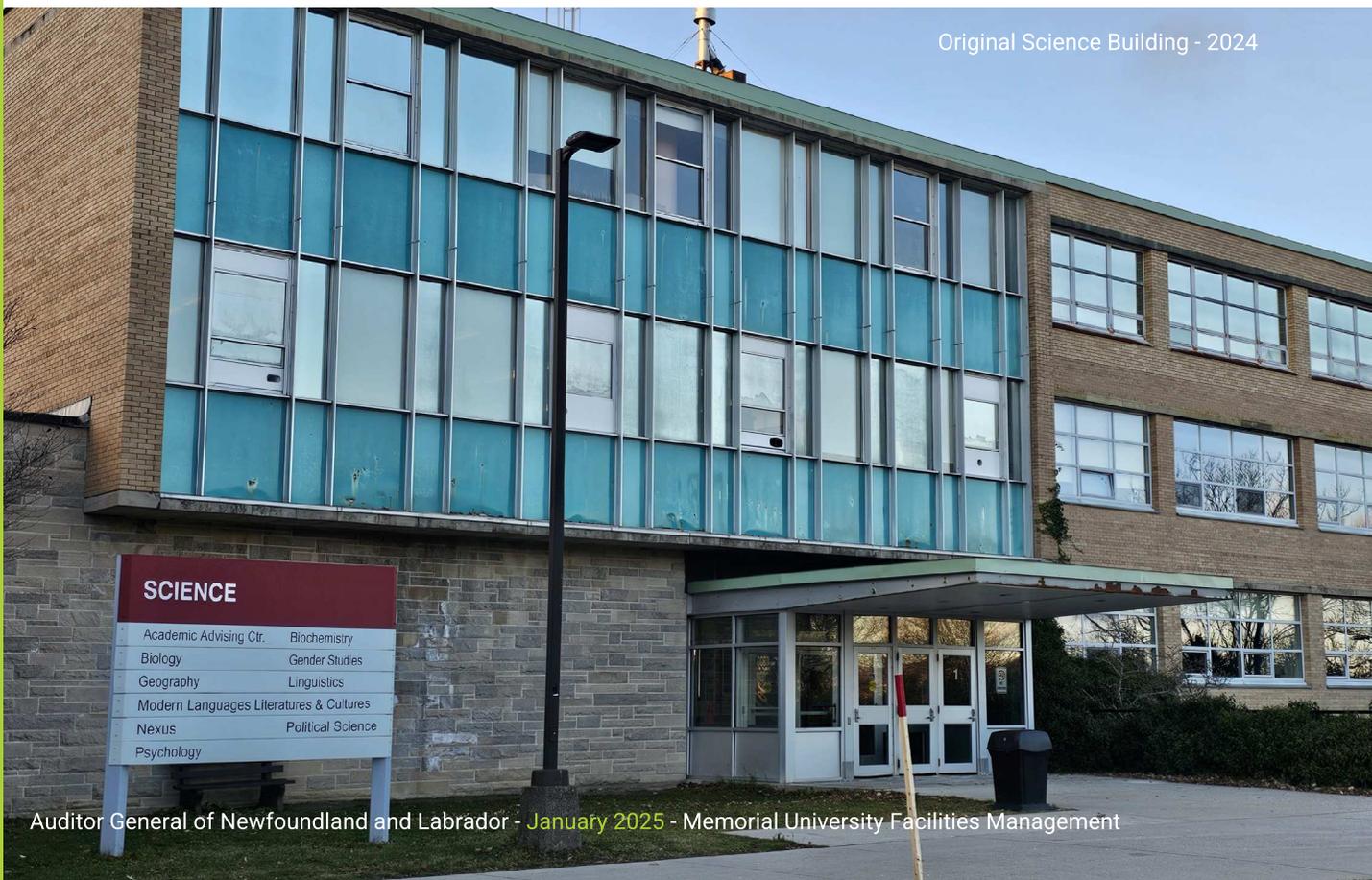
Source: Prepared by the Office of the Auditor General based on Memorial University’s Fact Book, unaudited.



Case Study - Science Building Replacement

As part of our audit, we analyzed the Science Building replacement project and noted the following key timeline events:

- 1961 - Original Science Building was constructed containing 239,000 square feet of space.
- 2012 - Memorial's President stated the new Core Science Facility, was intended to replace the original Science Building which had \$34 million worth of deferred maintenance repairs outstanding at the time.
- 2013 - A University study concluded the original Science Building was at the end of its designed life cycle and no longer supported certain new methods of instruction and research. Memorial determined the provision of modern teaching spaces in a new Core Science Facility would allow the removal of Faculty of Science spaces from the original Science Building.
- 2015- Core Science Facility Project was approved by Government in February and construction began later that year.
- 2018 - A meeting of the University Buildings Strategy – Science Building Committee noted the closure of the original Science Building would save \$2.5 million annually in operating costs.
- 2019/20 - Board of Regents approved plan to retain and renovate one quarter of the original Science Building and demolish the remaining three quarters at a cost of \$41 million. The decision to maintain one quarter resulted from the fact that underground tunnels and overhead pedways are connected to this wing, as well as the need to retain the 284-seat capacity lecture theatre, which the new Core Science Facility lacked.
- 2021- Official opening of the new Core Science Facility, which cost \$347 million and contained 480,000 square feet - double the size of the original Science Building, and all non-shared space. There was approximately \$35 million worth of outstanding original Science Building deferred maintenance repairs at the time.
- 2023 - The Office of the Registrar determined there was enough excess capacity in other buildings to support the closure of the original Science Building.
- 2024 - \$33 million worth of overdue deferred maintenance repairs outstanding on the original Science Building, which is consistent with 2021 and 2012 figures due primarily to inflation costs being offset by decreases from reassessments.
- 2024 - No cash flow projection and no significant action taken on the proposed renovation project of the original Science Building as, according to officials, it was on hold pending future funding.



As of March 2024, the original Science Building still had 49 per cent of spaces occupied by active academic units, with 11 per cent occupied by Faculty of Science departments and the remaining 38 per cent occupied by other faculties.

A 2013 study stated that one benefit of constructing a new Core Science Facility was the consolidation of Faculty of Science departments. In addition, a 2011 submission to government on the new Core Science Facility stated that a benefit of the construction would be to reduce the number of buildings the Faculty of Science occupied from six to three buildings. However, as of December 2023, the Faculty of Science was split between seven buildings (Table 7).

**Table 7
Increase in Faculty of Science Locations**

2011	2024
Original Science Building	Original Science Building
Chemistry-Physics Building	Chemistry-Physics Building
Biotechnology Building	Biotechnology Building
Mathematics Building	Mathematics Building
Engineering and Applied Science Building	Engineering and Applied Science Building
Earth Sciences Building	Earth Sciences Building
	New Core Science Facility

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

We found during the Winter 2024 semester, the classroom utilization rate in the original Science Building was six per cent for non-shared classrooms and 59 per cent for shared classrooms. In comparison, the new Core Science Facility did not have any shared classrooms or laboratories and had a utilization rate of 16 per cent.

Based on our analysis we note since 2012:

- There has been no significant change to the value of deferred maintenance requirements for the original Science Building.
- There has been no improvement in the physical location consolidation of the Faculty of Science departments or units.
- There has been no movement or timeline for renovating or demolishing the original Science Building, which is still being utilized and incurring significant operating costs.

New Core Science Building - 2024





Why It Matters

Appropriate management of the University's current and future space needs is essential for efficiently supporting safe spaces which are critical for fostering effective teaching, research, and learning. Modern, functional spaces contribute to student satisfaction and success and aid in the recruitment of students and faculty.

Given Memorial's financial situation and declining enrolment, it is critical that Memorial ensures it is effectively utilizing its current space. Efficient space management reduces financial waste, minimizes underused facilities, and maximizes utility. If there were processes in place to document, assign, and monitor spaces, the University's utilization rates may be closer to industry benchmarks. Gaps in known space was a contributing factor to weak reporting of space-related information to those charged with governance.

