



2016 Report of the Auditor General of New Brunswick

Volume I

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

Presentation Topics

2016 Volume I Report contains:

- Chapter 1 - Introductory Comments by the Auditor General
- Chapter 2 - Nursing Homes
- Chapter 3 - Public Trustee Services
- Chapter 4 - Agricultural Fair Associations





Department of Social Development Nursing Homes

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Nursing Homes

Why did we do this work?

- To determine the current situation & capacity within the system to meet the growing demand for services
- To provide objective information on the current status of nursing homes



What We Found

Future Nursing Home Demand

- Nursing home beds increased by 332 in last decade, at 4,400 beds in NB (March 2015)

Over the next 20 years (year 2036):

- Number of seniors aged 75+ in NB is expected to double
- If demand remains consistent, an estimated 10,700 nursing home beds could be needed



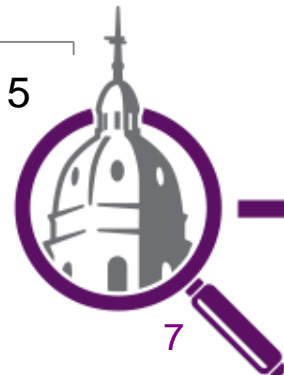
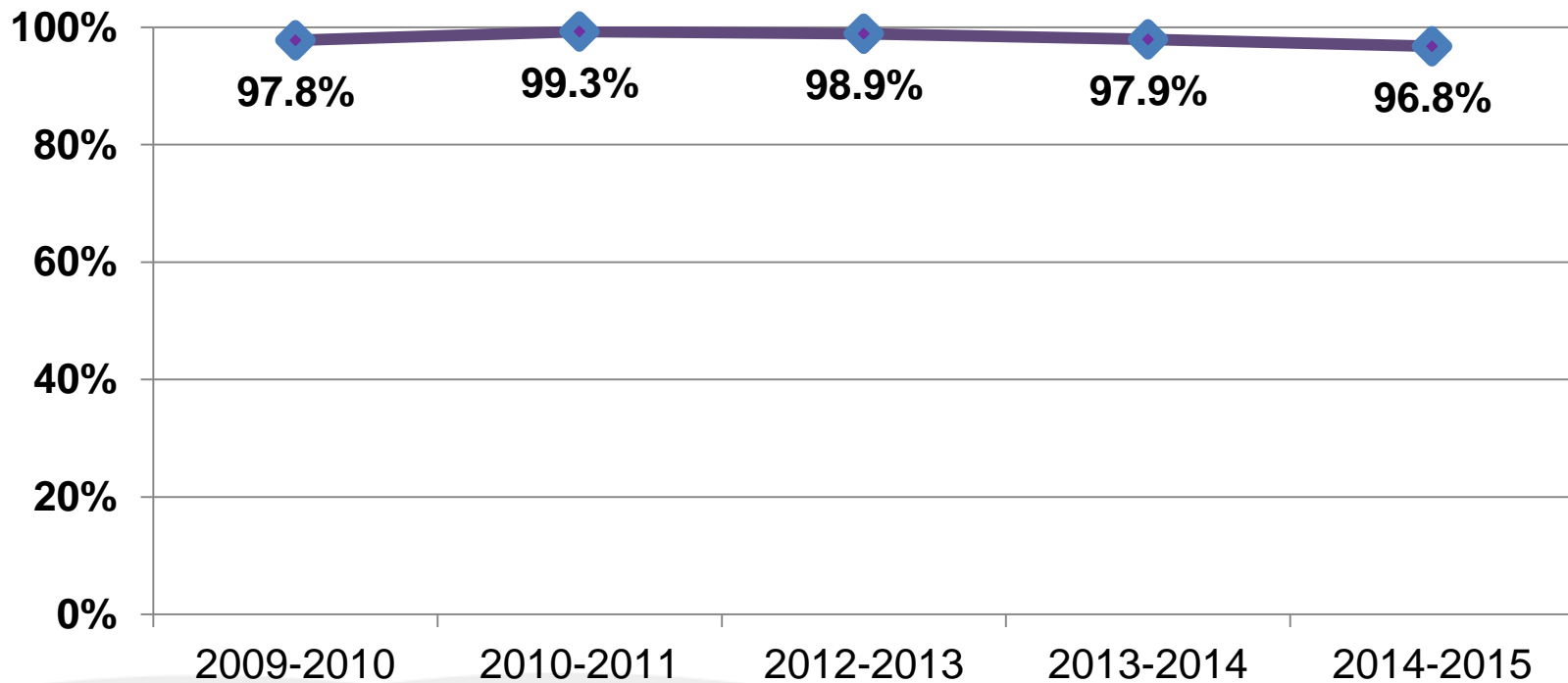
Aging Nursing Home Infrastructure

- Requiring significant investments for maintenance, repair and renewal
- The *2011-2016 Nursing Home Renovation and Replacement Plan* (NHRRP) estimated nursing home construction projects at \$285 million



Nursing Homes Operating at Capacity

Average Annual Bed Utilization Rate in NB Nursing Homes from 2009 to 2015



People on Waitlist

In 2014-15 these individuals:

- Waited an average of nearly **4 months** for placement
- Occupied approx. **20%** of the acute care beds in NB hospitals



