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# Chapter 1

## Introductory Comments

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# Introductory Comments

## **Auditor General's concern with the sustainability of the Province's infrastructure**

- 1.1** In the 2012 Auditor General Report, I made introductory comments to the Public Accounts Committee regarding the Province's need for a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province.
- 1.2** This followed a number of past Auditor General Reports regarding concerns with deferred maintenance on Highways (2012) and schools (2011, 2005). This year we report our findings on Provincial Bridges in Chapter 3.
- 1.3** In an effort to follow up on the long term infrastructure plan, I asked the Department of Transportation and Infrastructure (DTI) to indicate recent progress, if any, on each of the key elements of the plan as suggested in my 2012 report.
- 1.4** I was pleased to note DTI indicated long term infrastructure planning is a high departmental priority. Exhibit 1.1 details progress to date on each of the elements. However, as the response indicates much work remains by the DTI, GNB Horizontal Committee and the decision makers of government.
- 1.5** I would encourage member of the Public Accounts Committee to pursue this important issue with DTI officials when they appear before the committee.

## Exhibit 1.1 - Summary of Recommendations

Recommendations	Department's Response
<p>We recommend the Department of Transportation and Infrastructure develop and implement a comprehensive long-term infrastructure plan that will ensure the sustainability and safety of highways, hospitals, schools, bridges, and other essential provincial infrastructure while respecting the fiscal challenges faced by the Province.</p> <p>Key elements of the plan should include:</p>	<p><i>I would be pleased to articulate the progress made by DTI in respect of a long term infrastructure plan, but would like to begin by thanking you for the attention you have given to this important undertaking. It is evident that you have invested significant effort in reviewing infrastructure planning and asset management and we welcome the focus on an issue which is a high departmental priority.</i></p> <p><i>I propose to address, in turn, the key elements of a comprehensive long-term infrastructure plan, as articulated in your recommendation:</i></p>
<p>1. the rationalization of assets (i.e. if not considered essential, remove from service and dispose in an appropriate manner);</p>	<p><i>As part of the Department's proposed "Decision Framework and Methodology for Long Term Strategic Capital Infrastructure Planning and Prioritization", the rationalization of non-essential or redundant assets will be addressed.</i></p> <p><i>In respect of the identification of non-essential or redundant asset candidates for potential elimination through decommissioning, divesting or disposal, DTI has developed a redundancy algorithm for bridges which can determine whether a bridge is redundant.</i></p> <p><i>While not directed at removal of assets from service, the DTI road surface policy has been developed to rationalize types of road surfaces. For example, it is projected that significant savings can be realized through the use of chipseal rather than asphalt on roads with low traffic volume.</i></p>
<p>2. a long term approach to budgeting which includes life cycle maintenance of capital assets;</p>	<p><i>As noted, the Department's proposed "Decision Framework and Methodology for Long Term Strategic Capital Infrastructure Planning and Prioritization" will include the prioritization of capital rehabilitation projects to minimize the cost of rehabilitating infrastructure over its life cycle.</i></p> <p><i>This type of approach is currently in place for highways and bridges, with a proposed expansion to the categories of culverts and DTI buildings. A Government of New Brunswick (GNB) Horizontal Committee is reviewing the potential for an expansion of this model to other sectors of government.</i></p>
<p>3. a protected stream of a base level of funding determined necessary to adequately maintain assets in service;</p>	<p><i>DTI is utilizing long term planning models to demonstrate the impact on infrastructure of budget reductions and the importance of a base level of funding sufficient for maintenance of assets.</i></p>

Exhibit 1.1 - Summary of Recommendations (continued)

Recommendations	Department's Response
4. a 20 year planning horizon;	<i>A 20 year planning horizon would be the minimum utilized for most assets. With respect to a possible expansion of this plan to incorporate buildings, the planning horizon could vary depending on the asset.</i>
5. a process whereby new assets are constructed only when there is a business case to support the need. This should include redirecting savings from rationalized assets to the new asset life cycle maintenance costs;	<p><i>As part of the Department's proposed "Decision Framework and Methodology for Long Term Strategic Capital Infrastructure Planning and Prioritization", DTI has incorporated methodology including a Multi-Criteria Analysis matrix tool to assist in prioritizing both new capital construction and asset decommissioning/divestiture/disposal projects. As a continuous improvement to complement the Multi-Criteria Analysis matrix, DTI is considering adding a planning level Benefit/Cost element to provide for a business case assessment.</i></p> <p><i>The Department's decision framework contemplates redirecting savings from assets in the case of decommissioning/ divestiture/ disposal.</i></p>
6. apply the current DTI strategy and asset management system to all essential assets. This would result in a corporate approach which applies the least cost lifecycle prioritization to all essential assets;	<p><i>This approach is in place with respect to a number of DTI assets and will eventually be extended to all essential DTI assets. Continuous improvements to the system are being undertaken in conjunction with the asset management system including, but not limited to, safety, traffic volumes, surface condition rating and visual inspection rating.</i></p> <p><i>As noted, a GNB Horizontal Committee is reviewing the potential for an expansion of this model to other sectors of government.</i></p>
7. provide annual public performance reporting, which includes the actual physical condition of our essential assets versus pre-established targets, explaining the reason for any significant variances; and	<i>DTI is reviewing the appropriate model for public reporting and is working with the Office of Strategy Management within the Executive Council Office, to ensure alignment with the overall GNB performance reporting.</i>
8. a process or mechanism that ensures fiscal discipline is adhered to over the long-term (such as legislative change, statutory funding, contractual arrangements).	<i>DTI is reviewing options to determine the best model to ensure fiscal discipline.</i>

**Volume II Reports  
our 2013 Value-for-  
Money/Performance  
Work**

**1.6** In this volume of our 2013 Report, we report on the following value-for money/performance projects:

- Foster Homes
- Provincial Bridges
- Procurement of Goods and Services – Phase I
- Collection of Accounts Receivable
- Point Lepreau Generating Station Refurbishment – Phase I
- Pre-mixed Asphalt Procurement
- Follow-up work on recommendations from past value-for-money/performance reports.

**Foster Homes**

**1.7** The primary objective of our work on Foster Homes was to determine if the Department of Social Development follows departmental standards for providing a safe and secure environment for children in foster care.

**Provincial Bridges**

**1.8** The objectives of our work on Provincial Bridges in the Department of Transportation and Infrastructure was to determine:

- if the Department performs bridge inspections in accordance with professional standards and uses the inspection results to identify and prioritize necessary capital maintenance and other remedial measures;
- whether the Department maintains the service level of its bridge inventory based on a long term least life cycle cost approach; and
- whether the Department publicly reports on the condition of designated Provincial bridges and the effectiveness of its bridge inspection activities.

**Procurement of Goods  
and Services – Phase I**

**1.9** The objective of our work on the Procurement of Goods and Services – Phase I in the Department of Government Services (DGS) was to determine if the public purchasing practices used by government comply with key components of the regulatory framework and best practices; and if the DGS publicly reports on the

effectiveness of the procurement function.

**Collection of Accounts Receivable**

**1.10** The objective of our work on Collection of Accounts Receivables was to review and comment on provincial policies and initiatives for the collection of accounts receivable across departments.

**Point Lepreau Generation Station Refurbishment – Phase I**

**1.11** Our work regarding the Point Lepreau Generating Station Refurbishment will be approached in two phases. This report includes Phase I, the objectives of which were to:

- describe key aspects of NB Power’s planning and execution of the Point Lepreau refurbishment; and
- present summaries of the amounts making up the \$2.4 billion in costs related to the refurbishment.

**1.12** In Phase II, we intend to look in more detail at costs associated with the refurbishment and to assess the reasonableness of the amounts charged to the project. We intend to report the results of Phase II in our 2014 Report.

**Asphalt Procurement**

**1.13** Our work's objective regarding Pre-Mixed Asphalt Procurement was to determine if purchases are being made with due regard to economy and transparency.

**Follow up on recommendations from past value-for-money/performance work**

**1.14** This volume of our Report contains Follow-up work on department and Crown agency progress in implementing our recommendations. We hope Members of the Public Accounts and Crown Corporations Committees will find the information presented useful during committee deliberations.

**1.15** Also included are:

1. Appendix A which contains a “Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years”
2. Appendix B, a “Detailed Status Report of Recommendations Since 2008.”
3. Appendix C, a Glossary referencing report sections relevant to each department or Crown agency. This is intended to make it easier for committee members to find all department or Crown specific report comments throughout as

they appear before the committee(s).

**Acknowledgements**

**1.16** Staff of the Office has worked very hard in carrying out the work contained in this volume of our Report. This report is a reflection of their level of commitment, professionalism and diligence. I would like to express my appreciation to each one for their contribution and continuing dedication to fulfilling the mandate of the Office of the Auditor General.



Kim MacPherson, CA  
Auditor General

# Chapter 2

## Department of Social Development Foster Homes

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# Department of Social Development Foster Homes

## Summary

### Introduction

**2.1** Children are our most important resource. We all want to protect and nurture our sons and daughters. Sometimes, though, for any one of a number of reasons such as drug or alcohol abuse, domestic violence or mental health issues, children are abused or neglected. In such cases, the Province steps in to protect these children at risk. Under the *Family Services Act*, the Department of Social Development (Department) has been assigned responsibility for child protection.

**2.2** When it is determined a child should be removed from a home, he or she will be placed in the care of the Minister either temporarily or permanently. The Minister provides two types of residential services for children in care: foster homes and group homes. Social workers approve and monitor these alternative living environments for children who are under the age of nineteen and unable to live with their parents. The focus of this chapter is foster homes.

**2.3** *“Foster families are volunteers who are trained to provide a family home environment for children in the care of the Minister of Social Development when they are unable to remain with their natural families.”*<sup>1</sup> *“As of March 2012, there were 531 foster families....”*<sup>2</sup> *“At any given time, there are more than 1,100 children in foster care.”*<sup>3</sup>

<sup>1</sup> Department website – Children’s Residential Services – Foster Homes

<sup>2</sup> Department of Social Development, *2011-2012 Annual Report*, November 2012, page 37.

<sup>3</sup> Department website – Family Foster care - Information card

***Department has documented standards for foster homes***

**2.4** We were pleased to find the Department has documented standards<sup>4</sup> for foster homes, which are revised periodically. However, we observed inconsistencies (*Environment of Care Checklist*) and noted two areas not sufficiently addressed by the standards. We recommended the Department establish standards for contracting with foster families; and we recommended the Department amend its standards to provide comprehensive and consistent direction for approving and monitoring provisional<sup>5</sup> (foster) homes.

***Approval standards for foster families are not always met***

**2.5** One of the objectives of our work was *to determine if the Department complies with its documented foster home standards for providing a safe and secure environment for children who have to be separated from their natural families*. While Department staff acknowledge the importance of the approval standards and believe the standards are always met prior to approving a foster family, we tested a sample of foster family files and concluded documentation is often not present in the foster family's file to show that all the requirements were met prior to approving a foster family.

**2.6** The results of our testing indicate many instances of non-compliance with the approval standards. Only two of the 20 files contained all of the required documentation for approving a foster family. Examples of documents missing (with the number of occurrences) included: *Family Development Plan* - completed by the social worker upon approval of a foster family and used on an on-going basis to assess their competency to foster (9); *Oath of Confidentiality* signed by the foster parents (7); and *Environment of Care Checklist* – the home inspection checklist used by the social worker to assess the suitability of the residence (7).

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<sup>4</sup> “standards” refers to the Department’s “*Children’s Residential Services Practice Standards For Social Workers – Foster Homes*” dated January 2005. “*Practice standards are mandatory and establish a minimum level of performance.*” (section 1.1, page 1)

<sup>5</sup> “A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families.” (standards, page 22)

***Inconsistencies in file information***

- 2.7** We observed the following inconsistencies in information between the foster family’s manual and electronic files during the testing of twenty (20) files:
- Nine (9) instances of differing approval dates;
  - Seven (7) instances of differing assigned social worker; and
  - Seven (7) instances of differing number of approved foster spaces.

***Foster parents receive training***

- 2.8** Applicants and foster parents are required to do training. We are pleased the results of our testing indicate foster parents receive required training.

***Annual reviews are not always done***

- 2.9** We tested for compliance with specific standards relating to monitoring foster families. The standards require the social worker to “*assess the foster family’s competency to foster on an on-going basis*”<sup>6</sup> by doing an annual review which includes updating the *Family Development Plan* and performing a home inspection using the *Environment of Care Checklist*.

- 2.10** We found annual reviews are not always completed as required by the standards. Only three of the 18 files tested contained documentation indicating annual reviews were done regularly.

***Criminal background record checks are not always done according to the standards***

- 2.11** We are also concerned with our findings regarding criminal background record checks. According to the standards, as part of the assessment of a prospective foster family, “*The CRS Social Worker must request an SD Record Check and a Criminal Record Check on all prospective applicants and any person over the age of 19, residing in the household.*”<sup>7</sup> Eight of the 20 files we examined lacked documentation indicating the record checks were done prior to approving the foster family.

- 2.12** Record checks are also required on an ongoing basis. According to the standards, “*A prior contact check with the department of Social Development and a criminal*

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<sup>6</sup> Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers– Foster Homes*, January 2005, standard 23, page 24.

<sup>7</sup> Ibid, standard 5, page 11.

*record check must be completed on a foster family every five years after approval or sooner if required.”<sup>8</sup>* The results of our testing indicate the ongoing record checks are not always done. Eleven of the 20 files we tested were foster families whom had been operating for over five years, thus requiring the ongoing record check. Seven of the eleven files were missing documentation, indicating the ongoing record checks had not been completed as specified in the standards.

**2.13** We recommended the Department comply with its documented foster home standards for providing a safe and secure environment for children who have to be separated from their families.

***Monitoring of foster families needs improvement***

**2.14** We found monitoring of foster homes was inadequate at both the regional and central office levels because the Department is not ensuring compliance with the standards. We recommended the Department implement regular monitoring procedures for both regional and central office staff.

***More foster homes are needed***

**2.15** The significant decrease in the number of foster homes is very concerning. The number of foster homes has declined by 41% over an eight year period. Stakeholders are concerned with the declining number of foster families. An inadequate supply of foster families could result in adverse consequences to vulnerable children in need of care. For example, siblings may get separated, or a child may get placed in a foster home in a different region than his or her community or perhaps be placed in a group home. (Group homes are not intended for children who would do well in a foster home.)

**2.16** An inadequate supply of foster families could also have a significant negative financial impact on the cost of care to the Province. Cost of care information clearly shows foster home care is significantly less costly than both contracting for care and group home care. Each foster home bed not available costs the Province an additional

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<sup>8</sup> Province of New Brunswick – Department of Social Development, *Family Foster Care Standards*, January 2005, standard 8.2.2, page 37.

\$95,751 as a group home bed.

**2.17** We recommended the Department develop a long-term strategy to ensure sufficient appropriate foster homes are available to meet regional needs and to help meet “*The Children's Residential Services program primary goal ... to ensure consistent, high quality residential services to children who are in the temporary or permanent care of the Minister.*”<sup>9</sup>

***Funding for foster homes needs review***

**2.18** The funding model for foster homes needs review. Changes in the foster family monthly rates since 1996 have not kept pace with inflation. (The monthly rate for a child who is eleven years or older living in a foster home increased by 15.3% from 1996 to 2013, while the consumer price index increased by 38.7%<sup>10</sup> for the same period.) Several reimbursement rates relating to children in foster homes appear outdated. For example, the clothing and seasonal allowances currently paid to foster parents for items such as winter coats, boots, gloves and school supplies are based upon a rate that is ten years old.

**2.19** Current rates may be having a negative impact on retaining and recruiting foster families. If the Department loses vital volunteer foster families and has to pay higher costs for children in care, it will have a significant negative financial impact for the Province. Even more importantly, it will also affect the environment for children in care (i.e. foster parents or group home). The Department indicated group homes are not intended for children who would do well in a foster home, which may create even more significant financial and social costs to the Province in the future.

**2.20** In order to sustain the Province’s vital foster family resources, we recommended the Department review all rates and funding relating to foster homes and propose changes to Government as appropriate to eliminate any disincentive to current or prospective foster parents. This should be completed within twelve months of the release of our report. We also recommended the Department

<sup>9</sup> Letter to the Auditor General from the Department dated January 25, 2013.

<sup>10</sup> Statistics Canada, *Your Guide to the Consumer Price Index*, 1996 and figures from its website. With the CPI in 1996 = 88.9 and 2013 = 123.3, the change in CPI is an increase of 34.4 points, which is 38.7%.

review rates and funding relating to foster homes on a regular and ongoing basis.

***Program information was not readily available***

**2.21** Having accurate program information is a prerequisite to properly managing a program. We found general program information (the number of children in foster homes, a list of active foster families) was not readily available. We believe this could have a negative impact on the effectiveness of departmental planning for foster homes, and we recommended the Department reconcile its foster family data with each of the regions on a regular basis to ensure information used by central office for program planning is complete and accurate.

***Need for public reporting on the effectiveness of the program***

**2.22** The second objective of our work involved accountability and performance reporting: *to determine if the Department of Social Development publicly reports on the effectiveness of its Children's Residential Services program.* We found the Department is not publicly reporting on the effectiveness of the program and we recommended the Department start doing so.

**Recommendations**

**2.23** Our recommendations to the Department are presented along with its responses to each recommendation in Exhibit 2.1.

**Conclusion**

**2.24** Our work had two objectives. The first objective was: *to determine if the Department of Social Development complies with its documented foster home standards<sup>11</sup> for providing a safe and secure environment for children who have to be separated from their natural families.*

**2.25** We conclude the Department of Social Development does not always comply with its documented foster home standards. The standards for approving a foster family are not always met, and the monitoring of foster families needs improvement. Our work did not include reviewing the quality of the care provided by foster homes and therefore we provide no comments or

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<sup>11</sup> “documented foster home standards” refers to the Department’s “Children’s Residential Services Practice Standards For Social Workers – Foster Homes” dated January 2005. “Practice standards are mandatory and establish a minimum level of performance to meet the compliance required in a particular service.” (section 1.1, page 1).

conclusion in that area.

**2.26** The second objective of our work was: *to determine if the Department of Social Development publicly reports on the effectiveness of its Children's Residential Services program.*

**2.27** We conclude the Department of Social Development does not publicly report on the effectiveness of its *Children's Residential Services* program. The Department has not established measurable performance indicators or performance goals for the Children's Residential Services program, which are prerequisites for effectiveness reporting.

Exhibit 2.1 – Summary of Recommendations

2.1	Recommendation	Department's Response	Target Date for Implementation
	<p><i>Foster Home Standards</i></p> <p><b>2.57 We recommend the Department of Social Development establish standards for contracting with foster families.</b></p>	<p><i>The Department develops care plans with foster families for all children placed in their home. When a child has complicated/complex behavioural/emotional needs that require a higher level of intervention and supports than a foster family is expected to carry out, regions have been writing a contract of expectations for the foster family which outline specific interventions/treatments in dealing with that particular child. These contracts are developed and made with foster families who have already been approved to foster, who have been fostering and have skills required to deal with specific behaviours. The contract is written to specify expectations of the foster family to meet the special needs of the child and is attached to that particular child. When the child is no longer in the home the contract with foster family is void. Or if the child moves to another home, the contract follows the child and is reviewed/renewed between the Department and the new foster home. This is a process of the Child in Care Program versus the Children's Residential Services Program. The Department will develop Standards for the development of those contracts.</i></p>	<p>October 2014</p>
	<p><b>2.58 We recommend the Department of Social Development amend its standards to provide comprehensive and consistent direction for approving and monitoring provisional (foster) homes.</b></p>	<p><i>A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the child(ren) placed in the home. They are not available for other children as are foster families (CRS Practice Standards for Social Workers – Foster Home 2005).</i></p> <p><i>The Department is currently working on changes to address kinship services and kinship care. Once we have that in place, provisional homes will no longer exist and the homes will be known as kinship homes. There will be Kinship Standards developed for those services at that time.</i></p>	<p>Ongoing</p>

Exhibit 2.1 – Summary of Recommendations (continued)

2.1	Recommendation	Department's Response	Target Date for Implementation
	<p><i>Approving Foster Homes</i></p> <p><b>2.72 We recommend the Department of Social Development comply with its documented foster home standards for providing a safe and secure environment for children who have to be separated from their families.</b></p>	<p><i>The Department agrees with the recommendation. The Department continues to regularly examine and improve its program standards. The Foster Care Standards were revised in February 2013 and will assist the CRS program staff in providing safe, secure and nurturing environments for children in care. Additionally, during regular contact with the Regional Program Delivery Managers and CRS Supervisors, much emphasis is placed on adhering to the standards to ensure compliance with standards and ultimately ensure the best possible placements are available for children who are not able to live with their family. As identified by the regions training for CRS social workers on Family Development Plans is scheduled for Fall 2013. Additional training needs will be addressed in a timely manner.</i></p>	<p><i>Immediately</i></p>
	<p><i>Monitoring Foster Homes</i></p> <p><b>2.86 We recommend the Department of Social Development implement regular monitoring procedures for both regional and central office to ensure compliance with its standards. The procedures could include, but not necessarily be limited to, the following:</b></p> <ul style="list-style-type: none"> <li>• <b>a periodic review of a sample of files to determine compliance with standards; and</b></li> <li>• <b>a regular review of “expired approval dates” recorded in the electronic information system, with follow-up to ensure the foster family’s annual review is completed on time.</b></li> </ul>	<p><i>The Department agrees with the recommendation. Regions are responsible to ensure compliance to Program Standards. CRS Supervisors review foster homes assigned to each individual social worker to ensure Program Standards are being met. The CRS Program Consultant has regular meetings with CRS Supervisors and more emphasis will be placed on ensuring compliance to the standards and suggested methods will be provided, i.e. supervisors can review individual social workers foster home list to ensure compliance or during unit meetings, the supervisor can randomly select samples of foster homes to review compliance to standards. Although, it is important to ensure that annual reviews are done in a timely manner (annual review date), there are several reasons that they may not be completed in the month they are due. However, it is imperative that the annual reviews be done with 3 months of the due date. This will be addressed with supervisors during meetings and in Standards. Additionally, the Program Delivery Managers will be made aware of the Office of the Auditor General’s findings and part of their role is to ensure compliance to the Program Standards and that reviews are done in a timely fashion.</i></p>	<p><i>Immediate and ongoing</i></p>

Exhibit 2.1 – Summary of Recommendations (continued)

2.1	Recommendation	Department’s Response	Target Date for Implementation
	<p><i>Foster Home Supply</i></p> <p><b>2.107 We recommend the Department of Social Development develop a long-term strategy to ensure sufficient appropriate foster homes are available to meet regional needs and to help meet, “The Children’s Residential Services program primary goal ... to ensure consistent, high quality residential services to children who are in the temporary or permanent care of the Minister.”</b></p>	<p><i>The Department agrees with the recommendation for creating a long term strategy. Although there has been a decrease in the number of foster homes, there has also been a decline in the number of children coming into care due to improvements made to the child protection service delivery model. Enhancements made to the child protection system have enabled more children to remain safely with their families, by providing supports for families in order for children to remain in the family home and not requiring foster care.</i></p> <p><i>The Department has been and remains to be committed to engaging in recruitment and retention efforts for foster families. This is done in a number of ways; one of which is a yearly recruitment campaign that is launched provincially during National Foster Family Week, the 3<sup>rd</sup> week in October. Additionally, in the spring, there is a provincial undertaking involved with public awareness on the need for foster homes through advertising on radio and in newspapers.</i></p> <p><i>Each of the 8 regions is responsible for recruitment and various tactics are used for this specific to the regional need. Generally they partake in radio and newspaper advertising but they have also set up displays at various work locations, have hosted lunch and learns where they talk about fostering with the hope to spark potential interest, and community events where they partner with their local Foster Family Association and set up a display where people can talk with not only the government employee but also a current foster parent. The Department also partners with the New Brunswick Foster Family Association to gather ideas and work together on efforts to recruit and retain foster families.</i></p>	<p>May 2014</p>

Exhibit 2.1 – Summary of Recommendations (continued)

2.1	Recommendation	Department's Response	Target Date for Implementation
	<p><i>Funding for Foster Homes</i>  <b>2.122 We recommend the Department of Social Development review all rates and funding relating to foster homes and propose changes to Government as appropriate to eliminate any disincentive to current or prospective foster parents. This should be completed within twelve months of the release of our report.</b></p>	<p><i>The Department agrees with the recommendation to review all rates related to foster care. The current basic maintenance rates were effective April 2010 and the Department is reviewing the rates and will be making recommendations for an appropriate increase. This proposed increase will be considered under the budgetary process. In addition to the basic maintenance rates, foster families receive money through the child's case plan for additional services, supports and special items for the child.</i></p>	<p><i>April 2014</i></p>
	<p><b>2.123 We recommend the Department of Social Development review rates and funding relating to foster homes on a regular and ongoing basis.</b></p>	<p><i>The Department agrees with the recommendation. Although rates and benefits provided for children in care are reviewed, the Department will introduce a regular schedule for reviewing all funding provided to foster families. Any proposed increase would need to be considered within the budgetary process.</i></p>	<p><i>April 2014</i></p>
	<p><b>2.124 We recommend the Department of Social Development take steps to increase the awareness of costs available for reimbursement to foster families.</b></p>	<p><i>The Children in Care Program establishes individualized case plans for each child placed in a foster home. The variation in items required may be significant based on the needs of the child. The Department will provide greater guidance through Program Standards to enable a more consistent range of items reimbursement may be provided for. Foster families are made aware of the financial rates and benefits paid on behalf of children in care (Basic Maintenance Rates) upon approval as a foster family.</i></p>	<p><i>October 2014</i></p>
	<p><b>2.125 We recommend the Department of Social Development be consistent in the amounts reimbursed to foster families.</b></p>	<p><i>The Children in Care Program establishes individualized case plans for each child placed in a foster home. The variation in items required may be significant based on the needs of the child. The Department will provide greater guidance through Program Standards to enable a more consistent range of items reimbursement may be provided for. Foster families are made aware of the financial rates and benefits paid on behalf of children in care (Basic Maintenance Rates) upon approval as a foster family.</i></p>	<p><i>October 2014</i></p>

Exhibit 2.1 – Summary of Recommendations (continued)

2.1	Recommendation	Department's Response	Target Date for Implementation
	<p><i>Program Information</i></p> <p><b>2.129 We recommend the Department of Social Development reconcile its foster family information (statistics, data, names) with each of the regions on a regular basis to ensure information used by central office for program planning is complete and accurate.</b></p>	<p><i>The Department agrees with the recommendation to reconcile its foster family information. The foster home social workers are responsible for inputting of data into the computer system (NB Families) which is the information source for central office. That information is used generally as a trending indicator for long term program planning and is not impacted by minor discrepancies. The Department is aware that some discrepancies occur in any information system. The Department will attempt to ensure consistencies in information between the region and the data system through more stringent monitoring.</i></p>	<p><i>Immediate and ongoing</i></p>
	<p><i>Public Reporting</i></p> <p><b>2.134 We recommend the Department of Social Development publicly report on the effectiveness of its Children's Residential Services program. Such performance information should be included in the Department's annual report and on its website.</b></p>	<p><i>The Department agrees with the recommendation. The Department provides information in the Department's Annual Report on the Children's Residential Services program which is in line with all other departmental programs. Key performance indicators are being developed for all departmental programs and will ultimately be publically reported upon.</i></p>	<p><i>Annual Report 2013/14</i></p>

## Background on the Foster Care Program

### *Child protection, children in care, and children's residential services*

**2.28** Children are our most important resource. We all want to protect and nurture our sons and daughters. Sometimes, though, for any one of a number of reasons such as drug or alcohol abuse, domestic violence or mental health issues, children are abused or neglected. In such cases, the Province steps in to protect these children at risk.

**2.29** Under the *Family Services Act*, the Department of Social Development (Department) has been assigned responsibility for child protection. The Department of Social Development's website states:

*"It is the responsibility of the government to provide protection services to children who are being abused or neglected by their family. Some children can receive services in their own home while other children must be placed in foster care."<sup>12</sup> ... "Any person who has information causing him to suspect that a child has been abandoned, deserted, physically or emotionally neglected, physically or sexually ill-treated or otherwise abused must inform this Department of the situation without delay."<sup>13</sup>*

**2.30** When it is determined a child should be removed from a home, he or she will be placed in the care of the Minister either temporarily or permanently. The objective is *"to provide a safe and secure environment where children who have to be separated from their natural families are supported to reach their potential."*<sup>14</sup>

**2.31** ***Children's residential services*** – The Minister provides two types of residential services for children in care: foster homes and group homes. Social workers approve and monitor these alternative living environments for children who are under the age of nineteen and unable to live with their parents. ***"Foster families are volunteers who are trained to provide a family home environment for children in the care of the Minister of Social Development when they are unable to remain with their natural***

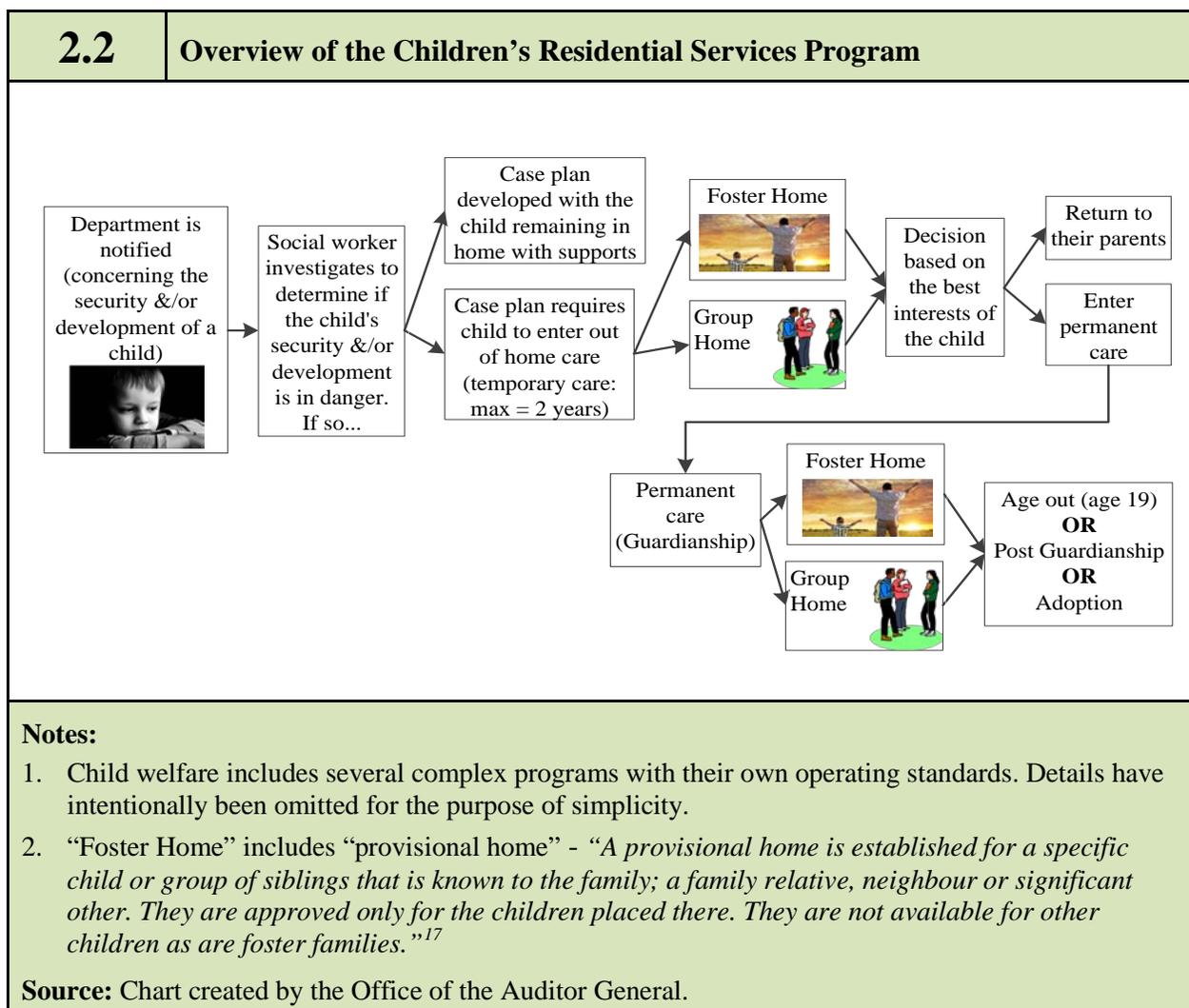
<sup>12</sup> Department website – Family Foster Care

<sup>13</sup> Department website – Services: Child Protection

<sup>14</sup> Department website – Services

families.”<sup>15</sup> **Group homes** “offer group care services to youth (0-18 years of age) under the care of the Minister of Social Development who are unable to remain in a foster home or biological home due to their physical or behavioural challenges.”<sup>16</sup> Exhibit 2.2 provides an overview of how a child enters the program.

Exhibit 2.2 – Overview of the Children’s Residential Services Program



<sup>15</sup> Department website – Children’s Residential Services – Foster Homes

<sup>16</sup> Department website – Services

<sup>17</sup> Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, page 22.

**Foster families**

**2.32** Foster families are volunteers who apply to the Department. There are basic eligibility criteria for the program, such as (but not limited to) the following:

- being at least 19 years of age;
- having good physical and mental health;
- passing a criminal record check;
- being financially self-sufficient; and
- having space in the home for additional children.

A program social worker meets with the applicant to assess: parenting skills, interpersonal skills and family dynamics. Applicants participate in training before being approved as a foster family by the Department.

**Appendix I** provides general information on foster homes (the program).

**Foster homes – program delivery**

**2.33** There are two key players involved in providing foster homes: the Department and the foster families. **Appendix II** shows the parties involved. (The four units within the Department which are directly involved with delivering the program are shaded.) Regional offices are responsible for delivering the *children’s residential services program*, which includes foster homes. The *program design & quality management division* at central office is responsible for planning, design and monitoring, including accountability of the program.

**2.34** “*The New Brunswick Foster Families Association is an organization for foster families, run by foster parents to serve and support each other in their work as caregivers.*”<sup>18</sup> There is a local New Brunswick Foster Family Association (NBFFA) serving each region, as well as a provincial association. **Appendix III** has additional information on the NBFFA.

**Statistics for foster care**

**2.35** The following information was obtained from the Department:

- *As of March 2012, there were 531 foster families...*<sup>19</sup>

<sup>18</sup> New Brunswick Foster Family Association’s website: <http://www.nbfosterfamilies.ca/nbffa.html>.

<sup>19</sup> Department of Social Development, *2011-2012 Annual Report*, November 2012, page 37.

- *At any given time, there are more than 1,100 children in foster care.*<sup>20</sup>
- *In 2011-12, 402 children were in temporary care each month on average;... 581 children were in permanent care and 68 youths received post-guardianship services on average per month.*<sup>21</sup>
- An older document dated 2006 stated, “*Children are spending an average of 1,527 days or 4.2 years in care. 93% spend over 1 year.*”<sup>22</sup> We asked the Department for updated figures. The Department informed us current data is not readily available as these figures were generated for a specific purpose at that time.
- The Department informed us expenditures for children in temporary and permanent care were approximately \$25 million in fiscal 2011-12. This includes children living in foster homes and group homes. This figure does not include health-card costs relating to prescription drugs and dental and vision services for these children. This figure also excludes grants to group homes for overhead costs, such as rent and staff.
- There was a decline of 85 foster homes (14%) over the last three years. Exhibit 2.3 provides a comparison of the number of foster homes by region from April 2010 to April 2013. Five of the eight regions had a decline in the number of foster homes. Saint John lost 38 foster homes, which was the greatest number in any one region. However, Miramichi lost 17 foster homes over the three years, which was equal to a 35% decrease in its resources. Three of the eight regions had an increase in the number of foster homes. The Chaleur region had the greatest increase: six foster homes (16%).

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<sup>20</sup> Department website – Family Foster Care - Information card

<sup>21</sup> Department of Social Development, *2011-2012 Annual Report*, November 2012, page 38-39.

<sup>22</sup> Department intranet - *Charter for Change – Opportunity Proposal –~2006-2007*, page 24.

Exhibit 2.3 – Comparison of the Number of Foster Homes by Region from April 2010 to April 2013

<b>2.3 Comparison of the Number of Foster Homes by Region from April 2010 to April 2013</b>						
<b>Region</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Change from 2010 to 2013</b>	<b>% Change from 2010 to 2013</b>
Saint John	182	160	149	144	-38	-21%
Moncton	136	128	115	115	-21	-15%
Fredericton	77	72	69	69	-8	-10%
Peninsula	58	59	53	44	-14	-24%
Miramichi	48	49	40	31	-17	-35%
Chaleur	38	32	41	44	6	16%
Edmundston	34	26	30	38	4	12%
Restigouche	24	26	28	27	3	13%
<b>Total</b>	<b>597</b>	<b>552</b>	<b>525</b>	<b>512</b>	<b>-85</b>	<b>-14%</b>

**Notes:**

- Region** lists the eight regional offices from which the Department delivers the program.
- Change from 2010 to 2013** represents the decrease or increase in the number of foster homes over the three-year time period.
- % Change from 2010 to 2013** represents the decrease or increase in the percentage of foster homes over the three-year time period.

**Source:** Table created by the Office of the Auditor General with information provided by the Department.

## Introduction to Findings

### *What we examined and the objectives of our work*

**2.36** The objectives of our work were:

1. *To determine if the Department of Social Development complies with its documented foster home standards<sup>23</sup> for providing a safe and secure environment for children who have to be separated from their natural families.*
2. *To determine if the Department of Social Development publicly reports on the effectiveness of its Children's Residential Services program.*

**2.37** Our work focused on the Department and its compliance with the program delivery standards. We did not assess the quality of the standards, and we did not examine foster family compliance with the operating standards. Further, a different program (the child-in-care program) is responsible for monitoring the child in a foster home and hence was excluded from our work.

**2.38** We developed criteria to use as the basis for our work. The criteria were reviewed and agreed upon by the Department.

**2.39** We started planning our work in November 2012 and concluded our fieldwork by May 2013. Our work included the following:

- reviewing legislation and policies for the program;
- holding discussions with staff from various divisions at central office;
- visiting one of the eight regional offices, where we met with staff from various programs (child protection, children in care, and children's residential services - foster homes). We discussed the process for approving foster families and reviewed various documents used in the region, both manual and electronic;
- corresponding with staff from each of the eight regional offices;
- meeting with representatives of the provincial Foster

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<sup>23</sup> “standards” refers to the Department’s “*Children’s Residential Services Practice Standards For Social Workers – Foster Homes*” dated January 2005. *Practice standards are mandatory and establish a minimum level of performance to meet the compliance required in a particular service.* (section 1.1, page1)

Family Association (NBFFA) and a local association. These association representatives are foster parents. We also met with the acting Child & Youth Advocate;

- examining program standards;
- analyzing information provided by the Department, both from central office and regional offices;
- selecting a sample of foster family files from each of the regions and reviewing the files for required documentation; and
- performing other procedures as determined necessary.

**2.40** Our audit was performed in accordance with standards for assurance engagements, encompassing value-for-money and compliance, established by the Chartered Professional Accountants of Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

**2.41** Certain financial and statistical information presented in this chapter was compiled from information provided by the Department of Social Development. It has not been audited or otherwise verified. Readers are cautioned that this financial and statistical information may not be appropriate for their purposes.

***How we present our findings in this chapter***

**2.42** In this chapter our key findings are reported in sections. Each key finding is supported with detailed findings. Our key findings are listed here.

Key Findings	Page Number
✓ The Department has documented standards for foster homes.	31
! Approval standards for foster families are not always met.	35
! Monitoring of foster families needs improvement.	41
! More foster homes are needed.	46
! Funding for foster homes needs reviewing.	55
! General program information was not readily available.	65
! The Department does not publicly report on the effectiveness of its foster home program.	66

- Key used in this chapter***    **2.43**    The following key is used to classify our findings:
- ✓ represents a positive observation;
  - ! represents an area needing improvement or further consideration; and
  - represents other observations.

## Key Finding: The Department has Documented Standards for Foster Homes

### Background

**2.44** Operating standards provide direction and describe an expected level of performance; they help people perform tasks properly, which should result in consistent delivery of quality service.

### Summary of Findings

**2.45** We found the following:

Findings	Page Number
✓ The Department has documented standards <sup>24</sup> for foster homes.	32
✓ Periodic revisions keep standards current.	32
! We observed a few inconsistencies and omissions in the standards.	32
! Inconsistencies in approving provisional (foster) homes (for a specific child/ren) could put the children and the Department at risk.	34

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<sup>24</sup> “standards” refers to the Department’s “*Children’s Residential Services Practice Standards For Social Workers – Foster Homes*” dated January 2005. *Practice standards are mandatory and establish a minimum level of performance to meet the compliance required in a particular service.* (section 1.1, page1)

***The Department has documented standards for foster homes***

**2.46** The Department has documented foster home standards for providing a safe and secure environment for children who have to be separated from their families. *Children's Residential Services Practice Standards For Social Workers – Foster Homes, January 2005* contain approximately 40 standards which provide direction to staff for several key program areas including the following:

- recruiting foster families;
- assessing an applicant;
- approving a foster family;
- managing the fostering experience;
- processing complaints;
- closing a foster family; and
- working with the local Foster Family Association.

**2.47** There is also a *Family Foster Care Standards* manual, which is the guide for foster families. It contains over 70 service standards which provide direction in areas including the following:

- the rights of the child and the foster family, the involvement of the biological family, and the responsibilities of the Department;
- becoming a foster family;
- caring for children;
- the environment of care (the household); and
- reporting incidents.

***Periodic revisions keep standards current***

**2.48** Both the *Children's Residential Services Practice Standards For Social Workers – Foster Homes* and the *Family Foster Care Standards* were recently revised in February 2013. Both sets of standards had previously been revised in 2005. Staff informed us the revision process was comprehensive and involved input from central office and the regions.

***We observed a few inconsistencies and omissions in the standards***

**2.49** Although the scope of our work did not include assessing the quality of the standards, we did observe a few inconsistencies and omissions in them.

**2.50** The *Environment of Care Standards Compliance*

*Checklist (Environment of Care Checklist)* is not complete. This checklist is used by the social worker when they inspect the home as part of the annual review of foster families. We found six omissions (i.e. items in the standards that were not recorded on the *Environment of Care Checklist*). For example, the *Family Foster Care Standards* outline to foster parents that foster children are not permitted to be exposed to second-hand smoke. There is no mention of this in the *Environment of Care Checklist*.

**2.51** The Department indicated contracting for care is becoming more prevalent because of the increasingly difficult behavioural problems of children coming into care and the difficulty in attracting volunteer foster parents. Although the use of contracts with foster families is on the rise, there is no mention of them in the standards and no documented guidance on their use.

**2.52** “A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families.”<sup>25</sup> While staff at central office indicated the approval of a provisional (foster) home does not require many of the forms (such as: an application form, three personal references, a Family Development Plan, an approval letter, a Form 1 – Approval of a Child Placement Resource or a Foster Family Resources Agreement), this is not clear in the standards. The standards clearly state only one exemption for provisional (foster) homes, which is the training requirement. We believe this lack of clear direction has caused inconsistencies in approving and monitoring provisional families observed in our testing, which is discussed next.

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<sup>25</sup> Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, page 22.

***Inconsistencies in approving provisional (foster) homes could put the children and the Department at risk***

**2.53** Six of the 20 files we tested were provisional (foster) homes. We tested these files to determine if the limited approval requirements, explained to us by central office staff, were met. None of the six provisional (foster) home files we tested met the requirements.

**2.54** Of particular concern were differences between regional and central office understanding of requirements. Two regions indicated provisional (foster) families were not required to take the oath of confidentiality. Central office confirmed this was required. And one region believed provisional (foster) homes did not require an annual review, which central office confirmed was in fact required.

**2.55** We feel the inconsistencies with approving and monitoring provisional (foster) homes could put children and the Department at risk. Since the Department sanctions the placement and approves provisional homes, we believe most requirements for regular foster families should also be required for provisional (foster) families.

***Conclusion***

**2.56** We were pleased to find the Department has documented standards for foster homes, which are revised periodically. However, we observed inconsistencies (*Environment of Care Checklist*) and noted two areas (contracts and provisional homes) not sufficiently addressed by the standards in order to mitigate risks to the Department.

***Recommendations***

**2.57** We recommend the Department of Social Development establish standards for contracting with foster families.

**2.58** We recommend the Department of Social Development amend its standards to provide comprehensive and consistent direction for approving and monitoring provisional<sup>27</sup> (foster) homes.

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<sup>26</sup> See <sup>27</sup> below

<sup>27</sup> "A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families." (standards, page 22)

## Key Finding: Approval Standards for Foster Families are Not Always Met

### Background

**2.59** One of the objectives of our work was: *to determine if the Department of Social Development complies with its documented foster home standards for providing a safe and secure environment for children who have to be separated from their natural families.* We reviewed the “*Children’s Residential Services Practice Standards For Social Workers – Foster Homes*” (standards), dated January 2005. The standards state the following on page 1, “*Practice standards are mandatory and establish a minimum level of performance to meet the compliance required in a particular service.*” We tested for compliance with specific standards relating to approving foster families. This involved speaking with staff and reviewing a sample of foster family files.

### Summary of Findings

**2.60** We found the following:

Findings	Page Number
• Department staff acknowledge the importance of the approval standards and believe the standards are always met prior to approving a foster family.	36
! Foster family file documentation suggests non-compliance with the standards.	36
! There are inconsistencies in information between the foster family’s manual and electronic files.	38
! Criminal record checks are not always done in accordance with the standards.	39
✓ Foster parents receive training.	39

*Department staff acknowledge the importance of the approval standards and believe the standards are always met prior to approving a foster family*

**2.61** Program staff at central office indicated they expected full compliance with the approval standards. When we visited a regional office to obtain a better understanding of the delivery of the program, we discussed the approval process with several staff. The process described seemed thorough and appropriate. While one social worker was responsible for each foster family applicant and completed the assessment, the entire team met and discussed the applicant's case, and the supervisor's approval was required for each foster family. Staff acknowledged the importance of having a rigorous approval process. They were confident the approval standards were met.

*Foster family file documentation suggests non-compliance with the standards*

**2.62** We tested for compliance with specific standards relating to approving foster families. We selected a sample of twenty foster family files. We chose two files from each of the eight regions and an additional two files from the largest two regions. We examined the files to determine if there was documentation demonstrating the approval standards were followed. Additional information on our testing of foster family files is provided in **Appendix IV**, which includes details on the sample of foster family files selected for testing, a list of the standards relating to approving a foster family, and the documentation required in a foster family's file. If there was no documentation indicating a standard was followed, then we considered the file to be in non-compliance. Exhibit 2.4 shows the results of our testing of foster family files.

**2.63** The results of our testing indicate many instances of non-compliance with the approval standards. Only two of the 20 files contained all of the required documentation for approving a foster family.

Exhibit 2.4 - Results of Testing Foster Families Files

2.4	Results of Testing Foster Families Files				
		Compliance		Non-Compliance	
	# of files	% of files	# of files	% of files	
<b>Approval</b>	2	10%	18	90%	20
<b>Training</b>	13	100%	0	0%	*13
<b>Record Checks – With Application (Approval)</b>	12	60%	8	40%	20
<b>Record Checks – Every 5 years (Monitoring)</b>	4	36%	7	64%	**11
<b>Consistent Information</b>	7	35%	13	65%	20
<b>Annual Reviews</b>	3	17%	15	83%	***18

**Notes:**

- Compliance** refers to foster family files that were tested and found to be in compliance with the standards.
- Non-Compliance** refers to foster family files tested and found to be non-compliant with the standards.
- Total Files Applicable** is the number of foster family files tested for the specific attribute.
- Approval** – The standards require the social worker to perform several tasks, such as inspecting the home and assessing the applicant, prior to the foster family being approved.
- Training** – The standards require the applicant to take certain training.
- Record Checks** – The standards require anyone over 18 in the foster home to have a criminal record check and Departmental check done upon application and every 5 years thereafter.
- Consistent Information** – Each foster family has both a manual file and an electronic file. Our testing compared some information in both of the files to ensure consistency.
- Annual Reviews** – The standards require ongoing monitoring of foster families following their approval. The social worker is required to visit the foster home annually to perform a home inspection and an annual review of foster parents.

\* Seven files were exempted from our testing for appropriate training documentation because six were provisional (foster) homes who are exempt from the training standard and the remaining foster family had just recently been approved and their one year period for completing the training had not yet lapsed.

\*\* Nine files were exempted from our testing for monitoring of record checks every 5 years because they had not been foster parents for 5 years and the time had not yet lapsed.

\*\*\*Two files were exempted from our testing for regular annual reviews because the foster families had recently been approved and a full year had not yet lapsed.

**Source:** Chart created by the Office of the Auditor General using the results of testing 20 foster family files. The results were confirmed by the Department.

**2.64** Our findings were confirmed with each of the regional offices. Documents missing (with the number of occurrences) included the following:

- *Family Development Plan* – completed by the social

worker upon approval of a foster family and used on an on-going basis to assess their competency to foster (9);

- *Oath of Confidentiality* signed by the foster parents (7);
- *Environment of Care Checklist* – the home inspection checklist used by the social worker to assess the suitability of the residence (7);
- *Form 1 – Approval of a Child Placement Resource* - The approval of a resource (foster home) is granted by the Minister<sup>28</sup> and the supervisor signs *Form 1* on behalf of the Minister (5);
- *approval letter* to the foster family issued by the Department indicating the type of services they have been approved to provide and the number of beds (5);
- *foster family assessment report* - prepared by the social worker who must “conduct at least three Mutual Family Assessment Meetings with each applicant, at key intervals, throughout the approval process.”<sup>29</sup> The report is signed by the social worker, supervisor and applicant (3);
- *letters of reference* - three (3) written references from non-family members are required for each applicant<sup>30</sup> (2);
- *Foster Family Resource Agreement* – signed by foster parents before the Department places a foster child in the home (2); and
- *application* - completed by the individual interested in becoming a foster parent (1).

***There are inconsistencies in information between the foster family’s manual and electronic files***

**2.65** During the testing of twenty (20) foster family files, we observed the following inconsistencies in information between the foster family’s manual and electronic files:

- Nine (9) instances of differing approval dates;
- Seven (7) instances of differing assigned social

<sup>28</sup> according to Section 6, Regulation 91-170 of the Family Services Act

<sup>29</sup> Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, page 16.

<sup>30</sup> *Ibid*, page 11.

worker;

- Seven (7) instances of differing number of approved foster spaces for the household; and
- One (1) instance of differing expiry dates (i.e. the date of next annual review).

**2.66** Given central office uses the electronic information on foster families, these discrepancies are significant. We believe the lack of accurate information on foster homes at the departmental level could reduce the effectiveness of program planning, which is discussed later in this chapter along with our recommendation.

***Criminal record checks are not always done in accordance with the standards***

**2.67** “SD Record Check and Criminal Record Check” policy states, “This policy has been developed to ensure that programs and services funded and/or approved by SD (Social Development) establish and maintain practices which protect children and vulnerable adults from being physically, sexually or financially abused by persons associated with these services. This policy applies to both facility and in home services, and includes an SD record check and a criminal record check.”<sup>31</sup> The policy applies to foster homes. Also according to the standards, as part of the assessment of a prospective foster family, “The CRS Social Worker must request an SD Record Check and a Criminal Record Check on all prospective applicants and any person over the age of 19, residing in the household.”<sup>32</sup>

**2.68** Eight of the twenty files we examined lacked documentation indicating the record checks were done prior to approving the foster family. (Exhibit 2.4 shows the results of our testing of foster family files.) However, in each of the tested files, there was evidence the record checks were subsequently obtained.

***Foster parents receive training***

**2.69** Applicants and foster parents are required to do training. “It is mandatory for all applicants to take the PRIDE Pre-service Training which is a nine (9) week or 27-hour program of introduction into fostering and an

<sup>31</sup> Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, Appendix A, page 1.

<sup>32</sup> Ibid, standard 5 page 11.

*assessment of the applicant's ability to foster.*"<sup>33</sup>  
 Provisional<sup>34</sup> families are excluded from this requirement. The standards state, "*It is not mandatory for provisional families to participate in the PRIDE Pre-Service Training or the on-going service training, but they are encouraged to participate.*"<sup>35</sup>

**2.70** The results of our testing indicate foster parents receive required training. All of the 13 files tested contained training documentation.

### ***Conclusion***

**2.71** From our testing, we concluded documentation is often not present in the foster family's file to show that all the required standards were met prior to approving a foster family.

### ***Recommendation***

**2.72** **We recommend the Department of Social Development comply with its documented foster home standards for providing a safe and secure environment for children who have to be separated from their families.**

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<sup>33</sup> Province of New Brunswick – Department of Social Development, *Children's Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, page 3.

<sup>34</sup> "A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families." (standards, page 22)

<sup>35</sup> Province of New Brunswick – Department of Social Development, *Children's Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, page 22.

## Key Finding: Monitoring of Foster Families Needs Improvement

### Background

**2.73** The Department should monitor foster families according to documented standards<sup>36</sup> to ensure a safe and secure environment is maintained. We tested for compliance with specific standards relating to monitoring foster families. This involved speaking with staff and reviewing a sample of foster family files. Additional information on our testing of foster family files is provided in **Appendix IV**.

### Summary of Findings

**2.74** We found the following:

Findings	Page Number
! Annual reviews are not always completed as required by the standards.	42
! Non-compliance with the maximum number of children standard was found.	42
! Criminal record checks are not always done in accordance with the standards.	43
! Program monitoring at the regional level is inadequate.	43
! Program monitoring by central office is inadequate.	43

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<sup>36</sup> “standards” refers to the Department’s “*Children’s Residential Services Practice Standards For Social Workers – Foster Homes*” dated January 2005. *Practice standards are mandatory and establish a minimum level of performance to meet the compliance required in a particular service.* (section 1.1, page1)

***Annual reviews are not always completed as required by the standards***

**2.75** The standards require the social worker to “*assess the foster family’s competency to foster on an on-going basis*”<sup>37</sup> by doing an annual review which includes updating the *Family Development Plan* and performing a home inspection using the *Environment of Care Checklist*.

**2.76** The results of our testing indicate foster parents are not monitored according to the standards. Annual reviews are not always completed. Only three of the 18 files tested contained documentation indicating annual reviews were done regularly. The other 15 files did not comply. (We considered the file to be non-compliant when documentation for one or more annual reviews was missing.) Exhibit 2.4 shows the results of our testing. Our observations included the following:

- Nine files were missing a *Family Development Plan*. Two regions said they did not use the *Family Development Plan*. They had requested training on how to complete the form but had yet to receive it.
- Seven files were missing the *Environment of Care Checklist* for one or more years.

***Non-compliance with the maximum number of children standard was found***

**2.77** The standards allow for a maximum of five foster children in a home.

“*A Novice/Regular Foster Home is approved for a maximum of five (5) children in care, including children served by other agencies.*”<sup>38</sup>

*The total number of dependents within a Novice/Regular Foster Home, including children in care, must not exceed seven (7). Dependents include natural children under the age of 19, frail and elderly family members, and residents or clients placed under other programs.*”<sup>39</sup>

**2.78** During our testing of foster family files, we reviewed one file indicating the foster family was approved for ten children, far in excess of the maximum

<sup>37</sup> Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, standard 23, page 24.

<sup>38</sup> Ibid, page 17.

<sup>39</sup> Ibid, page 17.

specified in the standards.

***Criminal record checks are not always done in accordance with the standards***

**2.79** To protect children from abuse, the Department has a policy requiring record checks before an applicant is approved as a foster family and on an ongoing basis thereafter. According to the standards, “*A prior contact check with the department of Social Development and a criminal record check must be completed on a foster family every five years after approval or sooner if required.*”<sup>40</sup>

**2.80** The results of our testing indicate the ongoing record checks are not always done. Eleven of the 20 files we tested were foster families whom had been operating for over five years, thus requiring the ongoing record check. Seven of the eleven files were missing documentation confirming the ongoing record checks had been completed as specified in the standards.

***Program monitoring at the regional level is inadequate***

**2.81** Regional supervisors are responsible for ensuring the social workers working with foster families are delivering the program in accordance with standards. However, based upon the discrepancies found by our testing (annual reviews are not always completed as required by the standards; non-compliance with the maximum number of children standard; criminal record checks are not always done in accordance with the standards), we believe monitoring at the regional level is inadequate.

***Program monitoring by central office is inadequate***

**2.82** The following central office units, which are involved in Children’s Residential Services (foster homes and group homes), have monitoring responsibilities listed in their descriptions.

- “*Program Design & Quality Management (Division) is responsible for the planning, design and monitoring, from a provincial perspective, of all Departmental programs.*”<sup>41</sup>
- “*The Child Welfare and Youth Services Branch is responsible for the planning, design and monitoring*

<sup>40</sup> Province of New Brunswick – Department of Social Development, *Family Foster Care Standards*, January 2005, standard 8.2.2, page 37.

<sup>41</sup> Department website - Mandate

*of all departmental child welfare and youth programs and services. These include the following programs and services: ... , Child Protection Services, Child In Care/Post-guardianship Services, ... Children's Residential Services (foster homes and group homes), ...*<sup>42</sup>

- *Clinical Auditing and Child Welfare Training – “The New Brunswick Child Welfare Quality Assurance Clinical Audit program was launched in February, 2010. Clinical audits provide an independent, objective and systematic review of the manner in which child welfare programs including Child Protection (...), Children in Care, ... , Children's Residential Services (foster homes and children's residential centres), ..., are delivered. Clinical Auditing is a strength-based process of collecting information towards continuous improvement in the service-delivery of Child Welfare programs. ... The purpose of the clinical audits is to assist in increasing public and staff trust and confidence in the Department and in helping to ensure the highest level of services provided to the children of New Brunswick.”*<sup>43</sup>

**2.83** Despite these documented responsibilities, discussions with central office staff indicated they do limited quality control and monitoring procedures to ensure the standards are met and to ensure there is consistency with foster homes throughout the Province.

**2.84** Our findings, which confirmed lack of central office monitoring, are:

- prevalent non-compliance with the approval standards;
- annual reviews not always done; and
- inconsistencies between the regions in enforcing the requirements for provisional (foster) families.

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<sup>42</sup> Department website - Mandate

<sup>43</sup> Program description provided by the Department

**Conclusion**

**2.85** The Department does not always monitor foster families in accordance with documented standards in order to ensure a safe and secure environment is maintained for children in care. Program monitoring by both the regional offices and central office is inadequate.

**Recommendation**

**2.86** We recommend the Department of Social Development implement regular monitoring procedures for both regional and central office to ensure compliance with its standards. The procedures could include, but not necessarily be limited to, the following:

- a periodic review of a sample of files to determine compliance with standards; and
- a regular review of “expired approval dates” recorded in the electronic information system, with follow-up to ensure the foster family’s annual review is completed on time.

## Key Finding: More Foster Homes are Needed

### Background

**2.87** For their protection, children can be temporarily or permanently removed from their parents and placed into the care of the Minister. This can happen at any time, day or night, any day of the year. Children in care of the Minister need a place to live where they will be properly cared for. A foster home<sup>44</sup> is the Department's first choice for children in care. The Department refers to foster families as a "vital resource"<sup>45</sup>. Having an adequate supply of foster homes is crucial to "vulnerable children in need"<sup>46</sup>.