Appropriate scheduling and higher utilization of academic spaces could result in unused, deteriorating spaces being considered for elimination, which could lead to lower operational costs and deferred maintenance liabilities. As the growth in the University's footprint in the last decade has not been proportionate to the growth in student enrolment, it is critical that Memorial rationalize its use of space to ensure it can meet its fiscal responsibilities.

Chemistry-Physics Building - 2024



Findings - Deferred Maintenance

Objective

To determine whether Memorial University effectively manages its capital portfolio.

Criteria 3

Memorial University appropriately manages its deferred maintenance and the funding attributed to it.



What We Expected

We expected the University to perform routine preventative repair and maintenance work. We expected Memorial to have a manageable amount of required repair and renewal work outstanding and expected it to ensure its infrastructure condition aligned with or exceeded industry benchmarks. Given the importance of maintaining infrastructure to support a safe and effective learning environment, we anticipated Memorial would prioritize maintaining or improving its facility condition over time.

We expected Memorial to undertake deferred infrastructure maintenance in a way that maximized the impact of available funding. We expected critical maintenance work to be the first repairs or renewals addressed. We expected emergency repairs would take priority over critical deferred maintenance, however, we also expected that emergency repairs would not often be required due to preventative and regular infrastructure maintenance.

We expected strategic plans to be in place to address the University's significant outstanding deferred maintenance liability and expected these plans to include funding requirements to address any worsening infrastructure conditions.

We expected the University to have a clearly defined purpose for campus renewal fees. We also expected guidance to be in place detailing appropriate campus renewal fee funding expenditures and for these expenditures to be in line with their intended purpose - addressing critical deferred maintenance projects. We expected allocations from campus renewal funds to be approved by the appropriate authority levels.



What We Learned

Infrastructure Condition

Memorial's Capital Deferred Renewal Funding Procedure was intended to define how the University allocated funding to renew infrastructure between necessary deferred maintenance projects. **In effect, Memorial had no other deferred maintenance policies or procedures in place.**

Memorial has had the same third-party engineering consulting firm performing facility condition assessment services on the University's buildings and components and to maintain facility condition data since 2009. Annually, a capital management software report (Condition Report) was produced by the third-party consultant for Memorial which detailed estimated repair costs for buildings and their components over the next five years. Using capital management software called VFA Capital Planning, the consultant assessed and updated information on the condition of approximately ten to 15 per cent of the University's square footage annually, which was used to produce Condition Reports. For Condition Report input, the consultant performed visual walk-throughs of roughly 90 per cent of accessible areas of the annual square footage assessed annually.

This information was intended to aid Memorial in determining the priority of deferred maintenance projects under the Campus Deferred Renewal Plan. **We found this capital management software contained limited historical data on asset conditions, limiting the ability for Memorial to track condition changes over time. The consultant noted the industry standard for institutions in the education sector was to reassess asset conditions and update data on a five-year cycle, though it was also stated that all of Memorial’s buildings would receive assessment over an eight-to-ten-year period.**

We found the Capital Deferred Renewal Funding Procedure did not mention the use of asset condition data (via Condition Reports) in the determination of priorities, despite this being generated from the third-party software system intended to track building component lifecycles. In other words, the determination of projects was subjective.

As of March 31, 2024, the University’s facilities condition index was rated poor and nearing critical at 27.8 per cent.

**Figure 9
Facility Condition
Index Ratings**



Source: Prepared by the Office of the Auditor General based on information from the Appraiser Institute of Canada, Memorial University's 5-year Infrastructure Plan, and the 2024 Capital Management Software Detail Report.

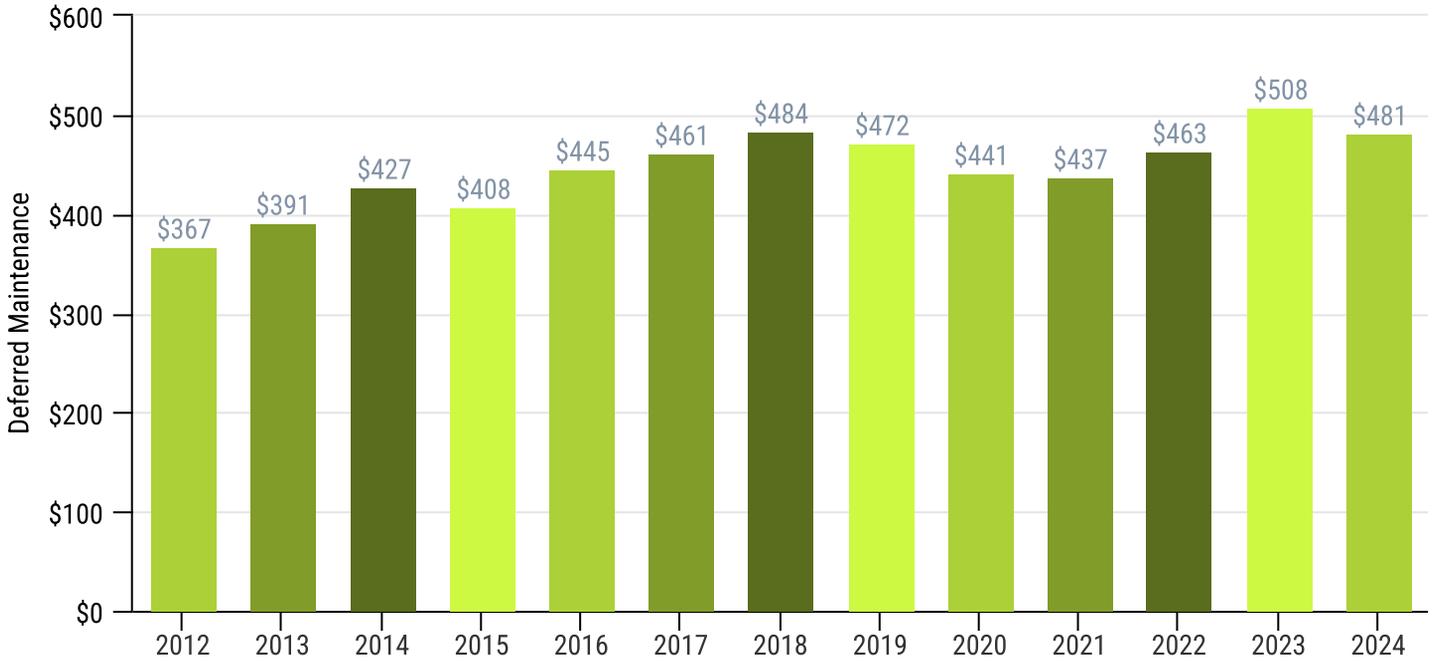
**Table 8
Memorial University Facilities Condition Index - 2012 and 2024**

Location	Facilities Condition Index 2012	Facilities Condition Index 2024
Grenfell Campus	21.0%	28.9%
Harlow Campus	N/A ¹	28.8%
Memorial Off-Campus ²	27.1%	23.0%
Memorial On-Campus	25.6%	28.1%
Entire Campus	25.2%	27.8%

Source: Prepared by the Office of the Auditor General based on the 2012 and 2024 Condition Report, unaudited. 1. Harlow Campus data was not included in the Condition Reports prior to 2021. 2. The facilities condition index for off-campus properties decreased between 2012 and 2024 due to the addition of assets such as the Johnson Geo Centre and the Emera Innovation Exchange. Memorial off-campus refers to infrastructure in the St. John's region that is not located at the St. John's campus on Prince Philip Drive, including Signal Hill campus, the Botanical Gardens, and the Ocean Sciences Centre.

We compared Memorial’s 2012 and 2024 annual Condition Reports and found during this time, deferred maintenance grew by \$114 million (31 per cent), from \$367 million to \$481 million (Figure 10). By comparison, the 2012 outstanding deferred maintenance balance of \$367 million would cost \$486 million in 2024 based on inflation alone; in other words, the deferred maintenance balance today is the same as in 2012, yet expenditures have not risen and Memorial's footprint has grown by 35 per cent. This does not appear to be possible given the age of the portfolio. Over the same period, the University’s expenditures for repairs and maintenance decreased from \$31 million in 2012 to \$26 million in 2024. **Deferred maintenance liabilities, excluding asset retirement obligations, are not recorded as an item on the financial statements; however, their total value represented 27.6 per cent of the University's recognized financial statement liabilities in 2024.**

Figure 10
Memorial University's Deferred Maintenance Liability 1
Per Annual Condition Reports (millions)



Source: Prepared by the Office of the Auditor General based on Memorial University's 2012 and 2024 Capital Management Software Condition Report data. 1. Memorial's deferred maintenance values were provided by Memorial and are unaudited as they do not meet the definition of a financial statement liability so are not included in Memorial's audited 2024 financial statements.