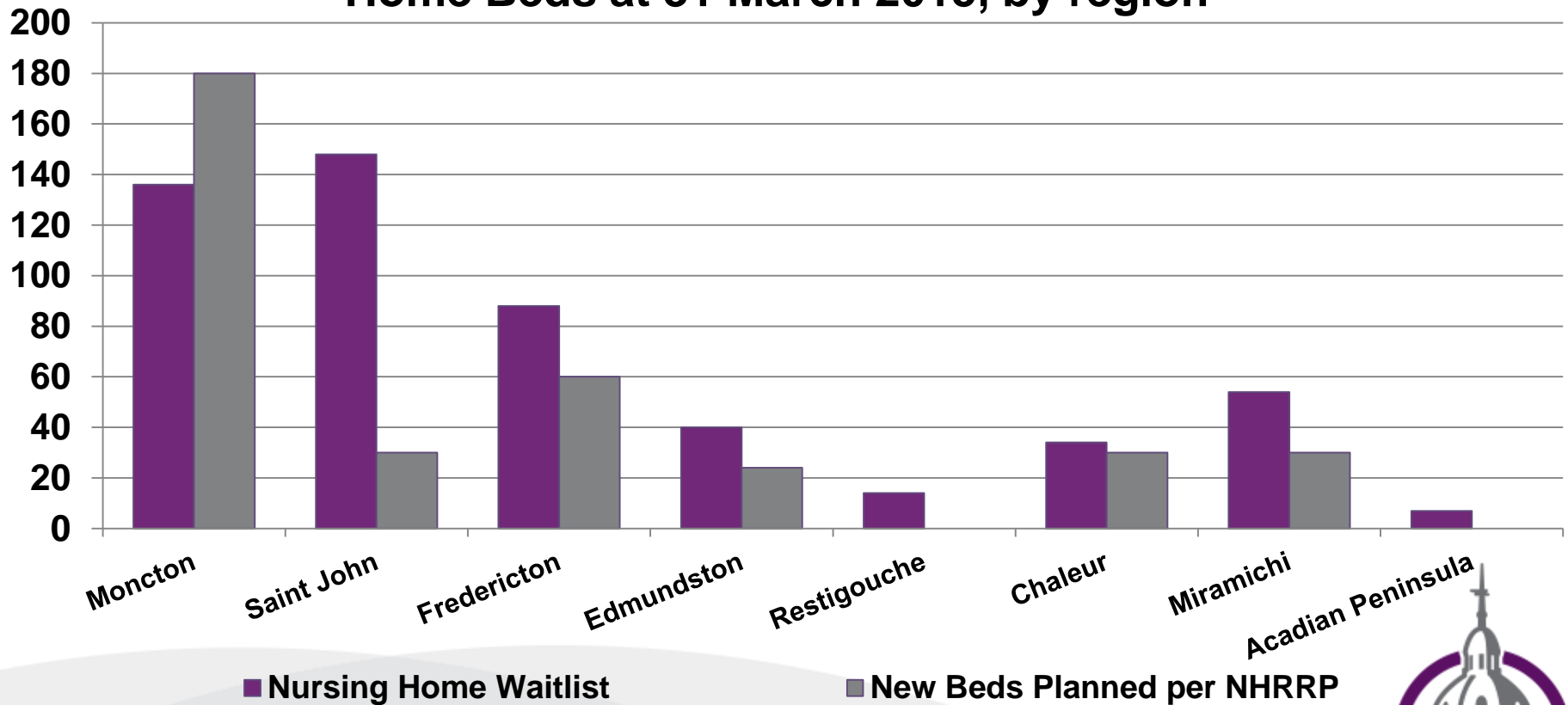
Average wait time for a nursing home placement in hospital 2014-15

Region	Average wait time in hospital for a nursing home bed	Number of individuals on waitlist for bed at 31 March 2015	Number of beds
Moncton	7 months	136	1,099
Miramichi	6.3 months	54	279
Saint John	5.8 months	148	1,090
Fredericton	3.4 months	88	874
Campbellton	3.4 months	14	190
Edmundston	3 months	40	362
Bathurst / Acadian Peninsula	1.4 months	41	544
Total	-	521	4,438