### Summary of Findings

**2.88** We found the following:

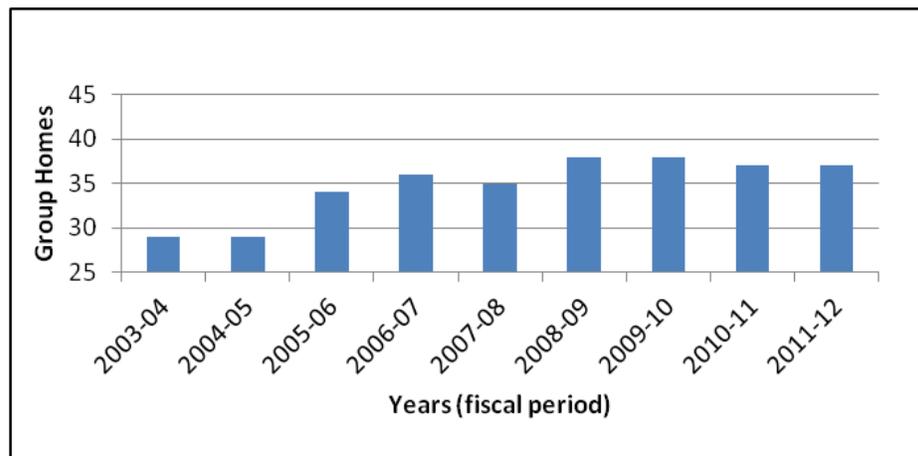
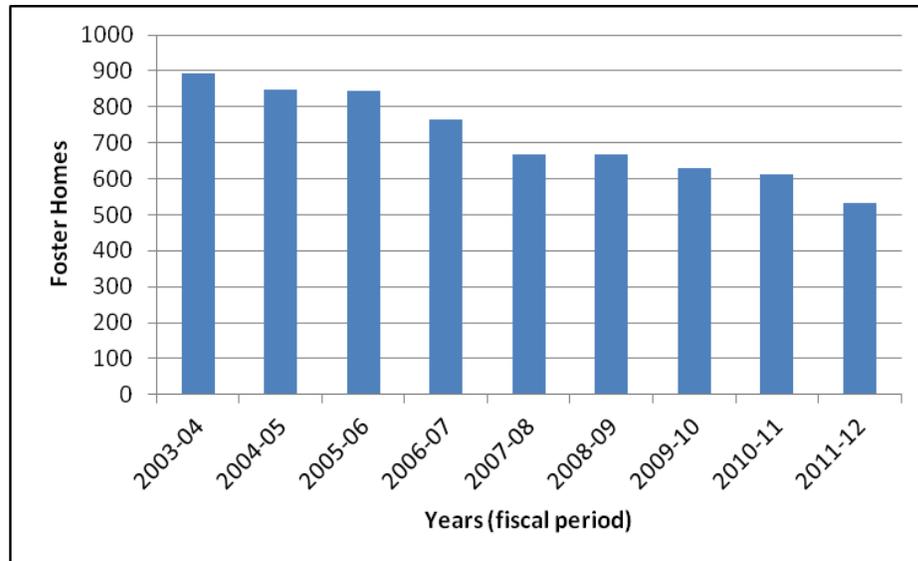
Findings	Page Number
! The number of foster homes has declined by 41% over an eight year period.	47
! There are challenges to recruiting and retaining foster families.	48
! An inadequate supply of foster families could result in severe consequences for vulnerable children.	49
! Stakeholders are concerned with the declining number of foster families.	50
! There is no long-term provincial strategy to ensure sufficient appropriate foster homes are available when needed.	51
! The loss of foster families could have a significant financial impact on the Province.	53

<sup>44</sup> "foster home" includes "provisional home" - "A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families."

<sup>45</sup> Letter to the Auditor General from the Deputy Minister - Department of Social Development, 2013.

<sup>46</sup> Ibid

Exhibit 2.5 - Resources Available to Children in Care – Foster Homes and Group Homes

**2.5 Resources Available to Children in Care – Foster Homes and Group Homes****Notes:**

1. **Foster Homes** provide a child or siblings with a nurturing and supportive alternative home when they are not able to live with their birth family.
2. **Group homes** are privately operated “home-like” environments for up to six children.
3. **Fiscal period** is the financial reporting period for GNB (April 1 through March 31).

**Source:** Table created by the Office of the Auditor General with information from the Department’s annual reports and website.

**The number of foster homes has declined by 41% over an eight-year period**

**2.89** The number of foster homes and group homes each year since 2003-04 is shown in Exhibit 2.5. Our observations include the following:

- There has been a decline of 41% in the number of foster homes over an eight-year period. The number

of foster homes has gone down by 362, from 893 foster homes in 2003-04 to 531 in 2011-12.

- There has been an increase of 28% in the number of group homes over an eight-year period. The number of group homes has gone up by eight, from 29 group homes in 2003-04 to 37 in 2011-12.

**2.90** One region provided us with documentation showing the number of foster homes in its area had decreased by 51% from July 2003 to October 2012.

*There are challenges to recruiting and retaining foster families*

**2.91** The Department and the NBFFA representatives indicated the following issues present challenges to recruiting and retaining foster families:

- **Funding** - NBFFA representatives indicated the level of funding currently available to foster families negatively affects both retention and recruitment of foster families. This is discussed in more detail later in the chapter.
- **Relief care** - It is difficult for foster families to get relief care when there is not a sufficient supply of foster families. Relief care is a break from fostering for an emergency, a health issue, a week-end, etc. Without adequate relief care, a foster family could “burn-out” and terminate their offer to provide service.
- **More difficult behaviours of children** - The children coming into care are more challenging to care for than in the past. This makes fostering more demanding and can create stress for foster families.
- **Aging foster parents** – A large portion of the current foster parents are families who have been volunteering for several years. They are aging and becoming seniors who sometimes lack the energy that fostering demands today.
- **Both parents working** - Many more households have both parents in the work force leaving less time for volunteering, and being a foster family can be a challenge. In the past, people came forward wanting to be foster parents but this rarely happens anymore.
- **As the number of foster families declines, the program becomes more demanding on the remaining foster families** because there are fewer and shorter breaks between foster care assignments.

This may affect retention if foster families resign because of fatigue. This may also affect recruitment because in the past, foster families publicly shared positive experiences providing word-of-mouth recruitment.

- **New policy** - In 2005, the Department introduced a policy which made employees of the Department ineligible to become a foster parent. The Department indicated this policy was necessary to eliminate any perceived or potential conflict of interest. Prior to the introduction of the policy, some employees were foster parents. Given their backgrounds, Department staff may be more likely to consider fostering. (The Department employs approximately 1,580<sup>47</sup> people.)

*An inadequate supply of foster families could result in severe consequences for vulnerable children*

**2.92** When there are not enough foster families, it is the vulnerable children in need who are impacted the most. The Department indicated an inadequate supply of foster families may cause, and at times has caused, the following events:

- **Compliance with the matching standard<sup>48</sup> may be difficult for the Department.** The standards require the social worker to “*match the child’s placement needs with the proper resource*”<sup>49</sup>. When foster home availability is limited, finding a placement that best meets the needs of a particular child may not be possible.
- **Siblings may get separated.** Foster homes approved for three or four children may each only have one space vacant. Therefore when siblings enter care, each child may be assigned to a different foster home having only one space available.
- **The child may get placed in a foster home in a different region.** This can create other unpleasant issues. For example, the child may have to attend a different school which could create academic or social

<sup>47</sup> 1582 employees listed on the Department’s website – June 2013.

<sup>48</sup> “standard” refers to the Department’s “*Children’s Residential Services Practice Standards For Social Workers – Foster Homes*” dated January 2005. *Practice standards are mandatory and establish a minimum level of performance to meet the compliance required in a particular service.* (section 1.1, page1)

<sup>49</sup>Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, standard 22, page 23.

problems. Distance may also make getting to appointments (medical, therapy, etc.) and visits with their parents more difficult.

- **The child may be placed in a group home.** Typically, group homes are limited to children “*who are unable to remain in a foster home or biological home due to their physical or behavioural challenges.*”<sup>50</sup> Group homes are not intended for children who would do well in a foster home.
- **There have been situations where a child was placed temporarily in a hotel room** with supports until a placement was identified that could meet the child’s needs. The Department indicated while this has happened, it is a rare occurrence.
- **The placement process becomes less efficient.** The social worker requires more time to find a foster home for a child when spaces are limited. Emergency placements can be very difficult; it may take several hours to find a foster home bed while the child sits and waits at the regional office.
- **Clinical decision may be affected.** When a social worker is aware there is no foster home available in their area for a child or several siblings, they may leave the child(ren) with their family rather than have them relocated to another region or splitting up siblings. If this is the case, services are put into the home to ensure the safety and security of the child(ren).

***Stakeholders are concerned with the declining number of foster families***

**2.93** When we started our work the Department informed us, “*The Department of Social Development is presently struggling to maintain sufficient numbers of foster homes and is continually recruiting individuals to open their homes to vulnerable children in need.*”<sup>51</sup>

**2.94** When we visited a regional office to obtain a better understanding of the delivery of the program, most staff raised the issue of the declining supply of foster families and the challenges it was causing. Five regions indicated

<sup>50</sup> Department website - Services

<sup>51</sup> Letter to the Auditor General from the Department dated January 25, 2013.

there is no foster home availability for 12-19 year-old children in their area.

**2.95** Representatives of the two NBFFAs, with whom we spoke, expressed concern over the declining number of foster families and the possible causes and effects.

***There is no long-term provincial strategy to ensure sufficient appropriate foster homes are available when needed***

**2.96** With regards to child protection and children in care of the Minister, the Department states the following on its website:

- *“The Minister assumes all parental rights and this Department is responsible to ensure that these children have adequate substitute families until placed for adoption or they reach adulthood.”<sup>52</sup>*
- *“Decisions are based on what is in the best interests of the child.”<sup>53</sup>*
- *“It is the Department's belief that every child has the right to be a member of a permanent family.”<sup>54</sup>*

**2.97** The standards require each region to recruit families to become foster families. Each of the eight regions informed us of its recruitment efforts, which were quite consistent and included promotional activity through such means as: radio messages, newspaper advertisements, distributing promotional material at public events, and holding public information sessions.

**2.98** Included with the standards are guidelines which suggest, “... *regional unit conducts a recruitment needs assessment for foster placement resources at least once per year prior to beginning a recruitment campaign*”. Three regions indicated they did not do a recruitment needs assessment. Documentation of a needs assessment was provided by one region, which reported having a recruitment committee. Another region indicated its needs assessments were conducted on an ongoing basis. Central office does not oversee or monitor their processes.

**2.99** Several regions reported a strong need for foster

<sup>52</sup> Department website - Services - Protection Program

<sup>53</sup> Department website - Services - Children and Youth in Care of the Minister

<sup>54</sup> Ibid

homes for specific age groups. In particular:

- Foster homes for 12-19 year olds: typically older children are not adopted and not requested by foster families. Recent changes to the legislation expanded the age for the program from 16 to 19, thus increasing the length of time foster care is needed.
- Foster homes for pre-school children: foster families want children who are in school, particularly families with two working parents.

**2.100** One region went even further stating, *“We have a high need for new homes for children of all ages. We have not been in a position during any of these years to say we have enough homes for one particular age category.”*

**2.101** The guidelines for the recruitment standards also suggest, *“The Provincial Program Consultant for Children’s Residential Services is responsible for a province wide information and recruit [sic] strategy in conjunction with the NB Foster Family Association. Promotion materials are provided to the regional offices for on-going use.”* The program consultant informed us of the recruitment efforts which included updating the program’s promotion materials and advertising. The regions reported they find the promotion materials helpful.

**2.102** Both the regional offices and the program consultant informed us recruitment activities varied each year depending on available funding. One region indicated there was no set recruitment budget. Another region indicated they needed to do local publicity but had no budget for advertising for two years.

**2.103** The Department does not have any formal plan for recruiting and retaining foster families. While program promotion may be a valuable component, it is not a complete strategy on its own. There is no long-term strategy to ensure sufficient appropriate foster homes are available when needed. We believe a strategy is needed which addresses both short-term and long-term needs, identifies specific regional office and central office involvement, and is adequately funded.

***The loss of foster families could have a significant financial impact on the Province***

**2.104** While obtaining cost information for foster homes was difficult, we learned the following:

- The Department's cost to keep a child in a foster home for one year ranges from a minimum of \$8,800<sup>55</sup> to an average of \$22,700<sup>56</sup>.
- Staff indicated when a region is unable to find a foster family for a child, they may advertise to employ someone for child care. Contracted care means the foster parent is being paid for his or her time to care for the child, which is different than a regular foster home where the foster parents volunteer their time. During our testing of twenty items, we found one 2009 case for contracted care in a provisional<sup>57</sup> (foster) home. The cost was approximately \$57,000 for that year.
- For group homes, the Department informed us the average cost per bed based on the annualized Department grant funding for fiscal 2011-2012 is \$95,751. This figure for group home grant funding does not include specific costs relating to a child, such as the clothing, school supplies and Christmas allowances, which is included in the fostering costs above.

**2.105** Cost of care information clearly shows foster home care is significantly less costly than both contracted care and group home care. Each foster home bed not available costs the Province an additional \$95,751 as a group home bed. Recent experience indicates the number of foster homes is decreasing and the number of group homes is increasing (Exhibit 2.5 presented earlier). If this trend continues, it will have a significant negative financial impact to the Province.

***Conclusion***

**2.106** The significant decrease in the number of foster homes is very concerning. The number of foster homes

<sup>55</sup> Appendix V – Estimated Minimum Annual Cost to Keep a Child in a Foster Home.

<sup>56</sup> Calculated by the Office of the Auditor General using unaudited figures provided by the Department: the cost of foster care for fiscal 2011-12 of \$25 million divided by the number of children in foster care in the same year of 1,100 ( $\$25,000,000 / 1,100 = \$22,727$ ).

<sup>57</sup> "A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families." (standards, page 22)

has declined by 41% over an eight year period. An inadequate supply of foster families could result in adverse consequences to vulnerable children in need of care (siblings may get separated, a child may get placed in a foster home in a different region than his or her community or perhaps be placed in a group home) and have a significant negative financial impact on the cost of care to the Province. The Department does not have a documented plan to address the shrinking supply of foster families.

### *Recommendation*

**2.107 We recommend the Department of Social Development develop a long-term strategy to ensure sufficient appropriate foster homes are available to meet regional needs and to help meet, “*The Children’s Residential Services program primary goal ... to ensure consistent, high quality residential services to children who are in the temporary or permanent care of the Minister.*”<sup>58</sup>**

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<sup>58</sup> Letter to the Auditor General from the Department dated January 25, 2013.

## Key Finding: Funding for Foster Homes Needs Reviewing

### Background

- 2.108** Foster families are volunteers who are reimbursed for some of the costs associated with the care of the foster child. The Department pays the following:
- When they have a foster child living with them, foster parents are paid a set monthly rate<sup>59</sup> depending on the age of the child.
  - “Allowances” are paid at specific times of the year for seasonal clothing, school supplies and Christmas gifts.
  - The child’s care plan may include additional services and items, such as recreation or therapeutic, for which funding is provided to the foster family or paid to the service provider directly.
  - In addition, the Department provides *“a monthly fee-for-service based on the type of foster family classification. The foster family classification is based on training, experience and skill development. Each classification has a monthly corresponding fee-for-service which compensates foster families for their time, skills and efforts.”*<sup>60</sup>

### Summary of Findings

- 2.109** We found the following:

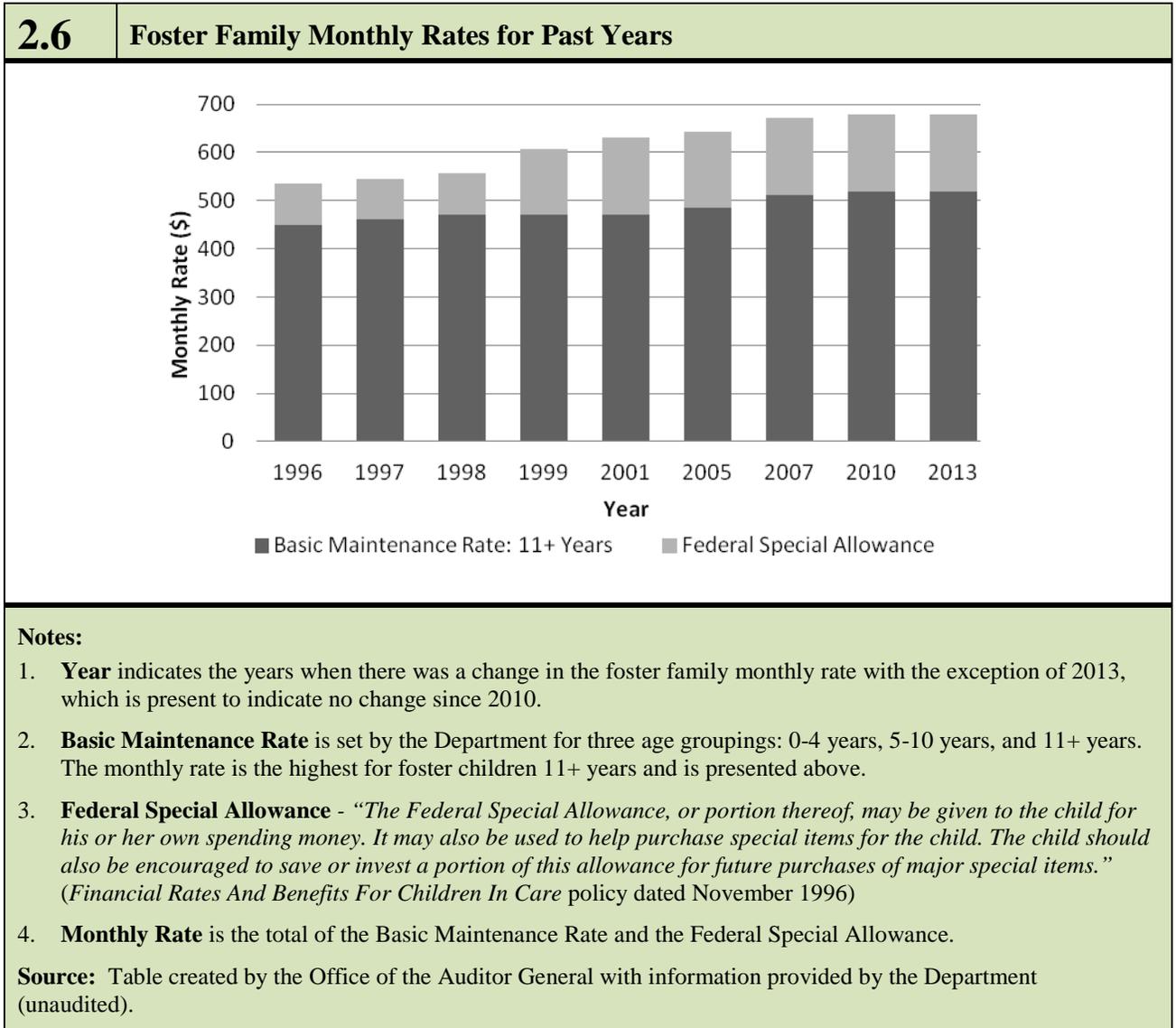
Findings	Page Number
! There has been little change in the foster family monthly rates since 1996.	56
! Several additional reimbursement rates relating to children in foster homes have not been revised for six or more years.	60
! Rates could impact the retention and recruitment of needed foster families.	62
! The Department has no policy or documented direction for a regular review of rates.	63

<sup>59</sup> “monthly rate” refers to the total of the basic maintenance rate and the federal special allowance.

<sup>60</sup> *Financial Rates and Benefits for Children in Care and Service Fees for Foster Families*, August, 2001.

The monthly fee-for-service is \$200 per month/child for regular foster families (having at least six months of active fostering experience) and \$516 per month/child for therapeutic, special needs and young offenders foster families. (New foster families do not receive a fee-for-service payment until they have at least six months of active fostering experience.)

Exhibit 2.6 - Foster Family Monthly Rates for Past Years



***There has been little change in the foster family monthly rates since 1996***

**2.110** *Financial Rates And Benefits For Children In Care* policy dated November 1996 states, *“The Department will provide funds to foster families on behalf of children in care ... in accordance with the amounts and criteria outlined in the following tables. ... The Department will attempt to provide each foster family with adequate funds through the regular monthly maintenance check to meet the specific needs of each child, based on the child’s care plan, and minimize the use of billings and separate reimbursements.”*

**2.111** The foster family monthly rates for the years since 1996 are presented in Exhibit 2.6. Some of our observations regarding the monthly rates include the

following:

- Since 1996, the basic maintenance rate for the 11+ years-old foster child has increased by \$69 (15.3%). The increase is similar for the other two age groupings (0-4 years and 5-10 years) at \$58 and \$63 (17% and 16%).
- According to the rates used by the Department, the federal special allowance increased by 88% over the same period (an increase of \$74.67 since 1996).
- Since 2007 there has been an increase of eight dollars (\$8). This equates to a 2% increase over the past six years.
- The last foster family monthly rate change occurred in April 2010, over three years ago.

Exhibit 2.7 - Analysis of Components of the Monthly Basic Maintenance Rate for Foster Children

<b>2.7 Analysis of Components of the Monthly Basic Maintenance Rate for Foster Children</b>						
Component	1996	2002	2013	Increase from 2002 to 2013		CPI Increase from 2002 to 2013 (%)
				\$	%	
Lodging	\$100	\$107	\$107	0	0	63.4 & 15.5
Food	157	168	188	20	11.9	38.6
Clothing	55	57	77	20	35.1	1.8
Personal care	23	24	32	8	33.3	10.0
Transportation	35	35	35	0	0	24.4
Babysitting	45	45	45	0	0	-
Recreation/Special occasion	35	35	35	0	0	6.6
<b>Total Monthly Basic Maintenance Rate</b>	<b>\$450</b>	<b>\$471</b>	<b>\$519</b>	<b>\$48</b>	<b>10.2%</b>	

**Notes:**

- Components** of the Basic Maintenance Rate for Foster Children are set by the Department for three age groupings: 0-4 years, 5-10 years, and 11+ years. The monthly rate is the highest for foster children 11+ years and is presented above for 1996, 2002 and 2013 (the current rate effective April 2010).
- CPI = Consumer Price Index** is a measure of the rate of price change for goods and services bought by Canadian consumers. It is the most widely used indicator of price changes in Canada.
- Lodging** includes additional costs of: utilities, household supplies, sheets and towels, dishes, and normal wear and tear on furniture and appliances.
- Clothing** includes: socks and underwear, outerwear, footwear (including sneakers), sportswear (i.e. jogging suit).
- Personal care** includes: haircuts, personal hygiene products, over-the-counter cold medications, vitamins, etc.
- Transportation** covers the costs of trips to/for: recreational activities, shopping, haircuts and similar routine activities.
- Babysitting** provides support to foster families to enable them to pursue activities related to their overall wellbeing as a family, and covers such activities as: personal shopping, visits to doctor, recreational and social pursuits.
- Recreation/Special occasion** covers culturally normative activities for any foster child. Special occasions include: birthday presents and party, holiday expenses (Halloween, Easter, etc.), Mother/Father's Day present, end-of-school year present, presents given by the child to others. Recreation costs include: books, games, toys, tapes, tape rentals, outings.

**Source:** Table created by the Office of the Auditor General with information provided by the Department (unaudited). Descriptions of the components are quoted from "Financial Rates and Benefits for Children in Care" November 1, 1996. The increase from 2002 to 2013 was calculated for both the \$ and % figures. CPI = Consumer Price Index figures are from the Government of Canada website – Consumer Price Index by province (monthly) (New Brunswick).

**2.112** We examined the components of the basic maintenance rate for foster children and compared rate changes to inflation. Exhibit 2.7 shows the components of the basic maintenance rate for foster children for three points in time and compares the 2002 rate with the current rate. It indicates the increase in each of the components over the last 11 years. It also shows the consumer price index (CPI) increase from 2002 to 2013 in terms of percentage (%) for most of the components. (We used the CPI as an indicator of inflation.) Our observations include the following:

- The two largest components of the basic maintenance rate are lodging and food.
- Lodging has remained unchanged at \$107 over the last 11 years. The lodging component includes: utilities, household supplies, and normal wear and tear on furniture and appliances. The CPI for energy increased by 63.4% from 2002 to 2013. (This means in 2013 the price of energy increased by 63.4% in comparison to the price in 2002.) The CPI for household operations, furnishings and equipment increased by 15.5% during the same time period. This means that while the reimbursement for lodging for foster children has not increased since 2002, the price increases of the lodging components (energy and household operations) to the consumer (foster parents) have increased by 63.4% and 15.5% respectively.
- Food has increased from \$168 to \$188, an increase of \$20 (11.9%) over the last 11 years. The CPI for food increased by 38.6% during the same time period. This means that while the reimbursement for food for foster children has increased by 11.9% since 2002, the price increase of food to the consumer has increased by 38.6%. The increase in the price of food since 2002 is essentially more than triple the increase in the rate for food to foster families.
- Transportation, babysitting and recreational rates have not changed since 1996.
- We did an overall comparison of the increase in the

foster family monthly rate to the increase in CPI for the period 1996 to 2013. The basic maintenance rate for a foster child increased by 15.3% while the CPI increased by 38.7%.<sup>61</sup> Adjusting the 1996 foster family monthly rate for the overall 38.7% increase in prices results in a 2013 monthly rate of \$624.15, which is \$105.15 higher than the current rate paid for foster care.

*Several additional reimbursement rates relating to children in foster homes have not been revised for six or more years.*

**2.113** The clothing and seasonal allowances currently paid to foster parents (for items such as winter coats, boots, gloves and school supplies) are based upon a rate that is ten years old. The foster family monthly rates (to help with the costs of lodging, food, clothing, personal care, etc.) have remained unchanged for over three years. Other rates have not changed for six or more years.

**2.114** Information pertaining to the reimbursement of costs relating to foster children are presented in Exhibit 2.8. It shows the items or costs that are subject to reimbursement, the rate, and the date of the policy stating the reimbursement rate. The items are listed in order of the age of the rate, with the oldest rate being first.

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<sup>61</sup> Statistics Canada, *Your Guide to the Consumer Price Index*, 1996 and figures from its website. With the CPI in 1996 = 88.9 and 2013 = 123.3, the change in CPI is an increase of 34.4 points, which is 38.7%.

Exhibit 2.8 - Reimbursement of Costs Relating to Foster Children

<b>2.8 Reimbursement of Costs Relating to Foster Children</b>		
<b>Item / Cost</b>	<b>Reimbursement Rate</b>	<b>Last Revision Date</b>
Clothing & seasonal allowances (note 4)	Spring clothing: \$70 / \$78 / \$112 School clothing & supplies: \$57 / \$206 / \$273 Winter clothing: \$109 / \$144 / \$168 Christmas allowance: \$114 / \$122 / \$130	2003
Relief care	Foster child in regular care: \$3/hr. \$35/day Foster child in therapeutic care: \$5/hr. \$50/day	October 2004
Emergency home & bed retainer rate	The emergency bed retainer rate is \$50/bed/month. The emergency maintenance rate is \$50/day/child for a maximum of 7 days.	July 2006
Transportation	\$0.34/km	January 2007
Regular monthly rate	Various rates depending on age of the foster child. Example: 11 years & older = \$678.67/month	April 2010
<b>Notes:</b>		
<ol style="list-style-type: none"> <li><b>Item / Cost</b> lists the various costs relating to foster children which the Department reimburses.</li> <li><b>Reimbursement Rate</b> shows the amounts paid by the Department according to policy.</li> <li><b>Last Revision Date</b> shows the date of the policy stating the current reimbursement rate.</li> <li><b>Clothing &amp; seasonal allowances</b> - Various rates dependant on age of the foster child. The rates shown are for the following age groups respectively: 0-4 years / 5-10 years / 11+ years</li> <li><b>Relief care</b> – <i>“The provision of relief care is recognized as a component of modern-day foster care services, based on the nature of the children being served and the expectations placed on foster families by the Department, other agencies and individuals. ... The type and length of relief care should reflect a balance between the needs of the child, including his or her need for attachment, and the foster family’s need for support and renewed energy.”</i></li> <li><b>Emergency home &amp; bed retainer rate</b> - <i>“An Emergency Home is defined as an approved foster family that has agreed to accept emergency placements between 5 p.m. and 8 a.m. or during a weekend (Friday after 5 p.m. until Monday at 8 a.m. or statutory holidays) if an approved bed is available.”</i></li> <li><b>Transportation</b> - <i>“Transportation reimbursement is only provided for the following case plan related activities: ...”</i> and the policy lists several activities including: health services (doctor, dentist, optometrist etc.), therapeutic services (counseling, speech/language, etc.), to and from: relief care setting, visits with their parents, daycare, school, recreational activities that supports the child’s development, etc.</li> <li><b>Regular monthly rate</b> – includes a basic maintenance rate and the federal special allowance.</li> </ol>		
<p><b>Source:</b> Table created by the Office of the Auditor General with information provided by the Department, including: <i>Social Development: Policy – Reimbursement of Transportation Costs Incurred by Foster Parents on Behalf of Children-In-Care</i>, January 2007; <i>Emergency Home and Bed Retainer Rate Policy</i>, July 2006; <i>Policy on Relief Care for Foster Parents Looking After Children In Care</i>.</p>		

***Rates could impact the retention and recruitment of needed foster families***

**2.115** All stakeholders expressed concern over the rates paid to foster families.

- When we visited a regional office to obtain a better understanding of the delivery of the program, staff raised the issue that some rates paid to foster families appeared unreasonably low. Particular reference was made to transportation and relief care.
- Half of the regions informed us reimbursement rates are affecting the recruitment of foster families. Potential applicants often are discouraged and lose interest when they hear about the level of funding available to them.
- Representatives of the two NBFFAs, with whom we spoke, expressed foster family concerns with inadequate reimbursement of costs, inconsistencies in items approved for reimbursement and the amounts paid, and inadequate awareness of the costs subject to reimbursement. *“Rates are the biggest and oldest issue for foster families.”*

**2.116** NBFFA representatives indicated the reimbursement of travel costs is an issue for foster families. The rate paid to volunteer foster families is lower than the rates the Province pays its employees and private providers of transportation. NBFFA representatives also indicated many foster families are unaware they can ask for reimbursement of travel costs, and have also expressed concerns about the consistency of approval of travel costs.

**2.117** We explored this issue and found the following:

- *“Foster families receive \$35/month in a child’s monthly basic maintenance for routine transportation. This is for transportation that is not specific to any one child’s needs but to family inclusive activities such as going to the movies, going shopping, etc. ... Transportation reimbursement is only provided for the following case plan related activities ... .”*<sup>62</sup> The

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<sup>62</sup> *Family and Community Services: Policy – Reimbursement of Transportation Costs Incurred by Foster Parents on Behalf of Children-In-Care*, January 2007.

policy lists several activities including: health services (doctor, dentist optometrist etc.), therapeutic services (counseling, speech/language, etc.), to and from: relief care setting, visits with their parents, daycare, school recreational activities that supports the child's development, etc.

- The reimbursement rate for foster families is 34 cents per kilometer (Exhibit 2.8 shown earlier). The reimbursement rate is 41 cents per kilometer<sup>63</sup> for employees of the Province.
- We reviewed the contract for one private provider of transportation services. The terms were \$18 per hour plus 30 cents per kilometer, with an administration fee of 3%. The effective rate under this contract is 49 cents per kilometer. Additional fees applied for services outside city limits and for public holidays.

**2.118** Without increasing the rates to keep pace with the cost of living, the Department appears to be expecting foster families to bear the costs of inflation. Current rates may be having a negative effect on the number of active foster families.

***The Department has no policy or documented direction for a regular review of rates***

**2.119** Both the Department and the NBFFAs indicated foster families are volunteers who are reimbursed for some of the costs associated with the care of the foster child. Both groups indicated the amounts paid by the Department do not cover all costs. Given the Department is aware that the rates paid are below the cost of care, we would expect the rates be reviewed regularly and increased with the cost of living to ensure "*each foster family is provided with adequate funds*"<sup>64</sup> and it continues to be economically feasible for provincial residents to volunteer as foster parents.

**2.120** However, the Department does not have policies or procedures in place requiring the regular review of foster family rates.

<sup>63</sup> GNB Administration Manual

<sup>64</sup> *Financial Rates and Benefits for Children in Care*, November 1996.

**Conclusion**

**2.121** The funding model for foster homes needs review. Changes in the foster family monthly rates since 1996 have not kept pace with inflation, and several reimbursement rates relating to children in foster homes appear outdated. Current rates may be having a negative impact on retaining and recruiting foster families. If the Department loses vital volunteer foster families and has to pay higher costs for children in care, it will have a significant negative financial impact for the Province. Even more importantly, it will also affect the environment for children in care (i.e. foster parents or group home). The Department indicated group homes are not intended for children who would do well in a foster home, which could create even more significant financial and social costs to the Province in the future.

**Recommendations**

**2.122** We recommend the Department of Social Development review all rates and funding relating to foster homes and propose changes to Government as appropriate to eliminate any disincentive to current or prospective foster parents. This should be completed within twelve months of the release of our report.

**2.123** We recommend the Department of Social Development review rates and funding relating to foster homes on a regular and ongoing basis.

**2.124** We recommend the Department of Social Development take steps to increase the awareness of costs available for reimbursement to foster families.

**2.125** We recommend the Department of Social Development be consistent in the amounts reimbursed to foster families.

## Key Finding: General Program Information was Not Readily Available

### Background

**2.126** Having accurate program information is a prerequisite to properly managing a program.

### Findings

**2.127** *General program information was not readily available.* Obtaining accurate program information was a challenge for us throughout our work. For example:

- The Department provided us with figures for the number of children in temporary and permanent care for the past four years. The figures include children living in foster homes, in group homes and in independent living arrangements (for some children in post guardianship). The figures provided to us were inconsistent with those reported in the Department's annual reports for the same years.
- The Department was unable to provide us with the total cost of foster home care for fiscal 2011-12. During the reporting phase of our work, the Department provided a statement, which included the following. "*The Children's Residential Services program does not have a specific budget or segregated financial reporting activity. The Child Protection and Child in Care programs are the drivers for financing of the Children's Residential Services program in that the money is attached to the child who is in care of the Minister.*" The Department estimated expenditures in fiscal 2011-12 for all children in care (living in foster homes and group homes) to be \$25 million.
- A list of active foster families for each region provided by the Department contained former foster families that we determined were no longer active from our review of regional listings.

### Conclusion

**2.128** There are errors in program information at the Department. This could have a negative impact on the effectiveness of departmental planning for foster homes.

### Recommendation

**2.129** We recommend the Department of Social Development reconcile its foster family information (statistics, data, names) with each of the regions on a regular basis to ensure information used by central office for program planning is complete and accurate.

## **Key Finding: The Department does not Publicly Report on the Effectiveness of its Foster Home Program**

### ***Background***

**2.130** Reporting on the effectiveness of a program is a component of being accountable. Section 15(2) of the *Auditor General Act* mandates our office to report cases in which we have observed that satisfactory procedures have not been established to measure and report on the effectiveness of programs. This serves as the basis for the second objective of our work, which was:

*To determine if the Department of Social Development publicly reports on the effectiveness of its Children's Residential Services program.*

The Children's Residential Services program includes both foster homes and group homes.

### ***Findings***

**2.131** We reviewed the Department's website and the *Department's Annual Report for 2011-2012* and found information on foster homes in both sources. However, neither source reported on the effectiveness of the foster home or children's residential services programs.

**2.132** We met with several staff at central office from different divisions who confirmed the Department has not developed measurable performance indicators or set performance targets for the Children's Residential Services program. These must be in place before the Department can report on its effectiveness in delivering the program. Without publicly reporting on performance, the Department is not being accountable to the taxpayers who fund the program.

### ***Conclusion***

**2.133** The Department is not publicly reporting on the effectiveness of the Children's Residential Services program.

### ***Recommendation***

**2.134** We recommend the Department of Social Development publicly report on the effectiveness of its Children's Residential Services program. Such performance information should be included in the Department's annual report and on its website.

## Appendix I – General Information on Foster Homes

### General Information on Foster Homes

#### **Foster care:**

- *Foster care provides a child or siblings with a nurturing and supportive alternative home when they are not able to live with their birth family.*
- *Some children need foster care for only a few days but others require foster care for several years. Children coming into care are more likely to be nine years of age or over.*
- *There is an ongoing need for foster families for children of varying ages, but over the past few years the need for homes for adolescents and teenagers has increased.*

#### **Foster children:**

- *Are in care because there is conflict in their family; their parents are chronically ill; or they have been neglected or abused.*
- *Have families that cannot provide adequate care or the necessities of life.*
- *Range in age from infants to 19 years old.*
- *Come from a variety of cultural, racial, ethnic and religious backgrounds.*
- *Are brothers and sisters.*
- *Have emotional, developmental or physical challenges.*
- *Are in foster care with the consent of their family, or by court order.*

#### **Foster families are couples or single adults who:**

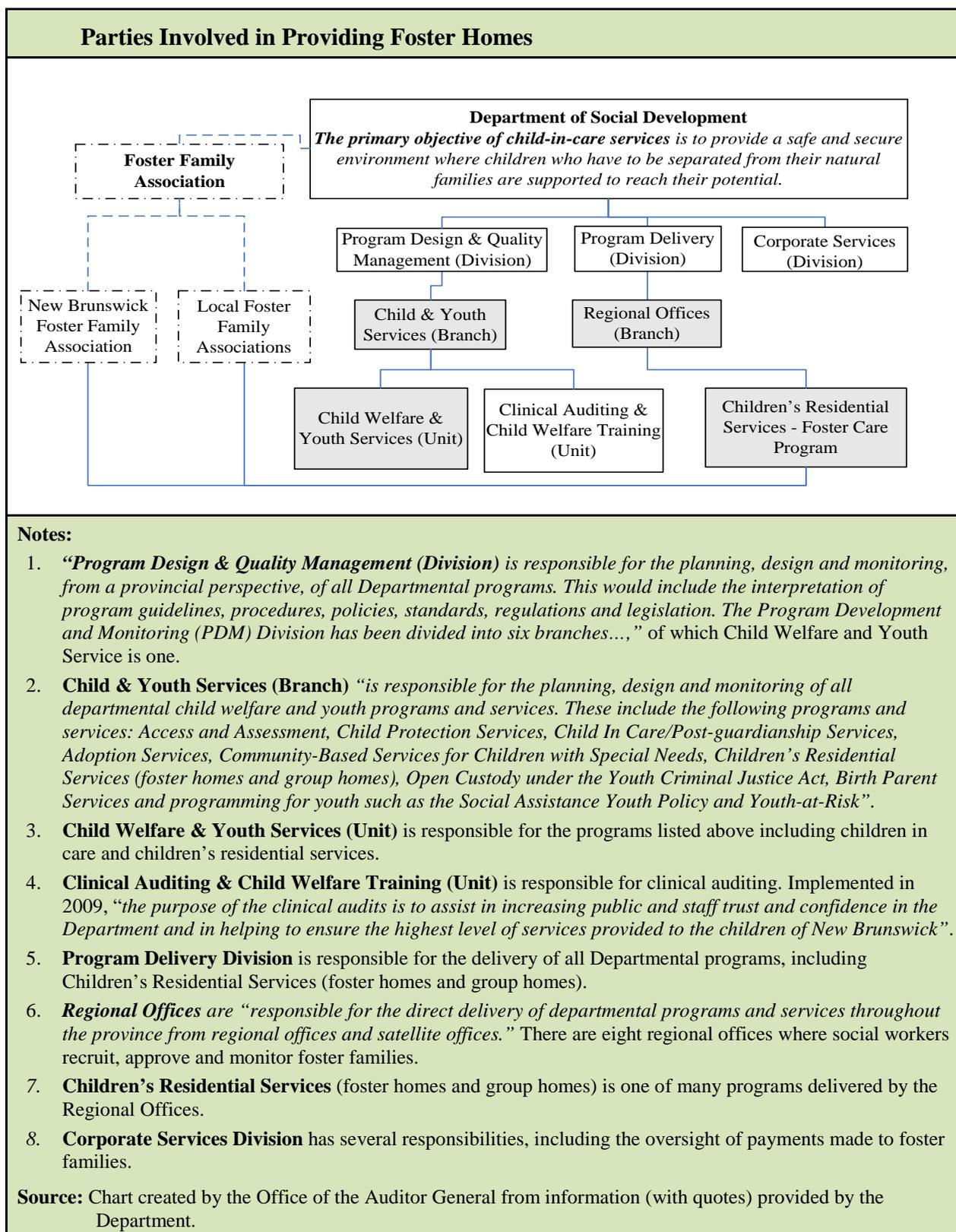
- *Can form healthy relationships with others.*
- *Are able to meet the care and supervision needs of the child and/or youth.*
- *Have good parenting skills and insight into child behaviours.*
- *Are financially self-sufficient.*
- *Have sufficient physical space in their home to accommodate the child's needs.*
- *Clear criminal record check and Department prior contact check.*

#### **Support foster families receive:**

- *Monthly allowance for each child to cover the cost of items such as food, clothing, lodging, and other expenses the child may have.*
- *Medical and dental costs for the child.*
- *Training and ongoing support from the Department.*
- *Support from both the local and provincial Foster Family Association.*

**Source:** Excerpts from the brochure *Share life, Become a foster family* found on the Department's website, 2013.

## Appendix II –Parties Involved in Providing Foster Homes



## Appendix III – General Information on the Foster Family Association

### General Information on the Foster Family Association

**General:**

*Established in 1982*

*The New Brunswick Foster Families Association is an organization for foster families, run by foster parents to serve and support each other in their work as caregivers.*

**Objective:**

*Our Objective is to be the voice of all foster parents while working to improve fostering in the Province of New Brunswick.*

**Role of the Provincial Association:**

*The NBFPA works in partnership with the Minister and Department of [Social Development] on training, policy and program development.*

**Role of the Local Association:**

*Providing the following services to our members:*

- *Training*
- *Social Functions for foster families*
- *Networking*
- *Recruitment & Retention of Foster Parents*
- *Group Support*
- *F.A.S.T – Foster Assistance Support Team*

**Source:** New Brunswick Foster Family Association's website. <http://www.nbfosterfamilies.ca/nbffa.html>

## Appendix IV – Information on Our Testing of Foster Family Files

This appendix includes the following:

- details on the sample of foster family files;
- a list of the standards<sup>65</sup> relating to approving a foster family; and
- the documentation required in a foster family's file.

### Details on the Sample of Foster Family Files

The following list provides details on the sample of foster family files tested:

- Twenty (20) files were tested.
- The testing covered all eight regions. Four files were tested for both the Moncton and Saint John regions. Two files were tested from the remaining six regions.
- Fourteen (14) of the 20 files tested were *regular* foster families.
- Six (6) of the 20 files were *provisional* families. “A *provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families.*”<sup>66</sup> One of the six provisional home files tested was for contracted care.
- Foster family initial approval dates for the tested files ranged from 1992 to 2012. Six of the 20 files involved foster families approved in 2005 or earlier.

<sup>65</sup> “standards” refers to the Department’s “*Children’s Residential Services Practice Standards For Social Workers – Foster Homes*” dated January 2005. *Practice standards are mandatory and establish a minimum level of performance to meet the compliance required in a particular service.* (section 1.1, page1)

<sup>66</sup> Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers – Foster Homes*, January 2005, page 22.

## Appendix IV – Information on Our Testing of Foster Family Files - *continued*

### Standards Relating to Approving a Foster Family

The following is a list of the standards relating to the approval of foster families.

- *Practice Standard 4 – Application Forms/ References/ Medical Statement*
- *Practice Standard 5 – SD Record Check and Criminal Record Check*
- *Practice Standard 6 – Non-negotiable Eligibility Criteria for Prospective Foster Families*
- *Practice Standard 7 – First At-home Consultation Meeting*
- *Practice Standard 8 – PRIDE Pre-Service Training*
- *Practice Standard 9 – Mutual Family Assessment Meetings*
- *Practice Standard 10 – Written Assessment of Applicant on Completion of PRIDE Pre-service*
- *Practice Standard 11 – Number of Children for Type of Home*
- *Practice Standard 12 – Approval*
- *Practice Standard 13 – Final Consultation with Applicant*
- *Practice Standard 14 – Foster Family Resource Agreement*
- *Practice Standard 15 – Identification Card*
- *Practice Standard 16 – Oath of Confidentiality*
- *Practice Standard 17 – Provision of Family Foster Care Standards and Other Related Documents to the Foster Family*
- *Practice Standard 20 – Assessment of a Provisional<sup>67</sup> Home*

**Source:** Province of New Brunswick – Department of Social Development, *Children’s Residential Services Practice Standards For Social Workers– Foster Homes*, January 2005.

<sup>67</sup> “A provisional home is established for a specific child or group of siblings that is known to the family; a family relative, neighbour or significant other. They are approved only for the children placed there. They are not available for other children as are foster families.” (standards, page 22)

## Appendix IV – Information on Our Testing of Foster Family Files - *continued*

### Foster Family File (Practice Standard 31)

*The CRS Social Worker must ensure that each foster family approved by the Department of Social Development has a manual and an electronic file.*

*Procedures:*

*The Foster family's manual file shall contain the following information where applicable:*

- *Application Form*
- *Completed Consent for SD Record Check and Criminal Record Check*
- *Three (3) letters of References*
- *Medical (if any)*
- *Foster Family Assessment Report*
- *Letter of Selection-In or Counselling-Out*
- *Foster Family Resource Agreement*
- *Oath of Confidentiality*
- *Family Development Plan*
- *Annual reviews*
- *Environment of Care Compliance Checklist*
- *Professional Development Records*
- *Incident Complaints Report*
- *Foster Home Incident Report*
- *Correspondence related to the foster family*
- *Third party reports related to foster family*
- *Any release of information signed by the foster family*

*The Foster Family's electronic file must be kept up-to-date as required per the current computer system standards.*

**Source:** Province of New Brunswick – Department of Social Development, *Children's Residential Services Practice Standards For Social Workers– Foster Homes*, January 2005.

## Appendix V – Estimated Annual Minimum Cost to Keep a Child in a Foster Home

<b>Estimated Annual Minimum Cost to Keep a Child in a Foster Home</b>	
<b><i>Basic maintenance rate for a foster child - age 11+ years (monthly)</i></b>	
Lodging	\$107
Food	188
Clothing	77
Personal care	32
Transportation	35
Babysitting	45
Recreation/Special occasion	35
<i>Total basic maintenance rate</i>	\$519
<b><i>Federal special allowance (monthly)</i></b>	160
<i>Monthly payments to foster parents</i>	\$679
<i>Payments for one year (\$679 x 12)</i>	\$8,148
<b><i>Clothing &amp; seasonal allowances</i></b>	
Spring clothing	112
School clothing	104
School supplies	169
Winter clothing	168
Christmas allowance	130
<b><i>Total payments for one year*</i></b>	<b>\$8,831</b>
<b>Notes:</b>	
1. <b><i>Basic maintenance rate for a foster child</i></b> and its components are set by the Department for three age groupings: 0-4 years, 5-10 years, and 11+ years. The monthly rate is the highest for foster children 11+ years and is presented above for 2013, the current rate effective April 2010. See Exhibit 2.7 for additional information.	
2. <b><i>Federal special allowance</i></b> - “ <i>The Federal Special Allowance, or portion thereof, may be given to the child for his or her own spending money. It may also be used to help purchase special items for the child. The child should also be encouraged to save or invest a portion of this allowance for future purchases of major special items.</i> ” ( <i>Financial Rates And Benefits For Children In Care</i> policy dated November 1996)	
3. <b><i>Clothing &amp; seasonal allowances</i></b> - Various rates dependant on age of the foster child. The rates are the highest for foster children 11+ years and are presented above for 2013, the current rate effective 2003. See Exhibit 2.8 for additional information.	
4. <b><i>Total payments for one year*</i></b> is the total of known payments for each foster child. Additional payments may be made for relief care, transportation and other costs identified in the child’s case plan, as well as health costs such as prescriptions, glasses and dental services.	
<b>Source:</b> Table created by the Office of the Auditor General with information provided by the Department (unaudited).	

# Chapter 3

## Department of Transportation and Infrastructure

### Provincial Bridges

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# Department of Transportation and Infrastructure Provincial Bridges

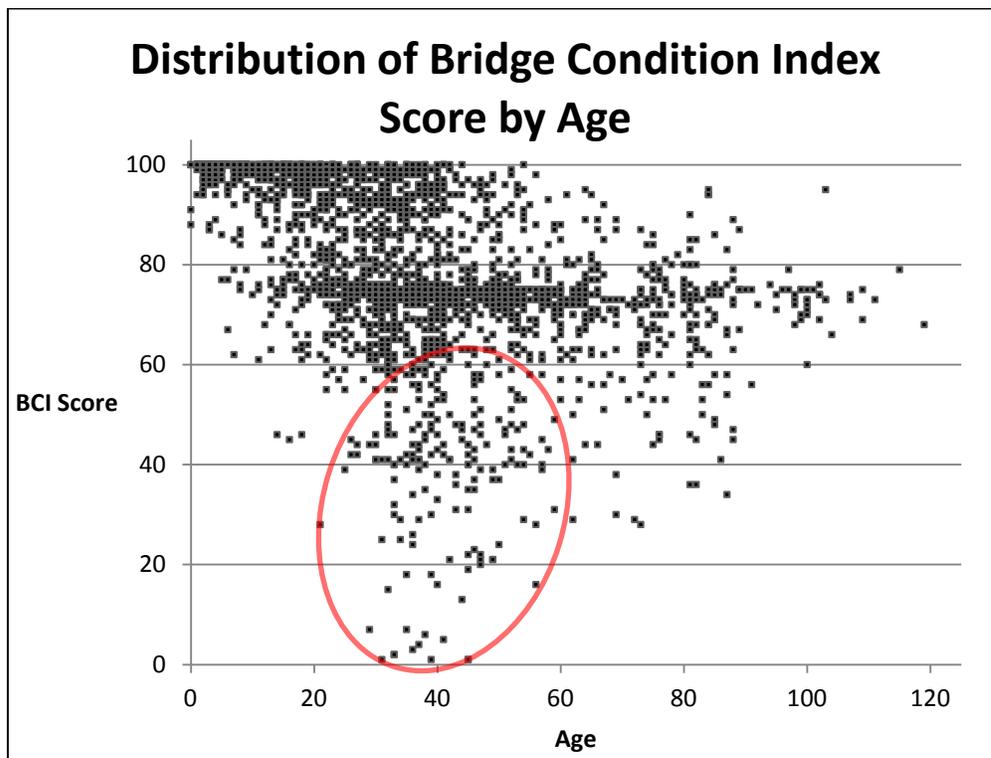
## Background

- 3.1** The road and highway system in New Brunswick plays a significant role in terms of connecting municipalities, airports, ports and railways. It is vital to the economic development in the Province. Provincial bridges are an integral part of the road and highway system. Properly maintained bridges are essential to the integrity of the transportation system and the safety of New Brunswickers. The provincial bridges account for a significant part of the Province's infrastructure investments. Bridge structures totalling \$895 million (excluding bridge structures under construction) were recorded on the Province's Financial Statements as of March 31, 2012.
- 3.2** The Department of Transportation and Infrastructure (the Department) is responsible for the maintenance of 2,608 bridge structures including seawalls and retaining walls on provincially designated highways in New Brunswick. The inspection and maintenance responsibility for the 519 bridges located on Rte. 2 from Moncton to the Quebec border, Rte. 95, and Route 1 from St. Stephen to River Glade are contracted out to the private sector under the respective public-private partnership agreements. The Province of New Brunswick also shares ownership of ten International bridges with the State of Maine.
- 3.3** The Department uses the Ontario Structures Inspection Manual (OSIM) as a reference in terms of its inspection activities. All structures under the responsibility of the Department are inspected on a one, two, or four year inspection frequency based on condition, age and structure type. The three main components of a bridge that are assessed during a bridge inspection are described in Appendix I.

**3.4** In 2005, the Department implemented a bridge rating system as per the OSIM called the Bridge Condition Index (BCI). Appendix II gives more details regarding BCI.

**3.5** As shown in the Exhibit 3.1, 293 bridges (listed in Appendix IV) are at or below a BCI of 60 which is considered a poor rating. This rating is not an indicator of an unsafe bridge. It is an indication that significant maintenance work is required on that bridge in the near term in order to keep the bridge in service. Ontario for example will usually schedule maintenance within a year for bridges with a lower than 60 BCI. The area circled is the highest concentration of poor bridges and corresponds to the “wave” of bridges entering the latter half of their useful life. This can be seen in Exhibit 3.5 in the report.

*Exhibit 3.1 – Distribution of Bridge Condition Index Score by Age*



*Source: Graph created by the Office of the Auditor General of New Brunswick with data and information provided by the Department of Transportation and Infrastructure (unaudited).*

**3.6** The Bridge Maintenance Unit under the Maintenance and Traffic Branch of the Department is directly responsible for the inspection and maintenance of all provincial designated bridges. Its mandate is:

*To inspect and maintain the structural integrity of bridges on provincially designated highways in a safe, efficient and cost effective manner.*

*To inspect, operate and maintain ferries operating within the provincial transportation system in a safe, efficient and cost effective manner.*

*To operate and maintain the buildings and grounds under the care and control of the Department of Transportation in a safe, efficient and cost effective manner.*

### **Results in brief**

**Inspections are generally in line with accepted professional standards**

**3.7** The Department performs regular detailed visual inspections on bridge structures. In general, the inspections are performed to the standard prescribed by the Department and in accordance with accepted professional standards. The Department has a draft Bridge Inspection Procedure document which provides some guidelines for the bridge inspection process. The Department has not yet developed its own comprehensive inspection manual.

**3.8** With certain exceptions, as noted in paragraph 3.51, the frequency of inspections for the sampled reports was in agreement with the inspection cycle guidelines established by the Department.

**Inspection reports are generally complete, accurate and consistent**

**3.9** The information contained within the inspection reports we tested is generally complete, accurate and consistent.

**3.10** The bridge condition comments and observations found in the narratives of the reports are comprehensive and amply depict the field observations collected for damaged and degraded bridge components. The information in the reports sampled was thorough enough to permit an adequate assessment of the service level of a bridge structure at a point in time and the required remedial actions.

**3.11** The material ratings given to each component were consistent with the OSIM procedure and the reports adequately depict the general condition of the bridge components.

**3.12** However, we believe the information recorded in the report was insufficient to follow the evolution of the defects over time due to a lack of quantitative information.

**3.13** The reported information was found to be consistent

between inspections over consecutive years for the same structure. Inspection reports between different structures were all completed to the same standard, as were the reports done by different inspectors.

**Lack of quality assurance and control regarding bridge inspection**

**3.14** The Department does not have a formal quality assurance and control process in place. A professional engineer is not required to sign off on any inspection reports and there is no evidence in the reports sampled of review by a professional engineer. Trained engineering technicians carry out the work which meets accepted standards but only if properly supervised by a professional engineer.

**Unsystematic process for maintenance and capital planning**

**3.15** The Department has an informal, unsystematic and undocumented process for developing and managing bridge intervention priorities.

**3.16** Inspection reports and the bridge conditions form the basis for which bridges should be placed on the priority list. However the maintenance and capital program can be heavily influenced by other non-condition related factors. We believe there should be guidelines established to govern the inclusion of the factors used for maintenance and capital project selection. There should be a clear link between projects chosen based on these factors and the Department's overall goals and objectives.

**3.17** Bridges in need of major repair or replacement which are not included in the Capital Program are remediated through short term measures such as temporary bracing and through posting weight restrictions. There were 163 bridges as of January 2013 with posted weight restrictions.

**3.18** We believe the Department should clearly identify, document, and communicate to the senior officials and Cabinet Ministers the implications or opportunity cost associated with the selected capital program. Such implications to be communicated should include the increased cost of capital maintenance by deferring major repairs.

**3.19** We also found repair work was not being done on a timely basis. For example, in cases where defects did not directly compromise the use of the bridge, (e.g. abutment settlement) no short-term follow-up work was performed. This means recommended maintenance identified during the inspection is not being done in a timely manner. No record of or tally of the deferred maintenance work other than what

can be found in the body of the inspection reports is maintained.

**The bridge asset management system is in the early stages of development**

**3.20** The Department defined its strategic bridge infrastructure objectives in its *Bridges and Culverts Asset Management Plan*:

- a) *Adopting a least life cycle cost approach to rehabilitation and replacement programming; and*
- b) *Ensuring the condition profile does not decline over the planning period.*

**3.21** However, bridge management is only in the early stages of moving towards these goals.

**Long term least life cycle cost approach is not adopted**

**3.22** The Department does not currently use the least life cycle cost approach to maintain the service level of its bridge inventory. The Department has not fully developed nor implemented the Bridge Asset Management System. This limits the Department's ability to select the appropriate treatments at the optimal timing for a bridge at the operational level. Further, the Department does not have an action plan to move forward on the Bridge Asset Management System.

**Lack of public reporting on the condition of bridges and the effectiveness of its bridge inspection activities**

**3.23** The Department currently does not publicly report the conditions of bridges it maintains. The information is only available internally. The internal rating system the Department is using (i.e. the Bridge Condition Index or BCI) is the same as that used by the Ministry of Transportation of Ontario.

**3.24** By contrast, the Ministry of Transportation of Ontario and Transport Quebec publish sufficient information to allow the public to assess the overall condition of individual bridges in their respective jurisdictions.

**3.25** Although the Department did report the number of inspections completed during the year, it did not publicly report any performance targets for this activity (e.g. how many inspections it planned to perform during the year). Therefore, it is impossible, based on the publicly available information, to assess the Department's actual performance for the year.

**3.26** Without clear public reporting of results in relation to comparable targets, the public cannot assess the Department's performance relating to its bridge inspection

activities.

**Reduced funding leads to deferred maintenance and deterioration of the provincial bridges**

**3.27** The investment in regular maintenance and bridge rehabilitation in recent years has been steadily decreasing.

**3.28** As a result, there will be a significant increase in the funding requirement for regular and capital maintenance for provincial bridges in the coming years. Unless funding allocations to bridge maintenance are increased in future years, the Department will not be able to maintain the existing service level of its bridges (ie the bridges' ability to support the weight and volume of the traffic relying on them).

**3.29** To address its own growing deferred maintenance issue, the Province of Quebec passed legislation to ensure adequate investment in infrastructure maintenance. This legislation followed the De la Concorde overpass collapse in Montreal in 2006.

Exhibit 3.2 – Summary of recommendations

Recommendation	Department's response	Target date for implementation
<b>Objective 1: Inspection standards, results, and maintenance and capital planning</b>		
<p><b>3.46</b> We recommend the Department document its bridge inspection processes in a single comprehensive manual.</p>	<p><i>The Department will consolidate the existing practices and procedures which currently utilizes procedures from the Ontario Structures Inspection Manual into a single New Brunswick Bridge Inspection Manual.</i></p>	<p><i>June 2015</i></p>
<p><b>3.47</b> We recommend the Department have readily accessible to all staff the most current and complete copy of any manual or other documentation referenced in the inspection process.</p>	<p><i>The Department agrees and will make the necessary current manuals available to all staff.</i></p>	<p><i>Immediate</i></p>
<p><b>3.62</b> We recommend the Department follow the Ontario Structures Inspection Manual guidelines for reporting bridge component deterioration and record the quantitative information such as the width and extent of cracks in the inspection reports. The recording of actual quantities of the defects leads to a better estimation of rehabilitation needs.</p>	<p><i>The Department will carry out a review of its own inspection Procedures with respect to reporting deterioration and quantitative information. The Ontario Structures Inspection Manual will be referenced.</i></p>	<p><i>June 2015</i></p>
<p><b>3.63</b> We recommend the Department include suggested completion dates within the maintenance recommendations in the inspection reports. This will provide additional detailed information for use by senior department officials and members of the Legislative Assembly, inventory data analysis and performance reporting.</p>	<p><i>The Department will develop criteria for suggesting completion time frames for maintenance recommendations, which will be incorporated in the Inspection Manual.</i></p>	<p><i>June 2015</i></p>
<p><b>3.69</b> We recommend the Department add a severity rating component to their material rating process similar to the Ontario Structures Inspection Manual. Standardized material ratings should be used.</p>	<p><i>The Department will carry out a review of the existing rating system in the development of its own Inspection Manual.</i></p>	<p><i>June 2015</i></p>
<p><b>3.75</b> We recommend the Department standardize the use of priority codes within the inspection reporting process.</p>	<p><i>The Department will carry out a review of the existing priority codes in the development of its own Inspection Manual.</i></p>	<p><i>June 2015</i></p>
<p><b>3.79</b> We recommend the Department implement and document a formal quality control and assurance procedure for inspections and reporting. In conjunction with this, the Department should formalize supervision of the inspection team by a qualified structural engineer. This could include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• documented review by a professional engineer of a random sample of completed bridge inspection reports and photo files;</li> <li>• direct observation; and</li> <li>• re-performance of field inspections.</li> </ul>	<p><i>Currently a professional engineer experienced in maintenance, construction, and human and financial management supervises this team, with access to structural engineers where required for technical assistance on an as needed basis.</i></p> <p><i>The Department will develop a documentation procedure for this reporting.</i></p>	<p><i>May 2014</i></p>

Exhibit 3.2 – Summary of recommendations - continued

Recommendation	Department's response	Target date for implementation
<b>Objective 1: Inspection standards, results, and maintenance and capital planning</b> (continued)		
3.88 We recommend the Department establish guidelines for bridge repair and replacement project selection and document the rationale for the projects selected.	<i>The Department has a process for developing capital and ordinary projects and will formally document the rationale for project selection.</i>	May 2014
<b>Objective 2: Long term least life cycle cost approach</b>		
3.104 We recommend the Department clearly define the least life cycle cost for a bridge and adopt this approach in prioritizing all capital bridge work, as stated in the Department's Bridges and Culverts Asset Management Plan.	<i>The Bridge and Culvert Asset Management Plan is being developed to establish future capital bridge priorities. The Department will continue its efforts in the implementation of these Asset Management Plans in regard to bridges.</i>	2015 testing 2016 Implementation
<b>Objective 3: Public reporting on the condition of bridges and the effectiveness of its bridge inspection activities</b>		
3.115 We recommend the Department publicly report the Bridge Condition Index of all designated Provincial bridges on an annual basis.	<i>The Department will assess the value of providing this information to the public.</i>	May 2014
3.116 We recommend the Department have measurable objectives relating to the condition of Provincial bridges. Such objectives might include setting a target Bridge Condition Index.	<i>With the continued development and implementation of the Bridge and Culvert Asset Management Plan the Department will identify objectives for the condition of Provincial bridges.</i>	2016
3.124 We recommend the Department set targets for its bridge inspection program and publicly report the targets, actual results and the rationale for variances in its annual report.	<i>The Department does have targets for inspections and will provide this information to the public in the future.</i>	2014
<b>Other observation: funding requirements to maintain the service level of bridges</b>		
3.136 The Department should develop and implement a long term plan to address current and expected future funding shortfalls in ordinary and capital bridge maintenance. This plan should be communicated annually during the capital budget process in order to appropriately inform senior officials and Cabinet Ministers.	<i>Currently, ordinary and capital budget plans are communicated to senior officials and Cabinet Ministers on an annual basis.</i>	March 2015

**Audit objectives and scope**

**3.30** The objectives of our audit were:

1. *To determine whether the Department performs bridge inspections in accordance with accepted professional standards and uses the inspection results to identify and prioritize necessary capital maintenance and other remedial measures.*
2. *To determine whether the Department maintains the service level of its bridge inventory based on a long term least life cycle cost approach*
3. *To determine whether the Department publicly reports on the condition of designated Provincial bridges and the effectiveness of its bridge inspection activities*

**3.31** The audit criteria we used for each objective were listed in Appendix V.

**3.32** The scope of our audit included 2,553 of the 2,608 provincially designated bridge structures. Sea walls and retaining walls were excluded, as majority of them are not part of the major transportation network. The ten international bridges were also excluded, because the inspection and maintenance responsibility is shared with the State of Maine.