According to the Condition Reports for 2023 and 2024, the total deferred maintenance liability decreased by \$27 million (\$508 million to \$481 million). However, the Condition Report for 2024 had included an additional \$69 million (excluding inflation) for work to be performed in 2029-30. The actual difference between 2023 and 2024 was a \$96 million decrease in outstanding repairs, which was comprised primarily of reassessments, with the remainder being work completed and demolitions. The most recent demolitions occurred in 2023. Table 9 provides details on the ten oldest academic buildings at the St. John's Campus:

Chemistry-Physics Building - 2024



Table 9
Ten Oldest Academic Buildings - St. John's Campus 1
As of March 31, 2024 (millions)

Building	Age	2024 Replacement Value (millions)	2024 Outstanding Repairs (millions)	2024 FCI (%) and Condition	Last Assessed	2012 Replacement Value (millions)	2012 Outstanding Repairs (millions)	2012 FCI (%) and Condition
Mathematics	63	\$12.7	\$6.6 (0.8 Critical Repairs)	52.0% (Critical)	2020	\$12.7	\$4.9	38.6% (Critical)
Education	58	57.5	27.1 (16.3 Critical Repairs)	47.1% (Critical)	2020	57.5	26.0	45.2% (Critical)
Physical Education	63	49.0	19.1 (1.9 Critical Repairs)	39.0% (Critical)	2021	49.0	15.9	32.4% (Critical)
Chemistry-Physics	57	91.5	32.6 (15.2 Critical Repairs)	35.6% (Critical)	2023	91.5	30.0	32.8% (Critical)
Original Science	63	94.2	33.0 (4.7 Critical Repairs)	35.0% (Critical)	2023	94.2	33.9	36.0% (Critical)
Engineering and Applied Science	50	115.5	35.5 (7.2 Critical Repairs)	30.7% (Critical)	2020	115.5	36.0	31.2% (Critical)
Computing Services	52	4.0	1.2 (0.4 Critical Repairs)	30.0% (Poor)	2021	4.0	0.5	12.5% (Poor)
Arts and Administration	63	43.6	12.7 (3.5 Critical Repairs)	29.1% (Poor)	2020	43.6	10.5	24.1% (Poor)
Queen's College	56	17.1	3.5 (0.1 Critical Repairs)	20.5% (Poor)	2021	17.1	5.5	32.2% (Critical)
St. John's College	57	6.4	1.1 (0 Critical Repairs)	17.2% (Poor)	2021	6.4	1.6	25.0% (Poor)
Total		\$491.5	\$172.4 (\$50.1 Critical Repairs)	35.1% (Critical)		\$491.5	\$164.8	33.5% (Critical)

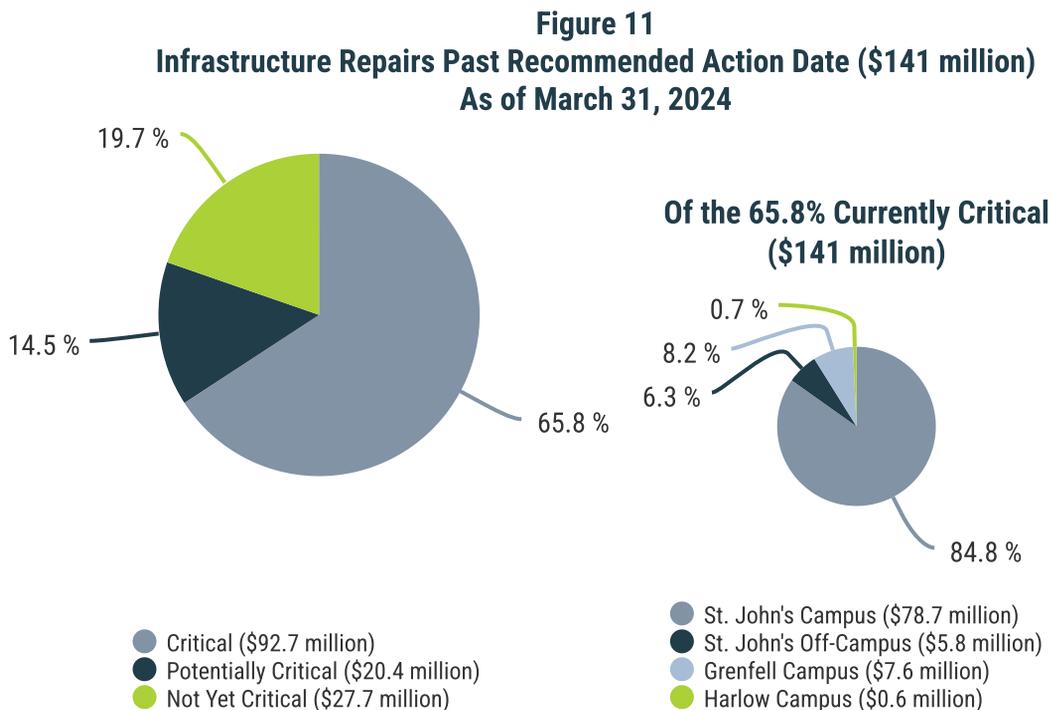
Source: Prepared by the Office of the Auditor General based on Memorial University's 2012 and 2024 Capital Management Software Condition Report data, unaudited. 1. These ten buildings represent approximately 24 per cent of Memorial's total replacement value and 35 per cent of Memorial's total deferred maintenance liability of \$481 million. Of the \$172 million of outstanding deferred maintenance repairs in 2024, \$50 million (29 per cent) were critical.

The facilities condition index for these buildings worsened between 2012 and 2024. The replacement value for these buildings had not been updated between 2012 and 2024. Simple inflation on the replacement value would result in the 2012 replacement value increasing to \$650.5 million as of 2024, which is not reported in Memorial's financial statements.

Among the reassessed buildings was the original Science Building. Its 2023 facilities condition index was 44 per cent, which is in the critical category. In 2024, it was 35 per cent, an improvement of nine per cent (\$8.4 million). However, no outstanding deferred maintenance repairs were performed on the building; this change was the result of the reassessment of assets. Reassessed building components that were no longer on the list of outstanding repairs without any work completed included sanitary sewer piping (\$4 million), concrete block partitions (\$1.4 million), interior doors (\$1.1 million), and brick veneers (\$888,000).

We also found the original Science Building's replacement value on Condition Reports provided by the third-party consultant had not been updated since 2012, despite the increase in cost due to inflation over that time. Officials stated the capital management software does not have an automated method of updating the replacement value and it must be entered manually. As can be seen in Table 9, none of the ten oldest academic buildings have had their replacement values updated since 2012.