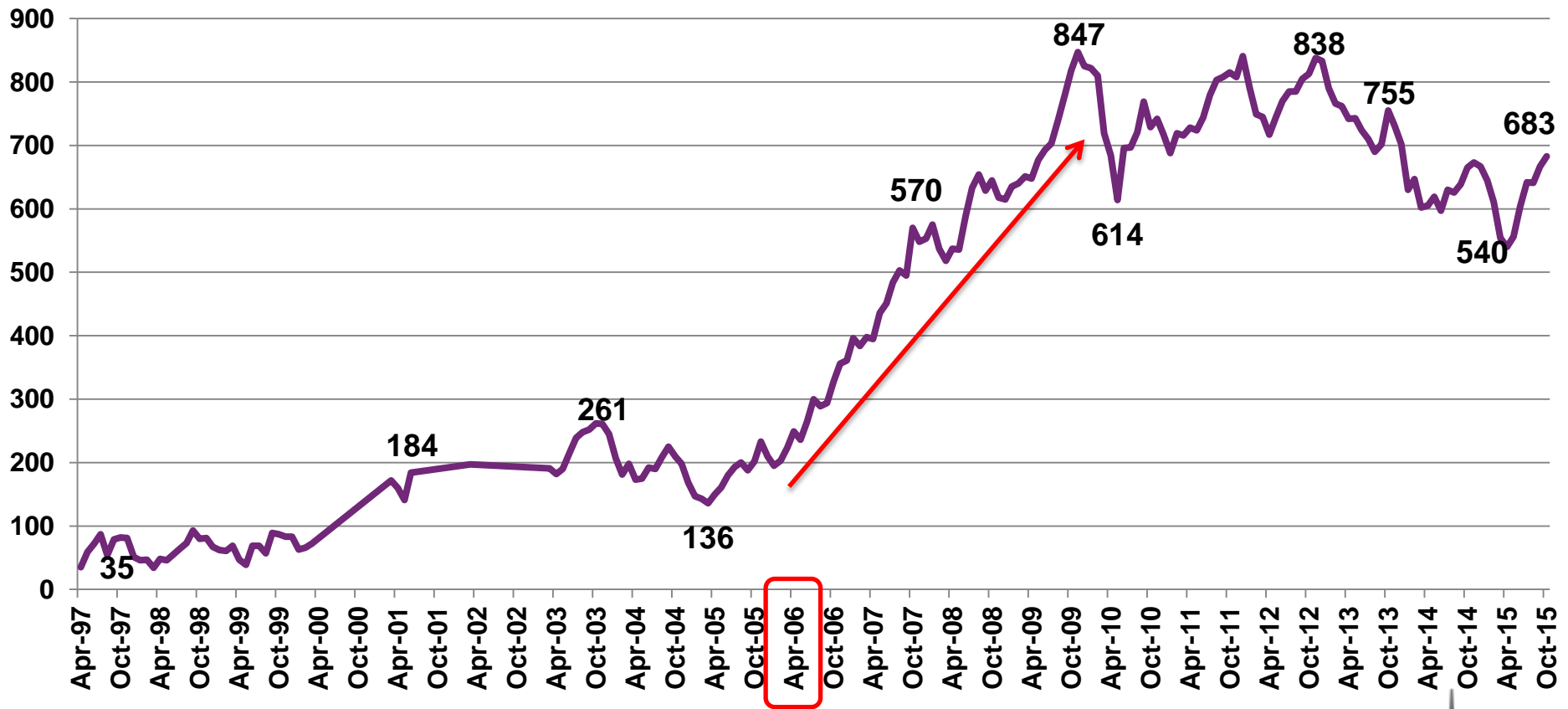
Waitlist Higher in the Province's Three Largest Cities

Number of People on Waitlist and Planned New Nursing Home Beds at 31 March 2015, by region



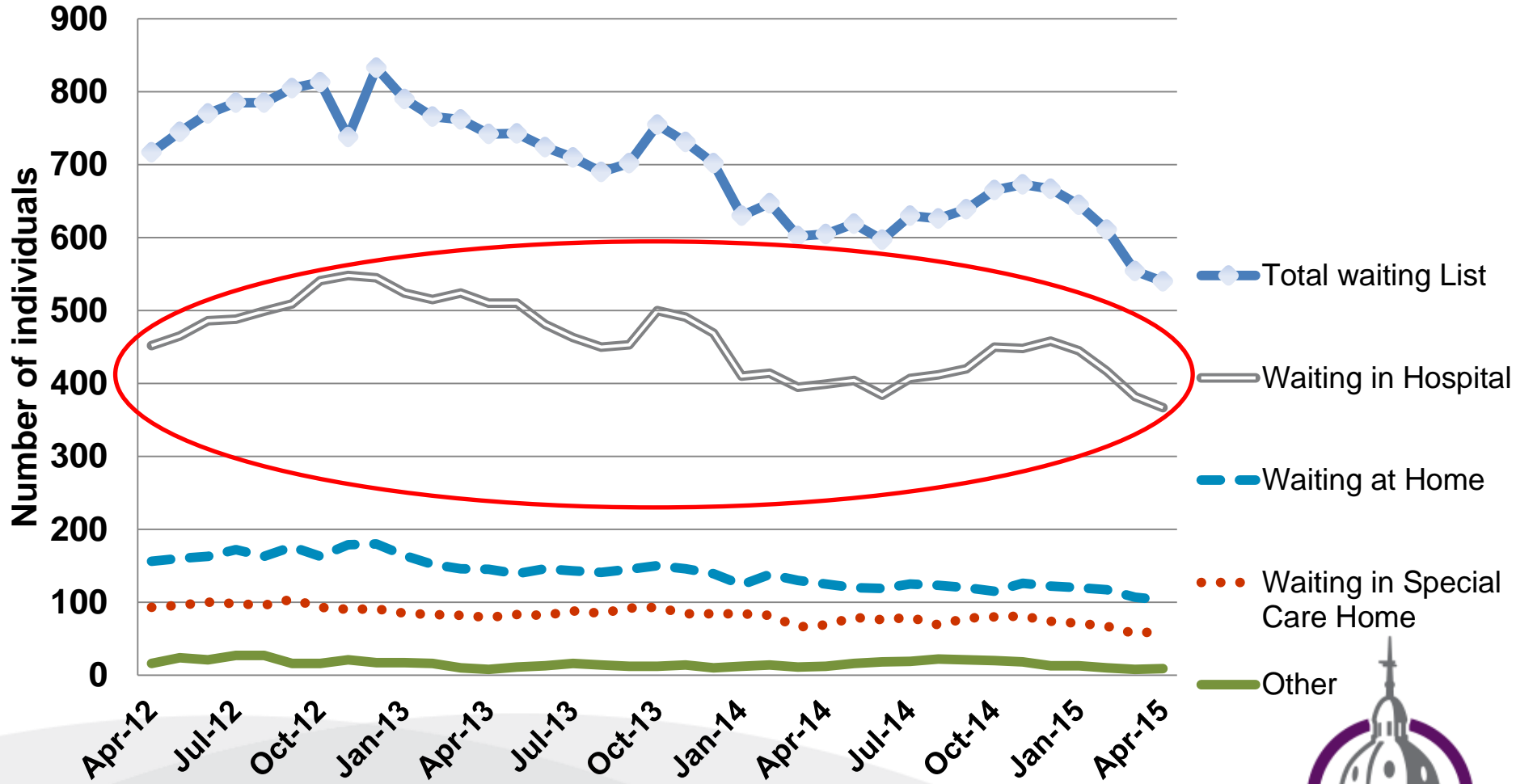
Nursing Home Waitlist Impacted by Policy Changes