**3.33** Our audit work included:

- performing walkthroughs on the Department's bridge inventory system;
- examining inspection reports and other documentation regarding bridge inspection procedures, the bridge asset management plan and annual reports;
- interviewing the staff members of the Department; and
- researching the bridge management practices in other jurisdictions.

**3.34** The Department performs four types of inspections on bridges:

- detailed visual inspections;
- special inspections;
- emergency inspections; and

- additional inspections.

- 3.35** We tested the inspection reports generated from detailed visual inspection which we believe is the most comprehensive one of all the different types of inspections.
- 3.36** We did not re-perform any bridge inspections nor test the Department's bridge inventory system.
- 3.37** During our audit, we engaged an out-of-province engineering expert to:
- verify the accuracy, completeness, and consistence of a sample of inspection reports;
  - validate that the element ratings are reasonable and consistent with inspector's observations based on available physical evidence from inspection photographs; and
  - provide general commentary on the effectiveness of the bridge inspection process, its conduct and documentation.
- 3.38** Our audit was performed in accordance with standards for assurance engagements, encompassing value-for-money and compliance, established by the Chartered Professional Accountants of Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.
- 3.39** Certain financial and statistical information presented in this chapter was compiled from information provided by the Department of Transportation and Infrastructure. It has not been audited or otherwise verified. Readers are cautioned that this financial and statistical information may not be appropriate for their purposes.

**Objective I**

**3.40** Our first objective was:

*To determine whether the Department performs bridge inspections in accordance with accepted professional standards and uses the inspection results to identify and prioritize necessary capital maintenance and other remedial measures.*

**Inspection Standards**

**3.41** Unlike Ontario and other jurisdictions, the Department has not yet developed its own comprehensive inspection manual. The Department has a draft Bridge Inspection Procedure document which provides some guidelines for the bridge inspection process. It provides inspectors with instructions regarding the preparation of inspections, the field work and the post-inspection operations. It states that bridges are to be inspected with reference to the Ontario Structures Inspection Manual (OSIM) and the U.S. Federal Highway Administration's Bridge Inspector's Training Manual.

**3.42** Any rigorous inspection system should meet a number of minimum requirements:

- Detailed visual inspections should be performed on a regular basis;
- The entire history of the bridge should be properly documented and easily accessible to inspectors;
- A quality assurance system should be put in place to verify the reliability of the data generated during the visual inspections; and
- Inspectors should be qualified and properly trained.

**3.43** The OSIM published by the Ontario Ministry of Transportation (MTO) sets standards for the visual inspection and condition rating of bridges and their components. It covers the complete inspection process, pre and post inspection operations; inspector's qualifications, inspection frequency; inspection descriptions and technical information to clearly identify structural elements, material defects and performance deficiencies.

**Incomplete Manual**

**3.44** We believe it is critical the Department ensure the most recent and complete versions of referenced standards and manuals (ex. OSIM) are in use. We found the Department referenced an abbreviated copy of the most current version of the OSIM. The abbreviated copy came from the Ontario Good Roads Association, a trade body and not directly from MTO. In the conduct of our audit we were able to download the full version of the most recent OSIM directly from the MTO website. The copy referenced by the Department was missing all but one section of Part 1-Technical information along with the parts on “Additional Investigations and Material condition surveys”. It is important to note that in the conduct of our further examination of inspection results this did not appear to have a detrimental impact on the overall effectiveness of the inspections.

**Outdated Manual**

**3.45** The second document referenced in the Department’s Bridge Inspection Procedure is the U.S. Federal Highway Administration’s Bridge Inspector’s Training Manual. This manual is not officially in use anymore. The document referenced by the Department is the 1990 edition, which was issued to update the manual initially issued in 1970. The most recent document available from the US Federal Highway Administration (FHWA) refers directly to the National Bridge Inspection Standards (NBIS). The latest version of the NBIS was published in December 2004. The US FHWA manual covered all of the basic techniques used in conducting detailed visual bridge inspections, which are still pertinent to inspections today. However, the Department should ensure it is referencing the most current version of other jurisdictions manuals to avoid any confusion or ambiguity in their own inspection procedures.

**Recommendations**

**3.46** We recommend the Department document its bridge inspection processes in a single comprehensive manual.

**3.47** We recommend the Department have readily accessible to all staff the most current and complete copy of any manual or other documentation referenced in the inspection process.

- Inspection frequency** 3.48 Accepted professional standards require a prescribed inspection frequency for all bridges. Actual inspection cycles should adhere to this standard. In Ontario, in accordance with the *Public Transportation and Highway Improvement Act*, provincial bridges undergo a legislated “detailed bridge inspection every two years” (Ontario Regulation 104/97, s.2. paragraph 3). The Ontario Structures Inspection Manual (OSIM) provides additional guidance by specifying that further enhanced visual inspection must be performed at least every 6<sup>th</sup> year on bridges over 30 years old with components in poor condition. It allows for bridge size culverts with three to six metre spans to be inspected every four years provided the structure is in good condition. The OSIM allows for the frequency of inspections to be increased as directed by the Engineer based on the type of structure, construction details, problems or restrictions.
- 3.49 The Department’s draft Bridge Inspection Procedure (BIP) specifies that bridges are to be inspected on a 1, 2 or 4 year basis dependent on age, type and condition. The BIP does not give any details about the criteria used to determine which inspection interval should be observed. A separate informal internal document/memorandum entitled “Bridge Inspection Cycle 1...2...&...4 Year Criteria” gives some specific guidance about what factors and criteria to follow in determining which inspection frequency level to use.
- 3.50 The bridge inspection frequency for each bridge is recorded within the Bridge Inventory Data base at the Department. An analysis of the bridge inventory was conducted using last inspection date and inspection cycle frequency.
- Majority of Inspections are on Time** 3.51 Of the over 1,000 bridges that were scheduled to be inspected during the 2012 inspection season, there were 17 that were not completed and out of date.
- 3.52 This does not constitute a significant discrepancy and there is no indication of systemic problem in keeping up with inspection cycle frequencies. The inspection frequency, last inspection and next planned inspection dates are well documented and tracked within the database. Inspections missed are rescheduled and completed during the next inspection cycle.

- 3.53** With the noted exceptions, the frequency of inspections for the reviewed reports was in agreement with the inspection cycle guidelines established by the Department.
- 3.54** We also found that there is a difference between the Department's BIP and the OSIM. The Department's BIP supplemented by the informal criteria clearly specifies that some bridges should be on a one year cycle.
- 3.55** We believe if reference is to be made to the procedures from other jurisdictions (OSIM), it should explicitly state which operations or specific sections to use instead of referring to the entire document. Ambiguity between reference manuals and informal or draft internal documents such as was found in inspection frequencies would be eliminated with a single departmental inspection manual.

**Completeness, accuracy and consistency of inspection reports**

- 3.56** Inspection is one of the key elements of any bridge management system. The effectiveness of the system relies on the quality of the source information being fed into it. Management at head office and in the districts relies on the information found in the inspection reports. It is essential that the inspection report tells the full story of the service level (i.e. physical condition) of that bridge. It is critical that bridge inspection reports be complete, accurate, and consistent.
- 3.57** We selected a sample of 31 bridges to test the inspection reports. The exceptions are listed in Exhibit 3.3. The detailed sample selection methodology can be found in Appendix VI.

**Completeness of inspection reports**

- 3.58** Completeness of inspection reports would imply:
- sufficient, appropriate information in all required fields; and
  - sufficient and required photographic evidence of report observations and findings to allow a reviewer to conclude on the condition of the bridge.
- 3.59** In the 31 items tested, we found the bridge comments and observations in the narratives of the report to be comprehensive. They amply depicted the field observations collected for damaged and degraded bridge components. The information in the reports sampled was thorough enough to permit an adequate assessment of the

service level of a bridge structure at a point in time and the required remedial actions.

**3.60** However, we believe the information recorded was insufficient to follow the evolution of the defects over time due to a lack of quantitative information. For instance knowledge of the width and extent of cracks in various locations, which was not captured, can be important in determining the type of deterioration occurring in the concrete and is necessary information for estimating the breadth of required repair work. No timeframe was provided within the reports for the maintenance and future work recommendations as is required by the OSIM.

**3.61** There were also 19 instances of incomplete photographic information. In these 19 instances at least one of the required pictures was missing in the picture report. In four of the instances the component ratings could not be assessed from the associated photographs.

#### *Recommendations*

**3.62** We recommend the Department follow the Ontario Structures Inspection Manual guidelines for reporting bridge component deterioration and record the quantitative information such as the width and extent of cracks in the inspection reports. The recording of actual quantities of the defects leads to a better estimation of rehabilitation needs.

**3.63** We recommend the Department include suggested completion dates within the maintenance recommendations in the inspection reports. This will provide additional detailed information for use by senior department officials and the members of the Legislative Assembly, inventory data analysis and performance reporting.

#### *Accuracy*

**3.64** Accuracy of information within the report refers to:

- the condition assessment;
- the narrative observations;
- priority code; and,
- recommendations made.

**3.65** In other words, do the component ratings of poor, fair, good, or excellent reflect the actual condition of the bridge component based on expert review of bridge inspection photographs? Further, are the ratings consistent

with the rating guidelines found in the OSIM?

**Accurate ratings and  
Appropriate  
recommended repair**

**3.66** In our testing, we found the material ratings given to each component to be consistent with the OSIM procedure and from our review of photographic evidence the reports accurately depicted the general condition of the bridge components. The component defect descriptions in the report accurately reflected the actual condition seen in the respective component photographs. When major defects were reported, the recommended repair work included in the inspection report was appropriate.

**3.67** However, we did find that when a severity assessment was included in the narrative it did not systematically follow the OSIM or BIP guidelines. There were instances where a rating of very poor or severely poor was given. The OSIM prescribes four specific ratings: excellent, good, fair, and poor. There are predefined defect levels and measurements associated with each of the four ratings. The addition of an extra descriptive word in front of the standard rating adds a subjective element to the condition rating and induces a bias in the evaluation. Consideration may be given to some structures over others in the same condition based on the non-standardized rating description. This could be avoided with the use of a separate field within the inspection report where one of the four pre-set ratings must be chosen.

**Lack of severity  
rating**

**3.68** The OSIM requires a severity rating in addition to the material rating. This is not followed in the NB inspection process. The degree of severity of a component in the OSIM is based on specific quantitative observations and measurements of the size and exact nature of the defect. For example, cracks are evaluated as either hairline, narrow, medium or wide. Verification requires the defect measurements to be recorded in the inspection report. Although the ratings appear to be reasonably accurate, the only available information to follow the progression and rate of degradation is limited to the “Comments” and “Observations” sections and thus relies on the information the inspector deems necessary to report.

**Recommendation**

**3.69 We recommend the Department add a severity rating component to their material rating process similar to the Ontario Structures Inspection Manual.**

**Standardized material ratings should be used.****Consistency****3.70** Consistency was looked at three different ways:

- The degree of concurrence between the bridge information and condition throughout the report and the related photographic evidence. Narrative descriptions should match the pictures and the component lists;
- There should be consistency between reports prepared by different inspectors. All inspection reports should be prepared to the same standard from year to year; and
- There should be consistency in inspection reports regardless of the type of bridge being inspected. Simple single span bridges should be completed to the same standard and in the same manner as larger more complex structures.

**Consistent inspection reports**

**3.71** From our testing, information included in inspection reports was found to be consistent for consecutive inspections of the same structure and between reports for different structures. Information and data reported by different inspectors was also found to be consistent. The Department's processes and inspection applications lend themselves well to maintaining consistency within and between the inspection reports. Information recorded in the observations tab from previous inspections is readily accessible and reviewed by the inspectors prior to inspections. The small number of in-house inspectors working as a team out of the head office also contributes to uniformity in inspection standards and reports. The presence of specific fields of information in the bridge inspection software application, has also contributed to the level of consistency found in the reports.

### **Benefits of using standard checklists**

**3.72** However, we believe the Department's manual should be supplemented with a detailed field inspection form or checklist to minimize the subjectivity in inspection documentation. This would also aid the collection of detailed information that would allow for improved planning for future maintenance and intervention activities. Additional information that should be routinely collected by inspection personnel on cracks and damaged areas includes:

- crack widths (typical interval);
- cracked area/location;
- crack pattern;
- scaled/damaged surface;
- corrosion symptoms;
- delaminated area/location;
- spalled area/location;
- exposed rebar's location/extent/section loss; and
- moisture/deposits/discoloration.

### **Non-standardized priority code**

**3.73** The priority code is a set of pre-determined text fields, selected from a drop down list within the inspection application. It is meant to provide a standardized and searchable field within the bridge data base to aid in maintenance and remediation planning. The standard priority or urgency codes are numbered and relate to the urgency of deck rehab, small or large bridge, or pipe replacement.

**3.74** The priority code is not currently attributed to the observed degradation of the bridge elements on a systematic basis. It should at least be provided for any defect for which an intervention is required in the "Recommendations" section, regardless of the rating or the component type.

### **Recommendation**

**3.75** We recommend the Department standardize the use of priority codes within the inspection reporting process.

Exhibit 3.3 - Listing of exceptions

<b>Results of Bridge Inventory Inspection Frequency Test</b>	<b>Number of exceptions</b>
Inspections not completed as planned in current year	17 or 1.5% of 1,155 planned
<b>Results of bridge inspection testing Listing of exceptions found in sample of 62 inspection reports for 31 bridges</b>	<b>Number of exceptions</b>
<b>Inspection Frequency</b>	
Documented inspection frequency is not in compliance with internal New Brunswick Department of Transportation and Infrastructure cycle criteria	3
<b>Accuracy</b>	
Ratings could not be verified due to incomplete or lack of sufficient photographic evidence	4
Rating did not follow the prescribed guidelines –additional rating was given	2
Recommended maintenance work was not completed prior to the next inspection	5
<b>Completeness</b>	
Inspection photographs not in accordance with Bridge Inspection Procedure	19
Insufficient deterioration details and measurements	all
Lack of time frame on repair recommendations	all

### **Quality control over inspections**

**3.76** A quality assurance system should be in place to verify the reliability of the data generated during the visual inspections. Inspectors should have current qualifications and training. The US National Bridge Inspection Standards include a requirement for appropriate quality control (QC) and quality assurance (QA) steps to be taken. Specifically it states: *Assure that systematic quality control (QC) and quality assurance (QA) procedures are used to maintain a high degree of accuracy and consistency in the inspection program. Include periodic field review of inspection teams,*

*periodic bridge inspection training for program managers and team leaders, and independent review of inspection reports and computations.*

- 3.77** The New Brunswick Bridge Inspection Procedure specifies that inspectors should be engineering technicians who have attended an approved bridge inspection course(s). These requirements are different from those stated by other bridge inspection systems, such as the OSIM. The OSIM requires inspectors to be professional engineers with a background in inspections or trained bridge inspectors reporting or under the supervision of a Professional Engineer. All New Brunswick inspectors were qualified engineering technicians, experienced in performing inspections and had bridge inspection training.
- 3.78** The Department does not have a formal quality control or quality assurance process in place. For example, a professional engineer is not required to sign off on any inspection reports. During the inspection season, inspectors meet at least once a week with the bridge maintenance engineer to discuss any issues which were discovered during the previous week of inspecting (e.g. significant deterioration of a bridge which is not critical but should be investigated or repaired in the near future). This is an informal process and results are not typically documented and nothing guarantees that all issues will be addressed in a timely manner by a professional engineer. There is no evidence in the reports we tested of review.

***Recommendation***

- 3.79 We recommend the Department implement and document a formal quality control and assurance procedure for inspections and reporting. In conjunction with this, the Department should formalize supervision of the inspection team by a qualified structural engineer. This could include, but not be limited to:**
- **documented review by a professional engineer of a random sample of completed bridge inspection reports and photo files;**
  - **direct observation; and**
  - **re-performance of field inspections.**

**Maintenance and capital planning**

**3.80** An effective inspection process with reliable bridge information allows the Department to make short-term decisions where an inspection has shown the safety of a bridge to be a concern. Inspections also provide the Department decision makers with information they can use to prioritize bridge maintenance and capital repairs. In an environment of scarce resources and ever increasing demands on those resources, it is critical to have processes in place that can be used to assist management in making the critical decision of what work to do and when.

**Maintenance planning**

**3.81** Performing and keeping up with regular maintenance on any type of capital asset is important for getting the most out of its useful life and reducing the chance of needing more extensive work later on. Different types of bridges in different locations react and deteriorate differently. Not all bridges are the same. The treatments for a bridge must be in some part tailored to the needs of that particular bridge. Inspections are the main tool for learning how a particular bridge is behaving. Therefore maintenance and repair plans should stem from or in large part reflect the findings and recommended maintenance coming from the inspections. This should be apparent from a review of consecutive bridge inspection reports on the same structure.

**3.82** This review was conducted for the bridge reports we tested. We found repair work was not being done on a timely basis. In cases for which defects that did not directly compromise the use of the bridge, (e.g. abutment settlement) no short-term follow-up work was performed. This means recommended maintenance identified during the inspection is not being done on a timely basis. No record of, or tally of the deferred maintenance work other than what can be found in the body of the inspection reports is maintained.

**3.83** The non-systematic application of the maintenance and repair recommendations adversely affects the size and manageability of the “deferred” maintenance deficit. It also draws concerns that:

- It can promote application of the recommendations based on subjective interpretation of the inspection reports; and
- Comments and observations entered within text

blocks may be overlooked because they are not highlighted or sufficiently emphasized in the inspection report.

- Capital project selection** **3.84** A capital replacement priority list is developed and maintained by Maintenance and Traffic branch with collaborative input from the district offices. This list is derived primarily from the results of the bridge inspections and internal discussions among the Department's engineers. The priority list is further rationalized down to a proposed capital program after considering other factors such as:
- safety concerns;
  - traffic volume and available detours;
  - anticipated funding levels;
  - availability of completed design and prep work; and,
  - District priorities.
- 3.85** The proposed capital program is forwarded to the Department's senior management for executive review and approval. The result of that review determines the final capital program to be carried out on bridges in the Province. During this process additional non-condition related variables such as economic and social development, industry considerations, and political activism may further influence the final selection of capital projects.
- 3.86** There is no evidence of a cost-benefit analysis or that least life cycle cost was considered when determining the selection of capital bridge rehabilitation and replacement projects. The Department indicated during the final approval phase of the capital program there is a risk that non-optimal considerations may influence the choice of capital maintenance projects.
- 3.87** We believe there should be guidelines established to govern the inclusion of non-bridge condition based factors to ensure there is a clear link between the selected projects and the Department's overall goals and objectives.
- Recommendation** **3.88** **We recommend the Department establish guidelines for bridge repair and replacement project selection and document the rationale for the projects**

selected.

## Conclusion on Objective I

- 3.89** The Department performs regular detailed visual inspections on bridge structures. In general the inspections are performed to the standard prescribed by the Department and in accordance with accepted professional standards. The information contained within the reports is complete, accurate and consistent. However, we noted weaknesses in documenting a comprehensive set of inspection procedures, collecting quantitative information within the inspection reports, and attributing priority codes on a systematic basis.
- 3.90** The Department relies on and incorporates the inspection results in its maintenance planning and in the initial establishment of its capital priority lists. However, the Department does not have a formal documented and systematic process for prioritizing maintenance and capital work for bridges.

## Objective II

- 3.91** Our second objective was:
- To determine whether the Department maintains the service level of its bridge inventory based on a long term least life cycle cost approach.*
- 3.92** Levels of service describe the quality of service that the Department has decided are to be provided by bridges for the benefit of road users, such as weight and speed limits, bridge width and traffic volume.
- 3.93** Life cycle cost refers to the total cost of ownership over the life of an asset. Least life cycle cost approach for maintaining a bridge means selecting the preservation treatments with lowest cost over the life of a bridge. In other words, it means to perform the right treatment to a bridge at the right time to minimize the overall costs of maintaining the asset in appropriate conditions for it to provide the required level of service.
- 3.94** The Department's Asset Management Business Framework (AMBF) initiative was introduced in 2008 to provide a more strategic approach to long term, sustainable investment planning and program management. This will enable better decision-making by identifying the appropriate timing for the most effective and economical treatment based on long term, least life cycle costs taking into consideration the entire bridge and

culvert stock to achieve optimal performance within annual budgets.

**3.95** In fact, the Department defined its strategic bridge infrastructure objectives in the *Bridges and Culverts Asset Management Plan (AMP)* prepared by the Department in 2010:

*The 2010-14 rehabilitation programming was guided by several key strategic infrastructure objectives for bridges and culverts. This included:*  
a) *Adopting a least life cycle cost approach to rehabilitation and replacement programming; and*  
b) *Ensuring the condition profile does not decline over the planning period.*

**3.96** However, bridge asset management is only in the early stages of moving towards these goals.

**3.97** Additionally, the parameters affecting life cycle cost are not clearly defined in the AMP. For example, large bridge rehabilitation projects tend to generate significant costs associated with traffic delays. Without clearly defining what should be included in the calculation of life cycle cost, it is difficult to use this approach to set priorities.

**3.98** The AMP states:

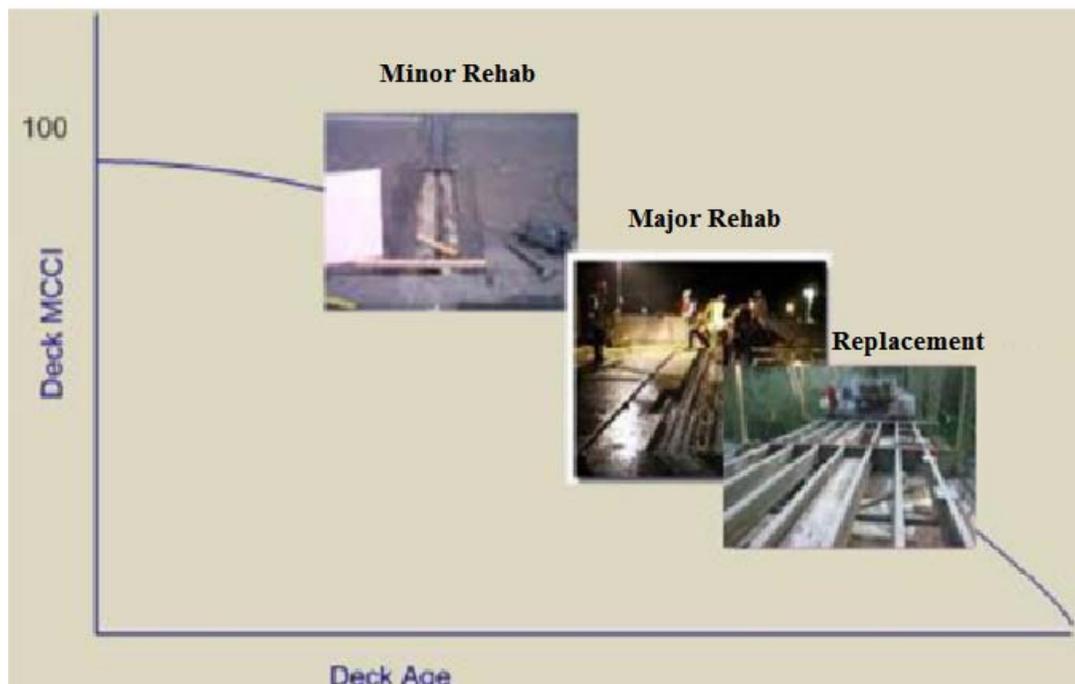
*“Asset management planning and programming for bridges is in the early stages of development” and “management of the bridges has historically been focused on safety and preservation on a bridge by bridge reactive basis. The Department inspects, monitors, repairs and replaces bridges and culverts to ensure that they remain in a structurally sound and safe condition and continue to provide the service for which they were originally designed.”*

**3.99** One of the key components of the AMP is the life cycle management which includes *“long term deterioration modeling to determine future needs to identify the gap between current and desired performance, applying operational windows to identify the most cost effective timing for rehabilitation and integration with maintenance.”*

**3.100** A bridge, just like road or building, deteriorates over

time. Exhibit 3.4 illustrates how the conditions of a deck on a bridge typically change over the life of the bridge. It is critical to identify the right treatments at the right time to avoid more costly repair in the future.

Exhibit 3.4 – Bridge deck deterioration curve



Source: the Department of Transportation and Infrastructure

**3.101** Typically an asset management system would be used to:

- predict and justify the need for funding;
- set priorities; and
- optimize decision making.

**3.102** The Department is not using the Bridge Asset Management System to set priorities. Departmental representatives indicated, the system is not sophisticated enough to precisely suggest the proper timing and treatments for a particular bridge, although it is relatively accurate to predict the future funding required for capital maintenance for all the bridges as a group. However, it is not being used for this purpose either.

## Conclusion on objective II

**3.103** The Department does not currently use the least life cycle cost approach to maintain the service level of its bridge inventory. The Department has not fully developed and implemented a bridge asset management

system. This limits the Department's ability to clearly define and articulate its funding requirements and related opportunity costs for future years. It also limits its ability to select the optimal timing of appropriate bridge treatments at the operational level. Further, the Department does not have an action plan to move forward its bridge asset management system.

### ***Recommendation***

**3.104 We recommend the Department clearly define the least life cycle cost for a bridge and adopt this approach in prioritizing all capital bridge work, as stated in the Department's *Bridges and Culverts Asset Management Plan*.**

### **Objective III**

**3.105** Our third objective was:

*To determine whether the Department publicly reports on the condition of designated Provincial bridges and the effectiveness of its bridge inspection activities.*

### **Public reporting on bridge condition**

**3.106** The Department currently does not publicly report the conditions of bridges it maintains. The information is only available internally. The internal rating system the Department is using (i.e. the Bridge Condition Index or BCI) is the same as that used by the Ministry of Transportation of Ontario.

**3.107** The BCI was developed as a means of combining component inspection information and its respective replacement cost into a single value that can be used to assist in managing a bridge inventory. BCI is not an indicator of bridge safety. It is commonly used as a rough proxy for the overall condition of a bridge for comparative purposes.

**3.108** The Ministry of Transportation of Ontario publishes the following information on its website:

- general information regarding bridge inspection (which bridge components are inspected and how are bridge inspected);
- general information regarding Bridge Condition Index (BCI) (i.e. what does a BCI represent); and
- lists of BCI of all bridges by region.

**3.109** Transports Quebec publishes, for its bridges and roads, information on its website, including:

- status of each of the structures of the road network

- under the responsibility of the Ministry of Transport;
- the nature of the work; and
- the timing of interventions and inspections.

**3.110** This interactive section of its website also shows the type, condition, location, intervention planned and inspection report of each individual bridge under the responsibility of the Ministry of Transport.

**3.111** The information published allows the public to monitor the status of bridges and the implementation of the projects of the Department.

**3.112** Both examples of public reporting on bridge conditions from Ontario and Quebec are shown in Appendix VIII.

**3.113** Moreover, Transports Quebec has a clear and measurable objective regarding the conditions of bridges. It committed to reduce the number of structures considered deficient to 20%. This strategic vision has a direct implication on future decisions. It allows Transports Quebec to establish what should be done in priority to accomplish the goal.

**3.114** Publishing information on New Brunswick's bridge status and condition, such as BCI, would help the public assess the overall condition of bridges in the Province.

### *Recommendations*

**3.115 We recommend the Department publicly report the Bridge Condition Index of all designated Provincial bridges on an annual basis.**

**3.116 We recommend the Department have measurable objectives relating to the condition of Provincial bridges. Such objectives might include setting a target Bridge Condition Index.**

### **Public effectiveness reporting related to bridge inspection activities**

**3.117** We believe the annual report of the Department should include the following relating to bridge inspection activities:

- performance indicators relating to the quality and quantity of bridge inspections;
- targets;
- actual results; and
- the rationale for variances between performance targets and actual results.

**3.118** This would allow legislators and the public to assess the performance of the Department relating to its bridge inspection activities and hold the Department to account for that performance.

**3.119** We reviewed the 2011-12 Annual Report of the Department and found the following statement relating to bridge inspections:

*“The Bridge Maintenance section is responsible for the inspection and the administration of the Bridge Maintenance Program, which includes approximately 2,600 bridges and 1,947 large culverts .... Inspections were conducted on 1,254 bridges and 500 large culverts.”*

**3.120** Although the Department did report the number of inspections completed during the year, it did not publicly report any performance targets for this activity (e.g. how many inspections it planned to perform during the year). Therefore, it is impossible, based on the publicly available information, to assess the Department’s actual performance for the year.

**3.121** We believe a performance target for inspections would be easily determined. The Department’s inspection manual specifies each bridge should be inspected every one, two or four years depending on the bridge’s age and/or condition. It is fairly straightforward to calculate the number of regular inspections which should be conducted during a year. In our opinion, that number should be the minimum target, with which the Department compares its actual results.

**3.122** Without clear public reporting of results in relation to comparable targets, the public cannot assess the Department’s performance relating to its bridge inspection activities.

**Conclusion on objective III**

**3.123** The Department does not publicly report the condition of designated Provincial bridges or its effectiveness with regards to its bridge inspection activities.

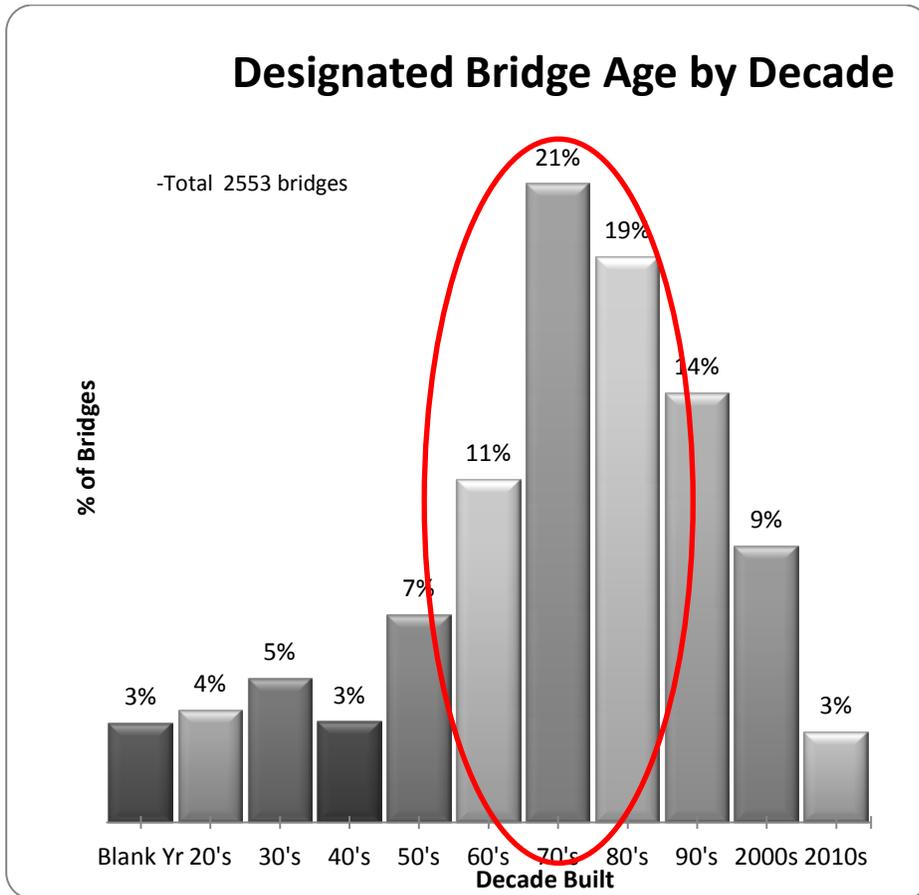
**Recommendation**

**3.124 We recommend the Department set targets for its bridge inspection program and publicly report the targets, actual results and the rationale for variances**

**in its annual report.**

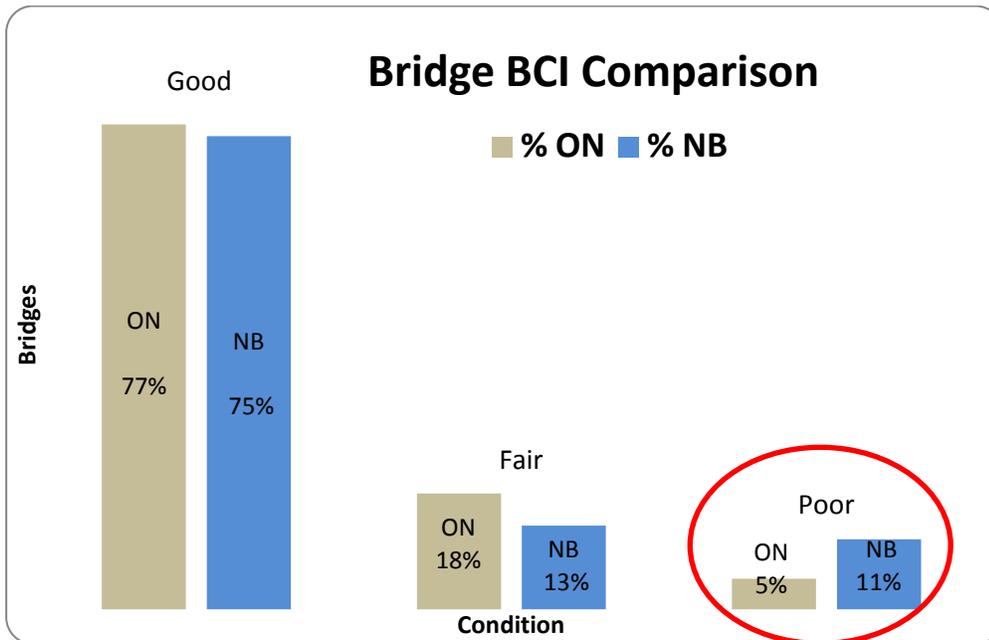
- Other observations**
- 3.125** As illustrated by Exhibit 3.5, 1,396 bridges or 55% are over 30 years old. Most of the bridges constructed prior to 1970 were designed with a life expectancy of less than 50 years. Their service life has been extended through capital repair and imposed weight restrictions. Typical deterioration patterns of major bridge components suggest their conditions deteriorate at a faster rate after 30 to 40 years without timely and appropriate treatments.
- 3.126** Exhibit 3.6 shows the current condition of the bridges in New Brunswick, in comparison to those in Ontario. There is a much higher percentage of poor rated bridges in New Brunswick (11% in NB vs. 5% in ON). Those bridges with good to fair rating will require significant investment in maintenance in the near future. The Department projected the annual funding requirements for bridge treatments and replacement will increase from \$10 million in 2011 to \$50 million in 2039.

Exhibit 3.5 - Designated Bridge Age by Decade



Source: Graph created by the Office of the Auditor General of New Brunswick with data and information provided by the Department of Transportation and Infrastructure (unaudited).  
Note: Most of the bridges constructed prior to 1970 were designed with a life expectancy of less than 50 years. Some bridges have had their service life extended by doing preventative maintenance, major upgrade work, and by imposing weight restrictions. Just over 6% of DTI maintained bridges have an imposed weight restriction.

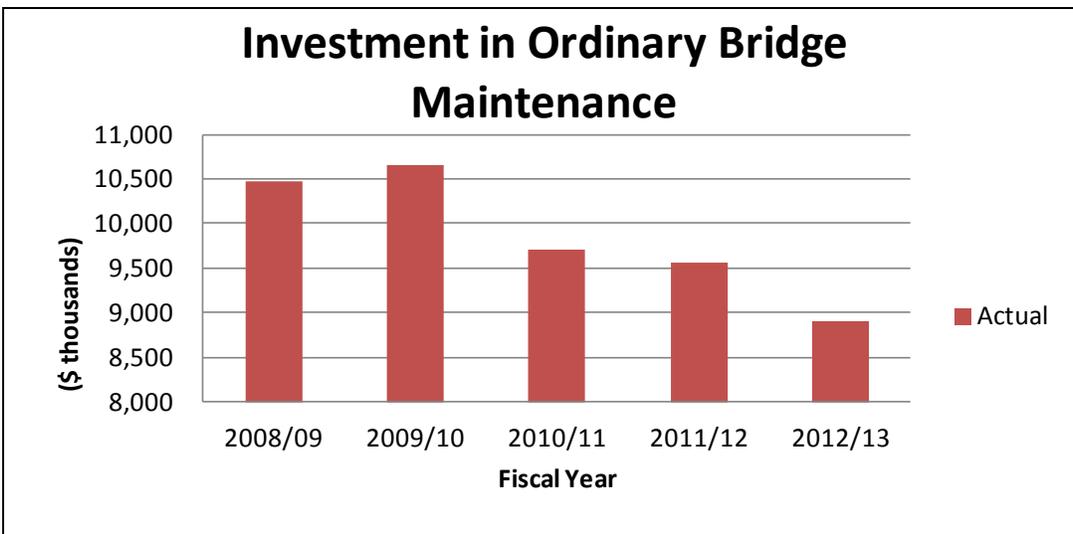
Exhibit 3.6 - Bridge BCI Comparison



Source: Graph created by the Office of the Auditor General of New Brunswick with data and information provided by the Department of Transportation and Infrastructure (unaudited).

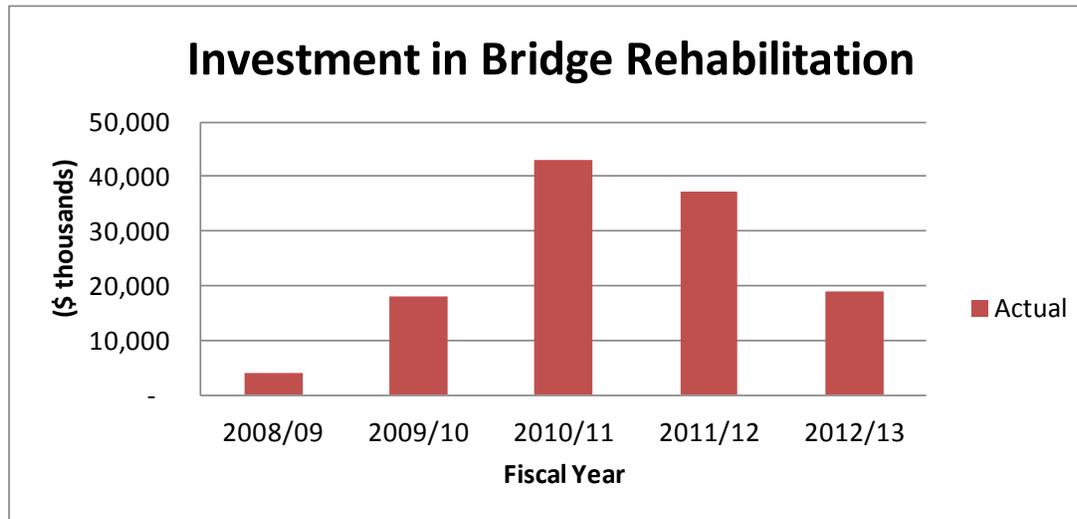
**3.127** The investment in regular maintenance and bridge rehabilitation in recent years has been steadily decreasing, as shown in Exhibits 3.7 and 3.8.

Exhibit 3.7 - Investment in Ordinary Bridge Maintenance



Source: Graph created by the Office of the Auditor General of New Brunswick with figures obtained from Public Accounts at March 31

Exhibit 3.8 – Investment in Bridge Rehabilitation



Source: Graph created by the Office of the Auditor General of New Brunswick with figures obtained from Public Accounts at March 31

**3.128** As a result, there will be a need for a significant increase in funding levels for regular and capital maintenance for Provincial bridges in the coming years. Unless funding levels to bridge maintenance are increased in future years, the Department will not be able to maintain the planned service levels of its bridges. Furthermore, inadequate investment in maintenance will lead to growing deferred maintenance and deterioration of the Provincial bridges.

**3.129** To address the growing deferred maintenance issue in Quebec, the Province of Quebec passed legislation (*Projet de loi no 32 Loi favorisant le maintien et le renouvellement des infrastructures publiques*) regarding infrastructure maintenance. Bill 32 was implemented on December 21, 2007.

**3.130** [Translation.] The purposes of this bill are to ensure:

- Investment in public infrastructure is made in accordance with best management practices; and
- There is adequate distribution of investments between infrastructure maintenance and new infrastructure.

**3.131** The legislation, in particular, requires:

[Translation.] The capital budget to specify the amounts allocated to each of the following categories:

1. maintenance of existing public infrastructure taking

- into account accepted standards;
- 2. elimination of, within 15 years, the estimated maintenance deficit as of April 1, 2008; and
- 3. addition, improvement or replacement of public infrastructure.

**3.132** The legislation followed the De la Concorde overpass collapse in Montreal on September 30, 2006. The Minister of Transport Quebec (MTQ) immediately requested that any overpasses of similar design in Quebec be identified. It was confirmed that the de Blois overpass adjacent to the De la Concorde had a similar design. It was found to have the same issues which caused the collapse of the De la Concorde overpass and was closed to traffic less than three hours after the De la Concorde collapse and subsequently demolished.

**3.133** We concluded in our review of highway capital maintenance in the 2012 Auditor General Report that:

*“current funding levels do not allow the completion of optimal maintenance treatments on a timely basis. This will result in deferring required maintenance to future periods at greater overall cost to the Province.”*

**3.134** We were also concerned that:

*“as the infrastructure debt grows, the Province will be in a situation where sustainability of the highway network cannot be maintained due to the higher cost of repairing greatly deteriorated roads with limited annual funds. At that point the Department may have to consider decommissioning an increasing number of assets if it hopes to maintain the remainder of the highway network in accordance with asset management objectives”*

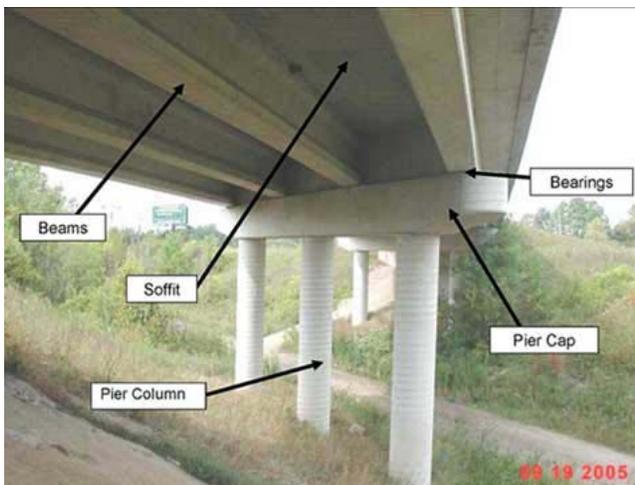
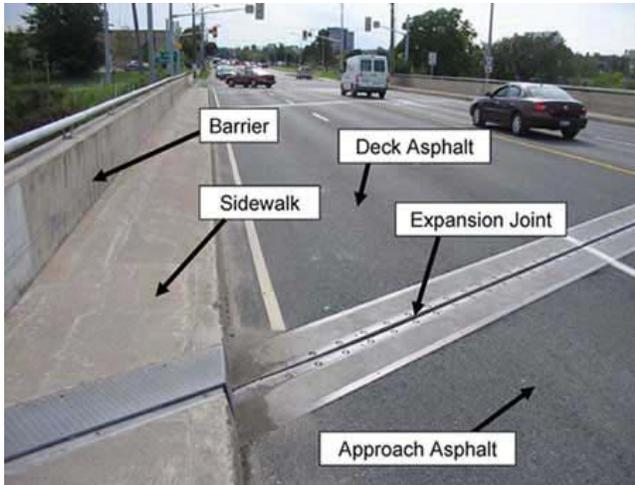
**3.135** We have seen similar issues during this audit of Provincial bridges.

### ***Recommendation***

**3.136** **The Department should develop and implement a long term plan to address current and expected future funding shortfalls in ordinary and capital bridge maintenance. This plan should be communicated annually during the capital budget process in order to appropriately inform senior officials and Cabinet Ministers.**

### Appendix I: Components of a Typical Bridge

A bridge typically has three major components: deck, superstructure, and substructure. The following photos illustrate the components which are assessed during a bridge inspection.



## Appendix II: Excerpts from Ministry of Transportation of Ontario website defining the Bridge Condition Index (BCI)

**3.137** A BCI rating is a planning tool that helps the Ministry schedule maintenance and upkeep.

**3.138** The BCI is not used to rate or indicate the safety of a bridge.

**3.139** The result is organized into ranges from 0 to 100. Immediate action is taken to address any safety concerns.

**3.140** Good - BCI Range 70 -100

For a bridge with a BCI greater than 70, maintenance work is not usually required within the next five years.

**3.141** Fair - BCI Range 60 -70

For a bridge with a BCI between 60 and 70 the maintenance work is usually scheduled within the next five years. This is the ideal time to schedule major bridge repairs from an economic perspective.

**3.142** Poor - BCI Less than 60

For a bridge with a BCI rating of less than 60, maintenance work is usually scheduled within approximately one year.

**3.143** To calculate the BCI rating, the current value is divided by the replacement cost of the bridge. The replacement value is based on the cost to reconstruct a new bridge.

*For example:*

*Current value = \$700,000*

*Replacement cost = \$1,000,000*

*BCI =  $\frac{\text{Current Value}}{\text{Replacement Cost}} \times 100$*

*Replacement Cost*

*=  $\frac{700,000}{1,000,000} \times 100$*

*1,000,000*

*= 70*

*(Source: Ministry of Transportation of Ontario website)*



### Appendix IV: Listing of bridges in audit population with a poor rating (BCI of 60 or less) as at December 2012

The rating noted in the following chart was assessed by the Department. The information was directly taken from the Department's internal system. We did not verify the accuracy and reasonableness of the rating.

BRIDGE #	BRIDGE NAME	DISTRICT #	BCI	YEAR BUILT	LAST INSPECTION	Rating
M440	MILLER BROOK	1	55		5/28/2012	Poor
D352	DICKIE COVE BROOK #1	1	36		5/30/2012	Poor
E475	EEL RIVER #7	1	40		5/29/2012	Poor
A570	ARMSTRONG BROOK #2	1	51	1960	5/30/2012	Poor
C216	CHARLO COVE BROOK #1	1	46	1961	5/30/2012	Poor
E620	ELMTREE RIVER #5	1	37	1963	5/28/2012	Poor
B384	BERESFORD BAR	1	60	1964	6/6/2012	Poor
M358	MIDDLE RIVER #1	1	16	1956	6/22/2011	Poor
M362	MIDDLE RIVER #4	1	48	1968	6/6/2012	Poor
M446	MILLER BROOK #1	1	21	1970	7/10/2012	Poor
L395	LITTLE ELMTREE RIVER #2	1	55	1990	7/14/2011	Poor
N615	NORTHWEST CARAQUET RIVER #4	1	42	1986	7/12/2011	Poor
N085	NASH CREEK (NORTH BRANCH #1)	1	41	1966	6/22/2011	Poor
E390	EEL RIVER #2	1	57	1966	6/14/2011	Poor
N090	NASH CREEK (SOUTH BRANCH #1)	1	37	1966	6/22/2011	Poor
S174	SCOTT BROOK #1	1	47	1980	7/12/2011	Poor
N415	NORTH EEL RIVER #4	1	23	1966	6/14/2011	Poor
S563	SOUTH EEL RIVER #5	1	33		6/14/2011	Poor
S213	SEAL BROOK #1	1	44	1976	6/5/2012	Poor
W145	WALKER BROOK #25	1	41	1976	5/29/2012	Poor
M226	MCINTOSH CREEK #5	1	58	1976	7/12/2011	Poor
B453	BIG HOLE BROOK	1	56	1975	7/12/2011	Poor
T475	TROUT BROOK #1	1	59	1974	7/13/2011	Poor
S539	SOUTH CHARLO RIVER #2	1	58	1974	6/21/2011	Poor
D515	DUGUAY BROOK #1	1	18	1973	11/8/2012	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

<b>BRIDGE #</b>	<b>BRIDGE NAME</b>	<b>DISTRICT #</b>	<b>BCI</b>	<b>YEAR BUILT</b>	<b>LAST INSPECTION</b>	<b>Rating</b>
P065	PALMER BROOK	2	40	1959	6/7/2011	Poor
P485	PINEVILLE	2	41	1970	6/9/2009	Poor
B123	BARNABY RIVER #8	2	54	1925	10/12/2011	Poor
H410	HAYES BROOK	2	58	1957	7/9/2012	Poor
B564	BLACK RIVER #5	2	47	1961	7/12/2012	Poor
S794	STEWART BROOK	2	49	1962	7/9/2012	Poor
P725	PORTAGE RIVER #1	2	57	1965	6/5/2012	Poor
B489	BLACK BROOK	2	53	1971	7/10/2012	Poor
B216	BAY DU VIN RIVER #7	2	42	1971	7/12/2012	Poor
V150	VANDY BROOK	2	5	1971	7/12/2012	Poor
C596	COLSON CREEK	2	53	1959	6/10/2011	Poor
M730	MUZROLL BROOK #1	2	36	1969	7/11/2011	Poor
E400	EEL RIVER #2	2	33	1972	6/8/2011	Poor
S773	STANDISH BROOK #1	2	39	1955	6/7/2011	Poor
P210	PEABODY BROOK	2	39	1987	7/12/2012	Poor
P740	PORTAGE RIVER #2	2	59	1982	7/12/2012	Poor
M620	MORRISON COVE	2	48	1980	7/12/2012	Poor
W335	WELLS BROOK #1	2	60	1980	7/12/2012	Poor
S668	SOUTHWEST MIRAMICHI RIVER #2	2	49	1972	6/8/2011	Poor
T010	TABUSINTAC RIVER #2	2	48	1958	7/12/2011	Poor
B630	BOGAN BROOK	2	41	1976	7/9/2012	Poor
N905	OX BROOK #2	2	41	1975	7/19/2011	Poor
T105	TAYLOR CREEK #1	2	53	1975	7/12/2012	Poor
B762	BUCHANAN	2	55	1975	7/11/2012	Poor
W575	WHITE RAPIDS BROOK #2	2	59	1974	6/8/2011	Poor
J450	JONATHAN CREEK #1	3	41		10/2/2012	Poor
G345	GOODEN BROOK	3	44		10/2/2012	Poor
P400	PETITCODIAC RIVER #6	3	57	1949	10/4/2011	Poor
T675	TURTLE CREEK #4	3	60	1912	10/2/2012	Poor
S572	SOUTH KOUCHIBOUGUAC	3	47		10/11/2011	Poor
L345	LITTLE BOUCTOUCHE RIVER #1	3	29	1940	10/17/2012	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

BRIDGE #	BRIDGE NAME	DISTRIC T #	BCI	YEAR BUILT	LAST INSPECTION	Rating
N475	NORTH MCINNES BROOK #2	3	44	1971	10/11/2011	Poor
C508	COCAGNE RIVER #3	3	57	1942	10/9/2012	Poor
H792	INTERVALE CREEK #4	3	38	1943	9/25/2012	Poor
S183	SCOTT BROOK #2	3	36	1931	9/21/2011	Poor
K510	KOUCHIBOUGUACIS RIVER #1	3	30	1943	7/19/2012	Poor
F405	FIVE POINTS	3	56	1945	9/25/2012	Poor
B559	BLACK RIVER #5	3	42		10/12/2011	Poor
P220	PECKS COVE	3	57	1952	10/2/2012	Poor
C768	COVERDALE RIVER #9	3	28	1939	10/5/2011	Poor
B039	BAIE VERTE STATION	3	53	1929	9/21/2011	Poor
B201	BAXTER BROOK #1	3	43	1960	10/2/2012	Poor
G135	GASPEREAU RIVER #1	3	48	1960	7/25/2012	Poor
W360	WEST BRANCH BOUCTOUCHE #3	3	50		9/28/2011	Poor
S177	SCOTT BROOK #1	3	46	1931	9/21/2011	Poor
W310	WELDON CREEK #2	3	54	1971	10/6/2011	Poor
M266	MCQUADE BROOK #1	3	1	1967	7/12/2011	Poor
N210	NEVER'S BROOK BRANCH	3	21	1963	10/4/2011	Poor
E240	EAST TURTLE CREEK #2	3	34	1925	10/6/2011	Poor
S530	SOUTH BOUCTOUCHE #2	3	48	1927	10/11/2011	Poor
C594	COLPITTS BROOK #2	3	58		9/13/2011	Poor
M234	MCKAY BROOK	3	41	1950	10/13/2011	Poor
M404	MILL CREEK #3	3	59	1989	8/9/2012	Poor
G030	GALLANT BROOK #1	3	44	1985	10/5/2011	Poor
H900	ISLAND CREEK #3	3	59	1982	6/8/2010	Poor
M688	MURPHY BROOK	3	41	1982	8/1/2012	Poor
B081	BALLA PHILIP	3	41	1982	9/26/2012	Poor
M254	MCLEAN BROOK #1	3	41	1981	9/26/2012	Poor
M408	MILL CREEK #1	3	24	1962	10/4/2011	Poor
W435	WEST ST. NICHOLAS #3	3	41	1980	9/26/2012	Poor
N480	NORTH MCINNES BROOK #4	3	56	1928	10/11/2011	Poor
R665	RUSSELL BROOK #2	3	57	1979	7/18/2012	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

<b>BRIDGE #</b>	<b>BRIDGE NAME</b>	<b>DISTRICT #</b>	<b>BCI</b>	<b>YEAR BUILT</b>	<b>LAST INSPECTION</b>	<b>Rating</b>
C196	CHAMPLAIN BROOK #1	3	40	1979	10/3/2012	Poor
W507	WHEELER BLVD. PEDESTRIAN TUNNEL	3	59	1979	10/3/2012	Poor
B246	BEAR CREEK	3	40	1979	10/13/2011	Poor
J520	JONATHAN CREEK #3.5	3	46	1979	10/4/2011	Poor
S132	SAULNIER CREEK #1	3	2	1979	10/12/2011	Poor
M214	MCINNES BROOK #2	3	41	1978	7/19/2012	Poor
D510	DUFFY BROOK #1	3	58	1977	9/15/2011	Poor
B093	BARCHARD BROOK #2	3	58	1944	10/3/2011	Poor
B420	BIG BROOK	3	42	1976	9/28/2011	Poor
A255	ALDOUANE RIVER #3	3	59	1976	7/25/2012	Poor
R670	RUSSELL BROOK (NORTH BRANCH)	3	24	1976	7/18/2012	Poor
A060	ABOUJAGANE RIVER #4	3	3	1976	10/18/2012	Poor
B484	BIGGS BROOK #4	3	44	1975	10/16/2011	Poor
B861	BUTLER CREEK	3	29	1975	10/1/2012	Poor
B702	BREAU CREEK #1	3	50	1974	9/14/2011	Poor
A270	ALDOUANE RIVER #4	3	45	1974	10/12/2011	Poor
M380	MILL BROOK #1	3	50	1973	9/21/2011	Poor
W020	WALKER	3	42	1973	10/3/2012	Poor
M412	MILL CREEK #1	3	1	1973	7/25/2012	Poor
C756	COVERDALE RIVER #6	3	48	1973	10/2/2012	Poor
B435	BIG COVE CREEK #1	3	60	1973	10/12/2011	Poor
M402	MILL CREEK #2	3	48	1973	10/12/2011	Poor
D315	DENNIS STREAM #4	4	36	1930	9/13/2011	Poor
M016	MACLEOD BROOK #1	4	58	1925	8/16/2011	Poor
M562	MOHANNAS STREAM #7	4	50	1929	9/11/2012	Poor
M134	MARTINON OVERHEAD	4	56	1929	9/26/2012	Poor
S462	SMITH CREEK #6	4	50	1938	7/25/2012	Poor
P525	POCOLOGAN RIVER #0.5	4	42	1967	8/30/2011	Poor
T280	THORNES BROOK	4	51	1945	7/23/2012	Poor
H295	HARDSCRABBLE	4	44	1946	8/21/2012	Poor
M196	MCGARDNER BROOK	4	56	1947	9/12/2012	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

<b>BRIDGE #</b>	<b>BRIDGE NAME</b>	<b>DISTRICT #</b>	<b>BCI</b>	<b>YEAR BUILT</b>	<b>LAST INSPECTION</b>	<b>Rating</b>
A390	ANAGANCE RIVER	4	31	1953	8/9/2011	Poor
H135	HAMILTON	4	49	1927	9/13/2011	Poor
H420	HAYES WILBERT	4	51	1965	8/9/2011	Poor
P420	PHILAMUNROE #5	4	46		8/17/2011	Poor
B648	BOONE	4	56	1921	9/14/2011	Poor
B699	BRAYDEN	4	58	1937	8/23/2011	Poor
C832	CRIPPS STREAM	4	53	1958	9/24/2012	Poor
J780	JONES CREEK #1	4	57	1938	8/18/2011	Poor
E640	EMERSON CREEK #1	4	41	1960	9/19/2012	Poor
S852	STONY CREEK	4	40	1961	8/18/2011	Poor
D430	DIPPER HARBOUR	4	53	1959	8/31/2011	Poor
H345	HARRY BROOK #1	4	53	1966	7/24/2012	Poor
H090	HALFWAY BROOK #4	4	22	1967	8/8/2012	Poor
C420	CLEMENTS BROOK #2	4	1	1967	8/8/2012	Poor
B228	BEAR BROOK #1	4	44	1967	8/20/2012	Poor
M114	MARKHAMVILLE	4	59	1971	8/16/2011	Poor
B375	BENNETT BROOK	4	46	1998	7/24/2012	Poor
L015	LACEY	4	59	1960	8/25/2011	Poor
B627	BOG BROOK	4	55	1972	9/11/2012	Poor
K185	KENNEBECASIS #15	4	46	1972	7/25/2012	Poor
D075	DAVIDSON	4	45	1996	9/14/2011	Poor
A420	ANDERSON BROOK #1	4	43	1972	8/17/2011	Poor
T540	TROUT CREEK #1	4	45	1936	9/30/2009	Poor
S438	SMITH BROOK	4	28	1991	8/22/2012	Poor
S219	SEAL COVE DRAW	4	37		8/31/2011	Poor
K020	KEENES	4	59	1987	8/31/2011	Poor
P095	PARKER	4	55	1987	9/25/2012	Poor
B396	BERRY BROOK	4	45	1986	8/21/2012	Poor
L545	LITTLE RIVER #2	4	42	1985	9/20/2012	Poor
S695	SPRAGUE	4	53	1949	8/10/2011	Poor
A615	ARMSTRONG MILL #2	4	46	1982	9/11/2012	Poor
T025	TAIT	4	44	1982	7/9/2012	Poor
L835	LORNEVILLE CREEK #1	4	1	1981	8/18/2011	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