Condition Reports provided a recommended action date and an estimated cost for each item listed. **We found, out of the total deferred maintenance of \$481 million, \$141 million (29 per cent) was past its recommended action date. Of the \$141 million, \$93 million (66 per cent) was classified as critical, \$20 million (14 per cent) was classified as potentially critical, and \$28 million (20 per cent) was classified as not yet critical (Figure 11).**



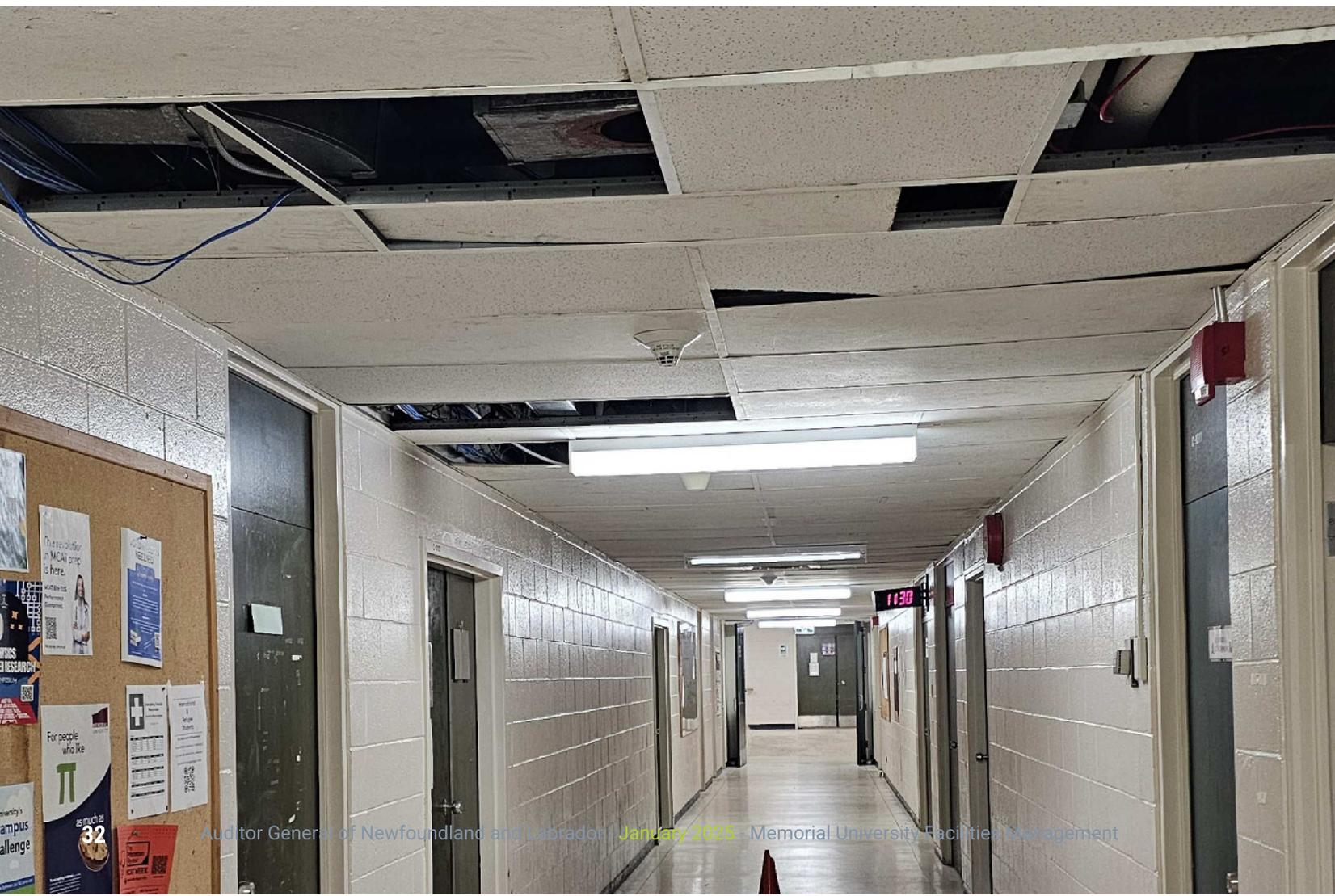
Source: Prepared by the Office of the Auditor General based on Memorial University's 2024 Condition Report, unaudited.

The remaining \$340 million represent deferred maintenance work due within the next five years.

We sampled 40 deferred maintenance items which were removed from Condition Reports between 2022 and 2024.

- **We found 27 of 40 samples (68 per cent), totalling \$22.1 million, were beyond the recommended date for work to be performed.** On average, these 27 repair items were eight years past their recommended action date. **One of the items sampled, exterior light infrastructure costing \$208,000, was 37 years past its action date when it was removed through reassessment.**
- **We found 27 samples (68 per cent), totalling \$31.6 million, were removed from Condition Reports due to consultant asset reassessments and not repair or renewal work performed. We found that the consultant's documentation to support all 27 (100 per cent) of the reassessment samples, which decreased the deferred maintenance liability value by \$31.6 million, was inadequate. It appears there was little oversight when it came to verifying and retaining appropriate documentation for these changes.**
- We found, of the remaining 13 samples where work was performed, one (eight per cent) was identified by Memorial as an emergency repair. This was an elevator repair in 2022, which occurred after the recommended 2020 repair date and cost \$462,000 over the original estimate at that time. We could not determine whether the other 12 samples (92 per cent), totalling \$5.5 million, were for emergency repairs because the University did not track this information.

We identified other items that seemed to be unplanned repairs within our audit period. One of these repairs, related to sanitary piping in 2021-22, cost approximately \$114,465 over the \$35,535 original estimate for the repair of this asset. **We found two other emergency repairs, totalling \$46,400, were related to furniture replacements that were not on the Condition Report's list of required repairs.** We also found one emergency repair in 2023 that cost almost double the original \$72,630 estimate. The asset repair was in the Condition Report as "not yet critical." **This repair was funded from the campus renewal fee, but occurred at one of the University's separately incorporated entities, which are not intended to avail of campus renewal fee funds.**



Campus Renewal Fees

Purpose and Compliance

The University Planning and Budget Committee stated the campus renewal fee was meant to be directed toward deferred maintenance or repairs, not new builds. Also, the Capital Deferred Renewal Funding Procedure stated that projects should “be approved and funded with the goal to achieve the highest function, longevity and safety of the respective University infrastructure”. The overall purpose of the campus renewal fee was to address the most critical deferred maintenance concerns, however the language used to describe the purpose was open to interpretation. **We found Memorial did not specify what was or was not an eligible expenditure from the campus renewal fee fund, as there were no related policy or guidance documents.**

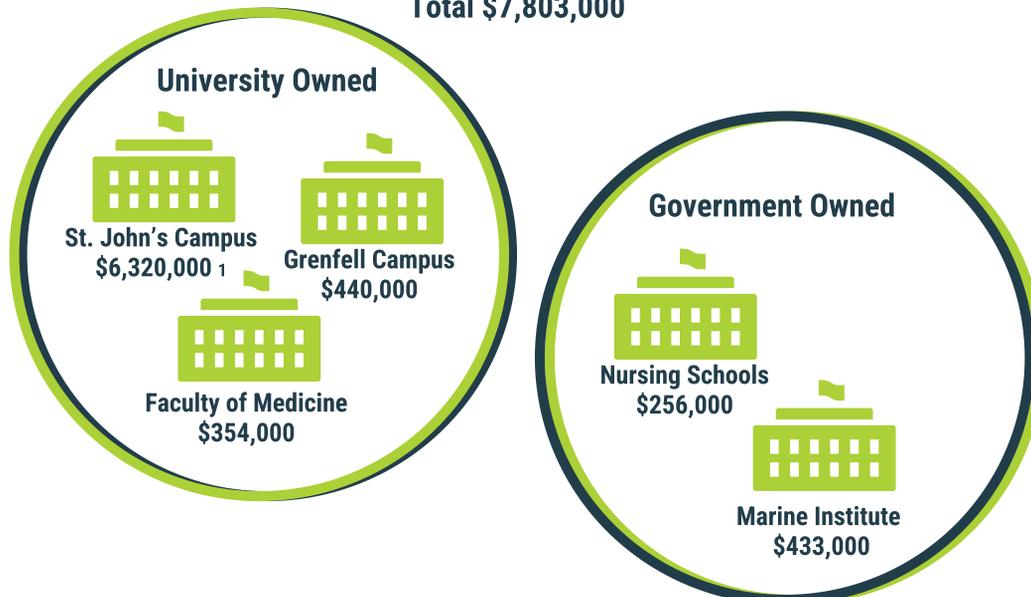
Rather than allocating based on need, campus renewal fee revenue was allocated based on location of tuition earned. The St. John’s Campus, the Grenfell Campus, the Faculty of Medicine, and the Marine Institute were allocated the campus renewal fees received from their respective students’ enrolment tuition (Table 10 and Figure 12).