April 1997 to October 2015



60% of Those Waiting are in Hospital

Nursing Home Waitlist: April 2012 to April 2015



Impacts of Waiting in Hospital

Individuals could be receiving more appropriate care for their needs (with a lower cost to the taxpayer)

Contributing factor to:

- Longer wait times in emergency rooms
- Longer wait times for elective surgeries
- Inappropriate use of hospital resources



Percentage of acute care hospital days used by patients who no longer require acute care

	2012-13	2013-14	2014-15
NB	23%	24.3%	25.9%
National average	13.6%	13.5%	14.11%



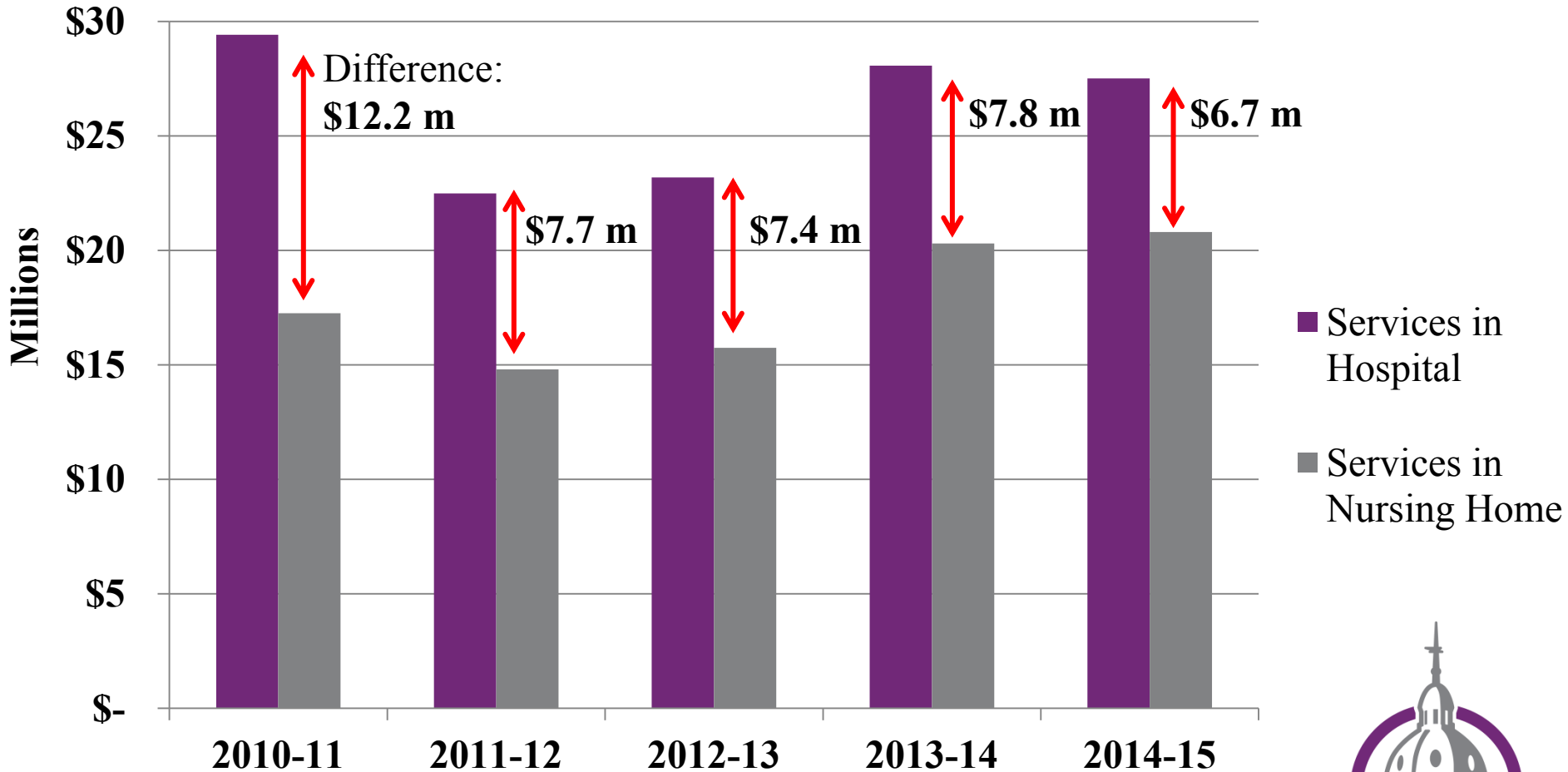
Cost of Care is Higher in Hospital

Number of cases, average length of stay (LOS) and average cost of individuals transferred from hospital to nursing home	
	2014-2015
Number of cases	796
Average LOS in days	114