BRIDGE #	BRIDGE NAME	DISTRICT #	BCI	YEAR BUILT	LAST INSPECTION	Rating
F230	FIRST RUN BROOK #2	4	59	1981	7/26/2012	Poor
H540	HIGGINS BROOK	4	25	1981	7/26/2012	Poor
P130	PARLEE BROOK #4	4	60	1980	8/16/2011	Poor
G275	GIPSY	4	50	1980	8/10/2011	Poor
C812	COX BROOK	4	58	1980	8/30/2011	Poor
T645	TRUNDLE	4	55	1980	9/14/2011	Poor
P170	PASSEKEAG CREEK #4	4	52	1980	8/18/2011	Poor
M392	MILL BROOK #3	4	46	1980	8/31/2011	Poor
P297	PENOBSCUIS LANE #5	4	37	1979	10/27/2011	Poor
T240	THIRD LAKE OUTLET	4	30	1979	8/15/2012	Poor
S518	SOUTH BAY	4	29	1978	8/16/2011	Poor
N840	OSSEKEAG CREEK	4	59	1978	10/20/2009	Poor
D080	DAVIDSON CREEK	4	25	1978	8/14/2012	Poor
W530	WHITE HEAD FERRY LANDING	4	42	1977	10/27/2009	Poor
K010	KANES BROOK	4	18	1977	8/17/2011	Poor
S843	STONE BROOK #1	4	51	1977	8/15/2011	Poor
B312	BEDFORD BROOK #2	4	40	1977	8/23/2012	Poor
S228	SECOND RUN BROOK #2	4	26	1976	7/26/2012	Poor
P295	PENOBSCUIS LANE #4	4	56	1976	8/15/2011	Poor
L075	LAKE STREAM	4	47	1976	9/1/2011	Poor
W470	WESTFIELD OVERHEAD	4	50	1950	8/24/2011	Poor
P880	PROCTOR BROOK #2	4	6	1974	8/14/2012	Poor
M506	MILLSTREAM RIVER #10	4	56	1973	8/10/2011	Poor
T305	THREE BROOKS	4	52	1973	8/31/2011	Poor
H595	HOLMES BROOK #2	5	23		6/27/2012	Poor
M156	MAZEROLLE STREAM	5	41		8/29/2012	Poor
H300	HARDWOOD BROOK #2	5	43		6/28/2012	Poor
N345	NOONAN BROOK	5	58		6/4/2012	Poor
M383	MILL BROOK #1 (DUCEY HILL)	5	42		7/31/2012	Poor
G220	GIDNEY BROOK #3	5	48	1969	7/26/2011	Poor
B718	BRIGGS (RTE. 116)	5	40		8/15/2012	Poor
P265	PENNIAC STREAM #4	5	44		8/22/2012	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

BRIDGE #	BRIDGE NAME	DISTRICT #	BCI	YEAR BUILT	LAST INSPECTION	Rating
N845	OTNABOG RIVER #1	5	48		7/24/2012	Poor
S815	STICK BROOK #1	5	55		7/4/2012	Poor
S250	SEYMOUR	5	40		7/31/2012	Poor
L458	LITTLE MACTAQUAC STREAM #1	5	20		8/29/2012	Poor
S873	SUCKER BROOK	5	43		7/26/2011	Poor
T291	THOROUGHFARE (SOUTH)	5	47	1924	7/3/2012	Poor
T290	THOROUGHFARE (NORTH)	5	45	1924	7/3/2012	Poor
B804	BULLS CREEK #2	5	41	1926	9/11/2012	Poor
B300	BEDELL BROOK #1	5	58	1965	7/27/2011	Poor
B276	BEAVER DAM	5	53	1937	6/6/2011	Poor
D531	DUNBAR (SOUTH)	5	60	1931	8/22/2012	Poor
B795	BULL CREEK #2	5	53	1935	8/27/2012	Poor
P850	PRESQUE ISLE RIVER #4	5	46	1936	6/27/2012	Poor
R475	ROCKWELL STREAM #1	5	44	1937	9/4/2012	Poor
B723	BRIZLEY BROOK #1	5	58	1937	8/29/2012	Poor
C808	COW PASTURE	5	60	1939	7/25/2011	Poor
Y500	YORK MILLS	5	54	1939	7/30/2012	Poor
M682	MURCH	5	53	1941	8/29/2012	Poor
S426	SLIPP BROOK #2	5	58	1927	6/1/2011	Poor
L760	LONG CREEK #2	5	29	1950	7/4/2012	Poor
T100	TAY RIVER #4	5	49	1953	8/27/2012	Poor
M202	MCGIVNEY BROOK	5	43	1954	7/3/2012	Poor
N260	NEWCASTLE CREEK #1	5	45	1955	7/23/2012	Poor
N015	NACKAWIC RIVER #3	5	40	1955	9/12/2012	Poor
M384	MILL BROOK #1	5	28	1956	7/24/2012	Poor
C180	CENTERVILLE ROAD	5	42	1957	7/3/2012	Poor
B801	BULLS CREEK #1	5	40	1958	9/11/2012	Poor
R145	REGENT STREET UNDERPASS	5	47	1959	8/27/2012	Poor
T450	TREADWELL	5	55	1960	7/4/2012	Poor
P260	PENNIAC STREAM #3	5	58	1962	8/22/2012	Poor
H565	HILL BROOK #3	5	38	1969	7/26/2011	Poor
L805	LONGS CREEK #2	5	37	1962	9/4/2012	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

BRIDGE #	BRIDGE NAME	DISTRICT #	BCI	YEAR BUILT	LAST INSPECTION	Rating
N580	NORTH SHIKATEHAWK RIVER #1	5	39	1963	6/28/2012	Poor
S351	SHIKATEHAWK RIVER #1 (SOUTH)	5	45	1930	7/25/2011	Poor
M578	MONQUART RIVER #1	5	58	1934	7/20/2011	Poor
S578	SOUTH MACTAQUAC RIVER #2	5	21	1965	8/29/2012	Poor
C304	CHRISTIE MILL POND	5	32		7/28/2011	Poor
P270	PENNIAC STREAM #5	5	46	1965	8/21/2012	Poor
D355	DICKINSON BROOK #1	5	48	1965	7/17/2012	Poor
B873	BUTTERMILK CREEK #3	5	20	1965	10/23/2012	Poor
P255	PENNIAC STREAM #2	5	50	1966	8/22/2012	Poor
N855	OTTER BROOK	5	43	1966	9/5/2012	Poor
B735	BROOKS LAKE	5	58	1966	8/28/2012	Poor
M240	MCKENZIE BROOK	5	44	1967	7/31/2012	Poor
G250	GILCHRIST BROOK #2	5	58	1955	8/8/2011	Poor
M385	MILL BROOK #1 (DAY HILL)	5	40	1967	8/28/2012	Poor
W705	WRIGHT BROOK #1	5	40	1967	9/11/2012	Poor
M036	MACTAQUAC RIVER #5	5	44	1948	7/28/2011	Poor
M258	MCLEARY BROOK	5	45	1968	7/17/2012	Poor
L744	LODERS CREEK #1	5	41	1970	7/3/2012	Poor
L960	LYON STREAM	5	50	1970	9/6/2012	Poor
F720	FOUR MILE BROOK #3	5	57	1972	8/28/2012	Poor
T350	THREE TREE CREEK #1	5	53	1972	9/5/2012	Poor
C380	CLARKE	5	21	1963	7/20/2011	Poor
B690	BRANDY BROOK	5	60		8/2/2011	Poor
L895	LOWER GUISIGUIT BROOK #1	5	35	1967	7/20/2011	Poor
R085	RED BANK CREEK	5	31	1969	8/20/2009	Poor
M038	MACTAQUAC ROAD-RTE. 102 OVERPASS	5	47	1966	8/25/2011	Poor
B798	BULL CREEK #3	5	47	1968	7/26/2011	Poor
G215	GIDNEY BROOK #2	5	16	1972	7/26/2011	Poor
U455	UPPER TROUT BROOK #2	5	58	1990	7/4/2012	Poor
L380	LITTLE COAC	5	57	1988	9/10/2012	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

<b>BRIDGE #</b>	<b>BRIDGE NAME</b>	<b>DISTRICT #</b>	<b>BCI</b>	<b>YEAR BUILT</b>	<b>LAST INSPECTION</b>	<b>Rating</b>
M188	MCDUGALL BROOK	5	29		6/22/2011	Poor
C905	CURRIE BROOK	5	56	1966	8/25/2011	Poor
B729	BROOKS	5	57	1984	9/12/2012	Poor
F245	FITCH CREEK #1	5	44	1983	11/2/2011	Poor
J440	JONAH BROOK	5	7	1983	7/24/2012	Poor
R675	RYAN BROOK	5	55	1982	7/3/2012	Poor
B654	BOONE BROOK #2	5	59	1980	8/3/2011	Poor
U250	UPPER GUISIGUIT BROOK #1	5	60	1967	7/20/2011	Poor
C468	CLINCH BROOK #3	5	15	1980	7/31/2012	Poor
K395	KING BROOK	5	32	1979	8/1/2012	Poor
N430	NORTH FORKS #2	5	55	1979	8/27/2012	Poor
K315	KEYHOLE	5	7	1977	7/3/2012	Poor
S894	SYPPER BROOK #1	5	25		7/25/2011	Poor
A105	ACTON	5	60	1976	9/6/2012	Poor
P790	PORTOBELLO STREAM	5	34	1976	8/28/2012	Poor
K060	KELLY BROOK #2	5	4	1975	7/4/2012	Poor
H175	HAMMOND BROOK	5	39	1975	8/1/2012	Poor
T365	THREE TREE CREEK #6	5	59	1975	8/29/2012	Poor
M174	MCCATHEL BROOK #2	5	41	1975	7/4/2012	Poor
F320	FIVE FINGERS BROOK #4	6	42		6/19/2012	Poor
L210	LEFT BRANCH POKIOK RIVER #1	6	52		6/27/2012	Poor
H080	HALEY BROOK #1	6	46	1936	6/25/2012	Poor
M670	MUNIAC RIVER #7	6	39	1965	6/27/2011	Poor
L585	LITTLE RIVER #2	6	43	1958	6/18/2012	Poor
M044	MADAWASKA RIVER #2	6	54	1959	6/12/2012	Poor
P235	PELKEY BROOK	6	44	1964	6/26/2012	Poor
S372	SIEGAS RIVER #2	6	53	1952	7/6/2011	Poor
B234	BEAR BROOK #2	6	35	1966	6/26/2012	Poor
T170	TEDLEY BROOK	6	19	1967	6/14/2012	Poor
T370	TIE CAMP	6	31	1967	6/26/2012	Poor
F520	FOLEY BROOK #1	6	13	1968	6/25/2012	Poor
L565	LITTLE RIVER #2	6	54	1971	7/19/2011	Poor

**Appendix IV: Listing of bridges in audit population with a poor rating  
(BCI of 60 or less) as at December 2012 (continued)**

<b>BRIDGE #</b>	<b>BRIDGE NAME</b>	<b>DISTRICT #</b>	<b>BCI</b>	<b>YEAR BUILT</b>	<b>LAST INSPECTION</b>	<b>Rating</b>
L685	LITTLE TOBIQUE RIVER #4	6	46	1994	6/28/2011	Poor
L560	LITTLE RIVER #1	6	22	1965	7/19/2011	Poor
L625	LITTLE SALMON RIVER #2	6	29	1958	7/6/2011	Poor
P185	PAT BROOK (WEST BRANCH)	6	2	1979	6/20/2012	Poor
G020	GAGNON BROOK #2	6	38	1972	6/27/2011	Poor
G475	GRANDMAISON BROOK	6	58	1972	6/28/2011	Poor
H767	INDIAN BROOK #2	6	30		7/20/2011	Poor
F500	FOLEY BROOK #1	6	43	1975	6/12/2012	Poor
B507	BLACK BROOK #1	6	59	1975	6/20/2012	Poor
M593	MOONEY BROOK #3	6	48	1975	6/25/2012	Poor
S416	SIX MILE BROOK	6	41	1975	6/20/2012	Poor
P180	PAT BROOK	6	40	1974	6/20/2012	Poor
H025	HAILES BROOK #2	6	35	1974	6/19/2012	Poor
B615	BLUE BELL BROOK #1	6	46	1974	7/6/2011	Poor
M676	MUNIAC RIVER #10	6	47	1973	7/4/2011	Poor
P820	POWERS CREEK #2	6	30	1973	7/6/2011	Poor
<b>293</b>	<b>Total</b>					

## Appendix V: Audit Objectives and Criteria

### Objective 1

**3.144** To determine whether the Department performs bridge inspections in accordance with accepted professional standards and uses the inspection results to identify and prioritize necessary capital maintenance and other remedial measures.

#### Criteria

- The most recent Ontario Structure Inspection Manual was used;
- The inspection standards being used were up to date;
- Bridges in all regions were inspected regularly at the required frequency;
- Bridge inspection reports were complete, accurate and consistent;
- A quality assurance process was put in place to verify the reliability of the data generated during the visual inspections; and
- The priority list developed by the Maintenance Branch was based on the bridge inspection results and a pre-determined set of criteria.

### Objective 2

**3.145** To determine whether the Department maintains the service level of its bridge inventory based on a long term least life cycle cost approach.

### Objective 3

**3.146** To determine whether the Department publicly reports on the condition of designated Provincial bridges and the effectiveness of its bridge inspection activities.

#### Criteria

- The Department should report publicly the condition of all designated Provincial bridges
- The annual report of the Department should include the following relating to designated Provincial bridge condition:
  - performance indicators
  - targets
  - actual results
  - the rationale for variances

## Appendix VI: Sampling Methodology

- 3.147** A risk based approach was chosen in determining the sample size. A sample size of 31 bridge structures and 62 inspection reports were selected for testing. They are listed in Appendix VII.
- 3.148** The testing sample consisted of bridge structures in poor condition, large and complex structures and those with interim remediation measures in place such as imposed weight restrictions.
- 3.149** In selecting the sample, a subset of bridge structures was taken from the 2010-2011 large bridge replacement list, and the 2011-2012 small bridge replacement list. The remaining samples selected were from the lowest third of the bridges based on the BCI rating of the stratified bridge inventory listing.
- 3.150** Additionally any bridges within the top 2/3 based on the BCI score in the inventory listing which had an imposed weight restriction were added to the testing sample. Lastly, of the remaining population, the three largest bridges based on number of spans and individual span length was added to the testing sample.
- 3.151** Judgment was applied to individual selection within the target population to ensure that there was a variety of different bridge types included in the sample.
- 3.152** The inspection documents reviewed were from 2008 to 2012 and included 62 Bridge Inspection Reports (BIR) and 62 Picture Sheets. These reports covered 31 bridges and culverts spanning across 15 counties of the province for the 2008-2012 period. The types of bridge structures encountered included: pipe arches; wood and steel stringers; covered and uncovered Burr, Howe and Pratt trusses; cantilevered arch trusses; steel plate girders; reinforced concrete tee beams; and steel rolled beams. The overall length of these bridges ranged from a few meters to over a kilometre.

### *Characteristics of the analyzed sample*

## Appendix VII: List of bridges for which we reviewed inspection reports

Bridge #	Bridge Name	Span Type	County	Inspection(s)	BCI as at Dec 2012
B015	BACK CREEK #2	Covered Howe truss	SUNBURY	2010, 2012	Fair
C244	CHATHAM BRIDGE	Large cantilever-truss system	NORTHUMBERLAND	2008, 2012	Good
C420	CLEMENTS BROOK #2	Culvert	KINGS	2010, 2012	Poor
C468	CLINCH BROOK #3	Steel stringer	YORK	2010, 2012	Poor
C768	COVERDALE RIVER #9	Open Howe truss with concrete deck slab	ALBERT	2011, 2009	Poor
D380	DIGDEGUASH RIVER #4	Covered Howe truss	CHARLOTTE	2011, 2012	Good
F520	FOLEY BROOK #1	SPCSP pipe arch	VICTORIA	2010, 2012	Poor
H077	HALES BROOK #1	Concrete arch culvert	CARLETON	2010, 2008	Good
H090	HALFWAY BROOK #4	Wood stringer	KINGS	2010, 2012	Poor
K315	KEYHOLE	SPCSP pipe arch	QUEENS	2010, 2012	Poor
K510	KOUCHIBOUGUACIS RIVER #1	Arch Burr Truss, Reinforced concrete tee beam	KENT	2011, 2012	Poor
L345	LITTLE BOUCTOUCHE RIVER #1	Arch Burr Truss	KENT	2010, 2012	Poor
L560	LITTLE RIVER #1	Wood stringer	VICTORIA	2011, 2009	Poor
L625	LITTLE SALMON RIVER #2	Wood stringer	VICTORIA	2011, 2009	Poor
L760	LONG CREEK NO. 2	Reinforced concrete tee beam (haunched)	QUEENS	2010, 2012	Poor
L835	LORNEVILLE CREEK #1	SPCSP pipe arch	SAINT JOHN	2011, 2009	Poor
M188	MCDUGALL BROOK	Twin CSP pipe arch	SUNBURY	2011, 2009	Poor
M266	MCQUADE BROOK #1	SPCSP pipe arch	WESTMORLAND	2010, 2008	Poor
M346	MERSEREAU STREAM #1	Wood stringer	SUNBURY	2011, 2009	Good <sup>1</sup>
M384	MILL BROOK # 1	Wood stringer	QUEENS	2010, 2012	Poor <sup>2</sup>
N025	NACKAWIC RIVER #5	Covered Howe truss	YORK	2010, 2012	Good
N210	NEVER'S BROOK BRANCH	Steel stringer	WESTMORLAND	2011, 2009	Poor
N665	NORTHWEST MIRAMICHI #1	Steel thru truss, reinforced concrete slab with steel beams	NORTHUMBERLAND	2011, 2008	Good
P645	POLLETT RIVER #4	Burr truss with reinf concrete slab	WESTMORLAND	2011, 2008	Good <sup>1</sup>
R145	REGENT STREET UNDERPASS	Steel Rolled Beam	YORK	2010, 2012	Poor
S563	SOUTH EEL RIVER #5	Wood stringer	RESTIGOUCHE	2011, 2009	Poor
S578	SOUTH MACTAQUAC RIVER #2	Wood stringer	YORK	2010, 2012	Poor
T170	TEDLEY BROOK	Wood stringer	MADAWASKA	2010, 2012	Poor
T525	TROUT BROOK #1	Reinf concrete tee beam	VICTORIA	2010, 2012	Good
T590	TROUT CREEK #10	Steel stringer	KINGS	2010, 2012	Good
V150	VANDY BROOK	SPCSP pipe arch	NORTHUMBERLAND	2010, 2012	Poor

<sup>1</sup> Bridge replaced in 2012 –BCI of new bridge

<sup>2</sup> Bridge replaced in 2012 –BCI of replaced bridge

## Appendix VIII: Examples of bridge condition public reporting from other Canadian jurisdictions

### Example #1:

#### Ontario Provincial Bridges - West Region

BCI = Bridge Condition Index. The BCI rating is a planning tool that helps the Ministry schedule maintenance and upkeep. The BCI is not used to rate or indicate the safety of a bridge.

The result is organized into ranges from 0 to 100. Immediate action is taken to address any safety concerns.

Good - BCI Range 70 -100

For a bridge with a BCI greater than 70, maintenance work is not usually required within the next five years.

Fair - BCI Range 60 -70

For a bridge with a BCI between 60 and 70 the maintenance work is usually scheduled within the next five years. This is the ideal time to schedule major bridge repairs from an economic perspective.

Poor - BCI Less than 60

For a bridge with a BCI rating of less than 60, maintenance work is usually scheduled within approximately one year.

SITE #	REGION	STRUCTURE NAME	HWY	YEAR BUILT	LAST INSP	BCI
9 - 43/	W	GRAND RIVER BRIDGE IN CAYUGA	3	1924	2011	Fair
9 - 42/	W	STONEY CREEK BRIDGE	3	1964	2011	Good
9 - 41/	W	SANDUSK CREEK HWY. 3	3	1984	2011	Good
20 - 46/	W	NANTICOKE CREEK BRIDGE	3	1953	2011	Good
20 - 59/	W	BIG CREEK BRIDGE (DELHI)	3	1965	2011	Good
20 - 157/	W	BIG OTTER CK BR-N. STR.	3	1972	2011	Good
5 - 97/	W	CATFISH CREEK BRIDGE	3	1962	2010	Good
5 - 96/	W	CATFISH CREEK BRIDGE (WEST BRANCH)	3	1998	2010	Good
5 - 220/	W	BURWELL ROAD UNDERPASS	3	1974	2010	Fair
5 - 219/	W	First Avenue Underpass	3	1974	2010	Good
5 - 218/	W	BALACLAVA STREET UNDERPASS	3	1975	2010	Good
5 - 216/	W	KETTLE CREEK BRIDGE	3	1979	2010	Good
5 - 4/	W	DODDS CREEK BRIDGE	4	1967	2010	Good
19 - 162/	W	MEDWAY CREEK BRANCH BRIDGE (ST. JOHN'S).	4	1964	2010	Good
19 - 161/	W	MEDWAY CREEK BRANCH BRIDGE	4	1963	2010	Good
19 - 160/	W	MEDWAY CREEK BRANCH BRIDGE (BIRR)	4	1963	2010	Good
19 - 69/	W	AUSABLE RIVER BRIDGE	4	1969	2010	Good
12 - 246/	W	AUSABLE RIVER BRIDGE	4	1962	2010	Fair
12 - 232/	W	KIPPEN RIVER BRIDGE #2	4	1947	2010	Fair
12 - 195/	W	Bayfield River Bridge (Clinton)	4	1932	2010	Fair
9 - 25/	W	NANTICOKE CREEK BRIDGE	6	1994	2011	Good
20 - 80/	W	LYNN RIVER LIFT BRIDGE	6	1969	2011	Good
9 - 24/	W	SANDUSK CREEK BRIDGE	6	1963	2011	Good
9 - 16/	W	MACKENZIE CREEK BRIDGE	6	1960	2011	Good
9 - 15/	W	BOSTON CREEK BRIDGE	6	1960	2011	Good
9 - 129/	W	SIXTH LINE UNDERPASS	6	1981	2011	Good
9 - 132/	W	STERLING STREET UNDERPASS	6	1981	2011	Good
9 - 130/	W	GRAND RIVER BRIDGE	6	1981	2011	Good
9 - 133/	W	DOMTAR ACCESS RD. OVERPASS	6	1981	2011	Good
9 - 1/	W	BLACK CREEK BRIDGE	6	1957	2011	Good
35 - 404/1	W	SPEED RIVER BRIDGE, N.B.L.	6	1971	2011	Good
35 - 404/2	W	SPEED RIVER BRIDGE, S.B.L.	6	1971	2011	Good
35 - 410/	W	IMPERIAL AVENUE UNDERPASS	6	1975	2011	Fair
35 - 211/	W	IRVINE CREEK BRIDGE	6	1964	2011	Good
35 - 135/	W	FARLEY'S CREEK BRIDGE	6	2008	2011	Good
35 - 136/	W	Mitchell's Creek	6	1989	2011	Good
35 - 78/	W	FOUR MILE CREEK BRIDGE	6	2009	2011	Good
35 - 76/	W	SMOKEY CREEK BRIDGE	6	1952	2011	Good
35 - 77/	W	BELLS CREEK BRIDGE	6	1997	2011	Good
8 - 317/	W	FAIRBANK CREEK BRIDGE	6	1958	2010	Good
8 - 449/	W	Camp Creek Bridge	6	2009	2010	Good
8 - 450/	W	Kemp Creek Bridge	6	2009	2010	Good
8 - 159/	W	ROCKY SAUGEEN RIVER BRIDGE	6	1958	2010	Fair
8 - 414/	W	POTTAWATOMI RIVER BRIDGE	6	1978	2010	Good
2 - 4/	W	STOKES RIVER BRIDGE	6	1958	2011	Fair

29/03/2012

Source: [www.mto.gov.on.ca/english/bridges/west-region.pdf](http://www.mto.gov.on.ca/english/bridges/west-region.pdf)

## Appendix VIII: Examples of bridge condition public reporting from other Canadian jurisdictions (continued)

### Example #2:

6/3/13

Transports Québec : Ponts et routes - Information aux citoyens - Structures



Accueil Plan du site Nous joindre Portail Québec Communiqués FAQ Accessibilité



Accueil > Ponts et routes - Information aux citoyens > Structures

#### Structures \*

En 2011-2012, les investissements dans les structures\* totaliseront près de 1,14 G\$, permettant ainsi d'intervenir sur près de 875 structures, y compris 272 structures sur le réseau municipal. La part la plus importante des investissements sera consacrée à la lutte contre le vieillissement des ponts et des viaducs.

\* Ponts, ponceaux, murs de soutènement et tunnels sur le réseau routier du Ministère.

#### Critères de recherche

Information mise à jour le 2013-06-03

Avis aux personnes handicapées : si vous éprouvez de la difficulté à utiliser ce formulaire, vous pouvez obtenir de l'assistance. Au besoin, [communiquez avec nous](#).

Région (Toutes)

Route (Toutes)

Structures faisant l'objet de ?

Limitation de hauteur libre sous la structure

Limitation de poids

Rapport d'inspection générale

Mots clés

#### Indice de condition générale (ICG) ?

Indice	État	Nbre de structures
4	Structure ne nécessitant aucune intervention	3513
3	Structure nécessitant des réparations	923
2	Structure nécessitant des travaux majeurs	289
1	Structure nécessitant un remplacement	403
AC	Analyse en cours *	113
S. O.	Sans objet	10
Total		5251

\* Des analyses additionnelles sont requises

#### Indice d'accessibilité (IAS) ?

Indice	État	Nbre de structures
	Structure n'étant soumise à aucune restriction	4503
	Structure soumise à certaines restrictions	215
	Structure fermée	5
S. O.	Sans objet	528
Total		5251

#### Téléchargements ?

Coordonnées GPS	<a href="#">(format .csv)</a> <a href="#">(format .gpx)</a>
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[Politique de confidentialité](#) | [Déclaration de services aux citoyens et aux citoyennes](#)



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Source: [www.mtq.gouv.qc.ca/pls/apex/f?p=TBM:STRCT:3422872473549441::NO:RP,56::1](http://www.mtq.gouv.qc.ca/pls/apex/f?p=TBM:STRCT:3422872473549441::NO:RP,56::1)

<sup>1</sup> English version not available on Transport Québec website

# Chapter 4

## Department of Government Services

### Procurement of Goods and Services – Phase I

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# Department of Government Services Procurement of Goods and Services – Phase I

## Introduction

4.1 In 2012, the Organisation for Economic Co-operation and Development (OECD) identified “...four elements of good governance”<sup>1</sup> in public procurement:

- transparency;
- value for money;
- resistance to fraud and corruption; and
- accountability and control.

4.2 The OECD stated that “...to ensure overall value for money, the challenge for decision makers is to define an appropriate degree of transparency and accountability to reduce risks [that would threaten] integrity in public procurement...”<sup>2</sup>

## Why We Completed this Audit

4.3 We reviewed the procurement of goods and services for the following reasons:

- Procurement by the Government of New Brunswick (GNB) is significant to the provincial economy. A recent government report indicated that purchase expenditures in 2010-11, including Crown construction, approximated \$1.460 billion<sup>3</sup>. A breakdown of these expenditures by department is provided in Exhibit 4.1.
- Our 2012 chapter on E-Health highlighted some specific

<sup>1</sup> Organisation for Economic Co-operation and Development. *Fighting Corruption in Public Procurement*. OECD, 2012, 3.

<sup>2</sup> Organisation for Economic Co-operation and Development. *Integrity in Public Procurement – Good Practice from A to Z*. OECD, 2007, 10.

<sup>3</sup> Office of the Comptroller, Finance. *Procurement Process Improvement Review, Government Renewal Project # 5 - Procurement*. Government of New Brunswick, 2011, 5.

issues with service contracts in one department. We wanted to review the Department of Government Services processes supporting the procurement function from a best practices perspective; and

- In New Brunswick, the procurement of goods and services is complex and shared by multiple departments and organizations. The regulatory framework was first established in 1974 and is currently undergoing significant change.

*Exhibit 4.1 - 2010-11 Purchase Expenditures by Department*

4.1	<b>2010-11 PURCHASE EXPENDITURES BY DEPARTMENT</b>		
Department	2010-11 Expenditures (\$Million)	% of Total	
<b>Transportation</b>	500	34%	
<b>Supply and Services</b>	398	27%	
<b>Education and School Districts</b>	142	10%	
<b>Public Safety</b>	88	6%	
<b>Post-Secondary Education and Training</b>	57	4%	
<b>Health</b>	55	4%	
<b>Social Development</b>	39	3%	
<b>Natural Resources</b>	37	3%	
<b>NB Highway Corporation</b>	32	2%	
<b>Tourism and Parks</b>	18	1%	
<b>Other Departments</b>	<u>94</u>	<u>6%</u>	
<b>Total</b>	1,460	100%	
<p>Note: Total accounts payable spend (Purchase Expenditures by Department) is based on financial information system data and includes Crown construction and other items not currently tendered by the Department of Government Services.</p> <p>Source: Table created by OAG-NB with information from the Government of New Brunswick Spend Analysis and Strategic Sourcing Implementation Report (unaudited)</p>			

## Objectives

### 4.4 Our audit had two objectives:

- to determine if the public purchasing practices used by government comply with key components of the regulatory framework and best practices; and
- to determine if the Department of Government Services publicly reports on the effectiveness of the

procurement function.

## Conclusion

**4.5** Under our first objective we have concluded that documented practices and procedures, as currently administered by the Department of Government Services, have been designed to comply with the current regulatory framework. However, these practices and procedures are not always adhered to, resulting in non-compliance with the current regulatory framework. For this reason, we intend to undertake additional work in public procurement in coming years.

**4.6** In addition, we have identified certain best practices that could be incorporated into existing government policies and procedures to enhance the effectiveness with which the procurement function is performed.

**4.7** Finally, we conclude that the Department of Government Services does not adequately report on the effectiveness of the procurement function.

## Summary of Main Findings and Recommendations

**4.8** The Department of Government Services (DGS) is responsible, in conjunction with various departments and agencies, for purchasing goods and services in New Brunswick. The DGS governs and coordinates the public tendering process for specific departments and agencies defined under the *Public Purchasing Act*.

## Non-compliance in public procurement processes

**4.9** Although we found that the processes designed by the DGS to guide the procurement function appear to support the legislation, our testing of procurement files detected instances of non-compliance where we believe the processes were not followed and as a result failed to meet the legislative requirements. These findings are detailed in Exhibit 4.7.

**4.10** The Act, regulation, and policies provide a framework to support competition, transparency, and accountability in the public procurement process. Circumvention of this control system could result in favouritism, costly purchases, and increased liability to the Province.

**4.11** Given the number of infractions we identified in a limited sample and the estimated value of the

procurements, we are concerned with these results and intend to continue our work in this area in the future.

### **DGS purchase order data is incomplete**

**4.12** The DGS relies upon purchase order data stored in the New Brunswick Opportunities Network (NBON) database to provide procurement information. This information is especially important when the DGS is planning corporate contracts such as contracts of supply used by various government entities and involving multiple suppliers. A significant issue for the DGS is reliability of this data.

**4.13** During the period we reviewed (2011-12) the DGS preferred to have client departments use the NBON when requisitioning purchases against an existing contract but did not require it in practice. This meant that contract usage reports and other information from the NBON was incomplete and therefore could not be relied upon in planning future procurements.

**4.14** Unless client departments use the NBON to draw against contracts of supply, the DGS has no way to verify that prices and discounts have been provided by vendors as contracted. This can result in lost savings.

### **Improvements and positive changes are underway at the DGS**

**4.15** In our review of government reports on planned changes to the procurement process and in interviews with DGS management and staff, we noted recent improvements in processes. We also noted the following positive changes that are underway:

- DGS is working collaboratively toward enhancing governance in public procurement across GNB entities;
- DGS is now more involved in departmental contract negotiations in an attempt to lower procurement costs; and
- DGS is attempting to address inconsistency issues with the overall regulatory framework and procurement practices.

**4.16** Since these changes were being undertaken by the DGS during the period of our work we could not evaluate the results.

**Further best practice improvements in the procurement process are needed**

**4.17** While we recognize that changes being made at the DGS may produce positive results, we did note possible best practices that could further improve existing procurement processes. Some of these include:

- increased DGS Procurement Specialist involvement in critical tasks and functions such as mandatory site visits and Request for Proposal (RFP) evaluation committees;
- increased consistency in file documentation to ensure completeness and decision support for vendor debriefings and to address RFP evaluation committee process and documentation weaknesses we identified in our work, such as;
  - lack of detailed evaluation documentation;
  - lack of clear explanations for scoring decisions;
  - unsigned committee evaluation documentation; and
  - no conflict of interest declarations by committee members;

and

- increased continuous improvement and forward planning practices such as project / file reviews and increased vendor performance reporting.

**4.18** Implementation of recognized best practices in public procurement should result in lower risk, greater efficiencies, and decreased procurement cost for the Province.

**Public reporting of performance results is needed**

**4.19** Effective public reporting of performance provides government accountability to the public, allows government to monitor programs and services effectively, and promotes better decision making. In order for public reporting to provide these benefits, effective performance measures must be in place.

**4.20** Effective performance measurement requires preset targets to be established against which actual results can be compared. No such targets were reported in the DGS's 2011-12 annual report. Therefore, readers cannot determine how successful the DGS was in reaching its procurement goals and the benefits of

comprehensive public reporting are lost.

**The regulatory framework is changing**

**4.21** Over the past two years the DGS has drafted a new Act to govern the public procurement process and undertaken significant changes in support of this framework. At the time of our audit, the new *Procurement Act* had not been proclaimed and the associated regulation had not been drafted. Until this process is complete the *Public Purchasing Act* (PPA) remains in effect.

**Regulation is inconsistent with existing trade agreements**

**4.22** In addition to the PPA and regulation, governments have entered into trade agreements that the DGS must consider in planning procurements. These agreements may dictate the procurement method based on estimated dollar value of the procurement.

**4.23** We found, for example, the following inconsistencies between the regulation and trade agreements:

- The estimated dollar value thresholds used to determine the need for a public tender include tax in regulation but do not in trade agreements. This means that NB publicly procures goods and services at lower estimated procurement values (before tax) than our trading partners, placing NB vendors at a competitive disadvantage; and
- Special exemptions under the regulation allow departments to purchase specific goods without public tender if the estimated value does not exceed \$25,000. The Atlantic Procurement Agreement requires a public tender if the estimated value exceeds \$10,000. This means that when a department uses a special exemption they may be contravening the Atlantic Procurement Agreement.

**4.24** We were told by the DGS that these and other issues with the current regulation are being considered in the new Act and associated regulatory framework.

Exhibit 4.2 – Summary of Recommendations

Recommendations	Department's Response	Target Date for Implementation
<p><b>4.58</b> We recommend the DGS ensure that provincial regulation, policies and practices are internally consistent, and are consistent with trade agreements signed by the Province.</p>	<p><i>The DGS agrees with this recommendation and will introduce new procurement legislation and supporting regulation, policies and practices that are internally consistent and are consistent with provincial trade agreements.</i></p>	<p>01-06-2014</p>
<p><b>4.71</b> We recommend the DGS require the use of the NBON system by client departments or implement a mechanism to accurately capture contract of supply draw down information and changes to purchase orders.</p>	<p><i>The DGS agrees with this recommendation and has implemented this recommendation through policy effective April 1, 2013. Enhancements were made to the NBON System to support the policy changes which requires draw down purchase orders be created in the system. We are working with Departments to ensure compliance with this policy.</i></p>	<p>01-04-2014</p>
<p><b>4.72</b> We recommend the DGS establish a plan to undertake periodic reviews of significant contracts to ensure all of the benefits such as discounted pricing of the contract are received by government entities and vendors meet their contracted obligations.</p>	<p><i>The DGS is implementing a contract management framework that will ensure compliance of significant contracts.</i></p>	<p>01-04-2014</p>
<p><b>4.79</b> We recommend the DGS modernize and update the procurement policy and procedural framework used by government to include the establishment of a policy defining the roles and responsibilities of the entities involved in critical procurement functions, particularly between DGS as the central agency and client departments.</p>	<p><i>This recommendation will be addressed as part of the response noted in 4.58 above.</i></p>	<p>01-06-2014</p>
<p><b>4.85</b> We recommend the DGS develop an exemption approval policy that balances procurement risk and value against timeframe considerations to better meet client department and DGS approval requirements.</p>	<p><i>The DGS will develop an exemption policy for approval that balances procurement risk and value against timeframe considerations.</i></p>	<p>01-12-2014</p>

Exhibit 4.2 - Summary of Recommendations (continued)

Recommendations	Department's Response	Target Date for Implementation
<p><b>4.118</b> We recommend the DGS:</p> <ul style="list-style-type: none"> <li>• design criteria effective in determining when significant procurements should fall under the <i>Public Purchasing Act</i>, adhere to the criteria, and establish procedures to ensure this decision is supported and documented;</li> <li>• design an effective review process to ensure that no single individual can complete the evaluation of a procurement project and award a purchase order; and</li> <li>• enforce compliant procurement practices and ensure adequate file documentation is maintained to demonstrate compliance with the Act, regulations, and policy.</li> </ul>	<p><i>Definitions for goods and services will be included in the new Regulation. Staff will be trained on contents of the Act and Regulation.</i></p> <p><i>We agree with this recommendation and internal procedures will be drafted to reflect this.</i></p> <p><i>A requirement to maintain proper documentation will be included in the new Regulation. Staff will be trained on contents of new Act and Regulation.</i></p>	<p><i>01-06-2014</i></p> <p><i>01-01-2014</i></p> <p><i>01-06-2014</i></p>
<p><b>4.129</b> We recommend the DGS ensure all of the required information is included with exemption requests to provide sufficient support for their approval.</p>	<p><i>A second staff person will be designated to approve the procurement and will be directed to review the file prior to approval to ensure all necessary documentation is included.</i></p>	<p><i>01-01-2014</i></p>

Exhibit 4.2 – Summary of Recommendations (continued)

Recommendations	Department's Response	Target Date for Implementation
<p><b>4.163</b> We recommend the DGS create best practice policies and procedural guidelines including but not limited to:</p> <ul style="list-style-type: none"> <li>• enhancing the role of the procurement specialist to include the level of involvement in critical functions such as mandatory site visits and membership on Request for Proposal (RFP) evaluation committees;</li> <li>• improving records management practices to ensure consistency, completeness, and adequate decision support for vendor debriefing sessions, final contracts, and RFP bid evaluations to address issues such as: <ul style="list-style-type: none"> <li>▪ missing and incomplete evaluation documents;</li> <li>▪ potential conflict of interest situations;</li> </ul> and</li> <li>• enhancing continuous improvement processes to improve forward planning by including practices such as soliciting vendor and client department feedback, completing procurement summaries and vendor performance reports, and undertaking periodic file reviews.</li> </ul>	<p><i>We support this recommendation. Internal procedures will be revised to require procurement specialist participation in Request for Proposal evaluations. A policy will be drafted outlining the proper procedures for conducting vendor meeting including site visits. There are cost and resource implications and in cases where it is not possible to have strategic procurement staff directly involved, they will be tasked with ensuring that the client department are briefed and understand the process.</i></p> <p><i>We support this recommendation and will implement internal procedures to improve record management. Staff will be trained on their new roles and responsibilities with respect to proper file documentation.</i></p> <p><i>Strategic procurement is prioritizing initiatives through the strategic planning exercise and ongoing process improvement agenda. Selection and deployment will be based on available resources. Vendor performance reporting will be considered at a later date.</i></p>	<p><i>01-04-2014</i></p> <p><i>01-06-2014</i></p> <p><i>01-04-2015</i></p>
<p><b>4.171</b> We recommend the DGS publicly report on the goals, objectives, performance targets and actual results achieved by the Strategic Procurement business unit with explanations for any variances between actual results and targets.</p>	<p><i>The DGS is planning to report annually on performance targets and actual results and will provide explanations for any variances between actual results and targets.</i></p>	<p><i>2014/2015 Annual Report</i></p>

## Scope & Methodology

**4.25** This chapter focuses on the procurement of goods and services undertaken by the DGS on behalf of and in conjunction with departments listed in schedule A of regulation 94-157 under the *Public Purchasing Act* (PPA).

**4.26** A glossary of key terms is included in Appendix I of this chapter.

## Focus was on DGS oversight role in procurement

**4.27** We reviewed practices undertaken by the DGS. We concentrated our efforts on procurement functions where the DGS exercised the greatest degree of oversight. Most of our work centered on services where the estimated dollar value should result in a public tender. However, we also examined exemptions when the Minister of Government Services approves a department's request to complete a purchase outside of applicable sections of the Act.

We did not review:

- procurements under the *Crown Construction Contracts Act* as it is administered by the Department of Transportation and Infrastructure;
- procurements undertaken by entities listed in schedule B of Regulation 94-157 (government funded bodies)<sup>4</sup> such as Crown agencies, universities, and municipalities; or
- detailed information in other government departments or entities.

**4.28** Our audit was performed in accordance with standards for assurance engagements, encompassing value-for-money and compliance, established by the Chartered Professional Accountants of Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

**4.29** Certain financial and statistical information presented in this chapter was compiled from information provided by the DGS. It has not been audited or otherwise verified. Readers are cautioned that this financial and statistical information may not be appropriate for their purposes.

**4.30** Our work included but was not limited to:

- review of the regulatory framework governing public purchasing in New Brunswick and included applicable

<sup>4</sup>New Brunswick Regulation 94-157 under the *Public Purchasing Act*, ch.212, p. 34.

## Background Public Procurement in New Brunswick

Acts, regulations, and policies;

- review of DGS policies and procedural guidelines as available;
- review of relevant project documentation, procurement data, and DGS reports;
- examination and testing of procurement files and contract documentation maintained by the DGS; and
- discussions and interviews with DGS procurement personnel and management.

**4.31** Public procurement in New Brunswick significantly impacts taxpayers, businesses, and government. It is primarily regulated by two Acts:

- Crown construction contracts are governed by the *Crown Construction Contracts Act (CCCA)*; and
- Procurements for goods and services not related to Crown construction are regulated under the *Public Purchasing Act (PPA)* supported by provincial policy and procedural guidelines.

**4.32** A new Act to govern procurement had been approved but not proclaimed at the time of our audit. For the purposes of our work the previous Act applied.

**4.33** Appendix II provides additional information on the regulatory framework.

**4.34** The main tenets of the PPA and regulation have been in place since 1974. Public purchasing practices have changed significantly over the past 30+ years, with the current focus on strategic procurement.

## The procurement process

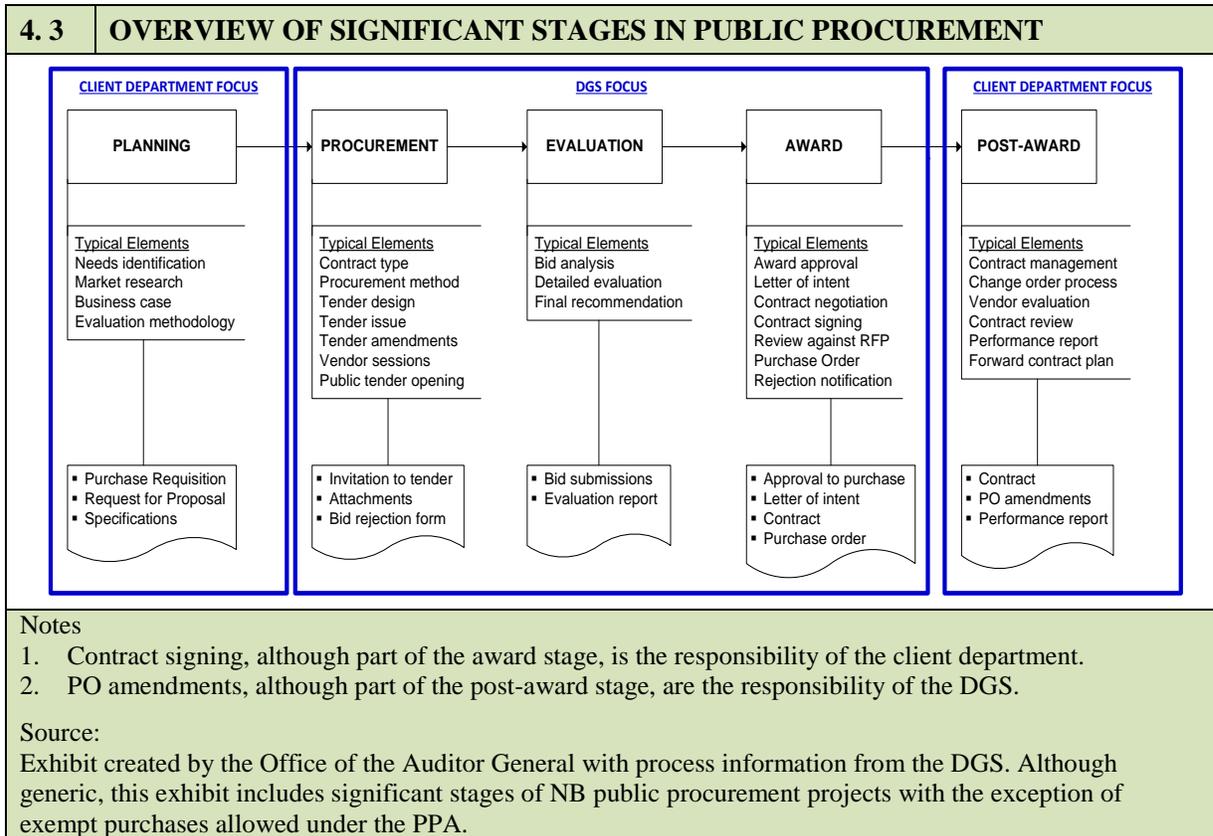
**4.35** The Government of New Brunswick internal website provides the following mandate for the Department of Government Services (DGS) Strategic Procurement business unit:

*“Our mandate is to measure savings and improve cycle times by creating a client and a customer-focused procurement culture dedicated to continuous improvement and compliance. This will yield financial results wherein taxpayer benefits means reduction of costs associated with acquiring goods and services.”*

**4.36** This is a new mandate for the DGS and came about when the previous Central Purchasing branch was changed to the Strategic Procurement unit.

**4.37** The unit’s mandate emphasizes the importance of continuous improvement and compliance. To accomplish this, the DGS must design processes that ensure compliance with the PPA and regulation, and meets the needs of their stakeholders while minimizing resources.

*Exhibit 4.3 - Overview of Significant Stages in Public Procurement*



**4.38** An overview of key stages in a normal procurement cycle is shown in Exhibit 4.3 above. Much of the work of the DGS focuses on procurement, evaluation, and award. Although the DGS is involved in planning and post-award, many elements of these stages are managed at the client department level.

**4.39** The complexity of the contract being procured and the estimated dollar value are two significant factors determining the scope of each stage. For single purchases of goods this process may be reasonably simple, but for complex service contracts each stage may require significant effort.

### Solicitation methods for procurement of goods and services

**4.40** The general rules governing the method to be used when procuring goods and services are provided in the legislation and are usually based on estimated cost thresholds. Exhibit 4.4 provides an overview of these regulatory thresholds.

*Exhibit 4.4 - Procurement Threshold Values (Including Tax)*

4.4	PROCUREMENT THRESHOLD VALUES (Including Tax) <sup>1</sup>				
	Procurement Method	Estimated Cost		Quotes / Bids Solicited	Open Period Timeline (days)
		Goods	Services		
	<u>Direct purchase</u> - made by departments directly with vendors	Up to \$1,500	Up to \$10,000	No minimum requirement	N/A
	<u>Price solicitation</u> – made by a DGS solicitation of price quotations directly from vendors	\$1,501 – 5,000		3 price quotes	3 - 5
	<u>Invitation to tender</u> – DGS issues a tender to invite bids from selected vendors <sup>2</sup>	\$5,001 – 10,000	\$10,001 – 50,000	6 invited bids	12
	<u>Publicly advertised tender</u> - DGS publicly advertises an open tender to invite bids	Over \$10,000	Over \$50,000	Open	17

Notes:  
**Quotes / Bids Solicited** - the minimum number of bids generally solicited by the DGS, if available.  
**Open Period Timeline** - the timeframe for bids to be received from a vendor. Only the 17 day period (including the advertised and closing dates) for publicly advertised tenders is required by regulation.

- Regulatory exemptions may not be subject to these threshold limits.
- Regulation 94-157 allows the use of an invitation to tender for goods with an estimated value of \$5,001 to \$25,000 (inclusive). Due to the Atlantic Procurement Agreement, the DGS began using publicly advertised tenders for goods with estimated values in excess of \$10,000 in 2009.

Sources:  
 Department of Government Services (Supply and Services) Procurement Coordinator Information Manual (2009) (unaudited)  
 Regulation 94-157 under the *Public Purchasing Act*

**4.41** The DGS procurement specialist determines the appropriate method given the PPA and regulation. There are three primary methods used in the procurement of goods and services:

- Price solicitations are used for lower dollar value purchases of goods and require the solicitation of a minimum of three vendor quotes where possible. The final decision is generally based on cost alone;
- Invited tenders are used for specific estimated cost threshold ranges. The DGS is required to invite at least

six vendors to respond to the tender from a pre-qualified list of registered vendors. Competition is restricted to only invited vendors; and

- Publicly advertised tenders are used for all procurements that exceed specified estimated cost thresholds. Publicly advertised tenders provide the most open procurement environment, allowing any interested vendor to respond to the tender invitation.

### **Exemptions under the PPA**

**4.42** In certain circumstances, the DGS and government departments can forego purchasing under the Act or sections of the Act by using regulatory exemptions. Exemptions are the least competitive and transparent method of purchasing goods and services. An exemption for the Minister of Government Services is provided under section 27.1 of the regulation.

**4.43** Under section 27.1 the Minister is exempt from his obligation to comply with the threshold limits presented in Exhibit 4.4. The Minister can restrict the procurement to a single vendor in these instances. Appendix IV provides a list of 26 situations under which this exemption can be approved.

**4.44** Client departments must request approval from the Minister to exercise exemptions under section 27.1 by supply requisition and a “*Request for Minister’s Exemption*” in acceptable format.

### **Observations and Recommendations**

**4.45** We have presented our observations, conclusions, and recommendations under the following headings:

- the regulatory framework is changing;
- regulation inconsistent with existing trade agreements;
- NBON purchase order data is incomplete;
- weaknesses in provincial procurement;
- non-compliance in procurement practices; and
- need for best practice improvements in the procurement process.

**The regulatory framework is changing**

**4.46** The regulatory framework is represented by the Acts and regulations applicable to procurement. It is further complimented by trade agreements, government policy, standards, and procedural documentation. For effective governance and control, these need to align with the practices employed in the procurement function.

**4.47** In its November, 2010 throne speech, government stated that “*changes to the Public Purchasing Act may be needed to ensure that New Brunswick-based businesses have a fair chance to bid on provincial government contracts*” and indicated that stakeholders would be consulted about the changes.

**4.48** In its November 2011 throne speech, government indicated it had consulted with stakeholders and stated that “*due to the scope and magnitude of the changes required to current legislation, a new Act, the Procurement Act, will be introduced*”.

**4.49** We noted that although the new *Procurement Act* was assented to June 13, 2012, it was not proclaimed at the time of our audit. In addition, we were told by the DGS that supporting regulation would not be completed until winter of 2013-14. The original target for the regulation was the fall of 2012.

**4.50** The *Procurement Act* states under Section 30:

*“Any procurement that was commenced before the commencement of this section shall comply with the provisions of the Public Purchasing Act, despite the repeal of that Act.”*

**4.51** Therefore, although repealed under Section 37 of the *Procurement Act*, the former *Public Purchasing Act* continues to underpin the regulatory framework for procurement in the Province and will apply to those procurements initiated prior to proclamation of the new *Procurement Act*.

**Regulation inconsistent with existing trade agreements**

**4.52** In addition to the PPA and regulation, governments have entered into trade agreements that the DGS must consider in planning procurements. These agreements may dictate the procurement method based on estimated dollar value of the procurement. The thresholds used for each agreement applicable to this audit work are presented in Appendix VI.

**4.53** Exhibit 4.5 below presents examples of inconsistencies between trade agreements and Regulation 94-157 under the Act.

*Exhibit 4.5 - Inconsistencies Between Regulation & Trade Agreements*

<b>4.5 INCONSISTENCIES BETWEEN REGULATION &amp; TRADE AGREEMENTS</b>		
<b>Regulatory Component</b>	<b>Trade Agreements</b>	<b>Regulation 94-157</b>
1. Estimated Cost	Estimated cost thresholds in trade agreements do not include tax	Estimated cost thresholds in regulation include tax
2. Threshold Level	Atlantic Procurement Agreement (APA) - A publicly advertised tender is required for goods with an estimated cost in excess of \$10,000	An invited tender can be used in lieu of a publicly advertised tender for goods with an estimated cost between \$5,001 and \$25,000 (inclusive)
		Some departmental exemptions allow specific goods with an estimated cost not exceeding \$25,000 to be purchased without a publicly advertised tender
Source: Table created by OAG NB with information (unaudited) provided by the Department of Government Services		

**4.54** Estimated cost thresholds are used in both the regulation and trade agreements to determine when a tender must be publicly advertised. The estimated cost used in the regulation includes tax, but the thresholds in the trade agreements do not. For this reason, the two threshold values cannot be directly compared. It also means that New Brunswick is required to publicly tender at a lower threshold than some of its provincial trading partners, thereby putting NB suppliers at a disadvantage through increased competition for low dollar value procurements.

**4.55** In addition, under the regulation goods can be purchased using an invited tender if the estimated cost is between \$5,001 and \$25,000 (inclusive). Since the Atlantic Procurement Agreement (APA) requires a public tender for

goods when estimated cost exceeds \$10,000 any invited tender greater than this value could contravene the agreement. The DGS mitigated this risk in 2009 by using public tenders for goods in excess of \$10,000.

**4.56** Similarly there are exemptions in the regulation available to various departments allowing the purchase of specific goods directly from vendors if the estimated cost does not exceed \$25,000. If the estimated cost exceeds \$25,000, a public tender is normally required. For example, under the regulation subsection 34(a) the Department of Post-Secondary Education, Training, and Labour can exercise a special exemption to purchase “*school textbooks and textbook materials*” directly from a vendor if the estimated cost does not exceed \$25,000. In contrast, the APA requires a publicly advertised tender for goods with an estimated cost in excess of \$10,000. This means that departmental exemptions for specific goods in excess of \$10,000 (before tax) could contravene the APA. We did not look at the total dollar value of special exemptions for departments.

**4.57** The DGS indicated that changes underway will address these and other issues with the current regulation. We could not confirm this as the new regulation was incomplete at the time of our work.

**Recommendation**

**4.58 We recommend the DGS ensure that provincial regulation, policies and practices are internally consistent, and are consistent with trade agreements signed by the Province.**

**NBON purchase order data is incomplete**

**4.59** The DGS relies upon purchase order (PO) data stored in the New Brunswick Opportunities Network (NBON) database to provide procurement information (see Appendix VII for additional information on the NBON). This information is especially important when the DGS is planning corporate contracts such as contracts of supply used by various government entities and involving multiple suppliers. A significant issue for the DGS is reliability of this data.

**4.60** Exhibit 4.6 below highlights the total dollar value and number of purchase orders issued for three fiscal periods.

Exhibit 4.6 - Purchase Orders (\$ Millions) by Contract Type

Purchase Order Type	2009/10		2010/11		2011/12	
	Value	Count	Value	Count	Value	Count
Service Contract	\$ 276	1,116	\$ 156	1,388	\$ 336	1,144
Standard PO	130	3,413	87	2,946	80	2,317
Contract of Supply	81	622	104	782	126	633
Estimated Quantity	69	497	33	380	24	327
Standing Offer	2	26	2	7	2	31
<b>Total</b>	<b>\$ 558</b>	<b>5,674</b>	<b>\$ 382</b>	<b>5,503</b>	<b>\$ 568</b>	<b>4,452</b>

**Notes**

*Purchase Order Type* refers to the different types of contracts procured by the DGS. For additional definitions please see Appendix I.

*PO value* is the dollar value (expressed in millions) of the issued purchase order. These do not represent expenditures but are based on value of the PO in the NBON database (often an estimated ceiling amount).

*PO count* is the number of purchase orders issued (including amendments).

Source: Information and data provided by the DGS (unaudited)

**4.61** Exhibit 4.6 suggests service contracts consistently constitute the highest PO dollar value across periods. In 2011-12 service contracts amounted to \$336 million or 59% of the total PO dollar value and 26% of the number of purchase orders issued.

**4.62** Contracts of supply were also significant at \$126 million or 22% of total PO dollar value and 14% of the number of purchase orders issued.

**4.63** Exhibit 4.6 indicates that standard purchase orders worth \$80 million in total are numerous, at 52% of all purchase orders issued in 2011-12, but they only constituted about 14% of total PO dollar value in that period.

**4.64** Although the information provided by the DGS and highlighted in Exhibit 4.6 offers general insight into procurement trends, it can be misleading due to weaknesses in the collection of the data.

***DGS data is inaccurate and incomplete***

**4.65** The DGS prefers to have client departments use the NBON but does not require it in practice. Government departments can order without using the NBON. This means contract usage reports and other information from the NBON is incomplete and therefore cannot be relied upon in planning future procurements.

***Potential for lost contract discounts***

**4.66** In addition, if departments do not use the NBON system for releases, the DGS cannot determine if the price paid agrees to the discounted price that the supplier bid. DGS personnel indicated to us that this was a significant risk that could result in lost discounts if client departments did not confirm price when ordering against the original PO issued by the DGS.

***No periodic contract / purchase order monitoring by the DGS***

**4.67** DGS personnel indicated they do not undertake any form of periodic contract or purchase order monitoring for significant contracts to ensure vendors comply with terms such as discounted price and/or to verify the actual client department expenditure against the established purchase order.

**4.68** Therefore, the amount actually spent under significant corporate contracts of supply, for instance, is not readily available to the DGS. Consequently, DGS personnel go directly to past contract suppliers to obtain the order and spend information necessary to properly plan their future contracts.

**4.69** We believe complete past purchase data is vital in planning future contracts because it helps the DGS focus effort on high spend and high quantity commodities where greater value for money may be attainable from quantity discounts.

**4.70** Unless client departments use the NBON to draw against contracts of supply, the DGS has no way to verify that prices and discounts have been provided by vendors as contracted. This can result in non-compliance and lost savings.

***Recommendations***

**4.71** We recommend the DGS require the use of the NBON system by client departments or implement a mechanism to accurately capture contract of supply draw down information and changes to purchase orders.

**4.72** We recommend the DGS establish a plan to undertake periodic reviews of significant contracts to ensure all of the benefits of the contract such as discounted pricing are received by government entities and vendors meet their contracted obligations.

***Weaknesses in provincial procurement***

**4.73** Although both the DGS and the various departments are involved in most stages of the procurement process, the level of responsibility for significant functions and tasks within the

stages is not well defined.

***Roles and responsibilities of key entities are not well documented***

**4.74** We looked for a document similar to the “*Matrix of Responsibilities*” used in the Supply Manual from Public Works and Government Services Canada that identified the roles and responsibility of each entity. We found no such information in DGS documentation as it was limited to procedural guidelines.

**4.75** We believe well-defined and documented roles and responsibilities increase accountability across the organizations involved in procurement and further supports good governance practices.

***Policies are outdated and procedural documentation is limited***

**4.76** In their Good Practice Guide, Procurement Guidance for Public Entities, the New Zealand Office of the Controller and Auditor-General stated that “*Organisational policies and procedures are more effective when they are up to date and easily available to all staff who need to access them.*”<sup>5</sup>

**4.77** We reviewed the Government of New Brunswick (GNB) Management Manual policies available from the GNB intranet related to purchasing in government. We found that some are outdated with references to departments, branches, practices, and forms that no longer exist.

**4.78** We did find that there is a Procurement Coordinator Information Manual and an RFP process summary document on the GNB intranet which is available to any government entity with access to the site. We were also provided with an RFP Evaluation Handbook. Although limited and not always followed, the procedures in these documents do reflect some best practices we reviewed.