Table 10
Deferred Maintenance and Campus Renewal Fee Allocations
As of March 31, 2024

Location	Deferred Maintenance	Campus Renewal Fee Allocation	Per Cent of Deferred Maintenance
St. John's Campus	\$412,270,457	\$6,320,000	1.5%
Marine Institute	\$150,078	\$433,000	288.5%
Grenfell Campus	\$49,607,339	\$440,000	0.9%
Faculty of Medicine	\$18,694,313	\$354,000	1.9%
Total	\$480,722,187	\$7,547,000	1.6%

Source: Prepared by the Office of the Auditor General based on Memorial University's Capital Management software Condition Report data and campus renewal fee allocation data, unaudited.

Figure 12
Campus Renewal Fee Allocation
Year ended March 31, 2023
Total \$7,803,000



Source: Prepared by the Office of the Auditor General based on information provided by Memorial University. 1. The St. John's Campus includes The Launch. 2. The Marine Institute's Ridge Road Campus and Foxtrap facility are government owned, but does not include The Launch.

The University’s St. John’s Campus’ Facilities Management Department (Facilities Management) is responsible for managing deferred and regular infrastructure maintenance of the St. John’s Campus, the Botanical Gardens, the Ocean Sciences Centre, the Harlow Campus, and the Signal Hill Campus. The Grenfell Campus and the Marine Institute are responsible for their own respective deferred and regular maintenance. The Labrador Campus is a leased facility and therefore Memorial is not responsible for its maintenance costs, and it does not receive campus renewal fees. **While the Marine Institute leases buildings from government and other entities that own the Institute’s buildings, and are therefore responsible for their deferred maintenance, the Marine Institute was still allocated campus renewal fees.**

We found the decentralization of repair priorities and the method of campus renewal fee distribution led to critical repairs often not being addressed first, or ever, while also resulting in some locations having a campus renewal fee surplus carried over from previous years. As of July 2023, the Marine Institute had a campus renewal fee surplus of \$848,518 from unspent previous allocations. As of March 2024, the Faculty of Medicine had also accumulated a campus renewal fee surplus of \$1.3 million from previous years. **These surpluses were maintained by campuses rather than being applied to critical projects at other campuses.**

Grenfell Campus and the Faculty of Medicine received a portion of the campus renewal fee despite not submitting their campus renewal fee projects for Board of Regents approval. We noted that 2024 was the first year the Faculty of Medicine submitted a detailed annual repair list to the Board of Regents for approval as required.

The information provided by campuses and units to the Board of Regents for campus renewal fee project approval was sometimes broad in description and did not specify the specific buildings or areas receiving work (such as “concrete and asphalt replacement throughout campus”).

Table 11
Campus Renewal Fee Spending by Campus Location
Number of Samples in Conflict with Purpose of the Campus Renewal Fee

Campus	Samples Tested	Capital	Computer Equipment & Software	Furniture & Equipment	Repairs & Routine Maintenance	Total Samples in Conflict	% of Total Samples
St. John's Campus	22 Samples	5	3	1	2	11	50%
Grenfell Campus	17 Samples	-	2	1	1	4	24%
Marine Institute	11 Samples	4	1	6	-	11	100%
Faculty of Medicine	12 Samples	2	-	8	1	11	92%
Total	62 Samples	11	6	16	4	37	60%
Cost	\$3,513,802	\$665,278	\$1,343,500	\$171,934	\$369,004	\$2,549,716	73%

Source: Prepared by the Office of the Auditor General based on Memorial's sample documentation examined over the audit period.

Expenditures

We tested 62 samples totalling \$3.5 million out of approximately \$18 million campus renewal fee expenditures during our audit period (19 per cent). **We found 37 of our 62 samples (60 per cent), totalling \$2.5 million or 73 per cent of the total amount examined, had instances of expenditures funded by the campus renewal fee that did not appear to agree with the funding's purpose (Table 11). We found non-critical renovations were purchased with the funds, such as adding sound dampening to a cafeteria area at Marine Institute for \$12,801 and landscaping at the Faculty of Medicine for \$50,933.**

We found 11 of 37 campus renewal fund expenditures (30 per cent), totalling \$665,278, related to capital expenditures. This included funding for the construction and mortgage of The Launch facility, asset demolition costs, and consultant fees related to a study on a potential new data centre. We did not find evidence that these expenses were considered critical deferred maintenance.

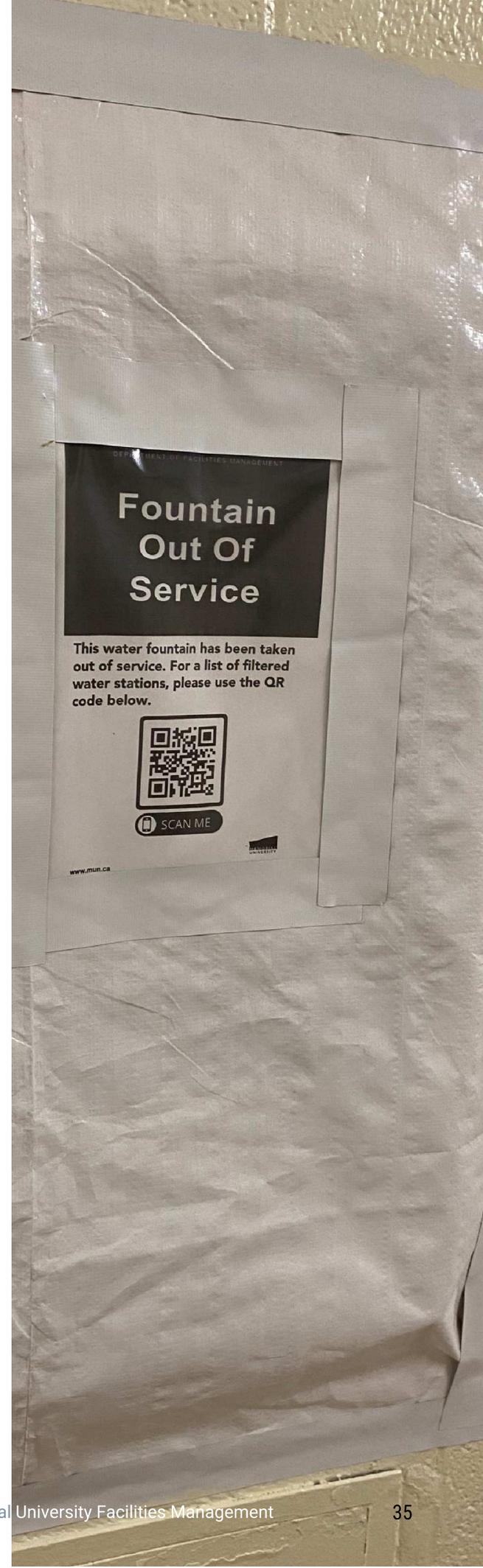
We found six of our 37 samples (16 per cent), totalling \$1.3 million, were purchases of computer equipment or software. This included the purchase of 174 Dell computers for Grenfell Campus staff for \$249,384 and the purchase of 22 Apple MacBooks at the Grenfell Campus for \$72,268. We were advised that normally units are responsible for purchasing laptops and computers through their individual operating budgets. We could not determine why these purchases were funded by the campus renewal fee, as information technology infrastructure was not part of the procedure.

We found 16 of the 37 campus renewal fund expenditures we examined (43 per cent), totalling \$171,934, were for furniture and equipment purchases. This included chairs for the medical school lobby for \$29,276; a tractor purchased at the Grenfell Campus for \$45,675; five glass marker boards for the St. John's Campus for \$3,016; gym equipment purchases for \$13,390 at the Marine Institute; lab equipment purchases for \$12,290; and audio-visual boardroom equipment for \$17,054. We could not find information to confirm these purchases were considered critical deferred maintenance projects.

We found four of 37 campus renewal fund expenditures (11 per cent), totalling \$369,004, were for routine maintenance expenses: deep water line cleaning at the Ocean Sciences Centre totalling \$353,506 which was not listed as critical work on any of the Condition Reports in our audit period, and installing an automatic door opener for \$1,714 at the Faculty of Medicine. Routine maintenance expenses generally do not meet the criteria of a deferred maintenance project.