Average daily cost in hospital	\$303
Average daily cost in nursing home	\$229
Estimated annual excess cost of hospital over nursing home	\$6.7 million



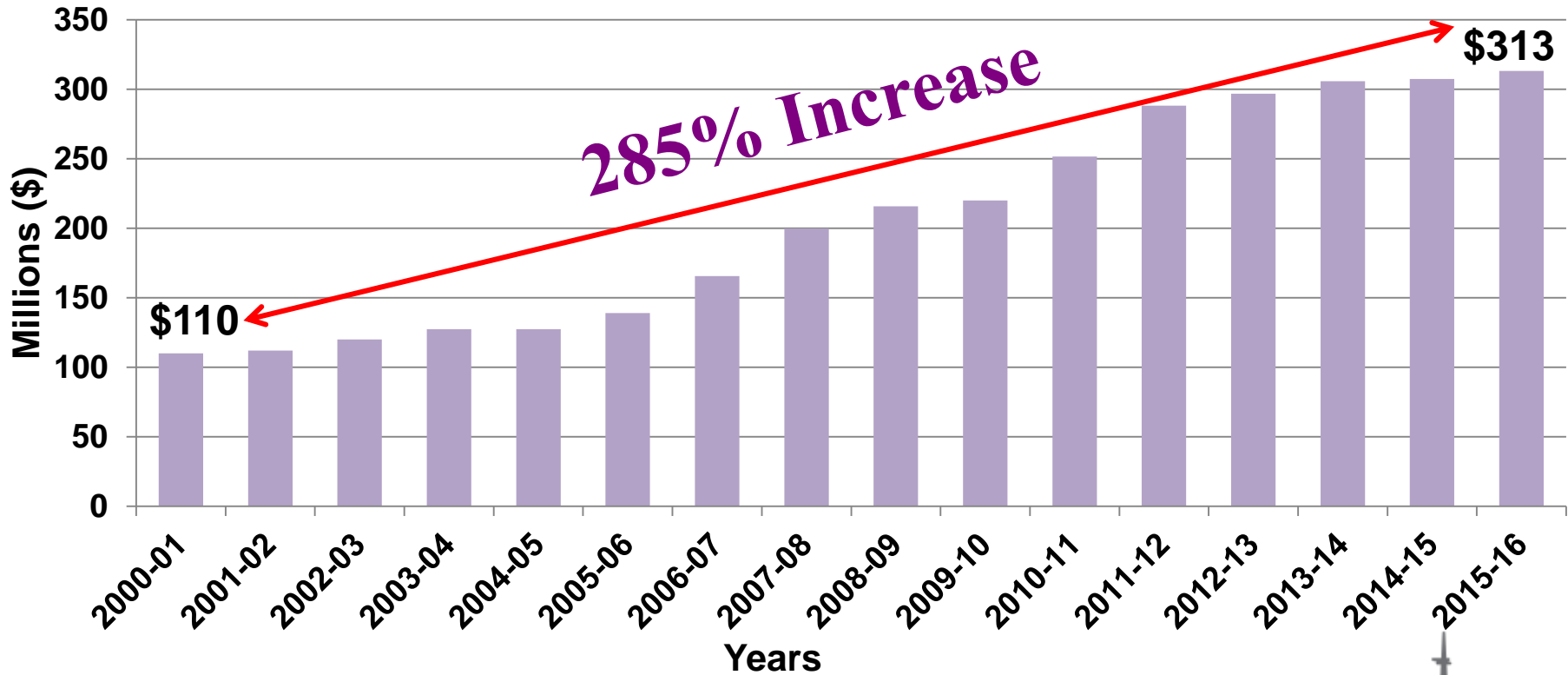
Estimated \$42 million in last 5 years

Estimated annual excess cost of hospital over nursing home



Growing costs are not sustainable

Nursing Home Services Budgeted Expenditures



Multi-faceted Solution Needed

- Solution to sustainable care in the future is not as simple as adding more nursing home beds
- Multi-faceted solution needed involving nursing homes, other long term care facilities, in-home care, family support or other options



Department Strategy

To respond to the growing need for nursing home beds, the Department developed the *2011-2016 Nursing Home Renovation and Replacement Plan* (NHRRP) and a *Home First* strategy