***Recommendation***

**4.79** We recommend the DGS modernize and update the procurement policy and procedural framework used by government to include the establishment of a policy defining the roles and responsibilities of the entities involved in critical procurement functions, particularly between DGS as the central agency and client departments.

<sup>5</sup> Controller and Auditor-General, New Zealand. *Procurement Guidance for Public Entities*. 2008, 15.

**Exemption approval process is inefficient**

**4.80** Since November 2010 the DGS has continually tightened the approval process for departmental exemption requests under section 27.1 of the regulation. Prior to November 2010, exemption approvals were made at various positions in the DGS hierarchy based on estimated dollar value of the exemption, as noted below:

Position (Department of Supply and Services)	Authorize up to (\$):
Deputy Minister	500,000
Assistant Deputy Minister	400,000
Director, Purchasing	250,000
Manager - Procurement	150,000
Senior Procurement Specialist	25,000
Procurement Specialist	10,000

**4.81** We were told by the DGS that by February of 2012 all exemption requests under section 27.1 had to be approved by the Minister of Government Services and signed by the Deputy Minister of the client department. The DGS also required an acknowledgment (currently in the form of a checkbox on the Request for Exemption form) that the Minister of the client department was aware of the procurement.

**4.82** We understand the need to ensure adequate control of the exemption process. It limits competition and transparency in public procurement. There are instances though when excessive control can lead to unwarranted and unnecessary delays. DGS management indicated that the current process takes an average of 20 working days to complete.

**4.83** Exemptions can be very small in dollar value and include situations such as purchases of goods and services:

- in emergencies; and
- provided by a vendor under provisions of a warranty.

**4.84** We are concerned that in some situations involving emergencies, low risk, or low dollar value procurements the current process may inhibit timely actions by government.

**Recommendation**

**4.85** We recommend the DGS develop an exemption approval policy that balances procurement risk and value against timeframe considerations to better meet client

**department and DGS approval requirements.****Non-compliance in procurement practices**

**4.86** The Act, regulation, and policies provide a framework to support competition, transparency, and accountability in the public procurement process.

***DGS processes support key requirements of regulation***

**4.87** We reviewed the DGS procurement processes for regular procurement requests and specific exemptions requested by client departments under section 27.1 against the Act, regulation, and policy requirements. We determined that the current, documented process supports key requirements of the regulatory framework.

**4.88** We selected and tested 12 procurement files from Fiscal 2011-12 NBON purchase order data which represented typical procurement projects of differing purchase order values. We found no significant issues with five of these files. We also selected and tested seven exemption requests approved in 2011-12 under section 27.1 and found no significant issues with three of the seven.

***Compliance issues***

**4.89** We noted practices used in some items tested appeared non-compliant with the regulatory framework. We reviewed these cases with DGS procurement personnel to determine if any further evidence existed to establish compliance. We were unable to find evidence in the DGS files to provide sufficient assurance that the requirements under the current regulatory framework were met in these cases. We did not conduct any work at the client departments.

**4.90** Our compliance findings refer only to the items tested and we caution readers against drawing conclusions on matters not reported. The following exhibit provides a summary of our findings.

Exhibit 4.7 - Summary of Compliance Findings by Contract Type

4.7 SUMMARY OF COMPLIANCE FINDINGS BY CONTRACT TYPE					
Compliance Issue	Instances per Items Sampled	Contract Description	Estimated Cost (\$)/ Contract	DGS Response	
Contracts exceeding thresholds were not publicly tendered	2 of 12	Service contract to determine program effectiveness	50,000	DGS concurs	
		Service contract for the development of an employee engagement process	49,650	DGS concurs	
Procurement under the wrong Act	1 of 12	Service contract for open pit mine dewatering	700,000	DGS concurs	
Open invitation to tender period was inadequate for a public tender	1 of 12	Service contract for open pit mine dewatering	700,000	DGS concurs	
Incomplete tender evaluation information	2 of 12	Service contract for the provision of property negotiation services	400,000	DGS concurs	
		Contract of supply for OEM off-brand light duty parts	3,750,000	DGS concurs	
Missing final contracts	2 of 12	Service contract for the provision of property negotiation services	400,000	DGS concurs	
		Service contract to determine program effectiveness	50,000	DGS concurs	
Successful bid submissions lacked required information	1 of 12	Service contract for the provision of property negotiation services	400,000	DGS concurs	
Bid submissions opened prior to the public opening due to improper completion by vendor	4 of 12	Service contract to provide information technology resources over a 3-year period	4,500,000	DGS concurs	
		Service contract to provide out of country medical services fee negotiations over a 5-year period	400,000	DGS concurs	
		Service contract for the provision of property negotiation services	400,000	DGS concurs	
		Contract of supply for OEM off-brand light duty parts	3,750,000	DGS concurs	
DGS approved exemption requests that did not fulfill requirements	4 of 7	Service contract to provide apprenticeship technical training course over a 5-year period	350,500	DGS concurs	
		Service contract to provide executive leadership training	95,000	DGS concurs	
		Service contract to provide bilingual Systems Analyst resource	100,000	DGS concurs	
		Service contract to provide educational textbooks and resources over a 3-year period	900,000	DGS concurs	

Note: Estimated Cost (\$) was taken from the supply requisition submitted by the department and does not include tax.

**Contracts exceeding thresholds were not publicly tendered**

**4.91** The Act requires that services with an estimated cost exceeding \$50,000 (including tax) be procured using a public tender.

- 4.92** In 2 of the 12 procurement files we reviewed, where estimated cost (including tax) exceeded the \$50,000 threshold, the DGS used price solicitation instead of public tendering. Price solicitations are only allowed in the regulation for services not exceeding \$10,000.
- 4.93** In one of these cases the client department did not appear to complete a supply requisition until after the award was approved. The regulation requires that “*A department shall request the Minister to purchase supplies and services by completing a supply requisition...*”
- 4.94** In each case it appeared only two vendors were invited to submit a quote. With price solicitations, the DGS recommends the client department invite at least 3 vendors to submit quotes in an effort to support competition.
- 4.95** In both cases, it appeared the entire procurement was handled by a single DGS employee, including the purchase order authorization. Although this individual had adequate authority to authorize the purchase order, the risk of non-compliance increases when only one individual is involved and no review is completed by a second employee or management.
- 4.96** Public tendering is required above specific purchase values to enhance competition and transparency. By using price solicitations to avoid a public tender, competition can be significantly limited, possibly resulting in greater cost to the Province. We believe the DGS should ensure that public tendering is used when required under regulation.

***Procurement  
handled by single  
DGS employee***

***Procurement under  
the wrong Act***

- 4.97** Contracts in New Brunswick can be procured under the PPA or the CCCA. In one contract we reviewed, related to construction work with an estimated cost of \$700,000, the procurement was completed under the terms of the PPA although the final contract and numerous communications referenced the CCCA.
- 4.98** Each Act has different requirements under public tendering. The CCCA for instance, has different threshold rules and requires bid bonds and/or security deposits in certain circumstances to protect the Province’s position from contractor default. Avoiding these requirements by tendering under the PPA shifts risk to the Province.

***Open tender period  
was inadequate for a  
public tender***

**4.99** Although publicly advertised under the PPA instead of the CCCA, the open period for the tender appeared to contravene regulation. The supply requisition was dated March 28, 2011 with a required date of April 15, 2011. Tender documentation in the file indicated an original publish date of April 6, 2011 and a closing date of April 20, 2011. This allows only 13 days for the DGS to complete the procurement process

**4.100** Public tenders are required under the regulation to be openly advertised for a period of 15 days between the published and closing date. This is meant to ensure that all interested parties have adequate time to submit a response.

**4.101** Reducing the open tender period may limit competition and increase the cost of procurements because some qualified suppliers may not have an opportunity to complete their submission documents.

***Tender  
documentation***

**4.102** Tender documentation should include any attachments required for a vendor to understand the requirements and submit an acceptable response. This would include technical specifications and a request for proposal (RFP) if applicable.

**4.103** An RFP is a competitive bid solicitation issued by the procuring entity either publicly or to select suppliers, where the entity is seeking a solution or proposal to resolve an issue with the input of proponents and price is not the only primary evaluation criterion. These are often used for more complex requirements for goods and services.

**4.104** The DGS stipulates minimum RFP requirements and provides guidance and a template to client departments when requested. An RFP is considered by the DGS to be a framework for the final contract.

**4.105** We found the following instances of non-compliance in tender documentation:

- incomplete tender evaluation information;
- missing final contracts;
- successful bid submissions lacked required information; and
- bid submissions opened prior to the public opening.

***Incomplete tender evaluation information***

**4.106** In one file we reviewed for the procurement of goods under a contract of supply, the evaluation included criteria and weighting that was not well defined in the tender documentation. Additionally, in one of the service contracts we reviewed, we could not trace the weighting used in the evaluation back to the RFP or tender documentation.

**4.107** The regulation requires the Minister to “...*clearly indicate in the tender documents the criteria to be used and the method by which the tenders will be evaluated, including the relative weight to be assigned to each criterion.*”

**4.108** Incomplete or poorly defined evaluation criteria or weighting may result in unfair evaluations as some vendors may be eliminated for submitting a response that does not adequately address the required criteria.

***Missing final contracts***

**4.109** The DGS requires departments to submit a final signed contract when using an RFP to procure services. In two RFP service files we reviewed we could not locate a final signed contract in the DGS documentation.

**4.110** This increases the risk that the scope of work and final price could be changed during contract negotiation without DGS knowledge.

***Successful bid submissions lacked required information***

**4.111** In one service contract we reviewed there were four successful bids awarded at various purchase order values. The documentation in the file for one successful vendor awarded a contract for up to \$100,000 appeared to be missing a copy of the certificate used to confirm stated vendor qualifications as well as other less significant requirements in the RFP. If a bid response does not meet the terms of the tender it should normally be rejected.

***Bid submissions opened prior to the public opening due to improper completion by vendor***

**4.112** We found 4 instances in our 12 sample items where it appeared the sealed tender submissions from vendors were opened before public opening due to absence of required vendor information on the part of the bidder.

**4.113** Under section 18 of the regulation, “*A tender is improperly completed if*” (among other things) “...*it is a mailed, hand delivered or courier delivery tender, it is not in a sealed package bearing the correct tender number and closing date on its face.*”

**4.114** Typically, we found the original envelope attached to the

file, making it possible to confirm that at least the vendor had provided the required information on the surface of the envelope. In four instances, only the bids were in the files, making it impossible to confirm that the bid was sealed and the envelope was completed correctly by the vendor, per regulation.

- 4.115** In addition, DGS staff admitted that bids are opened before the public opening process and indicated many bids would be rejected if this were not done. This is because vendors often neglect to include required information such as tender number or closing date on their envelope. The envelope is opened and the information is found in order to accept the bid. They indicated they do this with management approval to support competition in the process.
- 4.116** When we questioned DGS personnel they agreed this was a contravention under the PPA. They further explained that this typically happens with couriered or mailed packages.
- 4.117** Although we support competition in procurement and understand the challenge presented to the DGS in this situation, opening bids prior to public opening increases the risk that information will be released before the submission closing date and time, potentially compromising fairness of the process.

***Recommendation***

- 4.118 We recommend the DGS:**
- **design criteria effective in determining when significant procurements should fall under the *Public Purchasing Act*, adhere to the criteria, and establish procedures to ensure this decision is supported and documented;**
  - **design an effective review process to ensure that no single individual can complete the evaluation of a procurement project and award a purchase order; and**
  - **enforce compliant procurement practices and ensure adequate file documentation is maintained to demonstrate compliance with the Act, regulations, and policy.**

**Specific exemptions from public tendering are allowed under the Act**

**4.119** There are provisions in the PPA and regulation for various types of exemptions from compliance with the Act or sections of the Act for the Minister of Government Services, government funded bodies (as defined in the PPA), and government departments.

**4.120** There are 26 categories of exemptions under subsection 27.1 of the regulation based on many criteria. A listing is provided in Appendix IV.

**4.121** Exemption approvals made under regulation subsection 27.1 for a five-year period beginning in 2007-08 are presented in Exhibit 4.8.

*Exhibit 4.8 - Exemption Approvals Over 5-Year Period*

<b>4.8 EXEMPTION APPROVALS OVER 5-YEAR PERIOD</b>					
<b>Fiscal Year</b>	<b>Total Procurement Value (\$ Millions)</b>	<b>Number of Purchase Orders</b>	<b>Section 27.1 Exemption Value (\$ Millions)</b>	<b>Total Number of Section 27.1 Exemptions</b>	<b>Exemption \$ Value as a % of Total \$ Value</b>
2011-12	567	4,452	143	931	25%
2010-11	383	5,503	109	1,603	29%
2009-10	557	5,674	286	1,736	51%
2008-09	639	5,806	180	1,810	28%
2007-08	513	5,763	204	1,616	40%

**Notes**

**Total Procurement Value** - value of purchase orders including exemptions issued during the fiscal year.

**Number of Purchase Orders** - all purchase orders including amendments and exemptions.

**Section 27.1 Exemption Value** - dollar value of procurements exempted under section 27.1 of the regulation under the PPA.

**Total number of Section 27.1 exemptions** - all purchase orders for exempt procurements under section 27.1.

**Exemption \$ Value as a % of Total \$ Value** - the percentage of exemptions under section 27.1 of the regulation relative to the total procurement dollar value.

Source: Table provided by the Department of Government Services (unaudited)

**4.122** Exhibit 4.8 illustrates exemptions under this section represent a significant percentage of total procurement dollar value from a high of 51% in 2009-10 to a low of 25% in 2011-12.

- Required information not included in department requests for Minister’s exemption**
- 4.123** A checklist of requirements is included with the Request for Minister’s Exemption form provided by the DGS. This checklist can be found in Appendix VIII.
- 4.124** We reviewed seven exemptions approved by the Minister of Government Services under subsection 27.1(1) of the regulation.
- 4.125** Of these seven, four were approved under subsection 27.1(1)(f) of the regulation. This paragraph states:  
*“where there is an absence of competition for technical reasons and the supplies or services can be supplied only by a particular vendor and no alternative or substitute exists;”*  
 We found the following deficiencies in these four:
- quotes and sole source letters missing; and
  - regulation section not properly identified.
- Quotes and sole source letters missing**
- 4.126** The DGS Procurement Coordinator Information Manual states:  
*“For a sole source exemption as listed in section 27.1 paragraph (f) in Regulation 94-157, the request must be accompanied by a quote and a letter from the supplier indicating that they are the only Canadian source of supply for the particular good or service being purchased.”*
- 4.127** In the four requests made by entities under this paragraph, no quote from the supplier was in the file. Only one of the four sampled files included a letter from the supplier. The DGS uses this information as basic proof that the exemption request is valid. Without the letter, as a minimum, the DGS cannot verify an absence of competition.
- Regulation section not properly identified**
- 4.128** We found one instance where the regulation paragraph under which the department was requesting an exemption was not included in the request. The inclusion of this information is required for the DGS personnel to measure compliance with requirements of the section.
- Recommendation**
- 4.129** We recommend the DGS ensure all of the required information is included with exemption requests to provide sufficient support for their approval.

**Need for best practice improvements in the procurement process**

**4.130** We researched best practices in public procurement from a number of sources (see Appendix IX for the main sources referenced). We used these as a baseline against which to compare the DGS practices to determine if improvements could be made.

**4.131** We examined 29 procurement files from two fiscal years for evidence of selected best practices. The estimated value of these files was \$30 million, including option years that could be exercised by the DGS without further public tendering.

***Recent Improvements at the DGS***

**4.132** When comparing 2012-13 procurement file documents to the 2011-12 files, we found that the file structure, organization, and supporting documentation had generally improved.

**4.133** We saw evidence that some of the benchmarks we researched were regularly in practice at the DGS, including:

- a defined and well documented approval process is typically used for procurements of significant dollar value. This was especially evident in the more recent projects;
- standardized templates are available to client departments for RFP development and Requests for Minister's Exemption. These include many elements we identified as good practice; and
- vendor communications are typically limited to a single point of contact in the DGS during the tendering processes to support fairness and confidentiality.

***Indications that positive change is underway***

**4.134** We noted changes are underway to modernize the procurement process, including initiatives to:

- enhance governance across GNB entities involved in public procurement;
- increase DGS involvement in some critical processes such as contract negotiation; and
- address issues of inconsistency between the regulatory framework and practices employed.

**4.135** We did however identify some areas where we believe improvement is possible to strengthen practices in key aspects of public procurement. These include the need for:

- DGS Procurement Specialist involvement in key tasks to

provide sufficient oversight;

- DGS to maintain records in a consistent manner to provide adequate support for decisions made;
- continuous improvement and forward planning; and
- standardization of exemption requests.

***DGS Procurement Specialist involvement in key tasks is inadequate to provide sufficient oversight***

**4.136** In order to effectively provide oversight of the process, the DGS should be regularly involved in tasks that expose government to risk. Tasks that could result in unfair practices, undue influence, or biased recommendations require the highest level of involvement by procurement specialists.

**4.137** We believe the DGS should increase their involvement in significant functions, including:

- mandatory site visits during the public tendering process; and
- RFP evaluation committees for significant procurements.

***DGS specialists not directly involved in mandatory site visits***

**4.138** In our sample, two significant procurements with a combined estimated cost of \$4.7 million required mandatory site visits during the period under which the tender was open for bid submissions. It appeared in both cases the site visits were carried out by the client department alone. We were told by DGS specialists that they do not generally attend site visits outside the Fredericton area due to cost considerations. We believe, particularly on significant projects (typically in excess of \$250,000), this increases risk of inappropriate interactions between vendors and client departments that could influence results of the tendering process.

***RFP Evaluation Committees - Potential conflict of interest in bid evaluations***

**4.139** Bid evaluations of significant contracts procured with an RFP are typically completed by a committee from the client department. In 2 of the 11 RFP procurement files we reviewed, a client department committee member was included as a reference on a bid submission. In both cases the particular vendor was awarded a purchase order. This suggested a potential conflict of interest existed in these files.

**4.140** In five of these files it was apparent that the successful proponent had an established business relationship with the department from past contracts. This increases the risk that the evaluation could be biased and the award more difficult to defend if challenged.

**4.141** As part of their guidance on evaluation teams, the New Zealand Office of the Controller and Auditor-General states

that:

*“...the evaluation team should include: a procurement specialist, who ensures that the evaluation process is managed in a fair, robust, and defensible manner, and who understands the rules of the evaluation and ensures that they are followed”<sup>6</sup>*

**4.142** Some DGS specialists we interviewed indicated they attend all evaluations. Others told us they did not. There was no specific documentation on attendance in any of the DGS files we reviewed, making it difficult to confirm the level of DGS involvement.

**DGS records are inconsistent and often provide only limited support for decisions made**

**4.143** In their Procurement Guideline for Publicly Funded Organizations in Ontario, the Ontario Ministry of Finance provides examples of the types of records that should be retained as best practice in procurement, some of which are presented here:<sup>7</sup>

- approvals obtained;
- copies of procurement documents used to qualify and select vendors;
- copies of award letters, notices and posted announcements;
- copies of agreements; and
- supplier performance, such as performance monitoring and management, and knowledge transfer.

**4.144** Despite improvements in the 2012-13 files, we found that documentation maintained in the DGS files remained inconsistent and at times incomplete, particularly in relation to:

- RFP bid evaluations;
- vendor debriefing sessions; and
- final contracts.

***RFP Evaluation Committees***

**4.145** RFP bid evaluation records are critical to support the final award decision recommended for approval to management. We identified a number of weaknesses in evaluation records of the eleven DGS RFP files we reviewed. Some of the more

<sup>6</sup> Controller and Auditor-General, New Zealand. *Procurement Guidance for Public Entities*. 2008, 75.

<sup>7</sup> Ministry of Finance, BPS Supply Chain Secretariat. *Procurement Guideline for Publicly Funded Organizations in Ontario*. 12.

significant include:

- three contained no detailed bid evaluation;
- five (excluding the three above) lacked clear explanations for scoring decisions made against criteria identified in the evaluation;
- three did not specifically identify committee members;
- nine did not contain evaluations signed by committee members;
- ten did not provide evidence of DGS attendance at the evaluation; and
- None of the eleven files we reviewed contained any conflict of interest declarations by committee members. As previously mentioned, two had evaluators who were references in vendor submissions.

**4.146** We believe adequate records need to be maintained to justify awards to successful vendors.

#### *Vendor debriefings*

**4.147** Vendor debriefings are provided at the request of unsuccessful proponents. We were told these are often handled by client departments without DGS involvement. We view this as a risk because the DGS has no control over information that is shared by the client departments and may not become aware of legitimate concerns raised by unsuccessful vendors.

**4.148** Further, responses should be documented in the file. In one of the files we reviewed three vendors made the request. We only saw one clear response (e-mail) and no formal documentation.

#### *Final contracts*

**4.149** Final signed contracts are required by the DGS before a PO will be issued for RFP files. Although the DGS provides an RFP template designed to include most of the elements of a final contract, final signed contracts completed by departments do not always follow that format.

**4.150** As previously noted, there were two files that contained no final contract. We reviewed other files where contracts were included but lacked correct signatures with witnesses (2) or were not dated on the signature page (3). In addition, there was variation with contracts when compared to the RFP document.

**4.151** When we spoke with the DGS specialists, some indicated

they only verify that final price is reflective of the award. Some suggested they are not legal experts and cannot review contracts at that level of detail.

**4.152** Regardless of whether the DGS specialists have legal experience we believe a comparative review of contracts against the RFP requirements as well as a cursory review to verify dates and signatures should be part of good practice.

**Need for  
continuous  
improvement  
practices and  
forward planning**

**4.153** Among the best practices highlighted under “*Review and Improve*”, the Ontario Procurement Guide cited above included:<sup>8</sup>

- develop a time frame, for example, once a year, to review procurement policies to make sure they still apply to the organization’s present business and operational needs, and
- monitor contracts, vendor performance and satisfaction with the procurement process regularly, and introduce improvements as necessary.

**4.154** We looked for evidence of practices meant to improve the procurement process and future contracts. Such practices included:

- client department and vendor feedback;
- procurement summaries;
- periodic project/file reviews;
- vendor performance reporting; and
- standardization of exemption requests

***Client department  
and vendor feedback***

**4.155** For significant, repetitive contracts such as contracts of supply for janitorial services or furniture, we looked for evidence the DGS was soliciting feedback from client departments and vendors in an effort to improve the future contract. We believe this could have been done for at least five of the contracts we reviewed.

**4.156** We saw evidence that this was completed in one 2011-12 file during the planning stage. A second file showed some evidence of this but the documentation was poor. We were told by DGS specialists that they sometimes do this but do

<sup>8</sup> Ministry of Finance, BPS Supply Chain Secretariat. *Procurement Guideline for Publicly Funded Organizations in Ontario*. 13.

not always document results. Documentation of feedback for significant contracts should provide a summary of what was learned to facilitate positive changes in future contracts of similar nature.

***Procurement summaries***

**4.157** Using a procurement summary is a way for DGS specialists to finalize the file by formally summarizing the challenges faced and the lessons learned during projects to avoid repetitive problems and share best practices. We saw no evidence of this in the files we reviewed. However, we were pleased that two DGS personnel provided examples of this in recent files.

***Periodic project / file reviews***

**4.158** Periodic file reviews are not completed at the DGS. A primary purpose of file review is to highlight practices used in procurement projects that either should not be used or would be considered good practice references for future use. We also believe this reduces risk of non-compliance in procurement projects.

**4.159** The DGS indicated it does use team meetings and briefings to identify practices and challenges encountered in projects.

***Vendor performance reporting***

**4.160** We saw no evidence of vendor performance reporting in the files we reviewed. Interviews with DGS specialists confirmed that this is rarely done unless there is a significant issue. Vendor performance should be evaluated and documented by client departments for contracts of significant dollar value as part of good contract management practice. A summary report should be provided to the DGS at the end of significant contracts. This provides valuable feedback for reference during future procurements and supports fairness and accountability in the process.

***Standardization of exemption requests***

**4.161** In our review of exemptions approved under section 27.1 of the regulation, we noted the DGS has a request form with a good checklist of requirements including many best practices for departments to use in making a Request for Minister's Exemption but there is no requirement to use it.

**4.162** The checklist and form are an attempt to standardize requests and make the process more efficient. We believe entities should be required to use this form for exemption requests to better promote consistency in the process and help ensure adequate information is submitted.

**Recommendation**

**4.163** We recommend the DGS create best practice policies and procedural guidelines including but not limited to:

- enhancing the role of the procurement specialist to include the level of involvement in critical functions such as mandatory site visits and membership on Request for Proposal (RFP) evaluation committees;
- improving records management practices to ensure consistency, completeness, and adequate decision support for vendor debriefing sessions, final contracts, and RFP bid evaluations to address issues such as:
  - missing and incomplete evaluation documents;
  - potential conflict of interest situations;

and

- enhancing continuous improvement processes to improve forward planning by including practices such as soliciting vendor and client department feedback, completing procurement summaries and vendor performance reports, and undertaking periodic file reviews.

**Performance Reporting**

**4.164** Effective public reporting of performance provides government accountability to the public, allows government to monitor programs and services effectively, and promotes better decision making.

**4.165** The DGS produces an annual report as a primary mechanism of communicating performance achievements publicly. We reviewed the Department of Supply and Services (DSS) 2011-12 annual report to determine how the DGS reports publicly on the effectiveness of its procurement division.

**4.166** The 2011-12 annual report acknowledges structural changes that occurred in the following paragraph:

*“A structural reorganization took place at the close of this fiscal year. The Services Division of the Department of Supply and Services was transferred to the new Department of Government Services and the Buildings Division was transferred to the Department of Transportation and Infrastructure.”*

**The DSS annual report identifies the overall goal of the Branch**

**4.167** The 2011-12 annual report states the goal of the Central Purchasing Branch as:

*“The goal of the branch is to maximize competition so as to achieve the best value for money while ensuring that all suppliers who wish to compete for government contracts have a fair and open opportunity to do so.”*

*Exhibit 4.9 - 2011-12 DSS Annual Report Statistics*

<b>4.9 2011-12 DSS ANNUAL REPORT STATISTICS</b>		
<b>Activity</b>	<b>2010-11</b>	<b>2011-12</b>
Bids Received	6,084	5,396
Bids Received on NBON	17%	14%
Purchase Orders, Goods	2,633	2,436
Purchase Orders, Services	2,870	2,016
Purchase Orders issued to NB Suppliers (%)	71.0%	72.6%
Purchase Value, Goods (\$)	177,154,674	208,615,027
Purchase Value, Services (\$)	<u>206,154,099</u>	<u>381,079,233</u>
Total Purchase Value (\$) <sup>1</sup>	383,308,773	589,694,260
<b>Notes</b>		
1- Total purchase value in 2011-2012 was corrected from the amount stated in the annual report.		
<b>Activity</b> - the procurement statistics reported in the annual report		
<b>Bids Received</b> - the total number of bids received at the DGS by any acceptable method including hand-delivery, facsimile, courier, mail, and electronic through the NB Opportunities Network (NBON)		
<b>Bids Received on NBON (%)</b> - the percentage of the total bids received at the DGS represented by electronic submissions through the NBON		
Source: DSS annual report – 2011-12 (unaudited)		

**4.168** Exhibit 4.9 shows a summary of Central Purchasing activities for 2010-11 and 2011-12 presented in the DSS annual report. Although statistics are valuable in providing general data summarizing activity levels, they do not allow for performance evaluation. Note that some information presented here cannot be confirmed due to data issues identified previously in this report.

**The DGS’s annual report has no identifiable performance measures for procurement**

**4.169** Effective performance measurement requires preset targets to be established against which actual results can be compared. No such targets were reported in the DGS’s annual report. Therefore, readers cannot determine how successful the DGS was in reaching its procurement goals.

**4.170** The DGS informed us it is currently developing a balanced scorecard approach to performance reporting for

internal purposes.

***Recommendation***

**4.171 We recommend the DGS publicly report on the goals, objectives, performance targets and actual results achieved by the Strategic Procurement business unit with explanations for any variances between actual results and targets.**

## Appendix I – Glossary of Terms

Unless otherwise noted these definitions were extracted verbatim from the Department of Supply and Services Policy and Procedure Manual (2000).

Bid	A submission by a vendor in response to an Invitation to Tender or Request for Proposals.
Bid Security Deposit	A sum of money, certified cheque or a bond issued by a surety and deposited with a procurement activity guaranteeing the bidder will not withdraw the bid for a specified period of time, will furnish bonds as required, and will accept a contract, if awarded, or forfeit the deposit.
Construction	The process of building, altering, repairing, improving or demolishing any public structure or building, or other public improvement of any kind to any public real property. It does not include the routine operation, or routine maintenance of existing structures, building or real property.
Contract of supply	A long term contract for the delivery of goods or services that has no quantities listed, has an effective date and an expiry date and an estimated value and whereby users can obtain goods or services directly from the vendor. Example - automotive parts tendered as a contract of supply. (DGS)
Estimated cost	<i>“...cost of the supplies or services and includes transportation costs, tariffs, duties, taxes, installation costs, premiums, fees, commissions, interest and any other costs incidental to the purchase of the supplies or services, but does not include optional renewals if the compulsory part of the contract in relation to the purchase of the services or supplies is of at least one year’s duration.”</i> (Regulation 94-157 under the <i>Public Purchasing Act</i> )
Estimated quantity contract	A long term contract requested by a user for an estimated quantity of goods or an estimated value of services or concessions that has an effective date and an expiry date and a total dollar value. Users draw off the contract by contacting the supplier directly. (Example - the provision of food to provincial jails)
Exemption	The exemption from tendering certain services, goods or concessions or the exemption from tendering services, goods or concessions in certain circumstances.
Goods / supplies	Refers to <i>“goods, wares and merchandise required by a department or a government funded body for the transaction of its business and affairs, and includes all furnishings, whether fixtures or otherwise, all equipment and all stationery and includes services that are furnished incidental to the supply of those goods, wares and merchandise.”</i> ( <i>Public Purchasing Act</i> )
Invitation to tender	A written announcement for prospective vendors to submit offers, bids, quotations or proposals for specified services, goods or concessions.
Letter of Intent	A letter issued in advance of a contract in which the signer declares his/her intention to buy, manufacture, or deliver a product, service or concession.
Performance Bond	A bond executed subsequent to award by a successful bidder, to protect the purchaser from loss due to the bidder's inability to complete the contract as agreed: secures the fulfillment of all contract requirements.
Price solicitation	An informal solicitation where oral or written quotes are obtained from vendors without formal advertising and does not require a sealed bid, public opening, public reading of bids and is not subject to the standard terms and conditions and tendering rules.
Purchase Order Alteration (Amendment)	Any written cancellation or alteration in specifications, delivery point, rate of delivery, period of performance, price, quantity, or any other provisions of any contract.

## Appendix I – Glossary of Terms (continued)

Qualified bidders	A list of approved bidders, established by a tender process, in which such factors as financial capability, experience, reputation and management are considered in order to develop a list of qualified potential suppliers.
Request for Proposal	A tender or bid solicitation method used where other criteria listed in the document will be considered in the selection of the contractor in addition to price.
Service contract	Typically client specific agreements to provide services for which there is a defined budget within the client department. Examples would include snow removal, janitorial services, and consulting contracts. (DGS)
Services	Refers to “ <i>services required by a department or a government funded body for the transaction of its business and affairs.</i> ” (Public Purchasing Act)
Specification	Any description of the physical, functional or performance characteristics or of the nature of a service, supply or concession item. A specification includes as appropriate, requirements for inspecting, testing or preparing a service, supply or concession for delivery.
Standard purchase order	A one-time purchase of goods or services delivered to one client. An example would be the purchase of a compressor for a specific use. (DGS)
Standing offer	A long term contract for the supply of goods or services that has no quantities listed, an effective date and an expiry date and an estimated value and whereby users must submit a requisition to Central Purchasing for processing of an order to release the goods or services. Example - a standing offer for furniture. (DGS)
Supply Requisition	A request in written or electronic form to obtain services, goods or concessions, which has the authority to commit funds to cover the purchase.
Tender	An offer that is submitted in response to an invitation from a prospective client.
Tender documents	Those documents issued by the Minister in the Invitation to Tender or Request for Proposals and include any addenda subsequently issued prior to the closing date.
Tender opening	The formal process in which tenders are opened, usually in the presence of one or more witnesses, at the time and place specified in the Invitation to Tender.

## Appendix II – Regulatory Framework Information

Under the *Public Purchasing Act* (PPA), the Minister of Government Services is “responsible for administration of the Act” and “may designate one or more persons to act on the Minister’s behalf”.

The PPA also establishes the Minister’s responsibility, for acquiring, “by purchase or otherwise, all services and supplies that are required by a department.”

Exemptions from the Act or specific sections of the Act are available to the Minister, government funded bodies, and government departments. Some exemptions apply automatically while others require formal Department of Government Services (DGS) approval. This audit only reviewed exemptions cited under section 27.1 of the regulation.

Although the DGS is responsible under the PPA and regulation for acquiring goods and services on behalf of departments, it is in reality a shared responsibility. The regulation divides government entities to which the Act applies into two schedules. Different rules apply to the entities represented in each schedule.

Schedule A entities include Part I and Part II departments and agencies (see Appendix III for the complete listing). Except as exempted in specific sections of the Act and regulation, Schedule A entities are required to purchase goods and services through the DGS.

Schedule B entities are defined as “government funded bodies” in the Act and include Crown corporations, universities, and municipalities.

The regulation also identifies responsibilities of suppliers that wish to bid on government contracts and the rules under which the Minister can refuse to accept tender submissions from a vendor and remove the vendor from the registered vendor list.

## Appendix III – Schedule A Entities listed in Regulation 94-157

SCHEDULE A	ANNEXE A
Chief Electoral Officer Clerk of the Legislative Assembly Department of Agriculture, Aquaculture and Fisheries Department of Culture, Tourism and Healthy Living Department of Economic Development Department of Education and Early Childhood Development Department of Energy Department of Environment and Local Government Department of Finance Department of Government Services Department of Health Department of Justice and Attorney General Department of Natural Resources Department of Post-Secondary Education, Training and Labour Department of Public Safety Department of Social Development Department of Transportation and Infrastructure Executive Council Office Labour and Employment Board Language Training Centre Management Board New Brunswick Internal Services Agency New Brunswick Police Commission Office of the Auditor General Office of the Comptroller Office of the Leader of the Opposition Office of the Lieutenant-Governor Office of the Ombudsman Office of the Premier	Agence des services internes du Nouveau-Brunswick Bureau du Conseil exécutif Bureau du Contrôleur Bureau de gestion du gouvernement Bureau de l'Ombudsman Bureau du Vérificateur général Cabinet du Chef de l'opposition Cabinet du Lieutenant-gouverneur Cabinet du Premier ministre Centre de formation linguistique Commission de police du Nouveau-Brunswick Commission du travail et de l'emploi Directeur général des élections Greffier de l'Assemblée législative Ministère de l'Agriculture, de l'Aquaculture et des Pêches Ministère de la Culture, du Tourisme et de la Vie saine Ministère du Développement économique Ministère du Développement social Ministère de l'Éducation et du Développement de la petite enfance Ministère de l'Éducation postsecondaire, de la Formation et du Travail Ministère de l'Énergie Ministère de l'Environnement et des Gouvernements locaux Ministère des Finances Ministère de la Justice et du Procureur général Ministère de Ressources naturelles Ministère de la Santé Ministère de la Sécurité publique Ministère des Services gouvernementaux Ministère des Transports et de l'Infrastructure

**Note:** The Department of Government Services considers school sectors to be part of this schedule.

## Appendix IV – Exemptions under Regulation 94-157 Section 27.1

The following is an excerpt of the exemptions available under section 27.1(1) of the regulation.

**27.1(1) Subsection 4(1) of the Act does not apply to the Minister or government funded bodies for the following supplies or services or in the following circumstances:**

- |  |   |
|--|---|
| <p>(a) purchase of supplies that are the subject of a lease contract where payments are partially or totally credited to the purchase;</p> <p>(b) purchase of services with a total value of less than one hundred thousand dollars where it can be shown that for reasons of specific skills, knowledge or experience, the choice of vendor is limited to one or a very limited number of individuals, provided that the exemption is not used to unduly restrict competition;</p> <p>(c) purchase of supplies or services for representational purposes outside the Province;</p> <p>(d) where the supplies or services are required in the event of an emergency or urgent situation;</p> <p>(e) where the use of a public tendering process would interfere with the ability to maintain security or order, or to protect human, animal or plant life or health;</p> <p>(f) where there is an absence of competition for technical reasons and the supplies or services can be supplied only by a particular vendor and no alternative or substitute exists;</p> <p>(g) supplies or services provided by a vendor that is a statutory monopoly;</p> <p>(h) where it is necessary to ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative;</p> <p>(i) for services or supplies provided by a vendor under the provisions of a warranty or guarantee;</p> <p>(j) in the event of an absence of bids in response to a tender made in accordance with the tendering procedures specified in the Act and this Regulation;</p> <p>(k) where supplies may be purchased under exceptionally advantageous circumstances such as bankruptcy or receivership;</p> <p>(l) where the carrying out of work by a vendor other than the vendor who did the original work would nullify the guarantees held;</p> <p>(m) services related to matters of a confidential nature where disclosure of the matter through a public tendering process would compromise the confidentiality of the matter;</p> <p>(n) purchase of supplies or services from philanthropic organizations or handicapped persons;</p> <p>(o) purchase of goods intended for resale to the general public</p> <p>(p) where Board of Management has determined that there would be a significant economic benefit to the province if the purchase is made from a specific vendor and recommends the purchase to the Minister or the government funded body;</p> <p>(q) supplies or services directly related to research and development or production of a prototype or original concept, provided that subsequent purchases are carried out in accordance with the Act and this regulation;</p> | <p>(r) supplies or services purchased from a department, government funded body or non-profit organization;</p> <p>(s) purchase of supplies and services made under the provisions of a cooperation agreement financed in whole or in part by an international cooperation organization, if the agreement specifies different rules for such purchases;</p> <p>(t) purchases of supplies or services made jointly with another government or a department, agency or body under the jurisdiction of that government through an agreement or through an agency established to oversee such purchases provided that the purchases are made through an open tendering process;</p> <p>(u) purchases of supplies or services from standing offer or supply contracts established by the federal government;</p> <p>(v) purchases of sand, stone, gravel, asphalt compound or pre-mixed concrete for use in the construction or repair of roads where transportation costs or technical considerations restrict the available supply base to local sources of supply;</p> <p>(v.1) transportation services provided by locally-owned trucks for hauling aggregate on highway construction projects;</p> <p>(v.2) services for sporting events if the sporting events have been procured by an organization whose main purpose is to organize such events;</p> <p>(v.3) services of financial analysts;</p> <p>(v.4) services provided by an organization for the management of investments if the management of investments is the primary purpose of the organization;</p> <p>(v.5) financial services respecting the management of financial assets and liabilities, including ancillary advisory and investment services and information services, whether or not delivered by a financial institution;</p> <p>(v.6) advertising and public relations services;</p> <p>(w) purchase of products under supply management or regulated by provincial marketing boards;</p> <p>(x) purchase of supplies and services related to cultural or artistic fields;</p> <p>(y) purchase of subscriptions to newspapers, magazines or other periodicals;</p> <p>(z) purchase of supplies or services on behalf of a third party not covered by the Act or this Regulation.</p> |
|--|---|

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## Appendix V – Government Services

*This description of the reorganization undertaken by government in 2012 was provided by the Department of Government Services.*

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### Government Services

On March 15, 2012, a Government of New Brunswick structural reorganization designed to streamline administration, improve performance and better align existing resources with government renewal goals resulted in corporate services government-wide being aligned under a common Minister and Deputy Minister / President.

The new structure aligned two agencies Service New Brunswick (SNB) and New Brunswick Internal Services Agency (NBISA), with a new Department of Government Services which includes a number of services from the former Department of Supply and Services (DSS) (Provincial Archives, Purchasing, Printing, and Translation Bureau) and the former Communications New Brunswick (marketing, graphic design, Web site and event management).

Government's objective was to bring together the expertise, experience, investment and leadership around a shared service delivery model. In support of this objective, the combined resources of the three agencies are being aligned, thereby ensuring a more comprehensive and effective shared service delivery model. This alignment included the integration of the executive management teams.

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## Appendix VI – Trade Agreement Threshold Comparison

The following table, provided by the Department of Government Services, summarizes the estimated cost thresholds identified in trade agreements where if exceeded, a publicly advertised tender would be required. Exceeding the thresholds shown for the Public Purchasing Act (PPA) would require an invited tender, not a publicly advertised tender.

**Note: All trade agreement values are exclusive of tax, legislated values are inclusive of tax.**

	Category	PPA / LAP	APA / EMPA	QC-NB / QC-NB	AIT / ACI	GPA / AMP
<b>Departments / Agencies / School Districts</b>  (Schedule A of the Public Purchasing Act)  *An <u>invited</u> tender may be issued between \$5,000 <u>tax incl.</u> & \$10,000 <u>tax excl.</u> rather than a <u>public</u> tender.	Goods:	\$5,000*	\$10,000	\$25,000	\$25,000	\$560,300
	Services:	\$10,000	\$50,000	\$100,000	\$100,000	\$560,300
	Construction:	N/A See <i>CCCA / LCCC</i>	\$100,000	\$100,000	\$100,000	\$7,800,000
	PR & Advertising:			\$200,000		

### Notes

PPA / LAP – Public Purchasing Act

APA / EMPA – Atlantic Procurement Agreement

QC-NB / QC-NB – Agreement on the Opening of Public Procurement for New Brunswick and Québec

AIT / ACI – Agreement on Internal Trade

GPA / AMP – Agreement on Government Procurement

Source: Chart created by the Department of Government Services (unaudited)

## Appendix VII – The New Brunswick Opportunities Network

The information system used by the DGS to support their processes is the New Brunswick Opportunities Network (NBON). The NBON:

- provides a portal for government, suppliers, and the public to access information on contracting opportunities with the Province;
- allows vendors to submit bid proposals electronically and view the status of a procurement opportunity; and
- creates basic documentation used in the procurement process and provides a mechanism to move documents between the entities. It also provides reports for DGS personnel use.

Electronic documentation used by the DGS and produced through the NBON include:

Supply Requisition - completed by the client departments and forwarded to the DGS. It typically initiates the formal procurement process. These are required for all procurements except corporate contracts completed by the DGS.

Invitation to Tender – completed by the DGS as the formal tender notification and document in which specifications and terms of the procurement are stated. This is the document that vendors use to complete their bid submission. Tender amendments usually result in a new version of the document.

Purchase Order – completed by the DGS as a formal order for goods and services. This is typically the final document that DGS produces to end the award stage of the procurement. PO amendments are required when there are changes to dollar value, quantity, schedule, etc.

The NBON system is a key component in the procurement process. It is the central repository for most procurement data and provides procurement project history.

## Appendix VIII – Request for Minister’s Exemption Checklist

*The following checklist is provided to the client departments on the back of the DGS Request for Minister’s Exemption form. Although the departments are not required to use the actual form, they are to include this information in their requests.*

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The following elements are to be addressed when submitting a request for Minister's Exemption:

1. A detailed description of the goods / services being requested, including effective and expiry dates where applicable.
2. The reason these goods/services are needed by your department.
3. Is this a recurring request? /If applicable, what action will be taken to avoid another request in the future? (Improved planning or establishing a contract)
4. Under which subsection of the regulation is this request being made? Include paragraph number and description.
5. Provide the rationale for the application of the particular exemption to this procurement.
6. Has this requirement ever been tendered? If yes, please provide details.
7. Could this procurement be tendered? Why? / Why not?
8. Has the department considered NB (or other) vendors for this requirement? If yes, please provide the particulars.
9. Has the department consulted with any other department(s) regarding this procurement? If yes, please provide the particulars.
10. Has the department received a verbal or written legal opinion regarding the procurement? If yes, please provide the particulars.
11. If this request has been approved by senior officials of the department, please indicate at what level.
12. Has this procurement been submitted to [Board of Management] BOM for approval? -If yes, provide a copy of the Record of Decision.
13. Is the Minister aware of and in support of this request?

Note: this is not an exhaustive list; your department may be approached to provide further detail and/or information prior to evaluation and approval of your request. This list may be used as a reference prior to sending your exemption request to Strategic Procurement for consideration.

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## Appendix IX – Objective 1: Audit Criteria and Sources

*Objective - To determine if the public purchasing practices used by government comply with key components of the regulatory framework and best practices*

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*Criteria 1 - Government procurements should comply with the Public Purchasing Act, Regulation, and policy*

### Primary sources of compliance criteria

1. *Public Purchasing Act*, Chapter 212
  2. *Public Purchasing Act*, Chapter P-23.1(repealed)
  3. Regulation 94-157, *Public Purchasing Act*, 2011, c.212
  4. Administrative Manual System, Government of New Brunswick
  5. Procurement Coordinator Information Manual, Department of Supply and Services, Central Purchasing, June 2009
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*Criteria 2 - Government should adhere to established best practices when planning, procuring for, and managing purchase contracts*

### Primary sources of best practice benchmarks

1. Organisation for Economic Co-operation and Development (2007). *Integrity in Public Procurement – Good Practice from A to Z*. 2007. Retrieved from: <http://www.oecd.org/development/effectiveness/38588964.pdf>
  2. Organisation for Economic Co-operation and Development (2012), *Fighting Corruption in Public Procurement*. Retrieved from: <http://www.oecd.org/cleangovbiz/>
  3. Controller and Auditor General, New Zealand (2008). *Procurement Guidance for Public Entities*. Retrieved from: <http://www.oag.govt.nz/2008/procurement-guide>
  4. Public Works and Government Services Canada (2013). *Supply Manual*. Retrieved from: <https://buyandsell.gc.ca/policy-and-guidelines/Supply-Manual>
  5. Ministry of Finance, BPS Supply Chain Secretariat. *Procurement Guideline for Publicly Funded Organizations in Ontario*. Retrieved from: <http://www.doingbusiness.mgs.gov.on.ca/mbs/psb/psb.nsf/English/bps-procurementguideline>
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# Chapter 5

## Department of Finance

### Collection of Accounts Receivable

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# Department of Finance Collection of Accounts Receivable

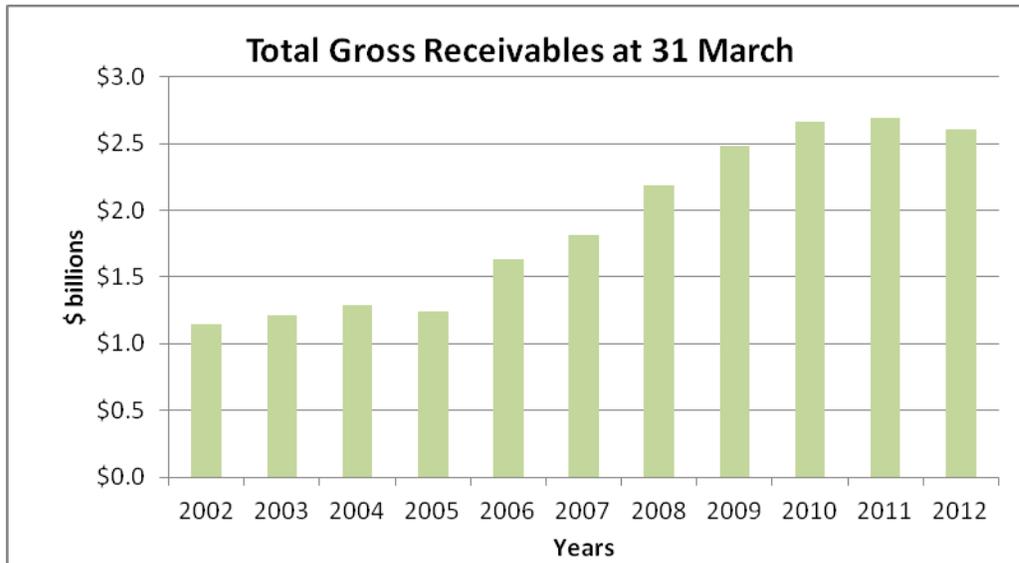
## Introduction

- 5.1** In 2011, the Office of the Comptroller lead an analysis of the collection of receivables in government. The purpose of the analysis was to create “A plan for the most effective and efficient method of maximizing collection of amounts owing to the Province of New Brunswick as well as proposed changes to legislation/regulation/policy required to implement the plan.”<sup>1</sup>
- 5.2** This work was part of government’s efforts to improve its finances. A November 2011 news release issued by the Department of Finance stated “we need to make sure that we are doing an adequate job of collecting money owed to taxpayers.” It went on to say “in light of the provincial government’s difficult financial situation, we have an obligation to recover these funds on behalf of taxpayers.”
- 5.3** The balance of amounts owing to the Province has gradually been getting larger since 2002. Exhibit 5.1 shows that gross receivables more than doubled between 2002 and 2012, growing from \$1.1 billion in 2002 to \$2.6 billion in 2012.

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<sup>1</sup> Source: Collection of Receivables-Government Renewal Project #11

Exhibit 5.1 - Total Gross Receivables at 31 March (in billions)



Figures obtained from Public Accounts at 31 March

## Why we are interested

**5.4** We decided to prepare an information report on accounts receivable to better understand the work currently underway to improve the collection of amounts owed to the Province. The objective of our work was:

*To review and comment on provincial policies and initiatives for the collection of accounts receivable.*

**5.5** Our report is addressed to the Department of Finance/Office of the Comptroller as this department has ultimate oversight of accounts receivable. Paragraph 14(a) of the *Financial Administration Act* states that the “Comptroller shall (...) ensure the proper receipt (...) of public money”.

## What we looked at

**5.6** As we will discuss in this report, the collection of accounts receivable is a complex topic:

- Numerous departments have accounts that require collection activities;
- Each department has its own approach to collections; and
- Each department has different clients. The nature of amounts owing, and the ability of the debtor to pay, can vary significantly depending on the program.

**5.7** In order to gain an understanding of what the Province is doing to improve collections, we met with representatives from a number of departments to learn

about their policies and collection efforts, including the recoveries made under the Canada Revenue Agency Refund Set-off Program. We also obtained data on a number of accounts in order to identify trends in accounts receivable. Finally, we looked at the legislative changes recommended in the 2011 Office of the Comptroller analysis to improve the collection of amounts owed to the Province.

**5.8** Our work is based on information provided by various departments. This report is a summary of that information. As a result of observed trends in accounts receivable during our office's annual financial audit as well as significant write offs in recent years, we decided to take a closer look at accounts receivable balances across government. Our purpose is to provide an update on initiatives currently underway and to follow-up on identified barriers to collection. We carried out some analysis of accounts receivable across several departments and we relied on the data provided by those departments. We did not perform any test of the systems producing the data. We have not audited the information and therefore do not provide any assurance with regards to its accuracy or completeness.

## Summary of our findings

### *Province is working to improve collections*

**5.9** Due to the Province's fiscal situation, there has been an increased focus on the state of the Province's receivables. The Province has recently taken a number of steps to improve the collection of amounts owed including:

- implementing the Canada Revenue Agency Refund Set-off Program;
- moving towards a central collection unit within government to focus collection activities; and
- amending legislation to facilitate collection activities.

### *Accounts receivable continue to grow*

**5.10** In summary, gross provincial receivables more than doubled in the past ten years to \$2.6 billion.

**5.11** The Province's receivables fall into three categories:

- General receivables;
- Taxes;
- Loans.

**5.12** General receivables totaled \$607 million at 31 March 2012:

- 38% or \$232 million were considered doubtful accounts;
  - Almost \$100 million was written-off during 2011 and 2012.
- 5.13** Taxes receivable have grown significantly since 2002, going from \$471.9 million in 2002 to \$1,126 million in 2012.
- 5.14** Loans receivable totaled \$870.2 million at 31 March 2012:
- 32% or \$276.8 million was considered doubtful;
  - Loans to students and businesses make up approximately 85% of the loans receivable amount.
- 5.15** Loans to students totaled \$431.6 million at 31 March 2012:
- Represents close to 50% of the total loan balance for the Province;
  - Student loans are going into default at a 3 year average rate of \$860,000 per month.
- 5.16** Loans to business totaled \$245 million at 31 March 2012:
- 29% or \$70 million was considered doubtful;
  - Loans issued by the Province before 2000 have a default rate of 93%.
- 5.17** Since 2003, the Province's carrying cost to cover outstanding debtors has been over \$950 million, an average of \$95 million per year.
- 5.18** During our work we found that collection activities vary by department and by account, which has affected collection results. Some departments have established collection policies and collection teams while others have not. Some departments have difficulty locating the debtor due to a lack of current contact information.

***Collection activities vary by department***

***Many programs have been registered with Canada Revenue Agency Refund Set-off Program***

**5.19** From our discussions with department staff, once traditional recovery methods (such as letters or phone calls) are exhausted, departments turn to the Canada Revenue Agency's Refund Set-off Program to pursue debtors. Although recoveries may increase over time, we viewed recovery rates to date for most departments using this option as low<sup>2</sup>. Many departments expressed satisfaction with the results achieved.

**5.20** Numerous recent amendments to legislation have had a positive impact on collections. Some proposed amendments have yet to be made, therefore leading to missed recovery opportunities.

***Changes to the Limitation of Actions Act will have a negative impact on collections***

**5.21** Changes to the *Limitation of Actions Act* have placed a tight timeframe of two years on the Province to collect outstanding debt. Beginning in 2016, once a claim is discovered<sup>3</sup> or the debt has been acknowledged<sup>4</sup>, the Province has two years (reduced from a previous six years) to attempt to recover outstanding amounts. After that time, the ability to take action expires. The time limit also applies to "non-judicial" recovery methods such as wage set-off or withholding payments.

***Collecting accounts receivable from First Nations is complicated***

**5.22** Amounts receivable from First Nation communities have been steadily increasing (\$85.8 million) until 2012 when significant write-offs were made. Our analysis found:

- Negotiation of education amounts owing by First Nation communities is a complicated process involving multiple departments and 16 First Nations.
- In recent years, there have been significant write-offs of both principal and interest (approximately

<sup>2</sup> Based on findings in figures 5.16 and 5.18 and paragraphs 5.72 and 5.73

<sup>3</sup> Per section 5(2) of *Limitation of Actions Act*: A claim is discovered on the day on which the claimant first knew or ought reasonably to have known

- (a) That the injury, loss or damage had occurred;
- (b) That the injury, loss or damage was caused by or contributed to by an act or omission; and
- (c) That the act of omission was that of the defendant.

<sup>4</sup> Refers to a defendant acknowledging the liability or obligation in writing.

\$27 million) on balances owed by First Nations.

- Outstanding amounts owed by First Nations have not been settled in a timely manner despite the Province's ability to offset amounts owing against amounts payable by the Province to First Nations under various gas, tobacco and gaming agreements.

***Debtors are not treated equally***

**5.23** We discovered that debtors are treated differently depending on the department that holds the debt. In some cases, we noted differences between departments that appeared inequitable and inconsistent.

**5.24** The following are some examples of inequitable treatment:

- Interest is charged and collected on some overdue accounts but not others.
- An entity can owe money to one department but receive payment from another.
- Some public servants who owe money to government (e.g. employees with overdue student loans) are having their wages set-off<sup>5</sup> while others are not (e.g. employees who owe veterinary fees).
- There have been increased recovery efforts towards individuals rather than towards businesses when pursuing amounts owed to the Province (pursuit of current or former social assistance clients for overpayments vs. pursuit of businesses with defaulted loans).
- Practices with regards to collection of accounts receivable from First Nations appear unique and less stringent than all other accounts receivable we reviewed.

**5.25** We believe it is a best practice to have equitable collection policies for all government debtors. Government should treat taxpayers who owe money in a fair and equitable manner. This concept should be included in any policies developed during the implementation of the

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<sup>5</sup> Per section 52(1) of the *Financial Administration Act*: If a person is indebted to the Province in a specific sum of money, the Comptroller may retain by way of deduction or set-off the amount of the indebtedness out of any sum of money that may be due or payable by the Province to that person.

centralized collection unit.

***More work is needed***

**5.26** As the Province transitions to a centralized collection model, departments need to continue their work of collecting amounts owing. At 31 March 2012 there was over \$2 billion owing from various sources, and a number of types of receivables are continuing to grow. The collection of nearly \$550 million (27%) was considered doubtful<sup>6</sup>. Given the Province's fiscal situation, collection efforts need to be a priority focus to ensure all money owed to government is collected. We encourage continued progress to prevent further growth and to achieve an overall reduction of the accounts receivable balance.