We found the only dedicated funding source at the University to address the \$481 million deferred maintenance liability was the campus renewal fee paid by students (between \$50 and \$250 per student each semester). Prior to implementation of the campus renewal fee in 2017-18, Memorial allocated seven million in 2015-16 and eight million in 2016-17 to deferred maintenance from its operating budget on a one-time basis.

We found campus renewal fee revenue of approximately \$7.8 million annually was insufficient to address deferred maintenance requirements. The cost to maintain the same overall infrastructure condition had risen from \$23.1 million in 2017-18 to \$41.0 million in 2023-24. In other words, if Memorial invested \$41 million annually into its facilities, there would be no change to its deferred maintenance liabilities (or corresponding facilities condition index); they would need \$65 million a year for fifteen years to reach to return to poor condition overall. It should be noted that these costs do not include annual repairs and maintenance costs to maintain Memorial's facilities.



The University's Campus Deferred Renewal Plan targeted an industry-standard buildings reinvestment rate of one to two percent annually. However, the average reinvestment rate since the inception of the campus renewal fee has been approximately 0.26 per cent. The building reinvestment rate is the percentage of the replacement cost of a building that is required to be spent annually to maximize the building service over its lifespan. **To meet its target of one to two per cent, Memorial would need to reinvest between \$20 and \$40 million annually.**

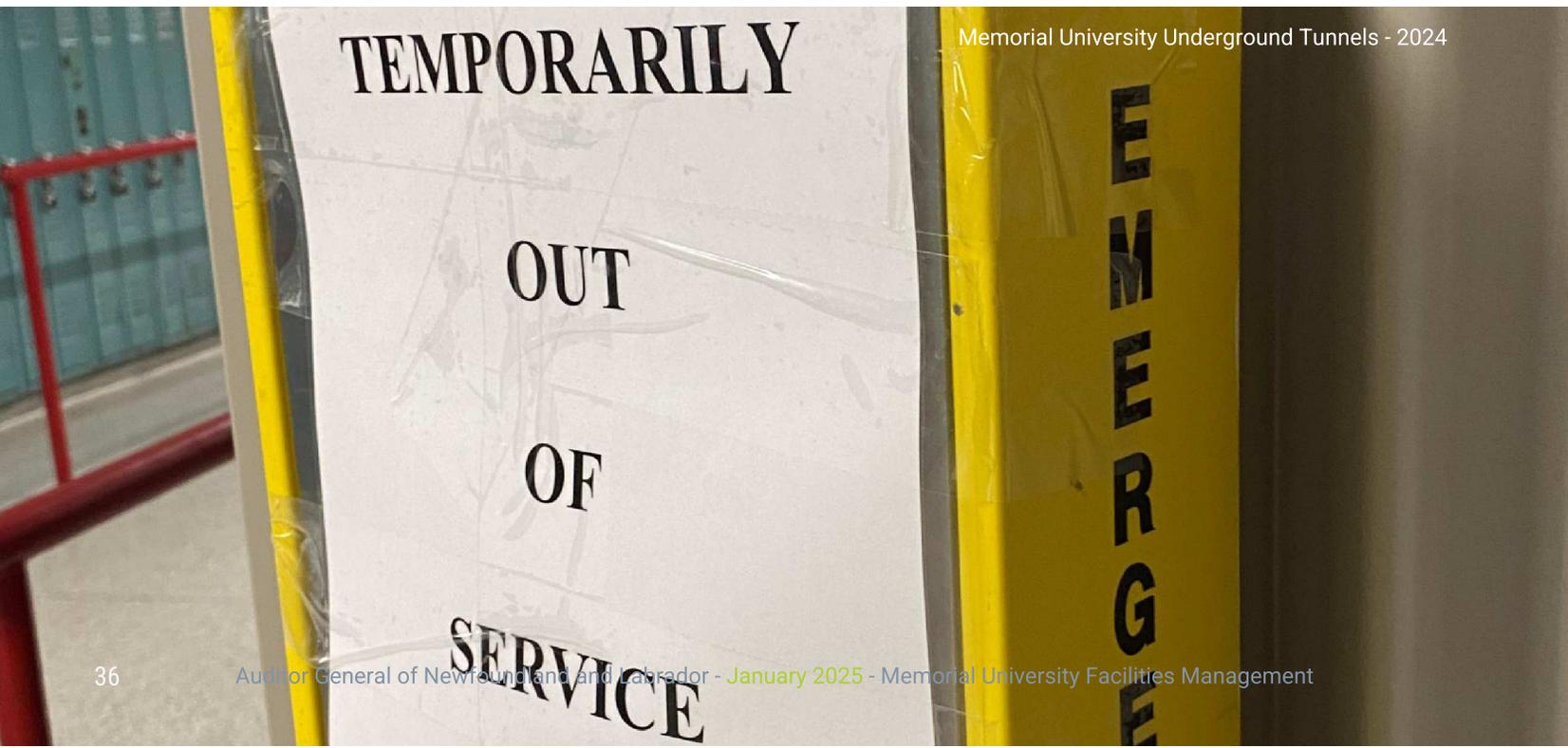
In 2020, the Board of Regents approved a Deferred Maintenance Financing Program where \$100 million was to be borrowed and spent on deferred maintenance priorities over eight years. As of October 2024, no implementation action had been taken. In reviewing Board of Regent meeting minutes from 2020 onwards, we found no evidence of follow-up discussions on this topic.

Why It Matters

With the University's outstanding repairs at \$481 million (almost a quarter of the replacement value), the management of these liabilities and renewal of infrastructure is critical. Failing to address the infrastructure deficiencies negatively impacts student experiences and poses potential health risks, such as roof leaks, failing elevators, exposed asbestos, and collapsed ceilings. Since deferred maintenance could include the abatement of asbestos and mold within the University's buildings, if part of a planned project, addressing the outstanding repairs would decrease the risk to student health.

The University's campus renewal fee is the only dedicated funding source used by Memorial to address growing deferred maintenance issues across its campuses but is insufficient to meaningfully address the list of outstanding repairs. The University has not implemented a plan to offset the shortfall in funding. This is made even more critical when campus renewal funds appear to not be used for their intended purpose. As this is a mandatory student fee, the University owes students a duty of care to ensure the fee is used appropriately.

The absence of deferred maintenance policies and procedures and sufficient resources has allowed critical gaps in preventative maintenance and infrastructure management across the institution. This has resulted in higher costs to repair or replace assets when they fail due to lack of regular maintenance. The University's facilities condition index is approaching critical, and reassessment changes and replacement values in Condition Reports may not be accurate. Failure to perform timely critical maintenance is not only a safety concern but also affects students' learning experience and may negatively impact the University's credibility.



Memorial University Underground Tunnels - 2024

Findings - Facilities Management Oversight

Objective

To determine whether Memorial University effectively manages its capital portfolio.

Criteria 4

Memorial University has appropriate and effective oversight of the management of its capital portfolio.



What We Expected

We expected those charged with governance to actively fulfill their responsibilities related to the University's infrastructure. We expected there to be alignment between the University's infrastructure management and its overall strategic goals and objectives. We also expected oversight committees' roles and responsibilities related to infrastructure management to be clearly defined and for duties to be appropriately discharged. We expected records to be kept of oversight meetings and committees. We also expected the Board of Regents and senior executive to be made aware of and provide appropriate oversight to infrastructure-related committee activity.

We expected information related to infrastructure management and maintenance to be generated and reported to the appropriate oversight level as required. We expected the University's performance indicators to be clearly defined and provide clear targets for improvement, and to be tied to an appropriate measurement of infrastructure conditions.



What We Learned

Roles and Responsibilities

There were 12 committees related to infrastructure in operation during the audit period. Eight of these related specifically to infrastructure issues and four related to space management:

Infrastructure

- Campus Planning and Development Committee ¹
- Physical and Digital Infrastructure Committee
- University Planning and Budget Committee
- Presidents Executive Committee
- Enterprise Risk Management Committee
- University Buildings Steering Committee
- University Buildings Steering Committee – Working Group
- Campus Deferred Renewal Program Committee

Space Management

- Vice Presidents Space Committee
- Grenfell Space Committee
- Marine Institute Space Committee
- Faculty of Medicine Space Committee

1. This Committee was replaced by the Physical and Digital Infrastructure Committee in late August 2023

Terms of Reference

We found five of the University's 12 infrastructure-related committees (42 per cent) either did not have Terms of Reference available or had an outdated Terms of Reference.