- Plan calls for 354 new beds, replacement and renovation of 844 beds
- Strategy includes 36 initiative to support seniors to remain in their own homes



Limited Public Performance Reporting

Implementation status and outcomes of initiatives from *NHRRP* and the *Home First* strategy, including impact on waitlist, have not been publicly reported by the Department in its annual report or on its website



AGNB Recommendations

We recommend the Department of Social Development:

- In consultation with the Department of Health, develop a comprehensive long term plan to ensure the Province can continue to provide sustainable services to NB seniors; and
- Report publicly on the measures and outcomes of current and future initiatives as part of the comprehensive long term plan



Nursing Home Public-Private Model

- In **2008**, Department of Social Development partnered with Shannex New Brunswick to pilot a public-private initiative
- *2009 Report of the Auditor General* recommended the Department evaluate the pilot project with Shannex
- **2013** follow-up work: we found the Department assessed the service delivery and working conditions of Shannex facilities
- Department did not evaluate economic benefit of public-private model



AGNB Recommendation

Restating the incomplete part of our prior recommendation from 2009

We recommend the Department of Social Development:

- Evaluate whether there is an economic benefit to providing nursing home beds under the public-private model versus the traditional model.



Nursing Homes - Highlights

- Over last 15 years, nursing home services budget almost tripled to \$313 million
- On average 98% utilization of current beds
- Average 4 month wait for placement
- 60% of those waiting are in hospital and occupy 1 in 5 acute care beds
- In 20 years, number of seniors will double
- Along with aging infrastructure, lack of capacity to meet current & future demand
- System not sustainable





Legal Aid Services Commission Public Trustee Services

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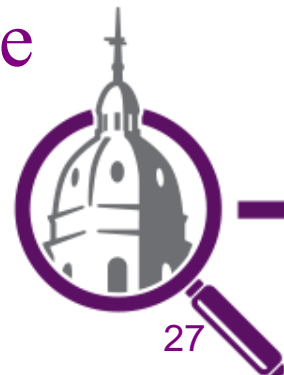
Public Trustee Services

- Provides trustee and guardianship services to vulnerable New Brunswickers
- Protects the financial and personal interests of the elderly, the mentally challenged, children, missing or deceased persons, when there is no one else able and willing to do so



Public Trustee Services

- **Legal counsel:** lawyers obtain court orders, facilitate sale of real property, provide legal services
- **Financial:** trust officers manage trusts of adults and minors, and estates of deceased clients; financial officer processes invoices for client costs
- **Guardianship:** guardianship officers consult with medical professionals and make personal care and healthcare decisions on behalf of clients



Public Trustee Services

Why did we do this work?

- Public Trustee's clients are extremely vulnerable
- Client base will continue to grow with aging population
- We previously identified an elevated risk of fraud due to control weaknesses
- Cases of fraud found in other jurisdictions