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<sup>6</sup> Per Public Accounts at 31 March 2012

Exhibit 5.2 – Summary of Recommendations

Recommendations	Department's Response	Target Date for Implementation
<p><b>5.49</b> We recommend departments identify those accounts at risk of becoming statute-barred and implement collection procedures in order to maximize their collection prior to the expiry of the May 2016 standstill provision.</p>	<p><i>Regarding your request that the Department distribute the recommendations [...] to departments and advise them that these recommendations will be subject to follow up, an email to this effect was sent by the Acting Comptroller to the Directors of Finance on October 9, 2013.</i></p>	<p><i>See comments in Department's response</i></p>
<p><b>5.61</b> We recommend departments share debtor contact information, where legislation permits (for example, the <i>Family Income Security Act</i> or <i>Right to Information and Protection of Privacy Act</i>), for the purpose of collecting accounts receivable.</p>		
<p><b>5.77</b> Given the recent rapid growth in the student loans Return to Government portfolio and the limited resources of the Portfolio Debt Management group, we recommend the Department of Post-Secondary Education Training and Labour continue to develop, in conjunction with the central collection unit, a collection strategy for the Return to Government portfolio including establishing collection targets and active monitoring of targets.</p>	<p><i>PETL has been an active participant in discussions involving the establishment of the central collection unit and continues to contribute to the collection strategy for the RTG portfolio.</i></p>	<p><i>Specific target implementation dates cannot be determined at this time due to ongoing efforts to centralize the collection of PETL's loans/receivables. These recommendations will ultimately be examined by the central collection unit and timeframes are therefore related to the timing of the transfer to NBISA.</i></p>
<p><b>5.81</b> We recommend the Department of Post-Secondary Education, Training and Labour register employment program overpayments with the Canada Revenue Agency Refund Set-off Program.</p>	<p><i>PETL has been advised that the CRA will not accept employment program overpayments in the Refund Set-Off (RSO) program. The criteria which CRA uses to determine what programs will be accepted into RSO require that legislation or regulation specifically support the debt as a debt owing to the Crown. An amendment to central legislation may be required in order to register employment program overpayments with CRA.</i></p>	

Exhibit 5.2 – Summary of Recommendations (continued)

Recommendations	Department's Response	Target Date for Implementation
<p><b>5.88</b> To improve the recovery of loans receivable from businesses, we recommend that independent expertise in collection of business accounts be engaged to assist either the Department of Economic Development or the central collection unit. The expert engagement should include the development of an action plan to address the historic high delinquency rate of economic development loans to businesses.</p>	<p><i>We are pleased to advise that we have recently hired a Special Accounts executive effective June 2013. This person has several responsibilities including the maximization of recoveries where account companies are delinquent and/or insolvent. This may involve evaluating restructuring proposals which could be voluntary or pursuant to the Bankruptcy and Insolvency Act (BIA) or the Companies' Creditors Arrangements Act (CCAA). With respect to reducing the delinquency rate, the Department is seeking to convert all loans to payment via automatic debit and reviewing its collection policy. It is noted that loans provided by the Minister are normally (and sometimes significantly) riskier than those offered by financial institutions. As most of our loans provide significant incremental economic benefits to the Province, a higher risk level is tolerated.</i></p>	<p><i>See comments in Department's response</i></p>
<p><b>5.99</b> We recommend a matching process be undertaken to identify provincial employees with past due accounts for veterinary services or with any other amounts in arrears. Payment arrangements should be established or payroll set-off applied. In the future, departments should collect a "unique identifier" from individuals in order to facilitate recovery (through matching) should default occur.</p>	<p><i>DAAF will continue working with New Brunswick Internal Services Agency (NBISA) to establish a centralized collection unit to assign governance and operational responsibility for collection of past due accounts to a single entity. The unit is intended to have standard business practices and a number of collection tools, such as payroll set-off, will be used to collect past due accounts.</i></p>	<p><i>Early 2014</i></p>

Exhibit 5.2 – Summary of Recommendations (continued)

Recommendations	Department's Response	Target Date for Implementation
<p><b>5.105</b> We recommend the Department of Finance complete its work to routinely register overdue property tax receivable accounts with the Canada Revenue Agency Refund Set-off Program.</p>	<p><i>The Department of Finance agrees with the recommendation. The Department of Finance obtained the approval to proceed with the CRA program for Property Tax receivables in a Board of Management decision in November 2012. The Department is currently in the process of transferring its collection function to the NBISA Collection Services Unit. This new centralized unit will be responsible for the collection of bad debt for all Departments. One of the objectives of the new unit is to expand the use of the CRA Refund Set-off Program and to utilize other collection tools and techniques not currently available to departments. The Department of Finance is scheduled to transition in the first phase, once NBISA receives approval from Board of Management for their proposed structure.</i></p>	<p><i>Timing will be based on the transitioning of collection of past due debts to NBISA</i></p>

Exhibit 5.2 – Summary of Recommendations (continued)

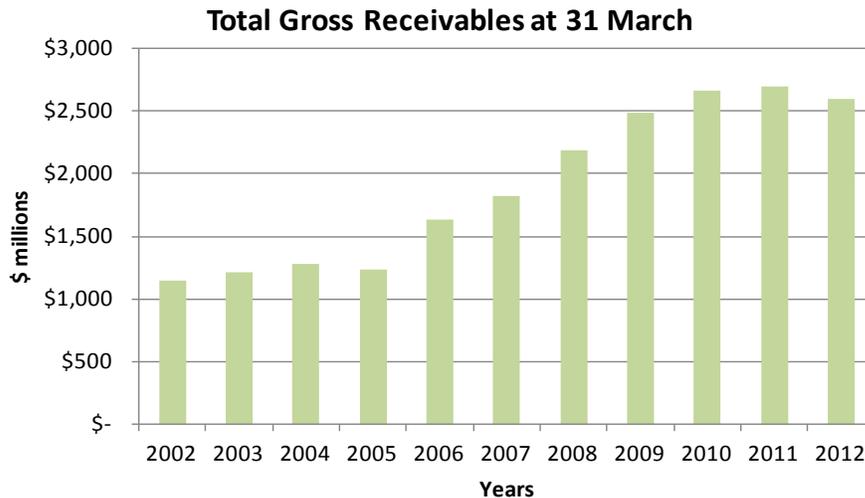
Recommendations	Department's Response	Target Date for Implementation
<p><b>5.124</b> Given the current five year Enhanced Agreements with First Nations are ending in 2013, we recommend the Aboriginal Affairs Secretariat and the Department of Education and Early Childhood Development establish payment arrangements for all arrears owing prior to the signing of new Enhanced Agreements. Reinvestment of provincial funds (under the new Agreements) should not take place until payment arrangements have been negotiated.</p>	<p><b>Response from Aboriginal Affairs:</b> Cabinet has approved the one-year extension of the Enhanced Agreements with First Nations in New Brunswick for the 2013-2014 school year. This extension gives the Department of Education and Early Childhood Development (EECD) the necessary time to work collaboratively with First Nation partners in developing new five-year agreements. Cabinet has also directed that an arrears repayment agreement must be in place by September 2013 for all First Nations with an outstanding tuition balance due to the Province.</p> <p>EECD is now preparing a document for signature in order to formally recognize the one-year extension which recognizes the terms described above. In order for these agreements to be renewed, EECD requires that First Nations be in good standing prior to the signing of an extension.</p> <p><b>Response from Education and Early Childhood Development:</b> Government has approved the one-year extension of the Enhanced First Nation Education Programs and Services Agreement in New Brunswick for the 2013-2014 school year. The extension gives the Department of Education and Early Childhood Development (EECD) the necessary time to work collaboratively with First Nation partners in developing new five-year agreements. Government has also directed that an arrears repayment agreement must be in place by September 2013 for all First Nations with an outstanding tuition balance due to the Province.</p> <p>EECD is now preparing a document for signature in order to formally recognize the one-year extension which recognizes the terms described above. In order for these agreements to be renewed, EECD requires that First Nations be in good standing prior to the signing of an extension.</p>	<p>September 2013</p>
<p><b>5.129</b> We recommend the Department of Finance establish collection guidelines to ensure equitable treatment of debtors.</p>	<p>The Department of Finance agrees with the recommendation. The Department of Finance continues to work with the establishment of the NBISA Collection Services Unit. As part of this work, guidelines are being established to ensure the equitable treatment of debtors.</p>	<p>This will be an area of focus as long as debts are owed to the Province</p>

## Background

**5.27** The existence of accounts receivable is a normal part of doing business. However, unless the accounts are prudently managed, problems may arise that cause the collection of the account to be in doubt. Businesses can counter this risk by carefully screening their customers before providing credit. Government, however, cannot always choose its debtors in this manner. For example, students receive student loans based on their need and not their ability to repay the loan. Businesses typically receive funding from government to achieve some economic development objective in a particular industry. The Province often acts as a lender of last resort for businesses.

**5.28** The balance of amounts owing to the Province has been growing since 2002. Exhibit 5.3 shows the increase in gross receivables between 2002 and 2012.

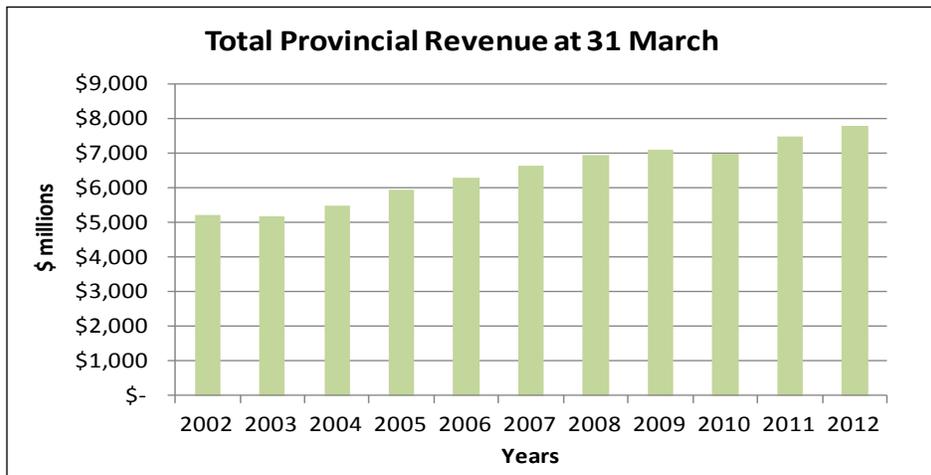
*Exhibit 5.3: Total Gross Receivables at 31 March (in millions)*



Figures obtained from Public Accounts at 31 March

**5.29** Exhibit 5.3 shows that gross receivables more than doubled in the past 10 years, increasing from \$1,145.9 million in 2002 to \$2,603.3 million in 2012. Exhibit 5.4 shows the growth in total provincial revenue during the same period.

Exhibit 5.4: Total Provincial Revenue at 31 March (in millions)



Figures obtained from Public Accounts at 31 March

**5.30** New Brunswick is facing a growing demand for revenue to fund programs, be it for roads and highways, for healthcare or for education. This revenue comes from taxes, user fees, royalties, investment income and grants.

**5.31** Exhibit 5.4 shows the growth in total revenue has been much more gradual than the growth in receivables. Accounts receivable at 31 March 2012 represented 33% of 2012 revenue. When debtors don't pay, the Province's financial position is negatively impacted.

**5.32** Since the Province uses revenue to fund the programs and services offered to residents, accounts not collected result in additional costs to the Province as it must then finance the carrying costs (interest cost and provision for loss expense) of accounts receivable. These carrying costs are estimated in Exhibit 5.5. Since 2003, the Province's carrying cost to cover outstanding debtors has been over \$950 million, an average of \$95 million per year. To put this into perspective, the average annual carrying cost of the Province's receivables is greater than the estimated 2011-12 expenditures for each of the following departments: Agriculture, Aquaculture and Fisheries; Economic Development; Energy; Environment; Finance;

Justice and Consumer Affairs; Tourism and Parks; and  
Wellness, Culture and Sport.<sup>7</sup>

*Exhibit 5.5: Estimated carrying costs related to the balance of accounts receivable at 31 March (in millions)*

Estimated carrying costs related to the balance of accounts receivable at 31 March (in \$ millions)											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
<b>Interest Costs</b>	24.57	28.16	22.04	32.72	57.75	59.33	28.59	4.66	12.46	16.46	<b>286.74</b>
<b>Provision for Loss Expense</b>	28.20	54.40	33.00	62.00	60.70	72.30	105.00	109.40	94.50	45.70	<b>665.20</b>
<b>Total</b>	<b>52.77</b>	<b>82.56</b>	<b>55.04</b>	<b>94.72</b>	<b>118.45</b>	<b>131.63</b>	<b>133.59</b>	<b>114.06</b>	<b>106.96</b>	<b>62.16</b>	<b>951.94</b>

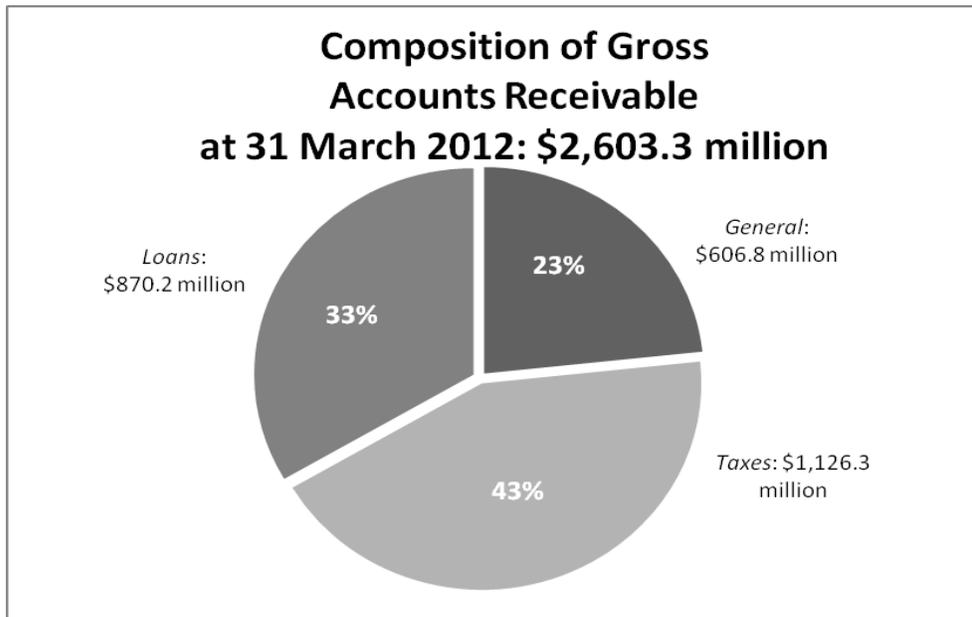
Calculation for 2003-2011 was prepared by the Department of Finance (unaudited); updated by OAG for 2012

### Types of Receivables

**5.33** There are three main types of provincial receivables, as displayed in Exhibit 5.6:

1. General accounts receivables and advances
2. Taxes receivable
3. Loans

*Exhibit 5.6: Composition of Gross Accounts Receivable at 31 March 2012*



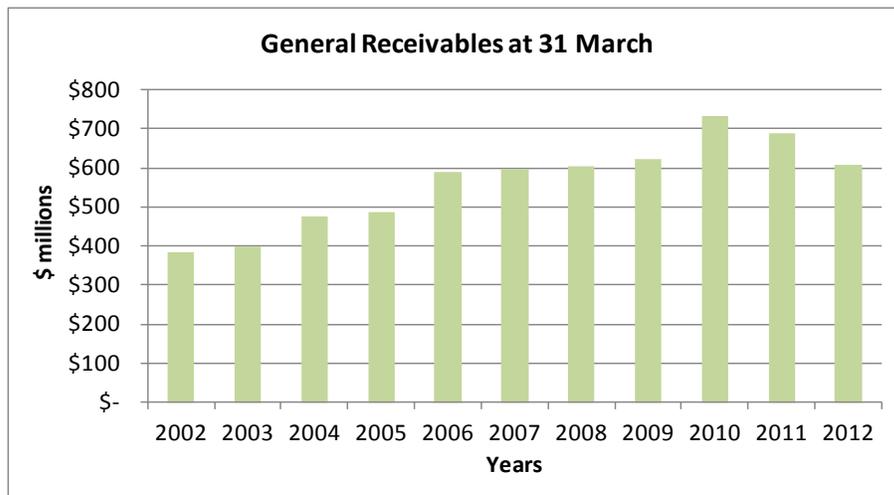
Figures obtained from Public Accounts at 31 March 2012

<sup>7</sup> Based on 2011-12 Main Estimates of total expenses

**General accounts  
receivable and  
advances**

**5.34** General accounts receivable and advances includes such things as receivables from government departments and entities, amounts due from the Federal government, guarantee payouts, advances of grants or working capital and interest receivable. The amount included in general accounts receivables and advances has been decreasing in recent years, as shown in Exhibit 5.7.

Exhibit 5.7: General receivables at 31 March (in millions)



Figures obtained from Public Accounts at 31 March

**5.35** This recent decrease is not the result of better collection efforts alone; a total of almost \$100 million in accounts receivable was written-off during 2011 and 2012 resulting in the decrease seen in Exhibit 5.7. Of the \$607 million in general receivables at 31 March 2012, 38% or \$232 million were considered doubtful accounts<sup>8</sup> (a small increase over 2011).

**Taxes receivable**

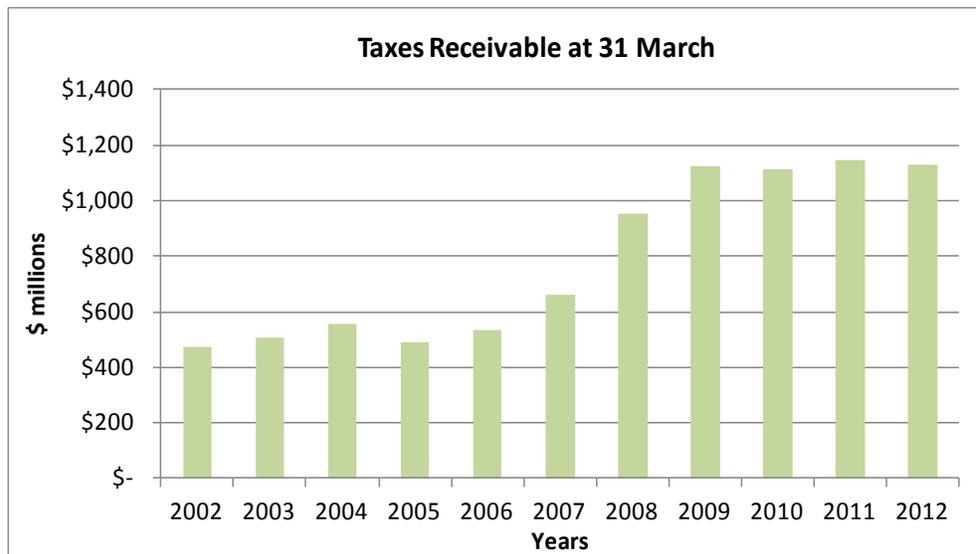
**5.36** The largest component of taxes receivable is property tax. At 31 March 2012, property tax receivable was \$1,038.1 million. The amount is high because property tax billings are recorded as receivable at 31 March but are not due until 31 May, creating a large receivable at year-end. Other items included taxes receivable such as taxes from sales, tobacco, gasoline and motive fuels; royalties and

<sup>8</sup> A provision for doubtful accounts is established when a department anticipates that an account will be uncollectible. Management estimates the uncollectible amount based on past experience with the debtor or other information.

stumpage on timber, etc. Of the taxes receivable at 31 March 2012, only 3% were considered doubtful. Exhibit 5.8 shows that taxes receivable have grown significantly since 2002; they have more than doubled, going from \$471.9 million in 2002 to \$1,126.3 million in 2012. The increase is mainly due to the amounts related to property tax:

- In 2008, real property tax amounts were adjusted to include the municipal portion of the receivable (amounts prior to 2008 do not include these amounts).
- Since 2008, amounts related to property tax have been climbing as a result of continued growth in the assessment base.

Exhibit 5.8: Taxes receivables at 31 March (in millions)



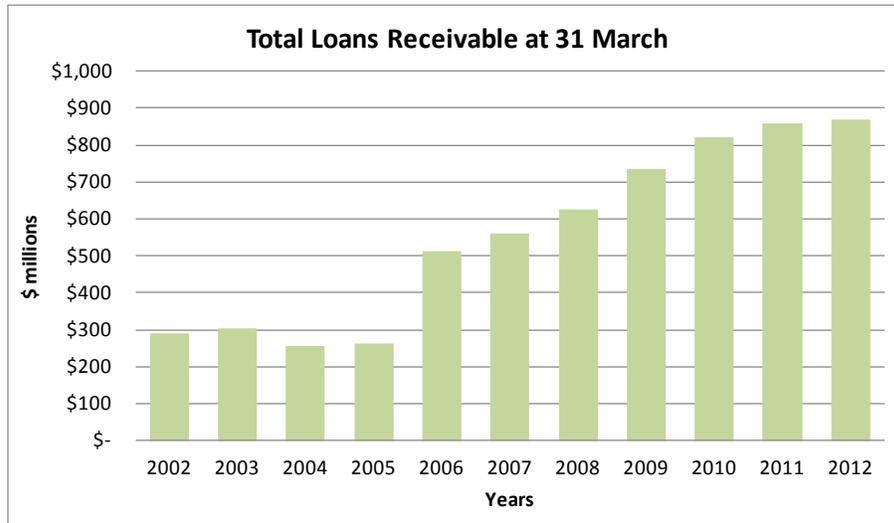
Figures obtained from Public Accounts at 31 March

### Loans

**5.37** The Province had loans of \$870.2 million outstanding at 31 March 2012, the collection of \$276.8 million of this amount was considered doubtful. Loans to students and to businesses (under the *Economic Development Act*) make up approximately 85% of the loans receivable amount. Other loans included in this category were provided under the *New Brunswick Housing Act*, *Fisheries Development Act* and *Agricultural Development Act*. It also includes loans for energy efficiency upgrades, l'Office de stabilisation, and Provincial Holdings Loans. The loans receivable balance has increased significantly as a result of the Province taking on student loans in 2006. Loans to business under the *Economic Development Act* have also

grown. Since 2008, loans issued under the *Economic Development Act* have increased by 80% (\$136 million). Exhibit 5.9 shows that total loans receivable to the Province at 31 March have grown significantly since 2002, going from just under \$300 million in 2002 to \$870 million in 2012.

Exhibit 5.9: Total Loans Receivable at 31 March (in millions)



Figures obtained from Public Accounts at 31 March

### **Government's work to improve the collection of accounts receivable**

#### **Changes made to facilitate collection**

**5.38** The Office of the Comptroller lead an analysis in 2011 of the collection of receivables in government. The objective of the analysis was to develop “a plan for the most effective and efficient method of maximizing the collection of amounts owing to the Province of New Brunswick (...) as well as proposed changes to legislation/regulation/policy required to implement the proposed plan.”<sup>9</sup>

**5.39** The analysis looked at existing provincial legislation with the purpose of identifying barriers that restrict collection efforts. As a result, a number of recommendations were made in order to eliminate these legislative barriers so departments can maximize collection efforts.

**5.40** In addition, the analysis recommended that government

<sup>9</sup> Source: Collection of Receivables-Government Renewal Project #11

collection efforts be centralized (i.e. that a single entity is assigned governance and operational responsibility for the collection of accounts receivable). Other changes were also proposed. In this section we will look at the various changes and initiatives that the Province has taken in order to improve the collection of accounts receivable.

### **Canada Revenue Agency Refund Set-off Program**

**5.41** One initiative common to many departments in their attempt to improve collections is the implementation of the Canada Revenue Agency (CRA) Refund Set-off Program. This program provides a mechanism for the Province to recover amounts owed by individuals. Once an individual is registered with the program, the CRA redirects income tax refunds, GST rebates and provincially funded tax credits to be applied against amounts owed to the Province by that individual. If a taxpayer's net family income is below a certain threshold, set-off will not be applied against certain credits. A news release from the Department of Finance in November 2011 noted that the balance of accounts receivable approved for CRA set-off was about \$200 million as of 31 March, 2011.

**5.42** When we obtained information from various departments, the range of recovery from the CRA set-off program varied by department. Some departments have been using the program since 2009 while others were just beginning to use the program at the time of our work. More information on the results of CRA set-off by department is provided in the section *Accounts receivable across government* (paragraph 5.68).

### **Changes to legislation to maximize collections**

**5.43** To report on the status of the work currently underway to improve collections, we looked at the recommendations made in the 2011 analysis in order to follow up and determine their level of implementation and their impact on collection efforts.

### ***Defining Crown debts***

**5.44** The CRA rejected the application of several PNB programs to the Refund Set-off Program as they did not meet CRA's criteria for "Crown debt". Officials at the Department of Finance explained to us that CRA requires that legislation or regulation specifically support a debt as one owing to the Crown in order to be part of the Refund Set-off Program. We found that section 52.1(2) of the *Financial Administration Act* was amended in 2011. It now specifically lists the types of Crown debts that may be referred to CRA for set-off. This amendment has a positive implication on collections as it will facilitate the successful

registration of government programs with CRA.

***Preserving the Province's ability to collect Crown debts***

**5.45** In the context of collecting outstanding receivables, the *Limitation of Actions Act* places a time limit on bringing legal claims against debtors. The purpose of a "limitation of action" is to prevent unresolved legal actions from remaining enforceable indefinitely. Once the limitation period expires, so does the ability to make a legal claim. According to the 2011 analysis on collection activities, there is a substantial amount of past debt that has become statute-barred and is now not recoverable as a result of government's lengthy past history of not enforcing rights against debtors.

**5.46** In 2010, the *Limitation of Actions Act* was amended. The amendments negatively impacted the Province's ability to collect outstanding amounts. The impact of the amendments is discussed in the following paragraphs.

***Effect of Limitation of Actions Act: Crown debt to be statute-barred earlier***

**5.47** One of the elements of the new *Limitation of Actions Act* was a reduction of the "limitation period" from six years to two years effective May 2010. The *Limitation of Actions Act* was further amended in 2011 to include a standstill provision to May 2016 to allow the Province to install a central collection unit without further debts becoming statute-barred in the interim period. Effectively, this amendment offers a limited period of time where departments can collect Crown debts before the new two year limitation period begins. The reduction of the "limitation period" from six years to two years will restrict the Province's ability to collect amounts owing from debtors.

**5.48** We attempted to determine what departments are doing to prepare for this upcoming deadline by inquiring as to what accounts were at risk of becoming statute-barred and what strategies had been developed to collect these accounts. We were unable to determine the amount of debt that was at risk or had become statute-barred as many departments had not identified these accounts at the time of our work.

***Recommendation***

**5.49** **We recommend departments identify those accounts at risk of becoming statute-barred and implement collection procedures in order to maximize their collection prior to the expiry of the May 2016 standstill provision.**

**Effect of Limitation of  
Actions Act: CRA  
Refund Set-off  
Program**

**5.50** The *Limitation of Actions Act* also applies to non-judicial remedies. Non-judicial remedies includes such things as CRA set-off, wage set-off (per the *Financial Administration Act*), or withholding social assistance payments for overpayment recovery. The Act states that if the limitation period expires, the province cannot enforce any non-judicial remedy that the Province would otherwise be entitled to enforce against a claim. In other words, once the limitation period of two years has expired, the Province will be unable to make a legal claim against debtors and unable to use such things as wage garnishment, wage set-off or the withholding of payments to recover amounts owed.

**5.51** During our review, we found that the *Limitation of Actions Act* is similar to legislation in other provinces, except when it comes to non-judicial remedies. The Act applies to all claims with no exceptions, which was different from the jurisdictions we examined. For example, Ontario's *Limitations Act* states that there is no limitation period in respect of a proceeding to recover social assistance payments, student loans, awards, grants, contributions and economic development loans<sup>10</sup>. We also reviewed a report by the *Manitoba Law Reform Commission* which stated the following pertaining to changes considered for their province's legislation:

*“As a matter of public policy, it may be desirable (...) to exempt certain types of actions brought by the Crown. The Crown is the manager of public funds, and it is generally in the public interest that the Crown's ability to recover money owing to it resulting from unlawful activity or from the administration of public programs ought not to be subject to being forfeited through the expiration of a limitation.”*

**5.52** In late 2011, the *Financial Administration Act* was amended to preserve the “legal ability” of the Province to collect amounts using CRA set-off. As a result, if a debt is registered with CRA prior to the expiry of the limitation period, the use of CRA set-off will continue. This will have

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<sup>10</sup> Limitations Act, 2002 (Ontario), section 16 (3)

a positive impact on collections as it preserves the debts that are registered for set-off with CRA. If the limitation period expires before, CRA set-off cannot be applied against the debt.

**5.53** Based on our review, the changes to the *Limitation of Actions Act* have placed a tight timeframe on the Province to collect outstanding debt. Beginning in 2016, once a claim is discovered<sup>11</sup> or the debt has been acknowledged<sup>12</sup>, the Province has only two years (reduced from a previous six years) to attempt to recover outstanding amounts. After that time, the ability to take action expires. Overall, the changes to the *Limitation of Actions Act* will negatively affect the Province's ability to recover amounts owing from debtors.

**Garnishment of wages 5.54** At the time of our work, the Province did not have legislation allowing it to garnish the wages of individuals with a Crown debt. However, Bill 65 was tabled in the Legislature in May 2013. Once approved, this *Enforcement of Money Judgments Act* would “overhaul the law on enforcement of money judgments” (NB Law Reform Notes #32, Office of the Attorney General, December 2012, page 2).

**5.55** Currently, the Province is applying set-off<sup>13</sup> against the wages of provincial employees who have defaulted student loans. Since garnishment legislation is still outstanding, there are missed opportunities for recovery of Crown debts owed by other individuals. We did not attempt to quantify this amount.

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<sup>11</sup> Per section 5(2) of *Limitation of Actions Act*: A claim is discovered on the day on which the claimant first knew or ought reasonably to have known

(d) That the injury, loss or damage had occurred;

(e) That the injury, loss or damage was caused by or contributed to by an act or omission; and

(f) That the act of omission was that of the defendant.

<sup>12</sup> Refers to a defendant acknowledging the liability or obligation in writing.

<sup>13</sup> Section 52(1) of the *Financial Administration Act* states “if a person is indebted to the Province in a specific sum of money, the Comptroller may retain by way of deduction or set-off the amount of indebtedness out of any sum of money that may be due or payable by the Province to that person.”

***Set-off of arrears in social assistance housing rent against benefits***

**5.56** Outstanding rents from tenants in the Social Housing Program are challenging to collect as tenants can be difficult to locate once they have vacated a property. Some of these tenants are social assistance recipients. Therefore, past due rent could potentially be withheld from current social assistance payments. However, this is not currently being done and the Department's position is that this process will be undertaken only with the client's consent.

**5.57** According to staff at the Department of Social Development, there is a team actively working on other solutions for recovery of outstanding housing rent against social assistance benefits. They also plan to look at CRA set-off.

**5.58** While the Department is working towards a solution, there are missed opportunities for recovery of Crown debts. We did not attempt to quantify this amount.

***Information sharing***

**5.59** Lack of current information is one of the challenges when it comes to the effective collection of Crown debts. Many departments we spoke to claimed that they simply do not have current information on their debtors, resulting in an inability to contact them. Information sharing between departments could facilitate the settlement of outstanding Crown debts. The Department of Social Development has current contact information for a number of residents of NB. The *Family Income Security Act* has specific provisions as to what information can be shared. Recent amendments to the Act could allow for the sharing of information. Paragraph 13.1(3) states that "the Minister may permit the release of confidential information" in certain circumstances. Some departments believe the legislation provides the authority to disclose personal information. An official at the Department of Social Development has informed us that, though legislation provides discretion in this matter, the Department is prepared to share information with other departments for the purpose of collecting monies owed to the Province. We were told that the Department has received no such request for information, and should a request be received, it would share information as allowed within the legislation. We believe this is a missed opportunity for departments to get accurate contact information of debtors.

**5.60** There may be other Departments willing to share contact information, if authorized. Other sources of

information could be motor vehicle records maintained by the Department of Public Safety or medicare records maintained by the Department of Health. Disclosure of personal information is allowed under the *Right to Information and Protection of Privacy Act* when the purpose is to collect “a fine, debt, tax or payment owing by an individual to the Province of New Brunswick<sup>14</sup>.” As of 1 September 2013, the *Right to Information and Protection of Privacy Act* (RTIPPA) takes precedence over other acts that would prohibit the disclosure of information for this purpose, unless the other act expressly states that it applies despite RTIPPA<sup>15</sup>. A number of amendments were proposed in Bill 67, tabled in May 2013, affecting 39 pieces of legislation. Once approved, the 39 pieces of legislation would prevail over RTIPPA if one of their provisions is inconsistent with or in conflict with the RTIPPA<sup>16</sup>.

### ***Recommendation***

**5.61 We recommend departments share debtor contact information, where legislation permits (for example, the *Family Income Security Act* or *Right to Information and Protection of Privacy Act*), for the purpose of collecting accounts receivable.**

### ***Tuition cash back***

**5.62** Post-secondary graduates who live and work in New Brunswick can receive cash back on their tuition cost under the NB Tuition Rebate Program. Individuals receive a non-taxable rebate against provincial personal income tax up to 50% of their tuition costs. The analysis lead by the Office of the Comptroller identified the possibility of individuals with defaulted student loans receiving payments from the program. In the past, legislation did not allow the set-off of tuition rebates against defaulted student loans. The analysis estimated that individuals with defaulted student loans are scheduled to receive \$960,000 in tuition rebates over 4 years.

**5.63** We found that the *Tuition Tax Cash Back Credit Act* was amended in 2012 to allow for set-off. Per officials at the Department of Finance, 2013 rebates will go through a verification process against the student loan database. If a

<sup>14</sup> Par. 46(1) q) (i) of *Right to Information and Protection of Privacy Act*

<sup>15</sup> Par. 5(2) of *Right to Information and Protection of Privacy Act*

<sup>16</sup> Per Bill 67: An Act Respecting the Right to Information and Protection of Privacy Act

loan is in default, a set-off will be applied against the rebate.

**5.64** This has positive implications as recoveries will begin in 2013. However, there were missed opportunities for collection between 2008 and 2013. A directive was first issued in 2008 by Board of Management that arrangements for the set-off of the rebate against defaulted student loans be made.

**Move toward  
central collection  
unit**

**5.65** The analysis of collections lead by the Office of the Comptroller also examined the overall state of collections by government. The purpose of the analysis was to create “a plan for the most effective and efficient method of maximizing the collection of amounts owing to the Province”<sup>17</sup>. The analysis determined that “centralizing the collection of accounts receivable in a shared service environment would provide the best structure for improving collections in New Brunswick.”<sup>18</sup>

**5.66** We spoke with a representative at New Brunswick Internal Services Agency (NBISA) to obtain an update on the move toward a central collection unit. At the time of our discussion, we were told that existing processes used by departments had been documented, technology in use had been reviewed, and legislation governing collections by department had been identified. A competition to recruit a *Director of Collection Services* closed on 1 March 2013 and the new Director was in place at the end of May 2013. In the competition description, the “*Director of Collection Services will be mandated to establish and implement a consolidated collection service and associated solutions that will address the collection of bad debt for the Province of New Brunswick.*” Responsibilities include “*re-engineering current processes and developing new strategies in order to achieve significant recoveries and efficiencies across multiple business streams (...) and ensure partnership agreements and performance metrics are established.*”

**5.67** We were also told NBISA is now developing a plan for

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<sup>17</sup> Source: Collection of Receivables-Government Renewal Project #11

<sup>18</sup> Source: Collection of Receivables-Government Renewal Project #11

the establishment of a central collections unit. We were unable to obtain an estimate of the total investment required to set up the unit. The analysis by the Office of the Comptroller included estimates of overall collections likely to be achieved by the central collection unit in years one to three following implementation as follows: Year one - \$6 million; Year two - \$16 million; and Year three - \$22 million.

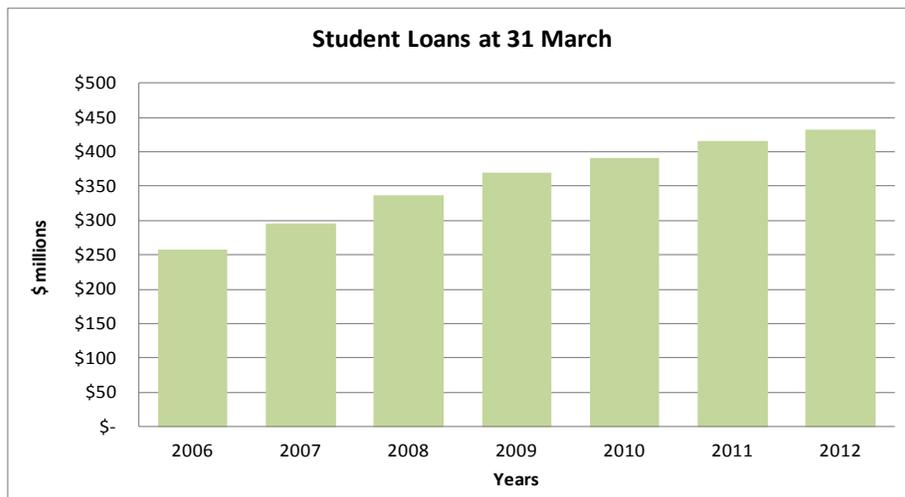
## Accounts receivable across government

**5.68** We decided to look at certain accounts that we felt were representative of the variety of amounts owing to the Province. For each account, we spoke to representatives at the department concerning collections and CRA set-off, and obtained data detailing trends.

## Department of Post-Secondary Education, Training and Labour – Student Loans

**5.69** Loans to students (\$431.6 million in principal) represent close to 50% of total government loans outstanding at 31 March 2012, making it the largest component of the provincial loan balance. In 2005, the Province became the direct lender for student loans. Prior to that, the involvement of the Province was as guarantor of loans issued by financial institutions. The portfolio was managed by the Department of Education from 2005 to March 31, 2006, when management of the portfolio was transferred to the Department of Post-Secondary Education, Training and Labour (PETL). Each year, new loans issued to students exceed collections and therefore the balance of the portfolio is increasing. As shown in Exhibit 5.10, outstanding loans to students have increased 67% in the last six years (from \$258.3 million in 2006 to \$431.6 million in 2012).

Exhibit 5.10: Student Loans at 31 March (in millions)



Figures obtained from Public Accounts at 31 March

**5.70** By contract with the Province, a third party service provider manages all student loans during the time the student is in school, in compliance with repayment agreements or when the loan is less than 270 days in arrears. The repayment of student loans tends to be long term in nature and allowing the service provider enough time to establish a relationship with the borrower and attempt to bring the loan back in good standing if required, is important. The service provider actively monitors the rate of loans in arrears which are brought back in to current standing. The service provider receives incentive fees based on default reduction. When loans exceed 270 days in arrears, the provincial portion of the loan is returned to PETL's Portfolio Debt Management group (PDM) for collection. These loans are classified as "Return to Government" (RTG). When the loans are returned to the Province, the PDM group attempts to contact the debtor and negotiate a repayment agreement. In addition, the PDM group ensures that all loans returned by the service provider are registered for CRA set-off.

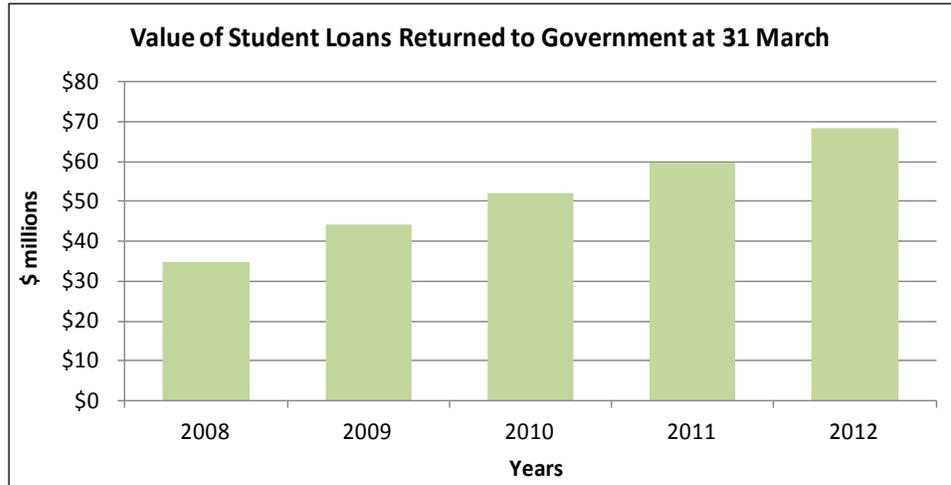
**5.71** PETL began registering student loan accounts for CRA set-off in February 2009. Between February 2009 and January 2013, approximately 14,700 student loans (principal and interest) valued at \$99 million were registered for CRA set-off. During the same period, \$14 million was recovered through CRA, representing an aggregate collection rate of approximately 14% over the four year period. An additional \$3.6 million was collected by the PDM group through other methods such as repayment arrangements.

**5.72** PETL's PDM group has well documented collection processes and is actively collecting on balances owed. According to representatives from the department, collection results using CRA set-off have been very successful, and a key approach for collecting overdue student loans.

**5.73** Beginning in November 2011, a matching process was undertaken to identify provincial civil servants with defaulted student loans. Employees were notified in writing that they must contact PETL and make payment arrangements; otherwise, a 5% set-off would apply. As at January 2013, approximately \$250,000 has been collected from PNB employees through the wage set-off.

**5.74** Despite the various collection efforts of the PDM group, the RTG portfolio is increasing in size. Exhibit 5.11 shows the growth in the portfolio over the last five years.

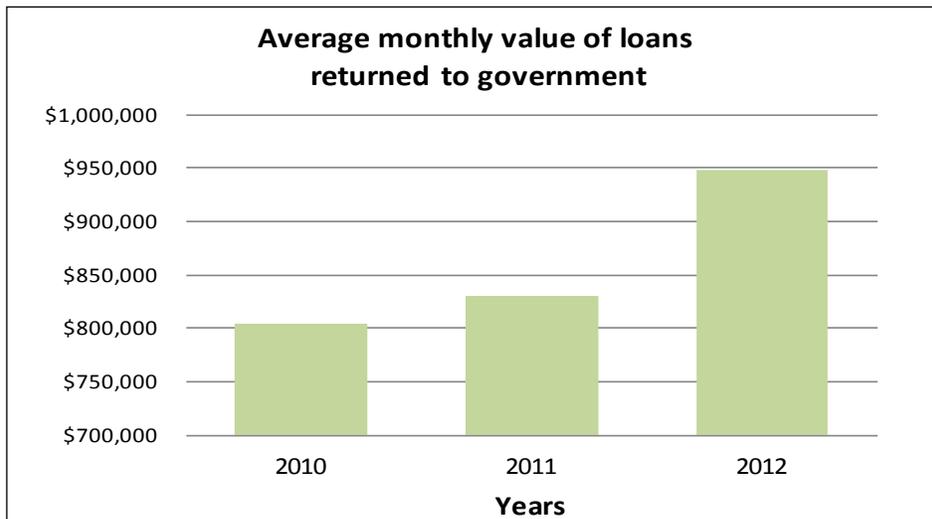
*Exhibit 5.11: Value of student loans returned to government (RTG portfolio) at 31 March*



Figures obtained from the Department of Post-Secondary Education, Training and Labour (unaudited)

**5.75** As shown in Exhibit 5.11, RTG loans almost doubled in size between 2008 and 2012; from \$34.7 million in 2008 to \$68.4 million in 2012. During the same period, the total student loan portfolio increased in size by 28% (from \$336.2 million in 2008 to \$431.5 million in 2012). On average, for the three years ending 31 March 2012, there has been approximately \$860,000 of student loans returned to government each month. Exhibit 5.12 depicts the increase in the average monthly amount of student loans returned to government.

Exhibit 5.12: Average monthly value of loans returned to government



Figures obtained from the Department of Post-Secondary Education, Training and Labour (unaudited)

**5.76** An analysis of collections for the RTG portfolio indicates that only a small portion of loans are collected annually. On average, for the three years ended 31 March 2012, the PDM group has collected less than 4% of the average RTG portfolio principal balance. The value of loans returned to government from the service provider is exceeding collections. On average, for the three years ended 31 March 2012, \$10 million of new loans were added to the RTG portfolio annually. During the same period, on average, only \$2 million was collected annually. CRA set-off accounts for approximately 80% of amounts collected. The overall growth in the portfolio balance and the low collection history should be of concern to government.

**Recommendation**

**5.77** Given the recent rapid growth in the student loans Return to Government portfolio and the limited resources of the Portfolio Debt Management group, we recommend the Department of Post-Secondary Education Training and Labour continue to develop, in conjunction with the central collection unit, a collection strategy for the Return to Government portfolio including establishing collection targets and active monitoring of targets.

**Department of Post-Secondary Education, Training and Labour – Employment Programs**

**5.78** Included in PETL’s accounts receivable are overpayments under various employment programs. These programs provide grants to help individuals receive training and education which assist them to return to work. The overpayments are the result of recipients receiving payments under a program to which they were no longer entitled.

**5.79** From 31 March 2009 to 31 March 2012, the year-end employment programs overpayments balance has increased by almost 20%: from \$3.1 million in 2009 to \$3.7 million in 2012. During this 3 year period, average collections on these overpayments were approximately \$100,000 per year while average annual overpayments were approximately triple at \$300,000 annually. Of the \$3.7 million balance at 31 March 2012, almost \$3 million is greater than 365 days old.

**5.80** Balances owing under employment programs have not been registered for CRA set-off. The Department’s collection effort includes sending monthly statements to debtors. With limited collection effort, the overpayments balance will continue to increase as the annual issuance of overpayments consistently exceeds collection. In addition, as the expiration of the standstill provision on the statute of limitations approaches, collection time will be limited and collection opportunity will end for some amounts when the limitation period expires.

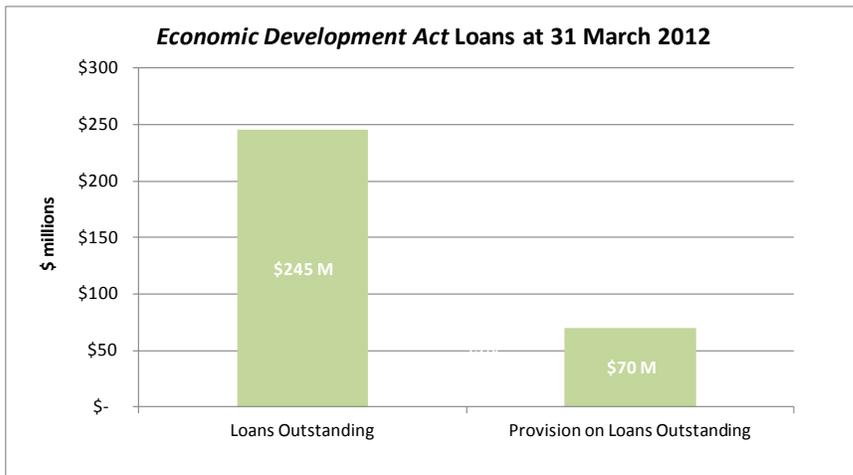
*Recommendation*

**5.81** We recommend the Department of Post-Secondary Education, Training and Labour register employment program overpayments with the Canada Revenue Agency Refund Set-off Program.

**Department of Economic Development – Loans to Business**

**5.82** Loans receivable under the *Economic Development Act* are the second largest component of the provincial loan receivable balance at \$245 million. These loans are provided to support business development and growth of New Brunswick companies. At 31 March 2012, there were 116 loans issued by the Department, some dating back to the early 1990’s. Exhibit 5.13 shows the principal value of these loans as well as the provision for loss on these loans at 31 March 2012.

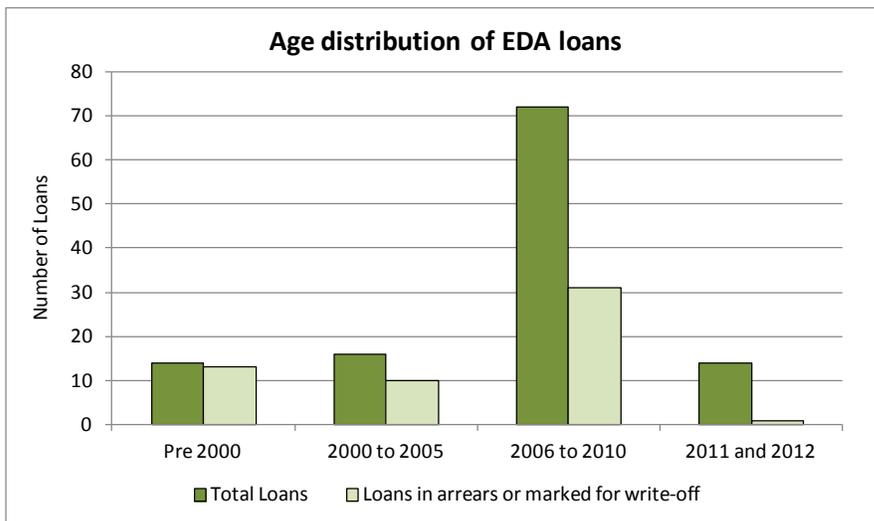
Exhibit 5.13: Economic Development Act loans at 31 March 2012



Based on data provided by the Department of Economic Development (unaudited)

**5.83** We can see the collection of \$70 million (29%) of the loan balance is considered doubtful; over \$43 million (18%) of this amount is currently in arrears or awaiting write-off. In Exhibit 5.14 we can see that as a loan gets older, the rate of default increases. The oldest group of loans, those made before 2000, has a default rate of 93% while those made in recent years have a default rate of 7%.

Exhibit 5.14: Aging of Economic Development Act (EDA) loans



Based on data provided by the Department of Economic Development (unaudited)

**5.84** Lending arrangements are flexible and tailored to the needs of each borrower. When companies are unable to meet the payment terms of their loan, refinancing is often required. When security is placed on these loans, it is often secondary to a bank. We were told that collecting on these

accounts can be challenging as many companies are in a vulnerable state and aggressive pursuit could lead to insolvency. However, though companies are not strong financially and there is a risk of loss, the Department believes there are other economic benefits to these loans:

- revenue from property tax collected from the business;
- revenue from personal income tax collected from individuals benefiting from the jobs created by the business; and
- potential decrease in social assistance benefits in the community where the business is located.

**5.85** There is no current collection policy nor is there a collections unit at the Department. Collection efforts are the responsibility of loan officers who must ensure loans are paid when due and if not, must investigate the cause. This may conflict with their primary role of supporting the development of client companies. To improve their collection efforts, the Department indicated the need of a “special” loans manager to allow quick action in the case of default. This individual would be knowledgeable of the options available at default and assist debtors whose loans are in default, yet would not be involved in granting loans.

**5.86** The CRA Refund Set-off Program cannot be used as a collection method in these situations as set-off is applied to the tax refund of individuals, not corporations. There is currently no program for set-off against corporations.

**5.87** The Department recently registered loans from the Entrepreneur Program with CRA for set-off. In March 2013, 278 accounts valued at \$2,197,716 were registered for set-off. No recoveries had yet been reported at the time of our work.

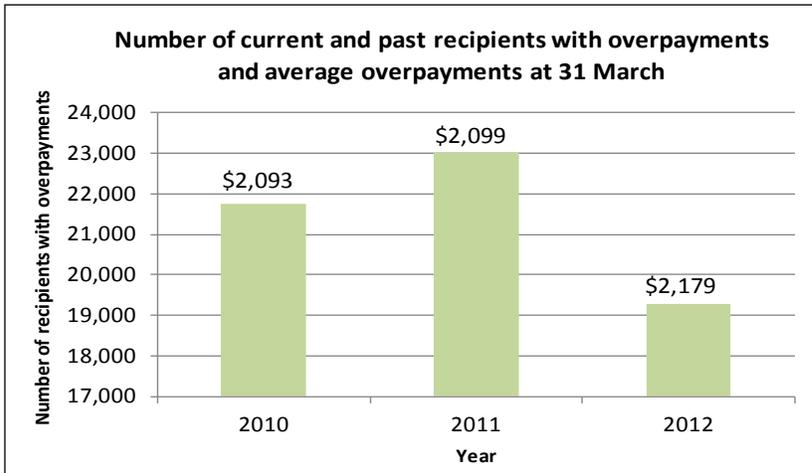
***Recommendation***

**5.88 To improve the recovery of loans receivable from businesses, we recommend that independent expertise in collection of business accounts be engaged to assist either the Department of Economic Development or the central collection unit. The expert engagement should include the development of an action plan to address the historic high delinquency rate of economic development loans to businesses.**

**Department of  
Social Development  
– Social Assistance  
Overpayments**

**5.89** At 31 March 2012, there were over 19,000 current and past recipients of social assistance who owed more than \$42 million in overpayments of benefits to the Department of Social Development. Exhibit 5.15 shows the number of clients with overpayments, as well as the average value of the overpayment, at 31 March.

*Exhibit 5.15: Number of current and past social assistance recipients with overpayments and average overpayment per recipient at 31 March*



Based on data provided by the Department of Social Development (unaudited)

**5.90** The decrease of accounts receivable between 2011 and 2012, as shown in Exhibit 5.15 is the result of a write-off of 5,200 cases valued at approximately \$10 million. Virtually all of these accounts (96% to 98%) are over 120 days old.

**5.91** Overpayments may be the result of a misrepresentation by the client or an error by the Department. Regardless of their cause, all overpayments require reimbursement to the Department.

**5.92** When an overpayment occurs to a current recipient, they are required to make payments against their overpayment balance at the rate of 5% of their monthly assistance benefit.

**5.93** For recipients with overpayments that are no longer receiving social assistance benefits, letters are sent advising them of the amount owing and requesting they make payment arrangements. If payment arrangements are not made, the Department registers these account with the Canada Revenue Agency for set-off.

**5.94** Social assistance benefit overpayments became a

registered program with CRA in January 2011. Staff at the department provided us with figures on the success of their recovery efforts as at 31 March 2012 as well as their most recent figures for 2013, which can be found in Exhibit 5.16.

*Exhibit 5.16: Recovery efforts at 31 March 2012 and 5 March 2013*

Recovery efforts at 31 March 2012 and 5 March 2013		
	31 March 2012	5 March 2013
<b>Total overpayments</b>	\$ 42,029,178	\$ 46,343,442
<b>Accounts registered with CRA</b>	\$ 6,939,276	\$ 9,044,097
<b>Amount of recoveries: CRA set-off</b>	\$ 123,763	\$ 210,836
<b>Amount of recoveries: repayment arrangements</b>	\$ 51,017	\$ 114,656

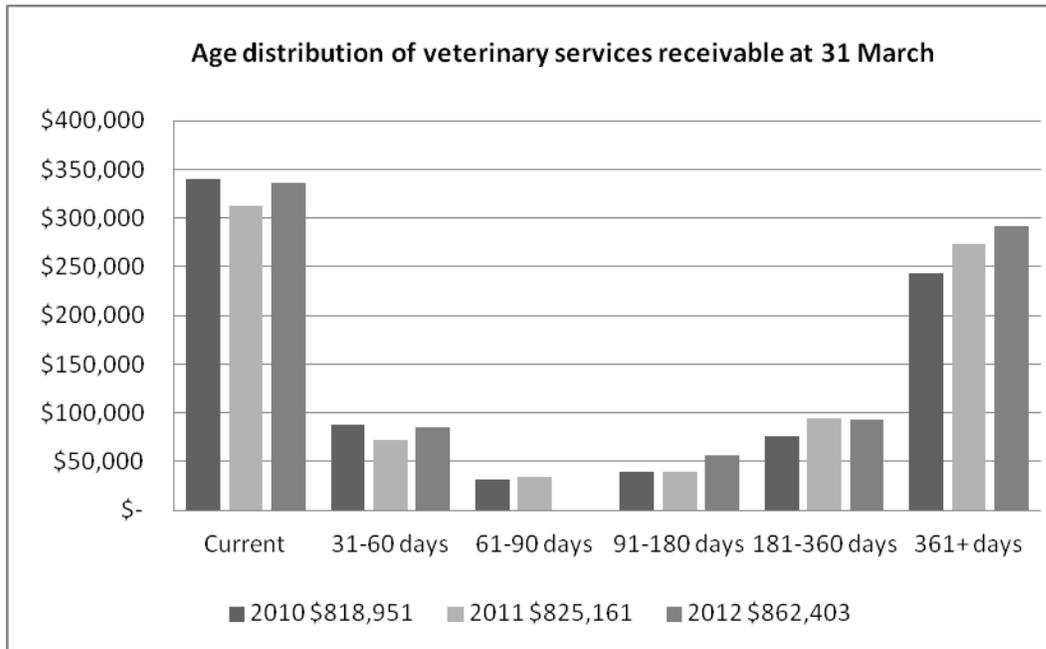
Based on data provided by the Department of Social Development (unaudited)

**5.95** The Department has a collection policy for existing clients but none for terminated clients. The Department has a small team pursuing collection activities, focusing on payment arrangements and CRA set-off. Though the Department is making progress, their most recent figures indicate that less than 1% of overpayments have been recovered through CRA set-off and repayment arrangements. The Department indicated that they estimate over \$500,000 in cumulative recoveries will be provided by CRA set-off by 31 March 2013.

**Department of  
Agriculture,  
Aquaculture and  
Fisheries –  
Veterinary Services**

**5.96** At 31 March 2012, there were approximately 1,100 clients owing over \$862,000 for veterinary field, clinic and laboratory services. Exhibit 5.17 depicts the aging distribution of the balance owing at 31 March. This exhibit shows that the majority of amounts outstanding are either current or over 361 days in arrears.

Exhibit 5.17: Aging distribution of veterinary services receivable at 31 March



Based on data provided by the Department of Agriculture, Aquaculture and Fisheries (unaudited)

**5.97** Veterinary services receivable is a small portion of total government receivables. However, almost half of the balance is greater than six months old. In addition, the value of accounts greater than 361 days is almost equal to that of current balances and is increasing in size. Interviews with the Department revealed that part of the collection issue arises because provincial veterinary services cannot be refused to clients regardless of outstanding balances or collection history.

**5.98** Some past due veterinary services receivables accounts are held by government employees. Though this is one example, there are likely other receivable amounts due from employees.

### **Recommendation**

**5.99** We recommend a matching process be undertaken to identify provincial employees with past due accounts for veterinary services or with any other amounts in arrears. Payment arrangements should be established or payroll set-off applied. In the future, departments should collect a “unique identifier” from individuals in order to facilitate recovery (through matching) should default occur.

**5.100** In October 2011, veterinary receivables became a registered program with CRA. Staff at the Department provided us with some figures on the success of their

recovery efforts at 31 March 2012 as well as their most recent figures for 2013, which can be found in Exhibit 5.18 below. This exhibit shows that approximately 18% of accounts receivable were registered for CRA set-off at 31 March 2012. Recoveries through CRA set-off were approximately 4% at 31 March 2012 but have grown to 16% at 4 March 2013.

Exhibit 5.18: Recovery efforts at 31 March 2012 and 4 March 2013

Recovery efforts at 31 March 2012 and 4 March 2013		
	31 March 2012	4 March 2013
<b>Total Receivable</b>	\$ 862,403	\$ 876,184
<b>Accounts registered with CRA</b>	\$ 152,343	\$ 153,176
<b>Amount of recoveries: CRA set-off</b>	\$ 6,646	\$ 24,217

Based on data provided by the Department of Agriculture, Aquaculture and Fisheries (unaudited)

### Department of Finance – Property Tax

**5.101** As mentioned earlier, property tax is the largest component of taxes receivable. For the three years ending 31 March 2012, the average balance of property tax receivable was approximately \$1 billion.

**5.102** However, approximately 90% of the receivable balance relates to current year billings. Property tax billings are made at the end of the fiscal year in March but are not due until the following fiscal year; creating a significant receivable at year-end. Exhibit 5.19 shows the year-end balance of property taxes receivable, excluding current year billings, over the past ten years.

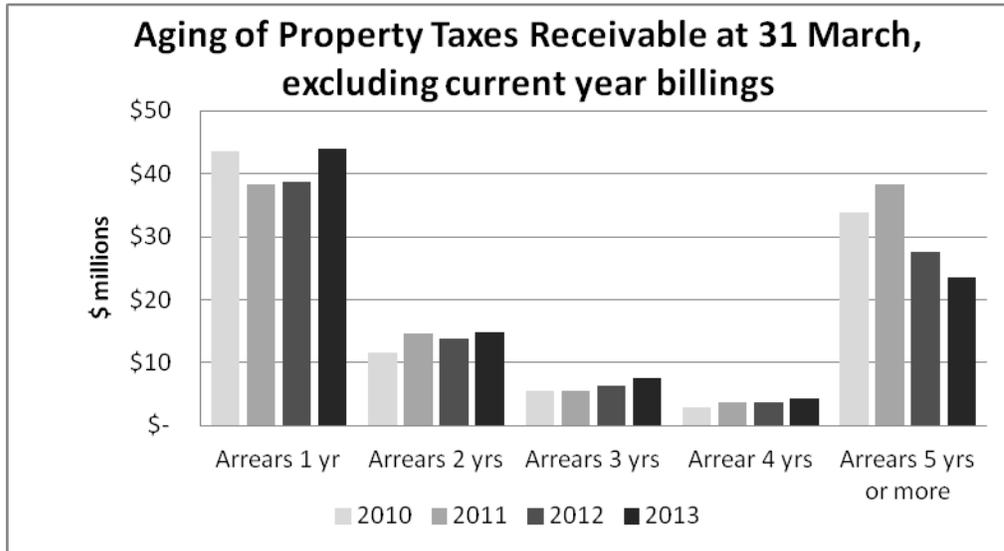
Exhibit 5.19: Property Taxes Receivable at 31 March, excluding current year billings (in millions)



Amounts for years 2003 to 2011 were prepared by the Department of Finance (unaudited); 2012 figure calculated by OAG

**5.103** Exhibit 5.20 shows that a significant portion of the property tax receivable balance is greater than five years old.

*Exhibit 5.20: Aging of Property Taxes Receivable at 31 March, excluding current year billings (in millions)*



Based on data provided by the Department of Finance (unaudited)

**5.104** Over the past year, the Department of Finance has undertaken several initiatives in an effort to reduce the receivable balance including: administrative improvements and an increase in the amount of deletion authority for the Minister. A property tax reconciliation program has been implemented offering property owners with arrears greater than one year an opportunity for relief of a portion of penalties if they make arrangements for repayment. There are three relief options depending on the repayment plan selected. We were informed that by March 2013, \$3.7 million had been collected on 1,100 accounts under this initiative. The Department of Finance intends to use CRA set-off for the collection of property tax accounts in 2013.

**Recommendation**

**5.105** We recommend the Department of Finance complete its work to routinely register overdue property tax receivable accounts with the Canada Revenue Agency Refund Set-off Program.

**Accounts receivable  
– First Nations  
Tuition**

**5.106** Amounts receivable from First Nations, including principal and interest, is a material component of the general receivables. This balance had been steadily increasing until 2012 when significant write offs were made. At 31 March 2011, prior to these significant write-offs, receivables from First Nations accounted for 12% (\$ 85.8 million) of the balance in general receivables. This amount has accumulated over a number of years. Education agreements between the Province and First Nations involve multiple government departments, 16 First Nation communities as well as the Federal government. Given the value and complexity of these balances, we decided to complete a more detailed analysis on accounts receivable from First Nations.

**Background**

**5.107** New Brunswick First Nation communities and their regional organizations have the responsibility of managing and delivering education programs and services in a number of band-operated schools on reserves across the Province. When a First Nations student attends a provincial school (off-reserve), the Department of Education and Early Childhood Development (EECD) charges a tuition fee to cover the cost of the student's education. Aboriginal Affairs and Northern Development Canada (AANDC) provides funding to First Nation communities to cover these tuition fees. Each year, approximately 1,500 on-reserve First Nations students attend New Brunswick public schools.

**5.108** According to the Aboriginal Affairs Secretariat (AAS), the relationship between the Department and First Nation communities had been deteriorating over time and by 2004, the Department did not have signed agreements for the provision of educational programs and services for many First Nations students.

**5.109** In addition, up to 2008, the funding provided by AANDC for tuition did not cover the actual cost incurred by First Nation communities. This gap in funding resulted from a federal funding cap set for the Atlantic region.

**5.110** Furthermore, AAS indicated that First Nation communities did not feel they were receiving the level of educational services required for the success of their students. As a result, First Nation communities began withholding tuition payments owing to the Province.