We found eight of the committees' Terms of Reference did not state when the Terms of Reference should be reviewed and four committees did not recommend a meeting frequency. Two committees did not have a Terms of Reference document.

Committee Responsibilities

We found three of the 12 Committees (25 per cent) had issues discharging certain roles and responsibilities.

For example, we found the University Buildings Steering Committee's responsibility to assess the University's footprint was not performed. We also found the Enterprise Risk Management Committee did not meet between November 27, 2019 and January 30, 2024. The Committee was required to meet at least once a semester or more often if deemed necessary.

We also found the Enterprise Risk Management Committee did not meet between November 27, 2019 and January 30, 2024. The Committee was required to meet at least once a semester or more often if deemed necessary. The Capital Deferred Renewal Funding Procedure required the recommendation of the Enterprise Risk Management Committee for the Annual Repair Program. We found that, although the Capital Deferred Renewal Funding Procedure was updated in 2022, it still required recommendations from the Enterprise Risk Management Committee and did not identify an alternative approval authority for the deferred maintenance priority lists.

We found the Vice-President's Space Committee's Terms of Reference referred to responsibilities encompassing the entire University, such as developing guidelines to be communicated to the wider University community and providing recommendations to the Vice Presidents on space allocations and leasing. However, during our audit period, this Committee was only involved in matters related to the St. John's Campus. The Grenfell Campus, the Marine Institute, and the Faculty of Medicine had separate Space Committees and were not required to use St. John's Campus' space policies.

Information to Those Charged with Governance

We found nine out of the 12 (75 per cent) documents we audited related to space management and deferred maintenance oversight were either not generated or did not flow to those charged with governance, as required by policies, procedures, and best practice.

We found all six documents we audited related to space management oversight were either missing or inadequate. Three of these documents were not generated or reported to the appropriate level of oversight. The other three of these documents were inadequate as they were incomplete or did not follow policies and procedures.

We found three of six (50 per cent) documents related to deferred maintenance oversight were inadequate. Emergency repair information was inadequate as the University did not have a method to identify these types of expenditures and did not report them to those charged with governance.

We found expenditures that did not appear to agree with the purpose of the campus renewal fund and inadequate expenditure documentation. These issues were not identified by internal processes and reported to those charged with governance. Campus Deferred Renewal Plan information was inadequately reported to the appropriate level of oversight as not all campuses submitted their plans for approval as required.

Campus Renewal Fee Oversight

We found there was a lack of oversight related to the allocation and use of campus renewal fee funding. The reporting and approval structure for the fee was inconsistent throughout most of our audit period and lacked clearly defined roles and responsibilities. There was also a lack of clear and consistent guidance on how the campus renewal fee funding should be spent.

We found in 2022, the Campus Renewal Fee Report was sent to the Board of Regents without endorsement from the University Planning and Budget Committee, as required. We also found, until January 2024, there was inconsistency in the oversight structure for campus renewal fees. The Marine Institute's and St. John's Campus' renewal fee expenditures were approved by the Board of Regents. However, Grenfell Campus' expenditures were approved by its senior leadership and Faculty of Medicine expenditures were approved by the Dean, not the Board of Regents.

We found the Marine Institute's renewal fee reporting structure appeared reasonable; however, meeting minutes lacked documentation on the discussions surrounding the campus renewal fee allocation and did not provide details for the 2023-24 projects as it had in the prior year. The Grenfell Campus and the Faculty of Medicine did not have documented meeting minutes to show how projects were prioritized or how the campus renewal fees projects were chosen.

Historically, the Office of the Chief Risk Officer presented information on the use of campus renewal fees to the University Planning and Budget committee. We found the Office of the Chief Risk Officer's campus renewal fee presentation in November 2022 only contained an annual plan and did not cover a review of the preceding year's budget variances. The University Planning and Budget Committee requested additional campus renewal fee information from the Chief Risk Officer in December 2022, but this was not provided.

The University Planning and Budget Committee also stated that university-wide priorities were funded from the St. John's Campus renewal fees that benefited students from all campuses; however, the reverse was not true; that is, University-wide projects were not funded from the campus renewal fees of the other campuses outside of St. John's Campus. We found the St. John's campus renewal fee was split between Facilities Management for infrastructure and Memorial's Office of the Chief Information Officer for information technology projects. These information technology projects, such as data centre storage and backups, were often University-wide.

Strategic Alignment

We found the University's Campus Master Plan highlighted the shortfall in deferred maintenance funding without providing details on how Memorial might fund this significant issue. Memorial's 2017-2023 Multi-Year Infrastructure Plan (Multi-Year Plan) also highlighted this shortfall. **The Multi-Year Infrastructure Plan stated that consideration could be given to budgeting a block of annual funding up to \$44.9 million to improve infrastructure, however, we found no definitive plan to address the deferred maintenance liability was actioned as of December 2024. We also found the Multi-Year Plan was outdated and there was no current movement to update it as of December 2024.**

Infrastructure Key Performance Indicators

We found the University's 2021-26 strategic plan, Transforming Our Horizons, had two key performance indicators related to infrastructure management (Table 12). An annual scorecard of these indicators is published each summer on the University's website.

Table 12
Infrastructure-Related Key Performance Indicators
Memorial University's 2021-2026 Strategic Plan

Key Performance Indicator	Measurement
Invest in Teaching and Learning Facilities	Number of Renovated Teaching and Learning Spaces
Physical Infrastructure Renewal	Number of Renovation Projects Technology Expenditures Facility Condition Index

Source: Prepared by the Office of the Auditor General based on information in Memorial University's Report: Transforming Our Horizons, unaudited.

We analyzed the key performance indicator measurements against best practices and found a number of weaknesses (Table 13).

Table 13
Infrastructure-Related Key Performance Indicator Measurement Weaknesses

Key Performance Indicator Measurement	Weaknesses Identified
Number of Renovated Teaching and Learning Spaces	<ul style="list-style-type: none"> University's strategic plan did not define what was relevant to the "renovated learning space." The Plan did not define a target for the number of teaching space renovation projects. The "number of renovated teaching and learning spaces" indicator did not provide any information on the impact or quality of the projects completed.
Number of Renovation Projects	<ul style="list-style-type: none"> The Strategic Plan did not provide a target for the number of renovation projects to be performed. This performance indicator did not compare the amount spent with the amount required to keep the infrastructure from deteriorating. This performance indicator did not provide any information on the impact or quality of infrastructure projects completed, only the quantity.
Technology Expenditures	<ul style="list-style-type: none"> There was no target created for the technology expenditures as a key performance indicator.
Facility Condition Index	<ul style="list-style-type: none"> No specific facilities condition index was targeted. This measurement did not consider the operating cost or productivity losses associated with infrastructure deterioration. Memorial was not in control of the output of the facilities condition index calculation as it often changed due to other variables.

Source: Prepared by the Office of the Auditor General based on analysis of Memorial University's documentation.

The Board of Regents determined that there were too many key performance indicators on the scorecard and directed Executive to significantly reduce the number without reducing the number of goals. As a result, the tracking of Technology Expenditures key performance indicator was dropped from the 2022-23 scorecard.

The University's consultant stated that the facilities condition index "is a good metric to identify whether or not the health of a building or portfolio of buildings is in the same, better or worse condition than a prior period." However, the consultant also noted the metric has its limitations and is simple in nature; calculating the change in facilities condition index did not equate to investment (deferred maintenance work) as it included additional factors; such as changes in anticipated costs that outpace inflation or changes to the timing of anticipated replacements.



Why It Matters

It is important that Memorial has accurate and adequate infrastructure information and that it flows to those charged with governance to ensure that timely and well-informed decisions can be made. Clear and transparent oversight of student-funded expenditures, such as campus renewal fees, are particularly important as it directly impacts students' financial obligations as well as the student experience.