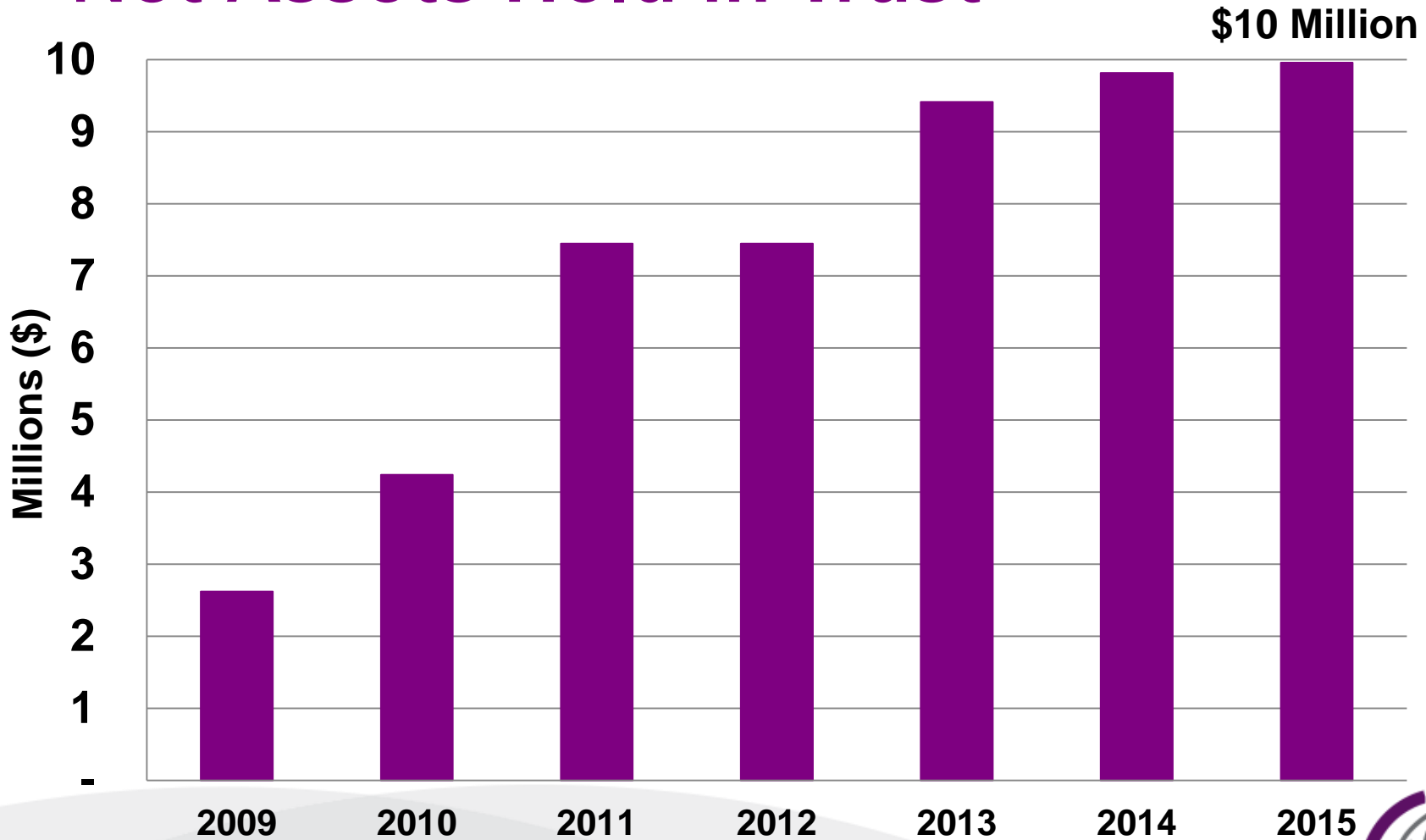
Public Trustee Services

Number of Actively Managed Client Files, at March 31				
	2012	2013	2014	2015
Total Clients	216	275	336	393

Net Cost of Public Trustee Services (in thousands)		
	2014	2015
Program Expense	\$ 990	\$ 945
Fee Revenue	188	172
Net Cost	\$ 802	\$ 772



Net Assets Held in Trust



Safeguard & Administration of Client Assets Held in Trust

Improvements needed to address:

Policies outdated and lacking

Investment policy not implemented

- Majority of client investment portfolios are converted to cash
- No documented strategy or policy for investing client funds



Safeguard & Administration of Client Assets Held in Trust

Improvements needed to address:

Inadequate information system

- Inefficient and difficult to use, which is a concern considering the growing client base

No regular review of client files



Care Decisions Made on Behalf of Clients

- Processes in accordance with legislation and policies
- Improvements are needed in documentation of care decisions



Need for Performance Reporting

- No annual report prepared since 2011
- No audited financial statements for trusts made public since 2011
- Inadequate case management software is a significant barrier for developing performance measures



AGNB Recommendations

We recommend the Public Trustee:

- Establish goals, objectives and measurable targets for its services, measure its performance against the targets, and publicly report on its performance; and
- Make available publicly all audited financial statements of Trusts under the Administration of the Public Trustee.



Other Findings

Issues requiring legislation changes:

- lengthy process to obtain authority to act as Public Trustee for a client;
- loss of authority upon death of a client;
- limitations in fees that can be charged to clients; and
- inability to distribute unclaimed property.



Public Trustee Services - Highlights

- Increasing caseload / net assets held in trust
- Improvements needed to safeguard and administer client assets
- Inadequate case management info. system
- Legislative impediments to administer affairs of clients
- No public reporting since 2011