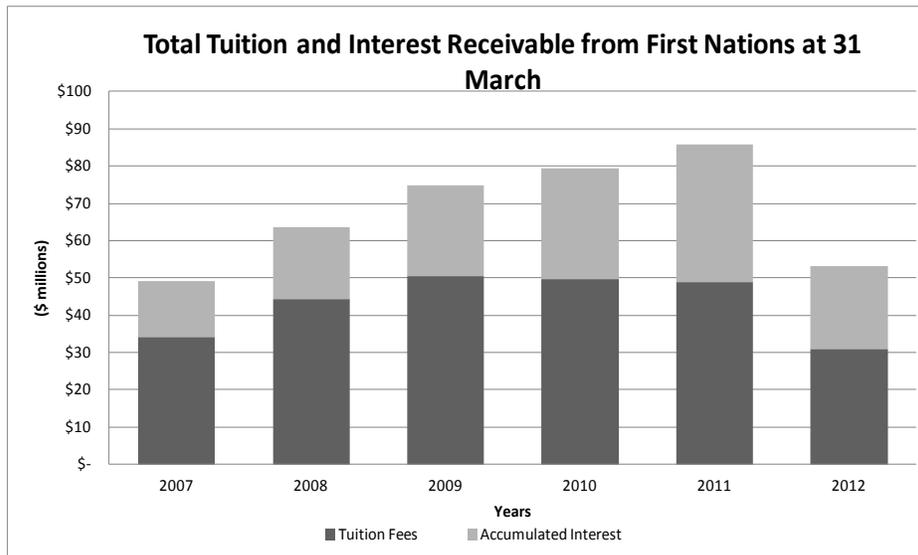
**Enhanced First Nations Education Programs and Service Agreements**

**5.111** In 2008, EECD was given the mandate to negotiate five year (2008-2013) Enhanced First Nations Education Programs and Service Agreements (Enhanced Agreements) which would eliminate the funding gap between federally funded tuition amounts and provincial tuition rates. Enhanced Agreements were to include a commitment by the Province to reinvest 50% of the tuition paid by First Nations into the public school system to support enhanced programs for First Nation students. This was to be subject to the repayment of accumulated tuition arrears by the First Nations.

**Tuition Arrears Repayment Agreements**

**5.112** Starting in 2008, negotiations between AAS and First Nation communities to develop the First Nation Tuition Arrears Repayment Agreement (TARA) were commenced. They included a repayment plan for outstanding tuition arrears owed to the Province for past educational services rendered. Enhanced Agreements were to be signed with First Nations who, where appropriate, had signed the Tuition Arrears Repayment Agreements (TARA). Over the course of negotiations and at the request of the First Nations Chiefs, the two agreements were temporarily de-linked with the understanding that First Nations would continue meeting with the Province to conclude tuition arrears negotiations in a timely manner. The principal amount of tuition arrears owing from 11 of 16 First Nations was approximately \$46.5 million at the commencement of negotiation. The remaining five First Nations were under a separate arrangement where tuition payments were made directly from AANDC to the Province. Exhibit 5.21 shows the total amount of tuition and interest receivable from First Nation communities at 31 March.

Exhibit 5.21: Total tuition and interest receivable from First Nations at 31 March



Based on data provided by the Department of Education and Early Childhood Development (unaudited)

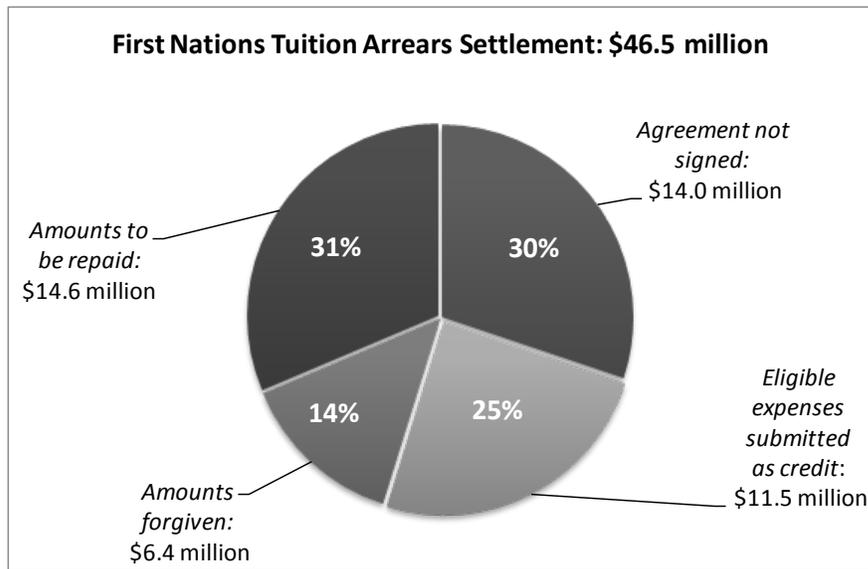
### Tuition Arrears Repayment Agreements Negotiations

**5.113** Tuition Arrears Repayment Agreements have been signed by eight of 11 First Nations. Agreements remain outstanding for three First Nations. However, all 16 First Nations have signed Enhanced Agreements and are currently benefiting from the 50% tuition reinvestment by the Province. Though the tuition reinvestment was subject to the repayment of accumulated tuition arrears, the three First Nations that have not signed TARA agreements began receiving the enhanced funding between April 2009 and September 2010.

**5.114** During the TARA negotiation process, AAS acknowledged that prior to the signing of Enhanced Agreements, First Nations were providing educational resources to their students separate from any provincially funded programs. AAS, EECD and Board of Management agreed that credit would be given for these expenditures to the First Nations against amounts owing from tuition arrears. Many First Nations received a credit against amounts owing on tuition arrears in recognition of supported expenditures for educational purposes. In addition, during the negotiation process, a portion of tuition arrears owing by one First Nation was forgiven.

**5.115** Exhibit 5.22 shows a breakdown, by category of settlement, of the \$46.5 million in arrears owed by 11 First Nations. Negotiations and settlements with individual First Nations took place over a number of years. Three are still ongoing.

Exhibit 5.22: Breakdown of First Nations Settlement of Tuition Arrears (principal only)



Based on data provided by Aboriginal Affairs Secretariat (unaudited)

**5.116** To date, eligible expenses of \$11.5 million have been accepted as credit for arrear amounts owing by eight First Nations. We have been told by EECD that First Nation communities who did not have arrear amounts owing view this situation as unfair. Though these First Nations funded additional programs for their students, they received no similar benefit from the Province for their initiatives. This effectively penalized those First Nations for not having arrears owing.

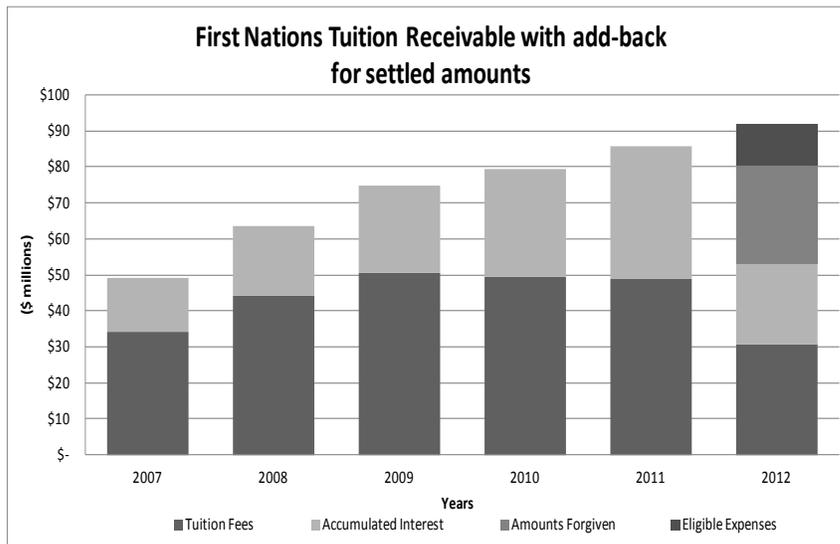
### **Interest**

**5.117** Board of Management has authorized that no interest be collected on arrears under the TARAs. Consequently, in 2011, approximately \$20 million in interest owed by four First Nations was written-off.

**5.118** For amounts owing under the Enhanced Agreements, interest is accumulated annually. Board of Management noted that interest would be charged on tuition not paid in accordance with the terms of the Enhanced Agreements. However, both AAS and EECD stated that there is no expectation of interest repayment from the First Nations. When interest income is recorded, it is immediately set-up with a 100% allowance for doubtful accounts, and no portion of any payment is applied to interest owing.

**5.119** Exhibit 5.23 demonstrates the significant cost to the Province of write-off and acceptance of eligible expense as credit on the balance of First Nations tuition receivable.

Exhibit 5.23: First Nations Tuition Receivable with add-back for settled amounts



Based on data provided by Aboriginal Affairs Secretariat (unaudited)

### ***Repayment under Tuition Arrears Repayment Agreements***

**5.120** During the negotiation process for the TARA agreements, AAS allowed each First Nation community to choose a repayment schedule that would not cause them financial hardship. In one instance, a First Nation community is repaying approximately \$25,000 annually (on total arrears owing at January 2013, of \$580,000) until 2035. In another case, the repayment of the remaining \$800,000 in arrears is over a 20 year period. Given that amounts owing under TARA's are not subject to interest, there is a cost to government to granting lengthy repayment terms.

### ***Opportunity for set-off against other payments***

**5.121** In 2008, Board of Management approved the retention of payments by way of deduction or set-off against amounts due and payable to the Province by a First Nation under the TARAs. The Province of New Brunswick issues large payments to First Nations under various gas, tobacco and gaming agreements. There exists an opportunity to recover educational amounts owed under TARAs through set-off from these payments. Even though Board of Management granted authority for set-offs in 2008, to date, this option has not been pursued.

**5.122** Finally, the Enhanced Agreements contain the following clauses:

#### *5. Tuition Arrears Repayment*

*5.1 The First Nation hereby agrees, where appropriate, to execute a First Nation and Province of New Brunswick Tuition Arrears*

*Repayment Agreement to address outstanding tuition arrears owed to the Province for past education services rendered.*

*5.2 Failure to fulfill the obligations under First Nation Province of New Brunswick Tuition Arrears Repayment Agreement may result in the cancellation of this Agreement.*

**5.123** Even though three First Nations have not signed TARA agreements, reinvestments under the Enhanced Agreements continue to be made and the agreements have not been cancelled.

*Recommendation*

**5.124** Given the current five year Enhanced Agreements with First Nations are ending in 2013, we recommend the Aboriginal Affairs Secretariat and the Department of Education and Early Childhood Development establish payment arrangements for all arrears owing prior to the signing of new Enhanced Agreements. Reinvestment of provincial funds (under the new Agreements) should not take place until payment arrangements have been negotiated.

**Equitable treatment of debtors**

**Taxpayers who owe money should be treated equitably**

**5.125** While gathering information on accounts receivable from various departments, we discovered that debtors are treated differently depending on the department that holds the debt. In some cases, we noted differences between departments that appeared inequitable.

**5.126** The following are some examples of inequitable treatment:

- Interest is charged and collected on some overdue accounts but not others.
- An entity can owe money to one department but receive payment from another. In one instance, a company was in default of a loan yet received funding from the same department.
- Some public servants who owe money to government (e.g. employees with overdue student loans) are having

their wages set-off<sup>19</sup> while others are not (e.g. employees who owe veterinary fees).

- There is greater focus on individuals than on businesses when pursuing amounts owed to the Province (pursuit of current or former social assistance clients for overpayments vs. pursuit of businesses with defaulted loans).
- Practices with regards to collection of accounts receivable from First Nations appear unique and less stringent than all other accounts receivable we reviewed.

#### 5.127 Numerous policies in volume 6 of PNB's

Administration Manual provide guidelines for managing accounts receivable at the department level. Policy AD-6304 requires that departments “*establish documented collection procedures for the various types of accounts receivable*”. We reviewed this policy, as well as other related documents, to determine whether fair treatment of debtors is explicitly part of the guidelines to departments in establishing collection policies. We also reviewed the collection policies (where they existed) of a number of departments. We found that equitable treatment of debtors was not part of the guidelines, nor was it part of the vast majority of collection policies we reviewed. While doing research for our project, we found that some jurisdictions do include fair treatment of debtors in their policies and guidelines on managing accounts receivable. For example, the Treasury Board of Canada's *Directive on Receivables Management* lists the following responsibilities of deputy heads toward debtors:

*Establishing procedures (...) to ensure fair treatment of debtors:*

- *debtors are informed of their obligations under applicable acts and regulations and advised of any existing administrative review or appeal processes that provide relief, redress or both;*
- *applicable acts, regulations or policies are applied consistently toward all debtors;*
- *any information provided to debtors is accurate and*

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<sup>19</sup> Per section 52(1) of the *Financial Administration Act*: If a person is indebted to the Province in a specific sum of money, the Comptroller may retain by way of deduction or set-off the amount of the indebtedness out of any sum of money that may be due or payable by the Province to that person.

- understandable;*
- *the debtor's financial situation and any other special circumstances are considered when collecting a debt; and*
- *the department's service expectations to debtors are openly communicated to debtors.*<sup>20</sup>

**5.128** We believe it is a best practice to have consistent collection policies for all government debtors. Government should treat taxpayers who owe money in a fair and equitable manner. This concept should be included in any policies developed during the implementation of the centralized collection unit.

***Recommendation***

**5.129** We recommend the Department of Finance establish collection guidelines to ensure equitable treatment of debtors.

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<sup>20</sup> Per subsection 6.1.7 of *Directive on Receivables Management*, Treasury Board of Canada Secretariat

# Chapter 6

## NB Power

# Point Lepreau Generating Station Refurbishment – Phase I

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# NB Power Point Lepreau Generating Station Refurbishment – Phase I

## Introduction

**6.1** The Point Lepreau Generating Station refurbishment was one of the largest capital projects ever undertaken in the Province of New Brunswick. Its final estimated capital cost for NB Power was \$1.4 billion. Another \$1.0 billion in expenses relating to NB Power Nuclear operating costs and NB Power’s incremental cost of providing replacement power during the refurbishment period were deferred in a special account. NB Power intends to recover the \$2.4 billion refurbishment (less any recoveries from other sources) over the next 27 years through provincial electricity rates.

**6.2** The refurbishment took 37 months longer and cost \$1 billion more than anticipated. Given the magnitude of this capital project and the likelihood that NB Power will undertake future large capital projects, we believe this chapter should be of considerable interest to the Legislative Assembly as well as the New Brunswick public, most of whom are also NB Power rate payers.

## Scope

### Phase I

**6.3** We decided to approach this examination in two phases. Our objectives for Phase I were as follows:

1. to describe key aspects of NB Power’s planning and execution of the Point Lepreau refurbishment; and
2. to report summary-level financial information of amounts making up the \$1.4 billion capital asset account and the \$1.0 billion deferral account related to the refurbishment.

**Phase II**

**6.4** In Phase II, we intend to continue with our examination of the refurbishment. In particular, we will complete more detailed analyses and testing of key components of costs of the project and assess their reasonableness, using the information presented in this chapter as a base. We plan to report on Phase II of our work in our 2014 Report.

**6.5** In researching the information presented in this chapter, we conducted interviews with various NB Power representatives and toured the Point Lepreau Generating Station. We also reviewed the minutes of the NB Power board and its Nuclear Oversight Committee, attended several sessions of Energy and Utilities Board (EUB) rate hearings for NB Power, and reviewed other documents. Finally, we reviewed and summarized expenditure information related to the refurbishment.

**6.6** Certain financial, statistical and other information presented in this chapter was compiled from information provided by NB Power. It has not been audited or otherwise verified. Readers are cautioned that this financial, statistical and other information may not be appropriate for their purposes.

**Results in brief  
Decision – Making  
Process**

**6.7** Final government approval to refurbish the Point Lepreau Generating Station was announced by the Premier on 29 July 2005. The Boards of New Brunswick Power Nuclear Corporation (Nuclearco) and New Brunswick Power Holding Corporation (Holdco) had previously recommended proceeding with the refurbishment.

**6.8** The initial decision to conditionally contract with Atomic Energy of Canada Limited (AECL) was made in 2001 and we saw no evidence that it was challenged until a consultant hired by the Province reported in 2004. His recommendations, although received three years after the start of the decision-making process, did result in:

- a vetting of the draft agreement between AECL and NB Power, especially focusing on the costs to be paid and the risks to be assumed by the two parties; and
- some consideration of other possible alternatives to refurbishing the nuclear facility using AECL.

**Risks Not Adequately Addressed in Decision-Making**

**6.9** Some other risks were not adequately addressed through the decision-making process including:

- The risk to the Province of financing such a large undertaking on its own. The search for a partner did not begin until after the report from the provincial consultant was delivered in 2004, and was ultimately unsuccessful.
- The risk associated with the length of time needed to recover all costs of the refurbishment, estimated to be 27 years by NB Power. (i.e. will the PLGS continue to generate power, and therefore revenue, throughout the entire period). (Note – This estimate was subsequently accepted by NB Power’s regulator, the EUB.) The cost of building or refurbishing a nuclear power facility may be higher than the construction or refurbishment costs of some other generating options. This introduces an element of higher risk in that more dollars invested need to be recovered over a long period. If the business environment is not stable, or favorable, then this increases the risk of obtaining full recovery over a long period. It appears that an assumption was made that the business environment in which NB Power would be operating over the life of a refurbished PLGS would remain relatively stable. However, during the period the refurbishment was being planned and executed NB Power was restructured, attempts were made to sell all or part of the Corporation, consideration was given to building a second nuclear reactor at Point Lepreau, and part of AECL, the primary contractor, was sold. Also, growth in provincial demand for electricity has been flat in recent years.
- The risk that significant PLGS refurbishment planning costs (\$90.2 million or 6.4% of the original project cost of \$1.4 billion) incurred before final approval would be of no benefit if another alternative was chosen. NB Power indicated a small percentage of total project costs are typically incurred on a progressive basis during the planning phase of a project of this magnitude, and such costs are necessary to ensure decision-makers have access to adequate information about options under consideration.

**Recommendation for Future Major Capital Projects**

**6.10** Our recommendation regarding the decision-making process for future major capital projects is presented in Exhibit 6.1.

**PLGS  
Refurbishment  
Completion and  
Oversight**

*Delay in Completion of  
PLGS Refurbishment*

**6.11** The PLGS refurbishment was substantially complete by May 2012. NB Power representatives indicated installation of the 380 calandria tubes was delayed by 15.5 months because of accidental physical damage to calandria tube sheet bore holes which resulted in the tubes having to be installed twice. NB Power declared the plant commercially viable in November 2012. That is the point when the 27 year extended life of the PLGS was deemed to have commenced.

**6.12** The financial impact upon NB Power relating to the delay in completion of the refurbishment was, as of October 2013, still in dispute. Litigation against the project’s insurance underwriters to recover a significant portion of losses associated with the delay was pending.

*Oversight of PLGS  
Refurbishment Process*

**6.13** We found evidence of a rigorous oversight reporting structure operating throughout the life of the refurbishment project. This involved NB Power and Nuclearco board members, along with senior and operational management staff of NB Power and AECL.

**Costs Associated  
with the PLGS  
Refurbishment**

*Total Cost of PLGS  
Refurbishment*

**6.14** Costs associated with the PLGS refurbishment as of November 2012, totaled \$2.4 billion. This amount included \$1.4 billion in direct capital costs of the refurbishment and an additional \$1.0 billion of deferred costs also considered part of the overall cost of the refurbishment under regulatory rules. These amounts exceeded planned costs of \$1.0 billion in capital and \$0.4 billion in deferred costs by a total of \$1.0 billion.

*Capital costs of PLGS  
Refurbishment*

**6.15** Capital costs of the project included all direct costs associated with planning and completing the refurbishment of PLGS including work done by third-party contractors and NB Power staff, along with financing costs incurred during the construction period.

**6.16** Key components of capital costs included \$90.2 million for project planning and initiation, \$780.3 million for contracted or professional services, \$260.5 million in NB Power internal costs, and \$292.9 million in capitalized interest.

*Deferred Costs of  
PLGS Refurbishment*

**6.17** Deferred costs were expenses incurred by Nuclearco and a related company NB Power Generation Corporation (Genco) because the PLGS was offline, and therefore generating no power, during the refurbishment period. Such

costs were not eligible for capitalization as part of capital asset accounting standards applicable to NB Power. However, they are subject to recovery from customers in future periods (i.e. those customers who use the power generated by the refurbished PLGS) through the EUB rate-setting process.

**6.18** Deferred costs accumulated by November 2012 included Nuclearco operating costs of \$839.8 million, Genco costs to buy replacement power of \$1,032.9 million, interest costs allocated to the deferral of \$112.0 million, less a credit of \$957.1 million representing an allocation of revenues received from customers during the refurbishment period.

Exhibit 6.1 – Summary of recommendations

Recommendation	Department’s response	Target date for implementation
<p><b>6.31</b> Based upon our observations relating to the decision-making process for the Point Lepreau Generating Station refurbishment, we recommend for future major capital projects undertaken by NB Power:</p> <ul style="list-style-type: none"> <li>• the decision-making process be clearly documented, including identifying the roles and responsibilities of key players (i.e. NB Power, the Province, external contractors, regulators such as the Energy and Utilities Board, etc.) before significant amounts are expended;</li> <li>• a planned decision-making timeline be developed and agreed upon by key players;</li> <li>• all feasible options be identified and fully investigated as early in the process as possible;</li> <li>• pre-decision spending be limited to that needed to adequately evaluate and mitigate risks associated with options under consideration prior to selecting a preferred option;</li> <li>• an independent, third-party expert be contracted to guide the process of selecting the best option, identifying and developing mitigation strategies for all significant risks, identifying a preferred proponent, and ensuring that the corporation gets the best possible outcome for provincial ratepayers; and</li> <li>• the process be transparent and the public made aware of the criteria to be used for decision making, progress towards making a decision and key reasons for the selection of a preferred alternative.</li> </ul>	<p><i>Effective project management is essential to achieving NB Power’s strategic goals and objectives. The refurbishment of the Point Lepreau Generating Station was the largest capital project completed by NB Power in decades.</i></p> <p><i>NB Power is committed to learning from this valuable experience and building increased efficiencies and effectiveness in its project management processes. NB Power values and supports the recommendations made in this report and will be implementing them as part of the work initiated through the establishment of a new Corporate Project Management Office.</i></p> <p><i>The Corporate Project Management Office will ensure a systematic and consistent approach to management of major projects within NB Power. The Corporate Project Management Office will establish the requirements for formal project management and governance plans for each major project, including clarifying the roles and responsibilities of all key participants in the project.</i></p> <p><i>All major project approvals and spending will follow a gated or phased-in approach, which includes the required approvals from a variety of participants including the NB Power Board of Directors as well as regulators. The approach will also incorporate consultation processes to engage third-party consultants, the public and First Nations communities in the consideration of project options.</i></p> <p><i>The recommendations in report will be completed and incorporated into NB Power’s Project Management Framework to be implemented as part of NB Power’s next major Project.</i></p>	<p>12 – 18 months</p>

## **Background**

### **New Brunswick Power Nuclear Corporation (Nuclearco)**

**6.19** New Brunswick Power Nuclear Corporation (Nuclearco) was responsible for the ongoing operation of the Point Lepreau Generating Station (PLGS), including during the period in which the refurbishment took place. Nuclearco has its own board of directors and the legal authority to enter into contracts. It was accountable to the Province through its parent organization, the New Brunswick Power Holding Corporation (Holdco). Nuclearco and Holdco have all common directors. Appendix 1 provides detailed information on the structure of the NB Power Group of companies at the time of the refurbishment.

**6.20** Nuclearco assumed responsibility for the PLGS refurbishment once a decision was made to proceed. NB Power representatives indicated the refurbishment created as many as 2,000 jobs during the construction life of the project. PLGS employs approximately 800 workers on a permanent basis.

### **Provincial Demand for Electricity Trending Downward**

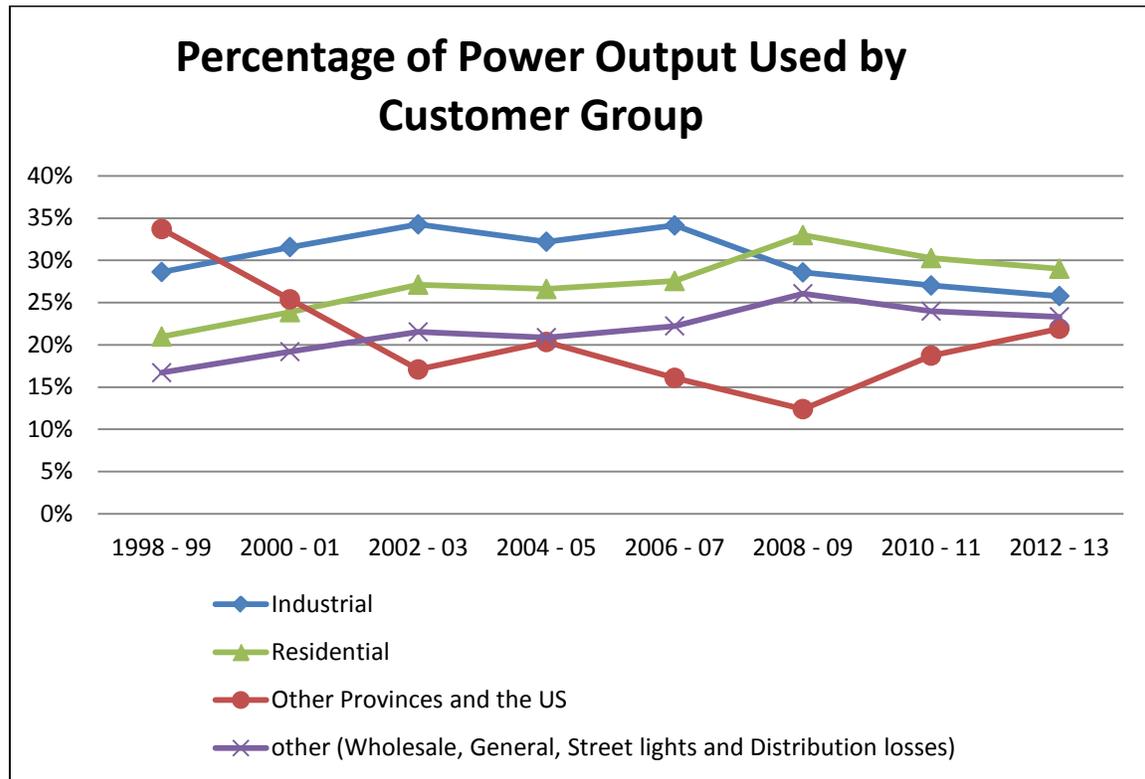
**6.21** NB Power electricity sales (in kilowatt hours) by NB Power decreased 15% over the last 15 years, from a peak of over 20,000 million kilowatt hours (KWh) in 1998/99 to approximately 17,000 million KWh in 2012/13. However, this drop in demand has not been consistent among revenue categories.

### ***Change in Relative Demand for Electricity Between Customer Groups***

**6.22** As shown in Exhibit 6.2, since 1998/99 the customer category, “other provinces and the US” has gone from the highest users of NB Power-provided power to the lowest. Overall usage by this customer group has dropped 47% over that period. Further, sales to industry have experienced a drop of 27% during that period.

**6.23** However, during the same period residential users have moved up from third to first on the list, and are now consuming almost 30% of power provided by NB Power.

Exhibit 6.2 – Percentage of Power Output Used by Customer Group



Source: prepared by OAG from NB Power annual reports.

**6.24** A review of the rates charged to all NB Power customers showed an average annual increase of 2.7% in the fiscal 1999 to 2013 periods, as indicated in NB Power annual reports. This is slightly higher than the average annual increase in the consumer price index (CPI) over the same period of approximately 2.0%.

## Point Lepreau Generating Station (PLGS) Refurbishment Decision-Making Process

**6.25** In the late 1990s a consultant was engaged to “determine the operational and economic life of PLGS and ... to evaluate the optimal operational strategies for PLGS”. In April 1998 the consultant reported that NB Power should plan on refurbishing the plant between 2005 and 2011 rather than a previously-identified target of 2014. A target date of 2006 for shut down and commencement of the refurbishment was established. NB Power indicated this target date was subsequently revised during the 2003/2004 fiscal year after it was determined the operation could continue to 2008 with acceptable risk. The consultant also advised:

- PLGS not be shut down in the near future;

- PLGS should be operated as long as possible before refurbishment;
- Given [high] natural gas price expectations, nuclear plant life extension appeared to be the more economical solution when compared with the option of developing a natural-gas fired generating plant; and
- Projecting costs for later years was complicated by the uncertainty of future natural gas prices and conversion efficiencies.

**6.26** It appears that NB Power based its initial planning on the consultant's comments. Subsequent to the consultant's report, the following occurred:

**Time Line:**

**2001** A preliminary contract was signed with AECL for re-tubing



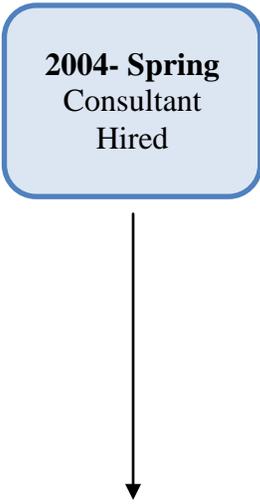
**2002** NB Power proposal to EUB for refurbishment of PLGS



1. In 2001 a preliminary contract was signed with Atomic Energy of Canada Ltd (AECL) for the re-tubing of the reactor. In March 2002 the Corporation entered into a refurbishment agreement with AECL. The agreements were divided into a Phase I and a Phase II list of deliverables. Phase I was essentially a planning stage and Phase II involved more detailed planning and construction. Phase II was contingent on a final decision being made by the Province to refurbish the PLGS. AECL commenced work on Phase I after the contracts were signed. This part of the refurbishment cost \$90.2 million. It included costs incurred under the two contracts, along with NB Power internal costs up to the 2005 date of final project approval by the Province. Had a decision ultimately been made not to refurbish PLGS, these costs would have provided little benefit in terms of power generation.
2. In March 2001 NB Power appeared before the Board of Commissioners of Public Utilities (the Commission), the predecessor of the Energy and Utilities Board (EUB), preliminary to the main application to the Commission. In 2002, NB Power made an application to the Commission to refurbish the PLGS. After considering three options for future power generation including nuclear, natural gas, and orimulsion, the Commission concluded that there would be no significant advantage to the rate payers to proceed with the PLGS refurbishment project. The Commission consequently recommended to the NB Power Board

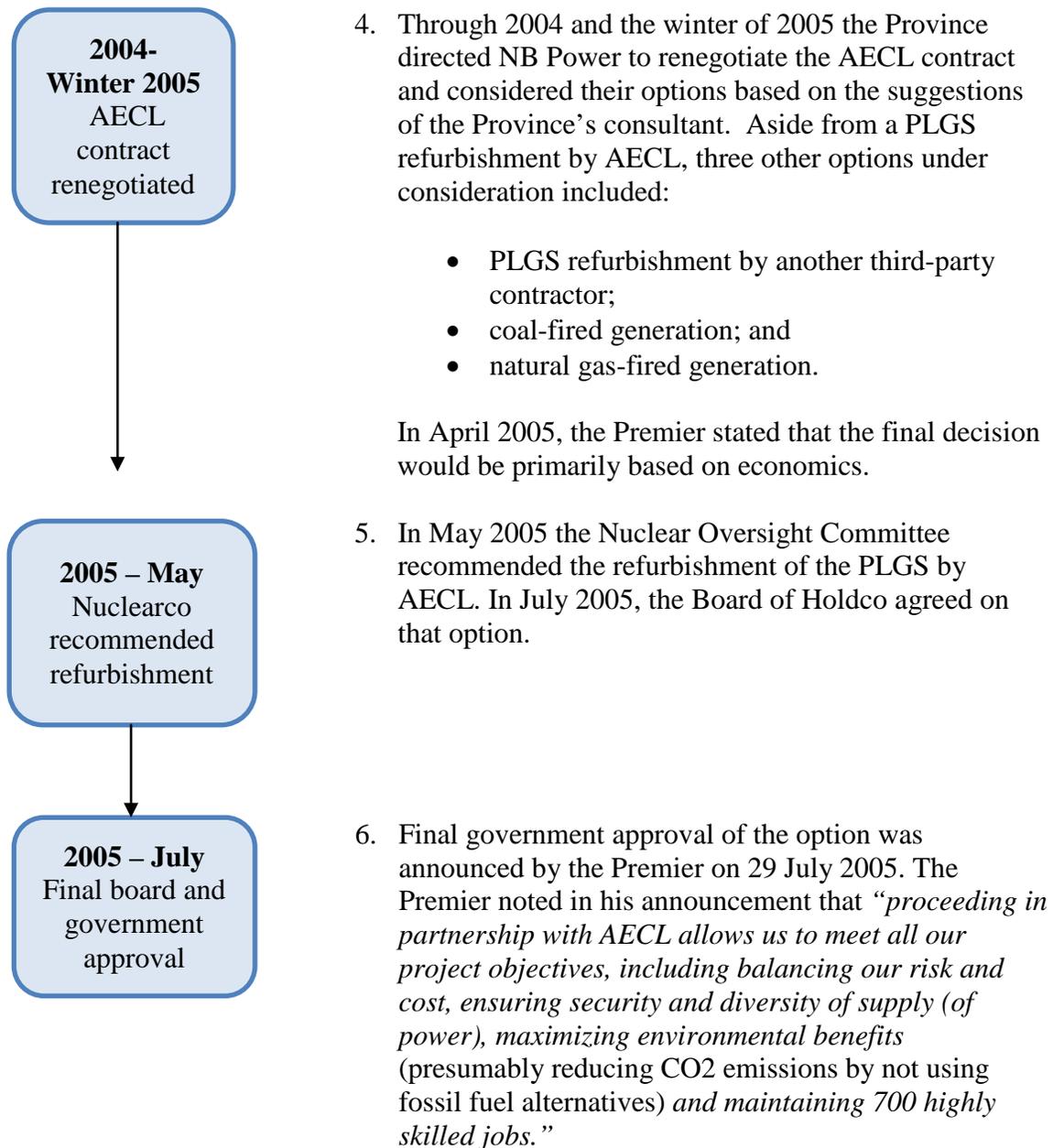
that they not proceed with the nuclear alternative. The Commission did, however, emphasize that there were other factors to be considered that were beyond the mandate of the Commission (e.g. environmental and economic development issues) and that government should consider these factors before making a final decision. They also indicated that although additional energy would be needed in future, the refurbished PLGS, when added to other existing provincial generating sources, could provide more than projected in-province requirements when completed. The Commission's recommendation to the NB Power Board was made under the *Public Utilities Act* and was therefore non-binding. It was up to the NB Power Board to accept or reject the recommendation.

2004- Spring  
Consultant  
Hired



3. In the spring of 2004, a consultant hired to work on behalf of the Province reported to the NB Power Board on the proposed PLGS project. He indicated that he agreed with the EUB that there was no purely economic reason for picking the nuclear option over others. Consequently, he did not recommend a preferred option but instead made a number of recommendations “*to facilitate a decision-making process that is open, auditable and fact based*” including:

- NB Power should seek partners in this initiative;
- AECL would be an acceptable contractor for the nuclear option, but that existing contracts should be renegotiated to provide for a fixed price for the refurbishment;
- The cost overruns that plagued other nuclear projects could be avoided by proper oversight; and
- Other factors to be considered in deciding on an option for generating needed power for the Province should include the volatility of natural gas prices (i.e. nuclear fuel is a fraction of the cost of natural gas and available within Canada), the CO<sub>2</sub> emissions associated with burning coal, the fact that nuclear power generation is much more labour intensive than other options, and the issue of less diversity of sources of fuel for power generation if the nuclear option was not selected.



### **Our Observations on the Decision-Making Process**

**6.27** We make the following observations in relation to this decision-making process.

1. The decision-making process took four and a half years from 2001 to the summer of 2005. As late as the spring of 2005 there was still substantial uncertainty about what should be done to meet future provincial electricity needs. NB Power records from 2005 indicate that a decision on the refurbishment had to be made as soon as possible to allow PLGS to begin

preparations for its targeted 2008 shut down. Based on our examination, the major decision (i.e. to select between two supplier options for refurbishing PLGS (nuclear); building Belledune II (coal); or building a new facility (natural gas)) was made late in the process, in an environment where there was considerable time pressure.

2. The initial decision to conditionally contract with AECL was made very early in the process and we saw no evidence that it was challenged until the consultant hired by the Province reported in 2004. His recommendations, although received three years after the start of the decision-making process, did ensure:
  - There was a vetting of the draft agreement between AECL and NB Power, especially focusing on the costs to be paid and the risks to be assumed by the two parties; and
  - There was some consideration of other possible alternatives than to refurbish the nuclear facility using AECL.

**Risks Not Adequately Addressed in Decision-Making**

**6.28** The Premier announced the refurbishment on 29 July 2005. In his announcement, he indicated the reasons for choosing refurbishment of the PLGS over other alternatives. Most of those reasons were examined as part of the vetting process and related risks were studied at that time. However, there were risks we believe should have been more fully addressed and mitigated, or addressed earlier in the decision making process:

- *The risk of using new technology to refurbish a CANDU plant for the first time*, as illustrated by the calandria tube delay discussed in this chapter;
- *The risk of New Brunswick essentially financing such a large undertaking on its own.* The search for a partner only began after the report from the provincial consultant was delivered in 2004, and was ultimately unsuccessful. We did note however NB Power stated Maritime Electric Company Limited of Prince Edward Island does have a four to five percent stake in the venture ;

- ***Risks associated with the ability of NB Power to recover all costs of the refurbishment, over the planned 27 year period, from those customers who benefit from the power generated*** (i.e. will the PLGS continue to generate power, and therefore revenue, throughout the entire period.) The cost of building or refurbishing a nuclear power facility may be higher than the construction or refurbishment costs of some other generating options. This introduces an element of higher risk in that more dollars invested need to be recovered over a long period. The business environment needs to be stable, or favorable, over that period to ensure recovery. The business environment in which NB Power would be operating over the life of a refurbished PLGS would remain relatively stable to support the recapture of the cost of refurbishment over the 27 year period. We question that assumption given that during the period the refurbishment was being planned and executed NB Power was restructured, attempts were made to sell all or part of the Corporation, consideration was given to building a second nuclear reactor at Point Lepreau, and part of AECL was sold;
- ***The risk demand for power from the PLGS will not be high enough to require the refurbished PLGS to operate at expected production capacity over the planned 27 year recovery period.*** Reduced overall provincial demand for power in recent years is discussed in the background section of this Chapter;
- ***The risk associated with incurring significant PLGS refurbishment planning costs (\$90.2 million or 6.4% of the original project cost of \$1.4 billion) incurred before final approval would be of no benefit if another alternative was chosen.*** NB Power indicated a small percentage of total project costs are typically incurred on a progressive basis during the planning phase of a project of this magnitude, and such costs are necessary to ensure decision-makers have access to adequate information about options

under consideration; and

- *The risk of higher than expected overall project cost associated with a failure to complete the project by targeted completion dates.* In particular, we noted that Nuclearco operational, maintenance, and other costs, which eventually ended up as part of the \$1.0 billion deferral amount, were not considered.

### *Recommendations*

#### **6.29 Based upon our observations relating to the decision-making process for the Point Lepreau Generating Station refurbishment, we recommend for future major capital projects undertaken by NB Power:**

- **the decision-making process be clearly documented, including identifying the roles and responsibilities of key players (i.e. NB Power, the Province, external contractors, regulators such as the Energy and Utilities Board, etc.) before significant amounts are expended;**
- **a planned decision-making timeline be developed and agreed upon by key players;**
- **all feasible options be identified and fully investigated as early in the process as possible;**
- **pre-decision spending be limited to that needed to adequately evaluate and mitigate risks associated with options under consideration prior to selecting a preferred option;**
- **an independent, third-party expert be contracted to guide the process of selecting the best option, identifying and developing mitigation strategies for all significant risks, identifying a preferred proponent, and ensuring that the corporation gets the best possible outcome for provincial ratepayers; and**
- **the process be transparent and the public made aware of the criteria to be used for decision making, progress towards making a decision and key reasons for the selection of a preferred alternative.**

**The Refurbishment Process*****Contracts with AECL***

**6.30** In 2001 a contract was signed with AECL for re-tubing the reactor. In 2002 a contract for the rest of the refurbishment was signed. Both agreements with AECL were contingent on a final decision being made by the Province to refurbish the PLGS.

**6.31** The preliminary re-tube and refurbish contracts with AECL were set up in two parts:

- Phase 1 included all the work up to the decision point in 2005, including some detailed engineering; and
- Phase 2 involved completion of engineering work and all construction activities.

**6.32** Phase I work was carried out by AECL under the re-tube and refurbish agreements between 2001 and 2005. During the same period, the Corporation carried out its own planning activities relating to the project including working through the regulatory process. These activities were capitalized as part of the project cost and amounted to \$90.2 million.

**6.33** On 29 July 2005, after final approval of the refurbishment by government, an amending omnibus agreement with AECL was signed. The omnibus agreement recognized the previous contracts and added additional work identified during the Phase I process. A specific fixed cost amount was set for both the re-tube and the refurbishment work under the omnibus agreement. Acceleration clauses in certain portions of the omnibus agreement were needed to reflect that, due to the delay in approval, the period between approval and outage start was shorter than contemplated by the agreements.

**6.34** The fixed amount for the re-tube section of the omnibus agreement included the cost of the work AECL had completed to date under Phase I of the previous contracts, and a fixed amount for Phase II. The refurbishment portion of the omnibus agreement similarly set a Phase I amount and a fixed amount for Phase II. Phase II work outside the fixed portion of the refurbishment agreement was paid on a reimbursement basis and was subject to an escalation clause.

**6.35** During the period from the signing of the omnibus agreement in 2005 to 2008 detailed engineering, site preparations, and material procurement and delivery occurred.

***Calandria Tube  
Installation Delay***

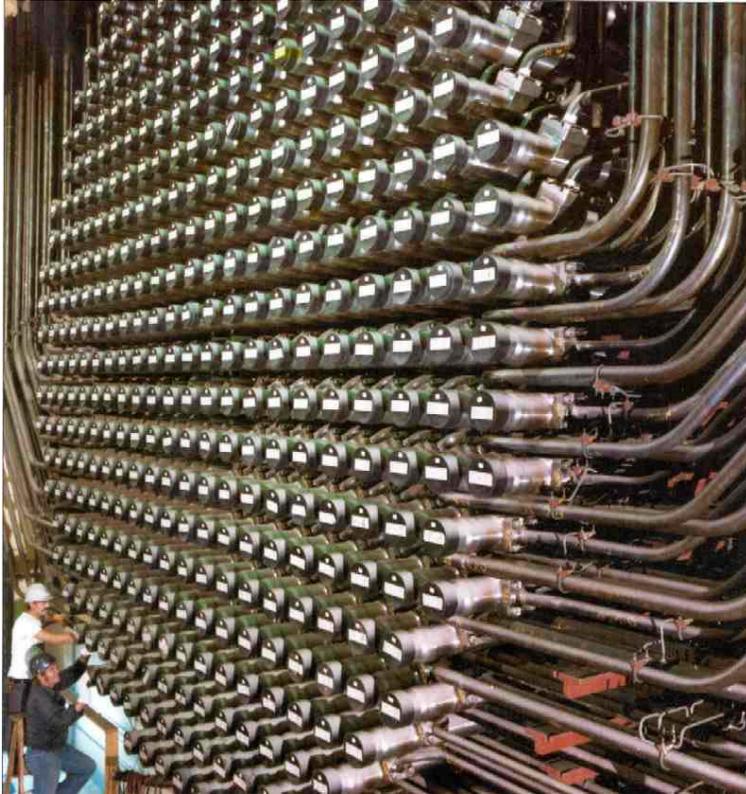
**6.36** In 2008 an extended outage began to allow for refurbishment work to be carried out on the reactor. The outage and plant return to service was initially planned to be completed by September 2009, a period of 18 months.

**6.37** However, there were significant delays in completing the refurbishment relating in part to the installation of new calandria tubes at the facility. PLGS's reactor has 380 such calandria tubes that needed to be replaced as part of the refurbishment. Inserted into each calandria tube is a pressure tube that contains the fuel bundles used to power the reactor, so precision is critical to the proper functioning of the reactor.

**6.38** NB Power representatives indicated the calandria tube sheet bore holes were accidentally damaged when preparing for installation of the new calandria tubes. As a result, the necessary seal between the calandria tubes and the tube sheet could not be achieved. It was only after all the calandria tubes had been installed that the consequences of this problem were understood.

**6.39** Consequently, all 380 calandria tubes had to be removed, the damage to the bores repaired and a second set of new calandria tubes installed. To repair the damaged tubesheet bores effectively, a new tube sheet bore polishing technique was developed and implemented based on the problems previously encountered at PLGS, as well as similar installation issues experienced by a refurbishment team in Korea.

Exhibit 6.3 – Fuel Channel and Calandria Tubes



Source: (NB Power Website)

***PLGS Declared  
Commercially Viable  
in November 2012***

**6.40** Ultimately, it was May 2012 before AECL completed its work on the refurbishment. PLGS was then able to move into the startup stage with NB Power declaring the plant commercially viable in November 2012.

**6.41** Upon completion of the refurbishment, NB Power estimated the useful life of the PLGS to be 27 years. This estimate was accepted by the EUB for purposes of determining power rates for future years. The 27 year extended life of the PLGS was deemed to have commenced in November 2012. NB Power intends to recover costs associated with the \$2.4 billion refurbishment (less any recoveries from other sources) over the next 27 years through provincial electricity rates.

***Financial Impact of  
Refurbishment Delay***

**6.42** The financial impact to NB Power of the delay in completion of the refurbishment was, as of October 2013, still in dispute. Litigation against the project's insurance underwriters to recover a significant portion of losses associated with the delay was pending.

***Oversight of Refurbishment by NB Power Boards and Management***

**6.43** In the fall of 2005 a project oversight structure was established. Although there were changes to oversight processes to adapt to the various stages of the refurbishment, the basic oversight structure remained relatively consistent over the life of the project. A full description of the oversight bodies, their composition and roles is provided in Appendix II.

**Our Observations Relating to Project Oversight**

**6.44** During our review we examined documentation indicating the oversight structure at strategic levels (i.e. Board and senior NB Power management) operated throughout the life of the project. In our opinion, strategic oversight for the refurbishment project was rigorous, and planned Board reporting requirements appeared to be met. We were also provided with evidence that regular joint meetings were held involving representatives of NB Power and AECL. However, we did not review the activities of operational level oversight groups in detail.

**Costs associated with the Refurbishment**

**6.45** Our second objective for this Chapter was to present summaries of amounts making up the \$1.4 billion asset account and the \$1.0 billion deferral account related to the refurbishment. Exhibit 6.4 provides further information on planned versus actual costs.

*Exhibit 6.4 – Point Lepreau Generating Station Refurbishment Planned vs. Actual Costs (in \$ billions)*

<b>Point Lepreau Generating Station Refurbishment Planned vs. Actual Costs (in \$ billions)</b>			
	<b>Original Plan 2005</b>	<b>Actual Costs 2013</b>	<b>Difference</b>
Capital Costs	\$ 1.0	\$ 1.4	\$ 0.4
Deferral Account	0.4	1.0	0.6
<b>Total</b>	<b>\$ 1.4</b>	<b>\$ 2.4</b>	<b>\$ 1.0</b>
<b>Planned vs. Actual completion date</b>			
	<b>Original Plan</b>	<b>Actual</b>	<b>Difference</b>
Completion date	September 2009	November 2012	37 months
<i>Source: Created by the Office of the Auditor General with data obtained from NB Power Unaudited</i>			

### Capital Cost of the PLGS Refurbishment

**6.46** Capital costs of the project were accumulated in the asset account. They included all direct costs associated with planning and completing the refurbishment of PLGS including work done by third-party contractors and NB Power staff, along with financing costs incurred during the construction period.

**6.47** The initial capital budget for the PLGS refurbishment was \$1 billion. The final cost estimate is in the range of \$1.4 billion. This amount was incurred during two project Phases:

- Project planning and initiation (Phase I) - \$90.2 million – Costs included in this amount relate to the re-tube and refurbishment planning work performed by AECL, along with other NB Power costs incurred, up to 29 July 2005 (i.e. the date the final agreement was signed between NB Power and AECL); and
- Engineering, procurement and construction phase of the project (Phase II) - \$1,333.7 million - These costs relate to the performance of the refurbishment and include costs after Phase I, until the completion date. The three primary components of Phase II are shown in Exhibit 6.5. A further breakdown of these components is presented in Exhibits 6.6, 6.7, and 6.8.

*Exhibit 6.5 – Components of Capitalized PLGS (in \$ millions)*

<b>Components of Capitalized PLGS (in \$ millions)</b>	
Phase I Project Planning	\$ 90.2
Phase II Engineering, Procurement, and Construction:	
Contracted or Professional Services	780.3
Capitalized Interest	292.9
NB Power internal costs	260.5
<b>Total</b>	<b>\$ 1,423.9</b>
<i>Source: Created by the Office of the Auditor General with data obtained from NB Power Unaudited</i>	

### Contracted or Professional Services

**6.48** A total of 24 vendors were each paid in excess of \$1.0 million in connection with the PLGS refurbishment, as detailed in Exhibit 6.6.

Exhibit 6.6- Contracted or Professional Services greater than \$1.0 Million (in \$ millions)

<b>Contracted or Professional Services greater than \$1.0 million (in \$ millions)</b>	
Atomic Energy Of Canada Limited	\$ 579.5
Atlantic Nuclear Services Inc	34.6
Sunny Corner Enterprises Inc	30.8
Siemens Power Generation	28.6
Areva Np Canada Ltd	15.0
O'Brien Electric Co Ltd	9.8
Gardner Electric Ltd	8.0
Castle Rock Construction	7.2
Hatch Sargent & Lundy	6.2
Stantec Consulting Ltd	5.8
Exp Services Inc	5.2
Babcock And Wilcox Canada Ltd	4.6
Ian Martin Limited	3.9
Aluma Systems Canada Inc	3.6
Neill And Gunter Limited	2.7
NB Research & Productivity Council	2.4
Candu Energy Inc	2.0
WAG QA Services Canada Inc	2.0
Canadian Power Utility Services Ltd	1.8
Constable Power Group Ltd	1.4
Ernst & Young	1.3
John E Cole & Associates Ltd	1.3
Nma Lab & Ben	1.2
Maritime Rescue And Medical Inc	1.1
Other < \$1.0 million	20.5
<b>Total</b>	<b>\$ 780.3</b>
<i>Source: Created by the Office of the Auditor General with data obtained from NB Power Unaudited</i>	

**Capitalized Interest**

**6.49** Interest costs associated with borrowings required to finance the project have been capitalized as part of the project cost. As noted below in the deferral section, the capitalization of this interest in the capital account serves to reduce the normal period interest costs. Exhibit 6.7 shows year by year capitalization of interest for the PLGS refurbishment.

Exhibit 6.7 – Year by Year Capitalization of Interest Relating to the PLGS Refurbishment (in \$ millions)

Year by Year Capitalization of Interest Relating to the PLGS Refurbishment (in \$ millions)								
2006	2007	2008	2009	2010	2011	2012	2013	Total
7.2	17.6	21.7	33.6	48.7	56.4	63.5	44.2	292.9
Source: Created by the Office of the Auditor General with data obtained from NB Power Unaudited								

### NB Power Internal Costs

**6.50** NB Power internal costs represent a variety of costs deemed to be directly related to the refurbishment. Exhibit 6.8 summarizes NB Power internal costs that have been capitalized.

Exhibit 6.8 – Components of NB Power Internal Costs (in \$ millions)

Components of NB Power Internal Costs (in \$ millions)	
NB Power Labour	\$ 149.6
Fees (Regulatory, Environmental, Training, Insurance etc.)	52.8
NB Power Materials	29.0
Properties (Heating, Lighting etc.)	18.6
Inter-Company Services	9.3
Operational – Various*	1.2
<b>Total</b>	<b>\$ 260.5</b>
* Net of \$3.7 million of revenue from commissioning energy generated during November 2012 return to service period.	
Source: Created by the Office of the Auditor General with data obtained from NB Power Unaudited	

### Deferral Costs Attributed to PLGS

**6.51** Deferral account costs were indirect costs associated with the refurbishment of PLGS, which were not eligible for capitalization under capital asset accounting standards applicable to NB Power. These costs are expected to be recovered from customers in future periods (i.e. those customers who use the power generated by the refurbished PLGS), as directed by legislation, through the New Brunswick Energy and Utilities Board (EUB) rate-setting process. The *Electricity Act* was amended to provide guidance on the specific treatment of costs incurred for purposes of the regulatory deferral account. The deferral account approximates the incremental cost to NB Power of not operating the PLGS during refurbishment.

**6.52** The regulatory deferred asset associated with the refurbishment of PLGS, as shown in Exhibit 6.9, includes:

- the normal period costs (net of any revenues) incurred by Nuclearco while the refurbishment was ongoing. These could not be recovered from sales to customers during construction because the PLGS was not generating power during that period;
- the cost for replacement power purchased by NB Power Generation Corporation (Genco), during the refurbishment period, to replace power normally available from the PLGS;
- interest on the regulatory deferral asset; and net of
- any costs built into by current rates for electricity sales charged to customers for PLGS power.

Exhibit 6.9 – Deferral Costs Accumulated by November 2012 ( in \$ millions)

Deferred Costs Accumulated to November 2012 (i.e. Date PLGS came back on line) (in \$ millions)					
Fiscal Year	Nuclearco Period Costs	Genco Replacement Power Costs	Costs Recovered Through Current Rates	Interest Assigned to Deferral	Total
2008	\$ 1.7	\$ 0.3	\$ (2.1)	\$ -	\$ (0.1)
2009	176.3	267.0	(209.4)	3.5	237.4
2010	176.4	224.7	(206.1)	16.3	211.3
2011	164.4	239.2	(206.7)	27.1	224.0
2012	188.9	198.4	(209.6)	36.6	214.3
2013	132.1	103.3	(123.2)	28.5	140.7
<b>Total</b>	<b>\$ 839.8</b>	<b>\$ 1,032.9</b>	<b>\$ (957.1)</b>	<b>\$ 112.0</b>	<b>\$ 1,027.6</b>

Source: Created by the Office of the Auditor General with data obtained from NB Power.  
Unaudited

**Nuclearco Period Costs** **6.53** Period costs are costs and expenses incurred by Nuclearco during the out-of-service period, other than those costs and expenses recorded as capital costs of the project. Given that Nuclearco’s purpose is the operation of the Point Lepreau Generating Station, all operations of Nuclearco during the refurbishment period were capitalized and deferred either as part of capital projects like the PLGS refurbishment, as explained above, or as part of this deferral account.

**6.54** Major components of period costs, as shown in Exhibit 6.10 are:

- **Operations, maintenance and administration:**
  - Approximately 60 percent of PLGS systems were still in service during refurbishment,

while the balance of out-of-service systems still required routine preventative maintenance. These activities result in work load requirements similar to pre-refurbishment levels for work groups within the plant; and

- NB Power also took advantage of the reactor down time to perform a number of major maintenance projects;
- **Transmission services:** this includes connection fees and tariffs. Long term transmission commitments are required to be paid regardless of whether they are used or not;
- **Amortization and Decommissioning:**
  - Amortization of the capital costs of Nuclearco's fixed assets less the salvage value over their estimated service lives; and
  - Decommissioning costs provide for the estimated costs of permanently decommissioning the nuclear plant at the end of its service life;
- **Taxes:** reflecting property taxes on the buildings and property, both at a municipal and provincial level;
- **Finance charges:** Interest charged on long term and short term debt along with a debt portfolio management fee. This is reduced by interest charged to the various capital projects in Nuclearco including the refurbishment project. This is also net of interest earned from the nuclear trust funds and investments; and
- **Revenue:** These revenues reflect the pre-existing participation agreement with a neighboring utility.

Exhibit 6.10 – Composition of Nuclearco Period Costs (in \$ millions)

Composition of Nuclearco Period Costs (in \$ millions)							
Expenses	2008	2009	2010	2011	2012	2013	Total
Labour & benefits	1.0	105.5	104.0	97.8	110.5	86.7	505.5
Material expense	0.1	11.7	12.9	8.7	10.8	8.2	52.4
Hired services	0.4	39.9	41.7	23.9	33.4	26.7	166.0
Other Operations, Maintenance and Administration Costs	0.3	31.4	37.5	34.8	36.7	27.7	168.4
Allocation to capital	(0.4)	(40.9)	(35.0)	(24.7)	(30.0)	(35.4)	(166.4)
<b>Total Operations, Maintenance and Administration</b>	<b>1.4</b>	<b>147.6</b>	<b>161.1</b>	<b>140.5</b>	<b>161.4</b>	<b>113.9</b>	<b>725.9</b>
Fuel & Transmission Expenses	-	1.9	1.9	1.9	1.9	1.5	9.1
Amortization & Decommissioning	0.3	32.4	31.9	36.8	41.1	28.5	171.0
Property Taxes	0.1	6.7	5.7	5.8	5.7	3.7	27.7
Finance Charges	-	(0.7)	(12.4)	(9.9)	(10.8)	(7.6)	(41.4)
<b>Total Costs</b>	<b>1.8</b>	<b>187.9</b>	<b>188.2</b>	<b>175.1</b>	<b>199.3</b>	<b>140.0</b>	<b>892.3</b>
<b>Less: Revenues</b>	<b>0.1</b>	<b>11.6</b>	<b>11.8</b>	<b>10.6</b>	<b>10.5</b>	<b>7.9</b>	<b>52.5</b>
<b>Net Costs</b>	<b>1.7</b>	<b>176.3</b>	<b>176.4</b>	<b>164.5</b>	<b>188.8</b>	<b>132.1</b>	<b>839.8</b>
<i>Source: Created by the Office of the Auditor General with data obtained from NB Power Unaudited</i>							

### ***Genco Replacement Power Costs***

**6.55** The costs of replacement power purchased by the New Brunswick Power Generation Corporation (Genco) during the refurbishment is intended to reflect power supply costs that, if not for the refurbishment, would have been covered by Nuclearco from electricity generated at PLGS. Genco normally produces or procures power including that produced by Nuclearco. Therefore, the incremental cost Genco incurred because of PLGS being offline involves a complicated modeling process to isolate the additional costs attributable to time the PLGS spent offline during the refurbishment. These costs are shown in Exhibit 6.11.

Exhibit 6.11 - Composition of Genco Replacement Power Costs (in \$ millions)

Composition of Genco Replacement Power Costs (in \$ millions)							
	2008	2009	2010	2011	2012	2013	Total
Power Costs attributed to PLGS shutdown:							
Firm*	\$ 3.6	\$ 255.8	\$ 206.2	\$ 224.0	\$ 186.2	\$ 90.6	\$ 966.4
Interruptible**	0.0	9.5	1.2	3.9	3.8	5.0	23.4
Hedging Activities***	(3.3)	1.7	17.3	11.3	8.4	7.7	43.1
<b>Total</b>	<b>\$ 0.3</b>	<b>\$ 267.0</b>	<b>\$ 224.7</b>	<b>\$ 239.2</b>	<b>\$ 198.4</b>	<b>\$ 103.3</b>	<b>\$ 1,032.9</b>
<p>* Firm is power supplied to service the in-province load and other firm supply commitments.</p> <p>** Interruptible is power supplied to large industrial customers when excess capacity is available and priced at NB Power's incremental cost.</p> <p>*** Hedging amounts are based on existing NB Power hedging activity.</p> <p>Source: Created by the Office of the Auditor General with data obtained from NB Power. Unaudited</p>							

**Offsetting Credit**

**6.56** The offset amount is intended to avoid over recovery from customers. It was felt that simply deferring the two costs above would not have been appropriate since a portion of these costs are already included in current rates charged to customers. Including this offset amount has the effect of moving amounts out of the deferral account and back into current period expenses, thereby reducing the future rate recovery requirements.

**6.57** The offset calculation is based on expected PLGS power output, multiplied by a purchase price agreement for Nuclearco power. Offset credits related to the PLGS refurbishment are shown in Exhibit 6.12.