Key performance indicators are a tool for measuring the effectiveness of infrastructure management and oversight, but these measurements must be relevant, provide measurable targets, and address factors within the University's control. A lack of clear infrastructure key performance indicators means there have been deficiencies in the assessment in how well Memorial is performing in certain areas, which may have led to significant issues going unreported. Consistent and effective oversight of the University's infrastructure operations is critical in setting an appropriate tone for employees and for operations monitoring and taking corrective action when appropriate.



Memorial University Underground Tunnels - 2024

Subsequent Events

In March 2024, Government announced a budget allocation of \$6.5 million to offset students' campus renewal fee and support accessible and affordable post-secondary education. Memorial paused charging students the campus renewal fee for the academic year commencing September 2024.

Memorial advised our Office that it has been undertaking various activities to address certain deficiencies related to policies, procedures, and Terms of References since the conclusion of our audit.

Conclusions

We found that Memorial University does not effectively or efficiently manage its capital portfolio. From a weak policy environment to poor space management practices to a questionable deferred maintenance procedure, it appears Memorial does not have the culture to manage its aging infrastructure. There is a lack of oversight throughout the organization, with many of the figures and information used for our audit being unreliable or questionable.

Unfortunately, some of what we found in this audit was not new. In 2014, our Office issued a recommendation to Memorial University to ‘ensure audits and inspections of infrastructure are completed to identify maintenance requirements and that critical maintenance work is actioned in a timely manner’. We also issued a recommendation to the province to consider a long-term plan to address the University’s aging infrastructure and maintenance needs. As of December 2024, both recommendations were still only partially implemented.

Throughout our audit, we noted:

- Policies and procedures related to facilities management were outdated, incomplete, inconsistent or non-existent.
- Memorial could not provide the total space it currently occupies or the amount of space it was leasing.
- Classrooms and laboratories had low utilization rates and Memorial appeared to have more space than it needed.
- The University’s footprint had grown from 3.8 million square feet in 2012 to 5.1 million square feet (35 per cent) in 2023, while enrolment had decreased by 1.4 per cent.
 - Government’s footprint freeze did not have a material overall impact on the University’s footprint growth.
- As of March 31, 2024, the University’s facilities condition was rated poor and nearing critical, with deferred maintenance at \$481 million.
 - \$141 million was past its recommended action date; \$93 million was considered critical.
- There was minimal guidance about the campus renewal fee, with some expenditures we audited did not appear to agree with the funding’s purpose.
- There was a lack of oversight related to definitive plans to address the deferred maintenance liability, the allocation and use of campus renewal fee funding, and reporting of space management and deferred maintenance information.

Without significant effort to re-focus and re-define the management of its capital portfolio, Memorial will continue to face challenges in maintaining appropriate facilities. Any funding needed to tackle the significant deficiencies should only be expended when a reasonable plan, with appropriate policies and oversight, is defined and implemented – otherwise, it will potentially be an ineffective and inefficient use of taxpayer and student dollars.

Recommendations

We recommend Memorial University of Newfoundland and Labrador:

Recommendation 1

Develop and implement a comprehensive facilities management strategy for the University, with attention to preventative, routine, and deferred maintenance needs as well as space allocation, utilization and need.

Response: Memorial University accepts this recommendation.

Recommendation 2

Implement formal and consistent oversight processes to appropriately manage and monitor facilities management across the University, to ensure the best possible use of public resources.

Response: Memorial University accepts this recommendation.

Recommendation 3

Create and update a complete portfolio of facilities-related policies, procedures, and processes, while ensuring their consistent application, review and communication across the University.

Response: Memorial University accepts this recommendation

Recommendation 4

Update and regularly report against facilities-related key performance indicators and benchmarks to provide meaningful and objective evidence of progress toward improvement.

Response: Memorial University accepts this recommendation.

Recommendation 5

Formalize, implement and monitor academic space scheduling policies, procedures, and processes across the University.

Response: Memorial University accepts this recommendation.

Recommendation 6

Develop and implement an appropriate and comprehensive University-wide space management system, including an accurate and inclusive space database.

Response: Memorial University accepts this recommendation.

Recommendation 7

Regularly verify the accuracy of the space management system, including the performance of space audits and verification of data on insurable value reports.

Response: Memorial University accepts this recommendation.

Recommendation 8

Appropriately procure, document and approve all facility lease arrangements, based on the evaluation of need and existing alternative space, to ensure the best possible use of public resources.

Response: Memorial University accepts this recommendation.

Recommendation 9

Develop and implement a campus renewal fee strategy which includes detailed guidance, allocation methodology, prioritization, and appropriate communication.

Response: Memorial University accepts this recommendation.

Appendix - About This Audit

Why this Audit is Important

Memorial University is the only university serving the Province of Newfoundland and Labrador and is responsible for an infrastructure portfolio with a total replacement value of \$2 billion and deferred maintenance liabilities of \$481 million as at March 2024. This infrastructure forms the backbone of Memorial University's ability to provide educational programs and perform the research that supports its operations. Memorial University must have clear and effective means of managing this portfolio to ensure that it maintains this infrastructure prudently and with all due attention to efficiency and cost. We note two recommendations from our 2014 audit about facilities management remain partially implemented. We chose to audit Memorial University's facilities management to determine whether Memorial University's management and oversight of its capital portfolio, space needs, and deferred maintenance was effective and appropriate.

Objective

The objective of our audit was to determine whether Memorial University effectively manages its capital portfolio.

Criteria

Audit criteria were developed based on discussions with the Facilities Management Department and those of other campuses, Memorial University's management and staff, review of relevant documentation, guidelines, legislation, policies and procedures, and literature reviews. The Office of the Auditor General defined four criteria regarding the objective, which senior management of the Memorial University accepted as suitable:

The Office of the Auditor General assessed whether Memorial University effectively managed its capital portfolio against the following criteria:

1. Memorial University's policies and procedures for the management of its capital portfolio are clear and complete.
2. Memorial University appropriately manages its capital portfolio additions, renovations, replacement, removals and maintenance as well as its current and expected space needs.
3. Memorial University appropriately manages its deferred maintenance and the funding attributed to it.
4. Memorial University has appropriate and effective oversight of the management of its capital portfolio.

Scope and Approach

The topic of this audit was selected in October 2023 and the audit plan that was issued April 2024 covered the period from January 1, 2022, to March 31, 2024. The focus was on the management of Memorial University's capital portfolio, space needs, and deferred maintenance. It also included Memorial's oversight of its capital portfolio management.

The audit focused on the policies, procedures, and processes used by Memorial University for the management of its capital portfolio (such as, additions, renovations, replacement, removals and maintenance), the management of space for the University, and the management of Memorial's deferred maintenance related to its capital portfolio. This included Memorial's decision-making and planning for new capital structures, renovations or structure replacement, and addressing deferred maintenance items. This audit also examined the oversight processes, such as those of the Board of Regents' Physical and Digital Infrastructure Committee, as well as the processes for space management at Memorial, including the role of the Vice-Presidents' Space Committee.

The administrative services within the Facilities Management Department, such as fleet management, human resources, financial and administrative services, information technology and inventory, were excluded from this audit. The day-to-day operations and maintenance services of Facilities Management were also excluded as was project management for capital projects, such as new construction or renovation projects.

Audit Standards

This independent assurance report was prepared by the Office of the Auditor General of Newfoundland and Labrador after auditing Memorial University's management of its capital portfolio through our audit objectives and criteria.

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. 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 compliance 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 Representations

The President of Memorial University 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 compliance audit report on behalf of Memorial University.

Date Conclusion Reached

We obtained sufficient and appropriate audit evidence on which to base our conclusions on January 16, 2025 in St. John's, Newfoundland and Labrador.

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

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

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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; and 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 and Deputy Auditor General wish to thank the diligent audit team who performed their work with independence, credibility and integrity:

Dianna McGrath, CPA - Assistant Auditor General
Adam Martin, CPA - Audit Principal
Kerry Griffiths, CPA - Audit Manager
Pauline Reynolds, CPA - Audit Senior
Anthony Stewart, MA - Audit Senior
Andrew Way, CPA - 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.

Pictures throughout this report were taken by Office of the Auditor General staff.

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