Department of Agriculture, Aquaculture and Fisheries

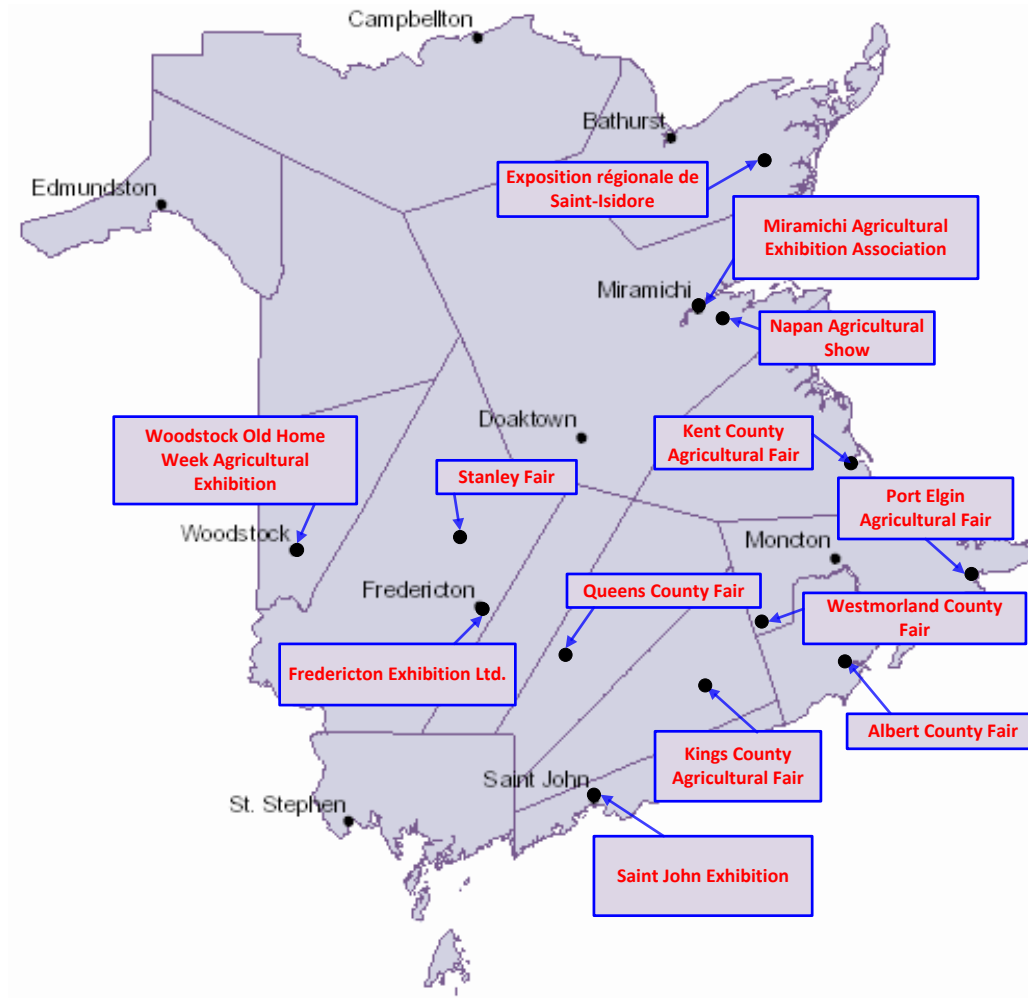
Agricultural Fair Associations

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13 Agricultural Fair Associations in NB



Agricultural Fair Associations

Why did we do this work?

- In 2013, Auditor General received a letter from a stakeholder citing governance concerns regarding operations of an Agricultural Fair Association (AFA)
- Performed preliminary exercise and identified potential risk related to government oversight
- AFAs can benefit from (and often depend on) significant exemptions and revenue opportunities through government programs



Various Departments Involved

Our observations, conclusions and recommendations are presented under the following headings:

- **Department of Agriculture, Aquaculture and Fisheries (DAAF)** - Governance and oversight of AFAs;

Eligibility for benefits and/or opportunities:

- **Service New Brunswick (SNB)** - Property tax exemptions;
- **Department of Public Safety (DPS)** - Charitable gaming privileges; and
- **Department of Finance (DOF)** - Income tax exemptions.

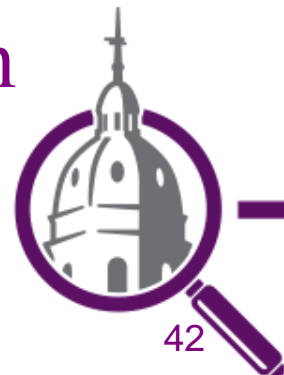


What We Found

DAAF – Association Oversight

DAAF does not :

- Perform supervision or control as mandated under the *Agricultural Associations Act*
- Acknowledge its oversight role over the existing fairs and has not updated the *Act* to be current
- Monitor or address AFA non-compliance with the *Act*, or have procedural documentation



AGNB Recommendations

We recommend DAAF:

- Fulfill its legislated mandate under the *Agricultural Associations Act*; or pursue legislative amendments
- Define, communicate, and monitor minimum reporting requirements for all agricultural associations and societies it is required to oversee under the *Act*



SNB - Property Tax Exemptions

- Agricultural societies and fair associations are specifically exempted from payment of property tax under the *Assessment Act* if the property is occupied by the society or fair association solely for exhibition purposes.



SNB - 2015 AFA Property Tax

Agricultural Fair Association	SNB Assessed Property Value	Estimated Forgone Property Tax Revenue*	Comments
Madawaska	\$ 154,000	\$ 5,000	Not operating as a fair since at least 2011 - remains SNB exempt
Fredericton	3,980,000	108,000	Overdue for 10-year reassessment
Miramichi	1,842,000	88,000	Overdue for 10-year reassessment
Queens County	173,000	7,000	Overdue for 10-year reassessment
Saint John	4,365,000	213,000	Due for reassessment in 2016
Other	2,257,000	47,000	
Totals (All 10 AFA listed in section 4, tax class 50 exempt properties)	\$ 12,771,000	\$ 468,000	

*Provincial & municipal tax revenue



Other Finding

SNB - Property Tax Exemptions

2015 Tax Class 50 Exemptions - Estimated Forgone Revenue

Taxation Authority	Tax Class 50 Properties
Municipal, LSD, & Rural Communities	\$ 25,065,000
Provincial	26,518,000
Provincial assessment cost levy	284,000
Total	\$ 51,867,000



What We Found

DPS - Charitable Gaming

- Eligibility of AFAs for Charitable Gaming licensing is based solely on status as agricultural fairs and not-for-profit entities
- DPS does not regularly review or monitor AFA financial records or eligibility for Charitable Gaming activities



What We Found

DOF – Income Tax Exemptions

- Under terms of agreement, DOF relies solely on Federal government to monitor AFA eligibility for income tax exemptions



AGNB Conclusions

- No government oversight of agricultural fair associations by DAAF as required by legislation
- By virtue of being classified as AFAs, the 13 entities can be exempted from property taxes along with income taxes and benefit from charitable gaming privileges



Questions?

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