Exhibit 6.12 - Calculation of Offset Credit

Calculation of Offset Credit							
	2008	2009	2010	2011	2012	2013	Total
Power Attributed to PLGS (MWh)	0.0	3.9	3.8	3.8	3.8	2.2	
Year Ending Prices (\$/MWh)	\$53.19	\$53.71	\$54.18	\$54.35	\$54.92	\$55.81	
Offset Credit (\$ millions)	\$ (2.1)	\$ (209.4)	\$ (206.1)	\$ (206.7)	\$ (209.6)	\$ (123.2)	\$ (957.1)
<p>Source: Created by the Office of the Auditor General with data obtained from NB Power. Unaudited</p>							

**Interest During  
Construction**

**6.58** The financing costs associated with funding this deferral account, as shown in Exhibit 6.13, are deferred rather than being expensed in the period during which they were incurred. Interest is charged on the deferral balance monthly at a rate that is intended to approximate NB Power’s cost of borrowing.

*Exhibit 6.13 - Composition of Interest in Deferral Account (in \$ millions)*

Composition of Interest in Deferral Account (in \$ millions)						
	2009	2010	2011	2012	2013	Total
Interest Rate Applied*	3.0%	5.0%	4.9%	4.8%	4.6%	
Deferral Balance*	\$ 111.0	\$ 337.5	\$ 560.5	\$ 779.3	\$ 966.2	
Interest Cost	\$ 3.5	\$ 16.3	\$ 27.1	\$ 36.6	\$ 28.5	\$ 112.0
* Interest applied per month, average interest rate and deferral month end balance reported. Source: Created by the Office of the Auditor General with data obtained from NB Power Unaudited						

**Future OAG Work  
Relating to PLGS  
Refurbishment**

**6.59** This chapter has presented information related to the decision-making process for the PLGS refurbishment, project oversight during the refurbishment, and summary-level financial information about the costs associated with the project. We hope the information presented will prove useful to Legislators and the public in better understanding this complex and costly project that will have significant financial and service impacts on all New Brunswick residents.

**6.60** During the next year, we plan to continue with our examination of the refurbishment. In particular, we will be completing more detailed analyses and testing of key components of costs of the project and assess their reasonableness, using the information presented in this chapter as a base. We plan to report on this work in our 2014 Report.

## Appendix I – NB Power Organizational Structure during refurbishment of Point Lepreau

### NB Power Organizational Structure

**6.61** During 2004 NB Power was re-organized into five main business units (known collectively as the NB Power Group) with several smaller business units reporting to them. Therefore, this new structure was in place through the latter stages of planning for the Point Lepreau Generating Station refurbishment and throughout the completion of the project.

**6.62** The 2005-06 NB Power annual report included the following description of the NB Power Group:

*The NB Power Group provides reliable, safe and reasonably-priced electricity with respect for the environment, while providing a commercial return to the Shareholder. The electricity is generated at 15 facilities and delivered via power lines, substations and terminals to more than 360,000 direct and indirect customers within New Brunswick and surrounding areas. The NB Power Group consists of a holding company and four operating companies:*

- ***New Brunswick Power Holding Corporation (Holdco)***, which provides strategic direction, governance and support to the subsidiaries for communications, finance, human resources, legal and governance. It also provides shared services on a cost recovery basis

- ***New Brunswick Power Generation Corporation (Genco)***, which is responsible for the operation and maintenance of the oil, hydro, coal, Orimulsion® and diesel-powered generating stations

- ***New Brunswick Power Nuclear Corporation (Nuclearco)***, which is responsible for the operation of Point Lepreau Generating Station

- ***New Brunswick Power Transmission Corporation (Transco)***, which is responsible for operating and maintaining the transmission system

- ***New Brunswick Power Distribution and***

*Customer Service Corporation (Disco), which is responsible for operating and maintaining the distribution system. Disco is designated as the standard service supplier for the Province of New Brunswick and is obligated to provide standard services to residential, commercial, wholesale and industrial customers located throughout the province*

## Appendix II – Oversight of Refurbishment by NB Power Boards and Management

### *Board Level Oversight*

**6.63** The Board of Nuclearco established a three to five member *refurbishment project sub-committee* for the duration of the project. Further, *the NB Power board (before restructuring in 2004) established a nuclear oversight committee which periodically held joint meetings with the NB Power audit committee* (a subcommittee of Holdco’s Board).

**6.64** Both board oversight bodies were regularly provided with information on project progress by senior management. Also, board committees were provided with quarterly reports addressing financial and risk management issues by NB Power’s internal auditors, a public accounting firm. Further, quarterly technical progress reports were provided by an independent consultant.

**6.65** Board meetings relating to the refurbishment were well documented and planned Board reporting requirements were met.

### *Senior Management Level Oversight*

**6.66** At the senior management level a group known as the *Executive Refurbishment Committee* was established for the duration of the project. It was made up of the CEO of NB Power and a number of other corporation executives. Information flowed regularly through this Committee to the Boards of Directors of Nuclearco and Holdco. Meetings of this Committee were well documented.

### *Project Management Level Oversight*

**6.67** A number of regular meetings were held to oversee project management during the refurbishment. These included:

- *Joint AECL /NB Power executive meetings* – This meeting group included the CEOs of NB Power and AECL together with vice presidents of the respective organizational units involved and the senior on-site NB Power managers. The group primarily discussed project progress and resolved significant issues around the refurbishment.
- *Strategic meetings* – This meeting group included the vice presidents of the Nuclearco and AECL units involved in the refurbishment. They met monthly for strategic updates, discussion of upcoming work, and to address issues not resolved at a lower management level.

- *Formal project review committee meetings* – This committee consisted of the project directors and construction teams of AECL and NB Power. They initially met monthly, and later weekly, to review progress, to identify opportunities to gain time in completing the refurbishment, to discuss issues, to review the risk register, and to address other matters.
  - *Daily communication meetings* – Meeting participants included the project directors of AECL and NB Power. These meetings became part of the oversight regime for the project midway through project completion. They were intended as a means of expediting project progress by looking at recovery plans, turnover issues, training, tooling, and other factors on a daily basis.
  - *Construction meetings* – Meeting participants were originally NB Power and AECL project directors and their project management teams, but later changed to primarily the project management teams and the AECL project director, and then to specific task managers and their construction teams. Meetings were initially held monthly, then weekly, and finally daily. The group was tasked with co-ordination of daily activities and action plans.
- 6.68** Oversight groups generally reported to the next level up to ensure accurate and timely communication of information about key issues and actions to higher levels of management.

# Chapter 7

## Department of Transportation and Infrastructure Pre-mixed Asphalt Procurement

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# Department of Transportation and Infrastructure Pre-mixed Asphalt Procurement

## Why We Chose this Project

7.1 The Department of Transportation and Infrastructure (DTI) spent \$10.5 million during fiscal 2011/12 on pre-mixed asphalt for use in road maintenance and repair work on provincial roadways. This figure excludes any purchases made on behalf the Province under the *Crown Construction Contracts Act* and any purchases made by NB Highway Corporation for maintenance of its roadways.

7.2 We chose to look into pre-mixed asphalt procurement by DTI due to:

- the significant level of expenditures in this area;
- limited oversight and control through central purchasing;
- issues and concerns raised by the public and private sector; and,
- previous findings by this Office.

## Potential for Non-transparent Business Practices

7.3 Purchases of pre-mixed asphalt for use in road repair and maintenance are exempt from the rules under the *Public Purchasing Act* and therefore do not receive the same degree of government oversight and control as purchases done centrally through the Department of Government Services. As with most exempt purchases made directly by a department, the potential for non-transparent business practices is a concern and warrants close scrutiny by our Office.

7.4 We believe the legislature and the public want to ensure that asphalt is purchased in an equitable and transparent manner and for the best possible price from private sector suppliers.

**7.5** In fact, questions in regard to the Department's practices around procurement of asphalt have been raised in the Legislative Assembly. An issue was brought forward on April 26, 2013, during the 3<sup>rd</sup> sitting of the 57<sup>th</sup> Legislative Assembly questioning the fairness and compliance of the Department's procurement practices. An investigation by the Office of the Ombudsman was cited during this session as a further example of potential shortcomings in the fairness of the Department's business procurement practices.

**7.6** Consequently we planned an audit in this area during the summer of 2013.

## **Background**

### **Overview of *Public Purchasing Act* (PPA)**

**7.7** Public procurement of goods and services is primarily governed by the *Public Purchasing Act* and the *Crown Construction Contracts Act*.

**7.8** The *Public Purchasing Act* (the Act) governs public procurement for all goods and services not related to Crown construction.

**7.9** The intent of the Act, as interpreted by government, has been to ensure that all suppliers have a fair and equal opportunity to compete for government contracts. The Act contains requirements to ensure that government suppliers are treated fairly and equally.

**7.10** In brief the Act spells out the processes to be followed and the rules associated with the procurement of goods and services. It details such things as tendering rules and contracting processes. It also provides for instances where procurement would be exempt from some or all sections of the Act.

### **Exemptions to the PPA**

**7.11** There are two broad types of purchase exemptions allowed for in Regulation 94-157 under the Act. They include those under section 27.1 that require prior approval by the Minister of the Department of Government Services and the department exemptions in sections 30 through 44, which are standing exemptions and do not require the Minister's approval.

**7.12** Sections 30 through 44 provide a listing by department of standing exemptions under the Act. Under this exemption and

subject to dollar or other criteria, departments may purchase goods and services directly without being subject to certain, or in some cases all, requirements set out in the *Public Purchasing Act*. For example, they do not need to go through public tender process and are not required to award contracts of supply<sup>1</sup>.

### **Potential Consequences of Exempt Purchases**

**7.13** The impact of such a range of exemptions is considerable. The use of an exemption can result in access to a contract being restricted to only one vendor, thereby excluding other vendors from the usual procurement process. As well, using exemptions to purchase supplies and services may result in decreased competition and this, in turn, could lead to higher prices.

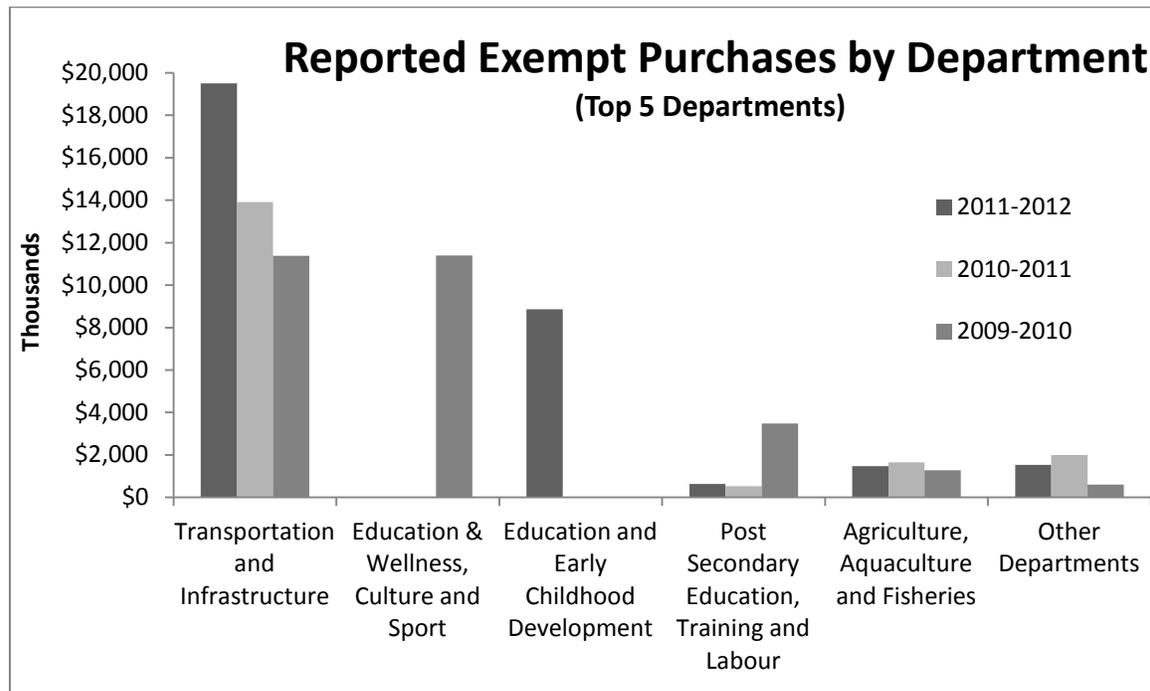
**7.14** For purchases made under the exemption, the departments are required to report the total value of these purchases made during the fiscal year to the Department of Government Services (DGS).

**7.15** The following chart shows the total value of the exempt purchases as reported to DGS for the three preceding fiscal years. The top five departments, by total exempt purchase value, are shown in Exhibit 7.1.

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<sup>1</sup> Contract of Supply means a long term contract for the delivery of goods or services that has no quantities listed, has an effective date and an expiry date and an estimated value and whereby users can obtain goods or services directly from the vendor. (Department of Government Services. *Policy and Procedures Manual*. 2000,11.)

Exhibit 7.1- Exempt Purchases by Department



Source: Data provided by DGS (unaudited). Chart prepared by Office of the Auditor General.

### DTI Extensive use of Exemptions

**7.16** As shown in Exhibit 7.1, the Department of Transportation and Infrastructure has consistently had the highest amount of exempt purchases.

**7.17** Section 44 of Regulation 94-157 under the *Public Purchasing Act* pertains to the Department of Transportation and Infrastructure (DTI). It provides a listing of the special exemptions to which DTI is entitled. Some of the items covered by standing exemptions include:

- sand and gravel;
- concrete mix;
- short term equipment rental; and,
- pre-mixed asphalt.

**7.18** Many of the department exemptions are subject to spending caps. The purchase is exempt provided it is under a specified dollar amount. Sand, gravel, concrete and pre-mixed asphalt are exempt regardless of the estimated cost of each purchase. In other words there is no limit as to what can be spent under the exemption for those materials.

**7.19** Pre-mixed asphalt for road maintenance is the single largest category of exempt purchases made by DTI under the department procurement exemption (see Exhibit 7.2).

Exempt purchases are acceptable where the department can show that transportation costs or technical considerations restrict the available supply base to local sources of supply.

**7.20** In the case of pre-mixed asphalt, which is picked up hot, it must be sourced in close proximity to where it will be used so it can be spread effectively.

Exhibit 7.2- DTI Exempt Purchases by Type

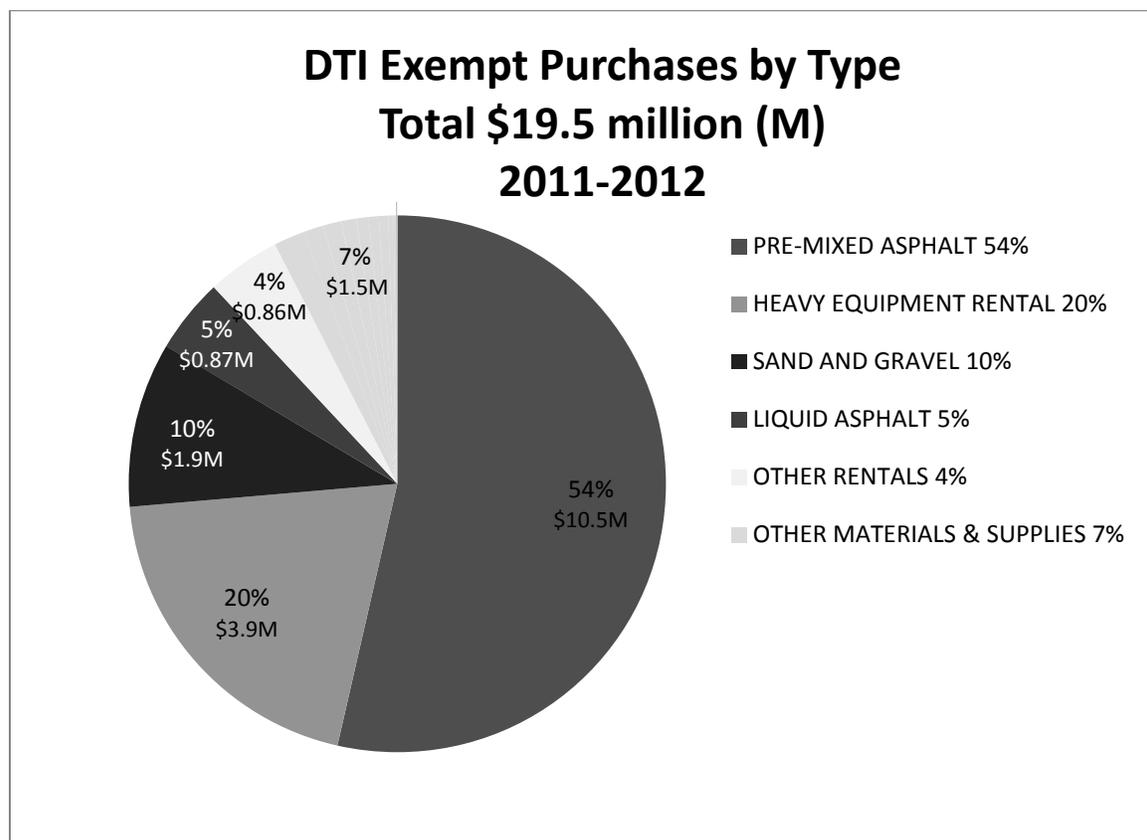


Chart data provided by Department of Transportation and Infrastructure for 2011-2012 fiscal year (unaudited); Chart prepared by the Office of the Auditor General.

## Objective and Methodology

**7.21** The objective of our work was to determine if DTI's exempt purchases of pre-mixed asphalt are being made with due regard for economy and transparency. We expect DTI to follow the intent of the *Public Purchasing Act* and adhere to best practices in its procurement processes.

**7.22** We conducted interviews with DTI and with representatives from the Department of Government

Services. We analyzed supplier payment history, inspected invoices and analyzed account records.

### **DTI Process for Asphalt Purchases**

**7.23** Each spring DTI sends a letter to all known pre-mixed asphalt suppliers in the province asking for price quotes for the upcoming construction season.

**7.24** All quoted prices received from asphalt suppliers are entered into a supplier pick-up price spreadsheet and an acknowledgement letter is sent to all suppliers who submitted a price quote. Starting in 2013, the complete supplier listing and price sheet is posted on DTI's website. In prior years, the price sheets were prepared by head office and grouped by district. Each district office received their own segregated listing, although some asphalt suppliers showed up in more than one district listing.

**7.25** At the beginning of each month the quoted prices are adjusted based on changes in the Ministry of Transportation Ontario (MTO) binder index and the supplier pick-up price listing is then updated.

**7.26** Day to day purchasing of pre-mixed asphalt for routine road maintenance is done within and at the discretion of each district, under the direction of the highway supervisor. Determination of where to source asphalt on a day to day or project to project basis is dependent on:

- price;
- location of the work;
- quantities needed;
- knowledge of what the plants are currently mixing (type of asphalt they are producing);
- anticipated traffic volume (demand) at the plant; and,
- perceived or historic turnaround times.

### **Purchase Decision Relies on Judgment of District Management**

**7.27** The current process relies on the experience and knowledge of district management to exercise judgment in sourcing asphalt supply, while considering all relevant factors.

### **DTI Improvement Project on Asphalt Paving Processes**

**7.28** The Department is involved in implementing a Six Sigma process improvement project as part of the Government's Performance Excellence Process initiative. The project is focusing on the complete asphalt paving process with the objective of reducing production costs. A

significant element of the asphalt paving is the actual purchase and delivery of the asphalt to the job site. The expected benefits of the project are value for money and improved level of service. The stated project goals are to: *“gain an understanding of the factors that have the greatest impact on production cost and quality variation, then implement standard leveling practices, eliminate/minimize the impact of constraints, reduce production cost, and improve quality”*.<sup>2</sup>

**7.29** As part of the project, the Department is implementing a daily production rate tool. It can be used to assist in tracking the asphalt sourcing decision making process and analyzing the factors involved. Use of the daily production rate tool should allow for the capture and analysis of the numerous factors that influence the asphalt procurement process and how they may be optimized to achieve the lowest overall cost of asphalt on the road.

**2010 Report of the Auditor General Volume I Recommendation**

**7.30** Volume I, Chapter 4 of the 2010 Report of the Auditor General, contained a recommendation to DTI about its asphalt purchase process. The report recommended: *that the Department review its purchase process for asphalt to determine if obtaining bids from asphalt suppliers would save the Province money.*

**7.31** This recommendation stemmed from the payment and controls testing of our financial statement audit of the Province of New Brunswick. Within the sample tested was an invoice for pre-mixed asphalt, purchased directly by the Department of Transportation and Infrastructure.

**7.32** The purchase was found not to be in violation of the *Public Purchasing Act* or any purchasing controls. The asphalt was purchased directly by the Department following the department exemption regulation within the *Public Purchasing Act*. However, we believed that requesting prices from multiple suppliers would result in cost saving opportunities for the Province.

**7.33** At the time the Department’s response was:

*We agree with your recommendation that the purchase*

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<sup>2</sup> Lean Six Sigma DMAIC Project Charter –Asphalt Leveling Review; Project Number:40-005, date 17-Jul-12

*process for asphalt needed to be reviewed and in fact this process was recently undertaken. Quotations from various asphalt concrete suppliers are now solicited. The quotations are adjusted on a monthly basis, based on the change in the MTO [Ministry of Transportation Ontario] Binder Price Index. When choosing an asphalt supplier, the price, haul distance and productivity of work operations to complete the work are considered in order to obtain the most cost efficient supplier.*

**7.34** As part of our work, we followed up on the status of this recommendation. In regards to soliciting quotes from multiple suppliers, we found that DTI did change the purchasing process and now solicits prices from all known suppliers in the Province.

**7.35** The Department did not conduct a detailed analysis of the impact of the 2010 process change on the cost of asphalt. However as part of the current improvement project, baseline asphalt prices have been calculated for use in future analysis of cost savings from process improvement initiatives currently being implemented.

## **Conclusion**

### **Lack of Data on Considerations Other Than Price**

**7.36** Asphalt sourcing decisions are complex and involve consideration of many factors over and above the asphalt pick-up price. Plant capacity, turnaround time, and the opportunity cost of idle equipment and labour may all have an impact on the asphalt sourcing decision. Currently there is a lack of historical data on how these and other factors may have influenced this decision. This type of information is critical when evaluating value for money, particularly when the purchase was not at the lowest available price. The performance evaluation tool currently being developed should provide a means of recording and tracking for use in future performance evaluations whether by the Department or our Office.

**7.37** We had some initial findings and observations from our preliminary planning phase in regards to the transparency and fairness of the purchasing process. While no vendor selection was made during the price solicitation process by head office, not all supplier prices were sent to all districts. Starting in 2013, the Department rectified this by creating a publicly available province wide listing of quoted asphalt prices. The Department is currently making other procedural changes such as changes to wording of their request letter. We believe these changes should, in future years make the process around price solicitation

clearer and easier to understand.

**Decision to Defer Our Examination**

**7.38** However, as a result of the observations made during our planning phase, we recognized we could add more value and relevance by completing an examination of the new, rather than the legacy process. Consequently, we have chosen to defer continuation of our work to allow the Department the opportunity to complete the implementation of the process improvement project and other procedural changes to the asphalt procurement processes. We plan to proceed with our examination of asphalt purchasing by 2016.

# Chapter 8

## Follow-up on Recommendations from Prior Years' Value for Money Chapters

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# Follow-up on Recommendations from Prior Years' Value for Money Chapters

## Background

**8.1** This follow-up chapter promotes accountability by giving the Legislative Assembly, and the general public, information about how responsive government has been to our value for money recommendations. We think it is important that both MLAs and taxpayers be provided with sufficient information to assess the progress government is making in implementing these recommendations.

**8.2** Note that recommendations made to departments and Crown agencies pursuant to our financial audit work are followed up annually as part of our financial audit process, and are not discussed in this chapter. For a complete list of Value for Money reports over the last ten years, please see Appendix A.

**8.3** We continue to have a strategic goal that departments and agencies accept and implement our value for money recommendations. Consequently, in this chapter we report on the progress updates as provided to us by departments and Crown agencies for value for money recommendations made in our 2009, 2010, and 2011 Reports. Even though we did not have the resources to review the accuracy of all responses, we reviewed the responses received related to our 2009 recommendations for accuracy and gathered and summarized the information submitted by departments for 2010 and 2011. (See Appendix B for detailed status report of recommendations since 2009).

## Summary

**8.4** Our overall results show departments and agencies report they had implemented about 72% (83 of 115) of our value for money recommendations from the 2009, 2010 and 2011 Reports of the Auditor General.

**8.5** We are pleased that the percentage of value for

money recommendations implemented from 2009 was 74%, given it is the highest such four-year percentage we have ever reported. It also appears, based on self-reporting by the Departments responsible for responding to recommendations in our 2010 and 2011 reports, that four-year percentages may ultimately be at a comparable level for 2010 and 2011 as well.

## Scope and Objectives

**8.6** Our practice is to track the status of our value for money recommendations for four years after they first appear in the Report of the Auditor General, starting in the second year after the original Report. In other words, in this 2013 Report, we are tracking progress on value for money recommendations from 2009, 2010 and 2011. Our objective is to determine the degree of progress departments and agencies have made in implementing our recommendations. We have assessed their progress as fully implemented, not implemented, disagreed with, or no longer applicable.

**8.7** To prepare this chapter, we request written updates on progress from the respective departments and Crown agencies. They are asked to provide their assessment of the status of each value for money recommendation. In addition, departments and agencies also add any explanatory comments they believe necessary to explain the rationale for their assessment.

**8.8** We received all updates requested.

**8.9** In the past year we followed up on all value for money recommendations made in our 2009 Report. Areas covered included:

- La Caisse populaire de Shippagan;
- Provincial Testing of Students Anglophone Sector;
- Environmental Trust Fund;
- New Brunswick Innovation Foundation; and
- Review of Nursing Home Contract with Shannex Inc.

## Detailed Findings

**8.10** This section provides details on how well departments and Crown agencies have done in implementing value for money recommendations we made in the years 2009, 2010 and 2011. Exhibit 8.1

gives an overview of the status of recommendations by department and agency. Exhibit 8.2 shows the results summarized by year.

**8.11** Exhibit 8.2 shows departments and agencies reported to us that they had implemented 48 of 68 (about 71%) of our value for money recommendations from 2010 and 2011 Reports of the Auditor General. For 2009, based upon departmental and agency reporting, and our own review of their assessments, we have concluded that 35 of 47 (i.e. 74%) of our recommendations have been implemented. Of the remaining 12 recommendations, 10 have been agreed with but not yet implemented, and two have been disagreed with. Two additional recommendations made in 2009 are no longer applicable. Consistent with our established process, this is the last year that our 2009 value for money recommendations will be subject to our formal follow up process. However, project areas covered in 2009 may be considered for future value for money reports.

Exhibit 8.1 - Status of Value for Money Recommendations as Reported by Departments/Agencies

Department / Agency	Audit area	Year	Value for Money Recommendations					% Implemented
			Total	Disagreed	Implemented	Agreed/Not implemented	No longer applicable	
Economic Development	Financial Assistance to Industry	2010	7	2	2	3	0	29
	New Brunswick Innovation Foundation	2009	9	2	4	2	1	44
Tourism, Heritage and Culture	New Brunswick Art Bank	2010	7	0	7	0	0	100
Education and Early Childhood Development	Provincial Testing of Students Anglophone Sector	2009	16	0	14	2	0	88
Environment and Local Government	Wastewater Commissions	2011	7	0	5	2	0	71
	Environmental Trust Fund	2009	8	0	5	2	1	63
Executive Council/ Legislative Assembly	Constituency Office Costs for MLAs and Executive Council	2011	5	0	3	2	0	60
Finance / Transportation and Infrastructure	Public Private Partnerships	2011	10	0	9	1	0	90
Justice and the Attorney General	La Caisse populaire de Shippagan	2009	6	0	6	0	0	100
New Brunswick Liquor Corporation	Agency Stores	2010	10	0	10	0	0	100
Post Secondary Education, Training and Labour	Immigration with the Provincial Nominee Program	2010	20	0	12	8	0	60
Social Development	CMHC Social Housing Agreement	2011	2	0	0	2	0	0
Transportation and Infrastructure / Social Development	Review of Nursing Home Contract with Shannex Inc.	2009	10	0	6	4	0	60
<b>Totals</b>			<b>117</b>	<b>4</b>	<b>83</b>	<b>28</b>	<b>2</b>	<b>72</b>

Exhibit 8.2 - Summary Status of Recommendations by Year as Reported by Departments/Agency

Year	Recommendations					% Implemented
	Total	No longer applicable	Implemented	Agreed/Not implemented	Disagreed	
2011	24	0	17	7	0	71
2010	44	0	31	11	2	70
2009	49	2	35	10	2	74
Total	117	2	83	28	4	72

**Comments on recommendations from 2009**

**8.12** Exhibit 8.3 provides a full listing of our 2009 value for money recommendations that are still not implemented.

**8.13** Our 2009 value for money recommendations have reached the end of the four year follow-up cycle. Projects included in the 2009 Report included:

- La Caisse populaire de Shippagan;
- Provincial Testing of Students Anglophone Sector;
- Environmental Trust Fund;
- New Brunswick Innovation Foundation; and
- Review of Nursing Home Contract with Shannex Inc.

**8.14** Immediately following Exhibit 8.3, we provide additional commentary on some of the value for money recommendations from these five 2009 projects.

**8.15** We encourage Members of the Legislative Assembly to look at the 2009 value for money recommendations which the government has not implemented. Upcoming meetings of the Public Accounts Committee and the Crown Corporations Committee provide an opportunity for Members to pursue the status of these recommendations with the involved departments and Crown agencies.

Exhibit 8.3 - Summary Status of 2009 Value for Money Recommendations Not Implemented

Department / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Economic Development	New Brunswick Innovation Foundation	2009	3	4	25	<p>We recommend BNB should require NBIF to sign a letter of agreement before transferring additional funds to the Trust. That letter of agreement should clearly document:</p> <ul style="list-style-type: none"> <li>• The amount and timing of funding to flow from BNB to NBIF, the period covered, and any significant details relating to the process for NBIF accessing those funds.</li> <li>• BNB performance expectations for NBIF relating to its delivery of innovation funding. Those performance expectations should include: <ul style="list-style-type: none"> <li>▪ Expected program outcomes to be achieved by NBIF;</li> <li>▪ A requirement for NBIF to be covered by and compliant with the provincial <i>Auditor General Act</i>, giving our Office the legal right to conduct compliance and performance audits at NBIF and report the results of those audits to the Legislative Assembly;</li> <li>▪ A requirement for periodic independent evaluations of the delivery of innovation funding through NBIF using recognized evaluation standards; and</li> <li>▪ A requirement for NBIF to apply public sector values in delivering innovation funding for the Province. This should include a requirement for NBIF to adopt a code of conduct, including conflict-of-interest guidelines, that is signed by all board members and staff. It should also include a requirement that NBIF be as publicly open as possible regarding access to information on the agreements, objectives, activities, and achievements with appropriate provisions being made for legitimate concerns of personal privacy, commercial confidence, and intergovernmental negotiations.</li> </ul> </li> <li>• Reporting required by BNB from NBIF. Required reporting should facilitate BNB monitoring and effectiveness reporting related to all aspects of NBIF's performance.</li> <li>• A requirement for both parties to comply with terms of the operational memorandum of understanding signed by BNB and NBIF.</li> <li>• Specific remedies available to BNB should NBIF fail to meet government performance expectations or reporting requirements associated with the arrangement. In such cases, BNB should have the right to withdraw funding, roll-over funding to future years, or take other specific actions as determined appropriate in the circumstances.</li> <li>• The role of government representatives on the board of NBIF.</li> <li>• Other terms and conditions as considered necessary in the circumstances.</li> </ul>	Not Implemented

Exhibit 8.3 - Summary Status of 2009 Value for Money Recommendations Not Implemented

Department / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Economic Development	New Brunswick Innovation Foundation	2009	3	4	27	We recommend BNB should publicly report information on the extent to which the arrangement with NBIF has accomplished its provincial policy objectives, and at what cost, in its annual report.	Not Implemented
		2009	3	4	28	We recommend BNB should table evaluation reports related to the arrangement in the Legislative Assembly because of the value of those reports as inputs to public policy decisions associated with the delivery of innovation funding.	Disagreed With
		2009	3	4	29	We recommend BNB should carefully consider the ramifications of the potential conflict for government representatives on the NBIF board between their fiduciary duties as board members and their assigned roles as protectors of the provincial interest relating to innovation funding delivered through NBIF. Action should be taken to mitigate any identified risks. The simplest option would be to eliminate the requirement that provincial representatives sit on the board of NBIF, or as a minimum remove their voting rights as board members.	Disagreed With
Education and Early Childhood Development	Provincial Testing of Students Anglophone Sector	2009	3	2	33	The Department should ensure the Minister's advisory committee actively operates in compliance with legislation. The representation on the Minister's advisory committee and the frequency of its meetings should allow the advisory committee to serve its purpose.	Not Implemented
		2009	3	2	91	The Department should document a policy on reporting individual students' results on provincial tests.	Not Implemented
Environment and Local Government	Environmental Trust Fund	2009	3	3	43	We therefore recommended the Department establish clearer objectives for the Environmental Trust Fund.	Not Implemented
		2009	3	3	105	We recommended the Department's annual report include more information about the performance of the Environmental Trust Fund.	Not Implemented

Exhibit 8.3 - Summary Status of 2009 Value for Money Recommendations Not Implemented

Department / Agency	Chapter Name	Year	Volume	Chapter	Paragraph	Recommendation	Status
Social Development	Review of Nursing Home Contract with Shannex Inc.	2009	3	5	48	We recommended the Department of Social Development put in place a formal mechanism to assess the success of the pilot project they have entered into with Shannex.	Not Implemented
		2009	3	5	62	We recommended the Department of Social Development prepare and document a risk assessment of the Shannex contract and identify any mitigating actions that should be put in place.	Not Implemented
		2009	3	5	72	We recommended the Department of Social Development start planning a replacement tender in year three of the current contract.	Not Implemented
		2009	3	5	75	We recommended the Department of Social Development put in place a plan for how residents would be accommodated through any future move that could be required at the expiration of the contract term.	Not Implemented

## Health

### Medicare – Payments to Doctors (2012)

**8.16** In 2012, we did work to determine if the Department of Health (Department) was maximizing its recovery of incorrect Medicare payments to doctors, through the practitioner audit function. We concluded that this was not the case. Consequently, we made three recommendations in our 2012 Report addressing identified deficiencies.

**8.17** Medicare has a huge impact on the lives of all New Brunswickers. In the 2010-2011 fiscal year (2011), roughly 1,873 doctors were paid under this program. Medicare expenditures for 2011 were slightly more than half of a billion dollars (\$553.3 million) and represented one of government's highest cost programs. Because of the significance of the Medicare program, we reviewed the status of our recommendations in 2013, even though a 2012 report would not normally be reviewed until 2014 under our regular follow up process.

**8.18** We were pleased to note that one recommendation had already been implemented. Starting with their 2011-12 annual report, the Department now publicly reports summary-level information showing doctor remuneration by specialty and total payments for each remuneration method (i.e. Fee-For-Service, salary, sessional, other). Work has also commenced pursuant to the implementation of the other two recommendations. We will be revisiting the status of all three recommendations in future years as part of our regular follow up process.

## Education and Early Childhood Development

### Provincial Testing of Students Anglophone Sector

**8.19** In this project our objectives were to assess the Department's:

- Strategic direction for its provincial testing of student in the Anglophone sector; and
- Process of administering its provincial testing of students in the Anglophone sector.

**8.20** We concluded in 2009 that the department had not yet finalized a strategic plan for its provincial testing of students in the Anglophone sector. In addition, because the purpose for provincial testing had not been clearly documented, we were unable to conclude on the appropriateness of the Department's process of administering its provincial testing of students in the Anglophone sector.

**Fourteen of Sixteen recommendations have been fully implemented**

**8.21** We are pleased to report that of our sixteen original recommendations to the Department, fourteen have been fully implemented. However, two are still outstanding.

**8.22** In 2009 we recommended that:

*“The Department should ensure the Minister’s advisory committee actively operates in compliance with legislation. The representation on the Minister’s advisory committee and the frequency of its meetings should allow the advisory committee to serve its purpose.”*

**8.23** Although the Department indicated that the committee was compliant until May 2012, they stated that:

*“The Minister’s advisory committee was actively operating from 2009 – May 2012 but was inactive in 2012-2013. The committee will reconvene in 2013-14.”*

The Department told us that a new committee has been formed and plans to begin meeting in the fall of 2013.

**8.24** We continue to believe that compliance with the legislation is important and in order to be effective the committee needs to be active annually at a minimum.

**8.25** We also recommended that:

*“The Department should document a policy on reporting individual students’ results on provincial tests.”*

**8.26** In their 2013 response, the Department indicated that they have “...consulted with stakeholders and continues to consider the requirement for formalized policy. Districts and staff are certainly aware of consistent protocol and this will be monitored on an ongoing basis. The new Framework document will clearly articulate individual students’ results.”

**8.27** We believe that policies provide the foundation for consistency in Department practices and procedures. Although staff may be aware of the protocol, a lack of formal requirement can lead to inconsistent application. We encourage the Department to move forward with implementation of this recommendation.

## Department of Environment and Local Government

### Environmental Trust Fund

#### Five of our eight recommendations have been implemented

- 8.28** In this project, we wanted to determine whether the purpose of the Environmental Trust Fund (ETF) is clearly established, whether the ETF is operating as intended with respect to grants and whether the achievement of ETF goals and objectives are being measured and reported.
- 8.29** Our 2009 report concluded that the Department has eligibility and assessment criteria which it is applying to project selection but inspection guidelines needed to be documented. We also concluded that ETF should develop more clearly defined objectives that are tied to the Department's priorities as well as increase the amount of information pertaining to the Fund in the Department's annual report.
- 8.30** We made eight recommendations and have concluded that five have been implemented and one is no longer applicable due to changes in the program. The status of the two recommendations that have not been fully implemented is discussed in the paragraphs that follow.
- 8.31** We recommended "*the Department establish clearer objectives for the Environmental Trust Fund*".
- 8.32** The Department responded in 2013, indicating it "*continues strategically linking project funding to departmental and government objectives. The objectives are posted on the Department website.*"
- 8.33** While the Department does implement a strategic approach in linking project funding to departmental and government priorities, discussions with the Department indicated that the objectives of the ETF have not yet been formally developed, documented and communicated to applicants.
- 8.34** We also recommended "*the Department's annual report include more information about the performance of the Environmental Trust Fund*".
- 8.35** In its 2013 response the Department stated it "*has been providing more information on the performance of the ETF in its annual report.*"

**8.36** The Department indicated that it is actively working on providing additional information such as profiling successful ETF projects in its annual report. However, this information does not appear in its 2011-12 annual report, the most recent one available.

**8.37** The Department continues to indicate its agreement with both these recommendations, and although progress has been made by the Department towards their achievement, they have not been fully implemented.

## Economic Development

### New Brunswick Innovation Foundation

**8.38** Our objective in this audit was:

*“To assess whether governance structures and practices established by Business New Brunswick in connection with the delivery of innovation funding through the New Brunswick Innovation Foundation ensure accountability and protection of the public interest.”*

**8.39** We concluded that based on our audit work, governance structures and practices established by Business New Brunswick in connection with the delivery of innovation funding through the New Brunswick Innovation Foundation did not ensure accountability and protection of the public interest.

**Only four of nine recommendations have been fully implemented**

**8.40** We made nine recommendations to Business New Brunswick (BNB), now the Department of Economic Development (ED), four of which have been implemented and one of which is no longer applicable. We note that two of our recommendations are not fully implemented and ED disagrees with the remaining two.

**8.41** The following paragraphs address the four recommendations that are still outstanding.

**8.42** We recommended, *“BNB should require NBIF to sign a letter of agreement before transferring additional funds to the Trust.”* We went on to specify a list of items that should be clearly documented in the letter of agreement.

**8.43** ED has, in fact, signed an accountability Agreement with NBIF for the period ending 31 March 2013. It documents some, but not all, of the items included in our recommendation. Specific omissions include:

- A requirement for NBIF to be covered by and compliant with the provincial *Auditor General Act*;
- A requirement for NBIF to apply public sector values in delivering innovation funding for the Province;

- Specific remedies available to BNB (i.e. ED) should NBIF fail to meet government performance expectations or reporting requirements; and
  - Information explaining the roles of government representatives on the board of NBIF.
- 8.44** We continue to believe that these requirements are necessary to ensure accountability and protection of the public interest relating to the arrangement between ED and NBIF.
- 8.45** We also recommended, “*BNB should publicly report information on the extent to which the arrangement with NBIF has accomplished its provincial policy objectives, and at what cost, in its annual report.*”
- 8.46** We reviewed the most recent ED annual report available, for 2011-12, and found no information relating to the performance of NBIF.
- 8.47** The Department disagreed with the following two recommendations:
- *We recommend BNB should table evaluation reports related to the arrangement in the Legislative Assembly because of the value of those reports as inputs to public policy decisions associated with the delivery of innovation funding.*
  - *We recommend BNB should carefully consider the ramifications of the potential conflict for government representatives on the NBIF board between their fiduciary duties as board members and their assigned roles as protectors of the provincial interest relating to innovation funding delivered through NBIF. Action should be taken to mitigate any identified risks. The simplest option would be to eliminate the requirement that provincial representatives sit on the board of NBIF, or as a minimum remove their voting rights as board members.*
- 8.48** For the first recommendation, the 2013 ED response stated, “*NBIF produces an Annual Report, detailing its investments and performance outcomes. An information MEC will include the NBIF annual report. The Minister also is prepared to answer any questions relating to NBIF in the Legislature.*”

**8.49** For the second recommendation, their 2013 response noted “*Government representatives provide a stewardship to the funding distributed by NBIF, according to the [Financial Administration Act] FAA. It is the opinion of the Office of the Attorney General that provincial officials serving on the NBIF Board did not pose a serious risk of conflict, provided fiduciary responsibilities were respected and appropriate precautions were taken in potential conflict of interest situations.*”

**8.50** We continue to believe that the first recommendation should be implemented by the Department for the reason stated in the recommendation wording. In the case of the second recommendation, the Department appears to be willing to accept a certain level of risk in order to obtain the perceived benefits of placing government representatives on the NBIF board. We continue to believe that the potential conflict is significant enough to warrant taking one of the actions suggested in our recommendation.

## Social Development

### Review of Nursing Home Contract with Shannex Inc.

**Six of our ten recommendations have been implemented**

**8.51** In 2009, we reviewed a Social Development nursing home contract with Shannex Inc. The contract was undertaken through an approved exemption from the public tendering process under Public Purchasing Act regulation 94-157, section 27.1(1)(d) as an urgent situation.

**8.52** We made ten recommendations to Social Development (SD) and the then Department of Supply and Services, now the Department of Government Services (DGS). We note in the following paragraphs however that four of the recommendations to SD remain outstanding.

**8.53** We recommended that *“the Department of Social Development put in place a formal mechanism to assess the success of the pilot project they have entered into with Shannex.”* We believe that evaluating the success of pilot projects is necessary to measure the level of success of projects and continually improve planning for future projects of a similar nature.

**8.54** In their 2013 response, SD stated:

*The “Evaluation of the 3.5 Hours of Care in Nursing Homes Pilot Project” was completed in January 2013. The 3 new Shannex nursing homes were included. Each nursing home was evaluated in three broad areas:*

- *Resident outcomes (extent to which nursing home were meeting its service and care goals for each resident, quality of resident care, etc.);*
- *System outcomes (extent to which the nursing homes were meeting service standards); and*
- *Nursing and care staff outcomes (stability of staffing, quality of worklife, work environment and staff satisfaction, etc).*

**8.55** The evaluation undertaken by the Department appears to assess the service delivery and working conditions of the Shannex facilities. The essence of our recommendation was to assess success of the pilot project. Also, there is no evaluation of whether this

delivery model is more economical than the traditional model. We continue to believe that an evaluation of pilot projects is beneficial and should be undertaken by the Department.

**8.56** We also recommended *“the Department of Social Development prepare and document a risk assessment of the Shannex contract and identify any mitigating actions that should be put in place.”*

**8.57** The SD 2013 response states the Department *“inspects and monitors all nursing homes operated by Shannex in New Brunswick and would require Shannex to take remedial action if required.”*

*An evaluation will be conducted to identify any potential risks associated with the Shannex contract and to identify appropriate actions to mitigate potential risks.”*

**8.58** Although our recommendation has not yet been implemented by the Department, we are pleased that SD is planning a risk evaluation of the Shannex contract in the future.

**8.59** A recommendation that *“the Department of Social Development start planning a replacement tender in year three of the current contract”* has yet to be implemented by SD.

**8.60** In their 2013 response, SD indicated *“Government committed to a purchase of service contract for 216 nursing home beds, in three 72-bed facilities, for a 5-year period from the day each facility opened.”*

- *Monarch hall in Riverview opened in March 2010;*
- *Embassy Hall in Quispamsis opened in April 2010; and*
- *Thomas Hall in Fredericton opened in October 2010.*

*Work on the development of a replacement tender will begin in the Fall of 2013.”*

**8.61** Although this appears to highlight progress for future nursing home development, it does not address the specific recommendation we made.

**8.62** Finally, the fourth recommendation we made in 2009 that remains outstanding was *“the Department of Social Development put in place a plan for how*

*residents would be accommodated through any future move that could be required at the expiration of the contract term.”*

**8.63** In 2013 SD responded that “A *contingency plan will be developed for moving residents out of the Shannex homes, if required, at the expiration of the existing contract.*”

**8.64** While we are pleased that SD intends to develop a contingency plan in the future, this has not yet been completed and we could not evaluate the degree to which it would meet the recommendation.

**8.65** While we are pleased that six of the recommendations have been implemented, we encourage SD to move forward in implementing our four remaining outstanding recommendations.

**Department of Justice and Attorney General****La Caisse populaire de Shippagan**

**We are pleased to note that all six of our recommendations have been fully implemented**

**8.66** We were asked by the Minister of Finance to report to the Legislative Assembly on the sequence of events that led to the government's intervention in la Caisse populaire de Shippagan. Specifically, we were asked to provide our "*opinion on how to better prevent this type of exposure in the future*".

**8.67** In 2009, we made six recommendations which we believed robust enough to detect or prevent reoccurrences of the Caisse populaire de Shippagan events.

**8.68** We are very pleased to report that all have been implemented. The changes will provide the parties involved with the authority and independence needed to properly govern the credit union system in New Brunswick.

## General Comments on the Implementation of our Recommendations

**8.69** As noted earlier, we encourage the Public Accounts and Crown Corporations Committees to use this chapter to hold government accountable for implementing our value for money recommendations. Exhibit 8.4 reports government's progress, in implementing our value for money recommendations since 1999.

*Exhibit 8.4 - Implementation of Value for Money Recommendations*

Year	Number of Recommendations	Recommendations Implemented Within		
		Two years	Three years	Four years
1999	99	35%	42%	42%
2000	90	26%	41%	49%
2001	187	53%	64%	72%
2002	147	39%	58%	63%
2003	124	31%	36%	42%
2004	110	31%	38%	49%
2005	89	27%	38%	49%
2006	65	22%	38%	N/A*
2007	47	19%	N/A*	45%**
2008	48	N/A*	60%**	57%****
2009	49	73%**	73%***	74%****
2010	44	64%***	70%***	-
2011	24	71%***	-	-
* No follow-up performed in 2010 ** As self-reported by departments and agencies with confirmation by our Office in the Department of Justice and Consumer Affairs *** As self-reported by departments and agencies **** As self-reported by departments and agencies and reviewed for accuracy by our Office.				

**8.70** We are encouraged that the percentage of value for money recommendations implemented from 2009 was 74%, the highest such four-year percentage we have ever reported. It also appears, based on self-reporting by the departments and agencies responsible for responding to recommendations in our 2010 and 2011 reports, that four-year percentages may be at a comparable level in the next two years.

**8.71** However, we would highlight the significant discrepancy between the projects with the highest

implementation rates (e.g. Justice and the Attorney General – La Caisse populaire de Shippigan - 100%) and those with much lower rates (e.g. Economic Development – New Brunswick Innovation Foundation – 44%).

**8.72** We are committed to continuing to work with departments and Crown agencies to develop sound, practical recommendations in all our value for money reports. Also, we will continue to use our follow-up process as a means of providing encouragement and support for departments and Crown agencies to fully implement, on a timely basis, as many of our value for money recommendations as possible.

# Appendix A

## Summary of Significant Projects Conducted in Departments and Crown Agencies over the Past Ten Years

The following is a list of value-for-money projects reported in a separate chapter of our annual Reports over the last ten years, organized by department and agency. The year of reporting is in brackets following the subject of the projects. The list is organized using the current name of the department or agency, even though in some cases the project was conducted prior to government reorganization.

### **Department of Agriculture, Aquaculture and Fisheries**

#### **New Brunswick Salmon Aquaculture (2004)**

This chapter assesses whether Province of New Brunswick programs ensure that New Brunswick salmon cage culture operations are economically, environmentally, and socially sustainable.

### **Department of Economic Development**

#### **Financial Assistance to Industry (2010)**

This chapter assesses whether the Department has adequate procedures in place to measure and report on the effectiveness of the financial assistance it provides to industry.

#### **New Brunswick Innovation Foundation (2009)**

This chapter examines whether governance structures and practices established by the Department in connection with the delivery of innovation funding through the New Brunswick Innovation Foundation ensure accountability and protection of the public interest.

### **Department of Education and Early Childhood Development**

#### **Provincial Testing of Students – Anglophone Sector (2009)**

This chapter assesses the Department's strategic direction for its provincial testing of students in the Anglophone sector. It also assesses the Department's process of administering its provincial testing of students in the Anglophone sector.

### **Facilities Maintenance (2005)**

This chapter examines whether the Department has adequate systems and practices in place to ensure that school facilities are appropriately maintained.

## **Department of Environment and Local Government**

### **Solid Waste Commissions (2012)**

This chapter examines the governance, accountability and financial management of the twelve provincial solid waste commissions. It also addresses the Province's involvement in reducing the impacts of solid waste on the environment.

### **Wastewater Commissions (2011)**

This chapter examines the governance, accountability and financial practices of the three largest wastewater commissions: the Greater Moncton Sewerage Commission, the Greater Shediac Sewerage Commission and the Fredericton Area Pollution Control Commission. The report addresses concerns with respect to board governance, accountability and questionable financial practices of the Greater Moncton Sewerage Commission.

### **Environmental Trust Fund (2009)**

This chapter examines whether the purpose of the Environmental Trust Fund is clearly established, and whether the Fund is measuring and reporting the achievement of its goals and objectives. It also examines whether the Fund is operating as intended with respect to grants.

### **Environmental Impact Assessment (2008)**

This chapter examines whether the Department is carrying out its key roles and responsibilities under the NB Environmental Impact Assessment (EIA) Regulation and related Departmental guidelines with due regard for economy, efficiency and effectiveness. It also identifies key risks associated with the provincial EIA process and determines the extent to which those risks are being managed.

### **Beverage Containers Program (2004)**

This chapter examines whether the Department has established satisfactory procedures to measure and report on whether the Beverage Containers Program is achieving its intended results. It also reports on the progress the Department has made in implementing the recommendations and responding to the findings of our 1994 report on the Beverage Containers Program.

## **Executive Council Office**

### **Constituency Office Costs for Members of the Legislative Assembly and Executive Council (2011)**

This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly and departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

## **Department of Finance**

### **Collection of Accounts Receivable (2013)**

This chapter provides information on provincial policies and initiatives currently underway to improve the collection of accounts receivable, and our comments relating to those policies and initiatives.

## **Department of Government Services**

### **Procurement of Goods and Services – Phase 1 (2013)**

This chapter examines whether public purchasing practices used by the Department comply with key components of the regulatory framework and best practices, and if it publicly reports on the effectiveness of the procurement function.

## **Department of Health**

### **Medicare - Payments to Doctors (2012)**

This chapter examines whether the Department of Health is maximizing its recovery of incorrect Medicare payments to doctors, through the practitioner audit function. It also highlights unusual items that warrant further investigation by the Department.

### **EHealth – Procurement and Conflict of Interest (2012)**

This chapter examines the government procurement policy for purchases of services related to the E-Health initiative. It also examines whether a conflict of interest exists in the use of consultants.

### **Program Evaluation (2007)**

This chapter examines whether adequate systems and practices have been established to regularly evaluate programs funded by the Department of Health.

### **Health Levy (2006)**

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

### **Prescription Drug Program (2005)**

This chapter examines whether the Department has adequate procedures in place to manage the performance of the Prescription Drug Program, and whether there is adequate reporting on the Prescription Drug Program's performance. It also examines whether the Department has adequate procedures in place to ensure that the drug assessment process for formulary listing and the amount paid for drugs and pharmacy services are managed with due regard for cost effectiveness.

## **Legislative Assembly**

### **Constituency Office Costs for Members of the Legislative Assembly and Executive Council (2011)**

This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly and departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

## **Department of Justice and Attorney General**

### **Superintendent of Credit Unions (2008)**

This chapter examines whether the Superintendent of Credit Unions is fulfilling his duties and responsibilities to oversee the financial stability and solvency of credit unions and caisses populaires for the protection of New Brunswick depositors.

### **New Brunswick Credit Union Deposit Insurance Corporation (2007)**

This chapter examines whether the New Brunswick Credit Union Deposit Insurance Corporation has adequate structures, processes and procedures in place to fulfill its obligation to protect the deposits of members of credit unions and caisses populaires in New Brunswick.

### **Pension Benefits Act (2006)**

This chapter examines the protections offered by the *Pension Benefits Act* to active and former pension plan members, and the nature of the operations of the Office of the Superintendent of Pensions.

### **Health Levy (2006)**

This chapter explains what the health levy is for, and summarizes the issues we identified related to the health levy process.

## **Department of Natural Resources**

### **Timber Royalties (2008)**

This chapter describes timber royalties and the processes and requirements surrounding them. It also examines whether the Department is complying with its legislated requirements.

### **Wildlife Trust Fund (2007)**

This chapter reports the results of an audit of a sample of grants issued by the fund and our testing of the conservation revenue fee.

### **Tracking System for Wood Harvested from Private Woodlots (2006)**

This chapter examines whether the Department maintains appropriate processes to ensure the tracking system for primary forest products harvested from private woodlots is operating as required by the *Transportation of Primary Forest Products Act*. It also examines whether the Department uses the information provided by the wood tracking system in assessing and reporting publicly on the sustainability of the private wood supply in New Brunswick.

## **Department of Post-Secondary Education, Training and Labour**

### **Immigration with the Provincial Nominee Program (2010)**

This chapter examines whether the Population Growth Secretariat has identified and documented significant planning measures for New Brunswick's Provincial Nominee Program. It also examines whether the Secretariat has adequate processes and controls for delivering the Provincial Nominee Program in New Brunswick, and if it supports the program in achieving its objective "to increase the economic benefits of immigration to New Brunswick." Finally, it examines whether the Secretariat measures performance for the Provincial Nominee Program and if it publicly reports the program's performance.

### **Adult Literacy Services (2008)**

This chapter examines the Department's strategic direction, control procedures, and performance measurement and reporting for its adult literacy support.

### **Private Occupational Training Act (2007)**

This chapter examines whether the Department, and the New Brunswick Private Occupational Training Corporation, are fulfilling their mandate to provide effective consumer protection to students of private occupational training organizations in New Brunswick.

## **Department of Social Development**

### **Foster Homes (2013)**

This chapter examines whether the Department complies with its documented foster home standards, and if it publicly reports on the effectiveness of its Children's Residential Services program.

### **CMHC Social Housing Agreement (2011)**

This chapter examines the future of the financial impact to the Province due to the decline of funding under the CMHC Social Housing Agreement; and assesses whether the Department managed and administered the programs in accordance with four key agreement requirements.

### **Review of Nursing Home Contract with Shannex Inc. (2009)**

This chapter examines various questions surrounding the contract with Shannex Inc. to supply nursing home beds.

### **Special Care Homes and Community Residences (2005)**

This chapter examines whether the Department has appropriate practices to ensure compliance with the Province's legislation and standards for special care homes and community residences.

### **Nursing Home Services (2004)**

This chapter examines whether the Department has appropriate practices to ensure that licensed nursing homes are complying with the Province's legislation for nursing homes, and that the Province's legislation and departmental policies for nursing homes are reviewed and amended on a regular basis.

## **Department of Transportation and Infrastructure**

### **Provincial Bridges (2013)**

This chapter examines whether the Department performs bridge inspections in accordance with accepted professional standards and used the inspection results to identify and prioritize necessary capital maintenance and other remedial measures. The chapter also examines whether the Department maintains the service level of its bridge inventory based on a long term least life cycle cost approach, and whether it publicly reports on the condition of designated Provincial bridges and the effectiveness of its bridge inspection activities.

### **Premixed Asphalt Procurement (2013)**

This chapter discusses our planned project to determine if the Department's exempt purchases of pre-mixed asphalt are being made with due regard of economy and transparency, and the reasons why we chose to temporarily defer this project.

### **Capital Maintenance of Highways (2012)**

This chapter examines whether capital road repairs, identified as necessary by the Department, are made on a timely basis.

### **Public-Private Partnership: Eleanor W. Graham Middle School and Moncton North School (2011)**

This chapter examines the process for identifying the two school project as potential P3 agreements and evaluates the value for money assessment on which the Department's decision to recommend the P3 approach for the two school project was based.

### **Review of Nursing Home Contract with Shannex Inc. (2009)**

This chapter examines various questions surrounding the contract with Shannex Inc. to supply nursing home beds.

## **Department of Tourism, Heritage and Culture**

### **New Brunswick Art Bank (2010)**

Our objective for this project was to ensure that all art works acquired for the provincial Art Bank can be accounted for and are being adequately protected, maintained and conserved.

## **Government-wide projects**

### **Review of Departmental Annual Reports (2008)**

Our primary objective for this project was to determine the degree to which departmental annual reports and our government's reporting on performance could be improved by applying state-of-the-art principles. Our secondary objective was to determine what enhancements might be recommended for the Province's annual report policy.

### **Program Evaluation in Government Departments (2004)**

Our objective for this project was to determine the approach to program evaluation employed by provincial departments.

## **Crown Agency Projects**

### **New Brunswick Investment Management Corporation**

#### **Investment Performance and Cost Analysis (2008)**

This chapter looks at some indicators of the New Brunswick Investment Management Corporation's investment performance, and provides an analysis of the costs of the organization.

### **New Brunswick Investment Management Corporation**

#### **Governance (2006)**

This chapter examines whether current governance structures and processes established for the New Brunswick Investment Management Corporation set a framework for effective governance.

### **New Brunswick Liquor Corporation**

#### **Agency stores (2010)**

This chapter examines whether the New Brunswick Liquor Corporation has appropriate control procedures for its agency store program.

### **NB Power**

#### **Point Lepreau Generating Station Refurbishment – Phase I (2013)**

This chapter describes key aspects of NB Power's planning and execution of the Point Lepreau refurbishment, and presents summaries of amounts making up the \$1.4 billion asset account and the \$1.0 billion deferral account related to the refurbishment.

### **Governance (2005)**

This chapter examines whether the current governance structures and processes established for NB Power set a framework for effective governance.

### **Regional Development Corporation**

#### **Provincially Funded Programs and Projects (2004)**

This chapter examines whether the Regional Development Corporation has satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects it administers.

### **Service New Brunswick**

#### **Property Assessment for Taxation Purposes (2005)**

This chapter examines whether Service New Brunswick complies with the *Assessment Act* by assessing real property at “real and true value”.

**Appendix B**  
**Detailed Status Report of**  
**Recommendations**  
**Since 2009**

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
La Caisse populaire de Shippagan	Justice and Attorney General	2009	1	1	219	We recommend the [Department of Justice and Attorney General] ensure that the current requirements of Sections 242 and 242.1 of the <i>Credit Unions Act</i> are sufficient to ensure that a credit union can only transfer from one federation and the stabilization board established in relation to that federation to the other federation and the stabilization board established in relation to that federation if the underlying circumstances warrant the transfer.	Implemented
La Caisse populaire de Shippagan	Justice and Attorney General	2009	1	1	220	We recommend the [Department of Justice and Attorney General] ensure that the <i>Credit Unions Act</i> places both the power to inspect a credit union and the power to put a credit union under supervision in the same organization.	Implemented
La Caisse populaire de Shippagan	Justice and Attorney General	2009	1	1	221	We recommend the [Department of Justice and Attorney General] ensure that Section 246(3) of the <i>Credit Unions Act</i> is sufficient to ensure that a credit union that has been placed under supervision is in fact under supervision during any appeal process.	Implemented
La Caisse populaire de Shippagan	Justice and Attorney General	2009	1	1	222	We recommend the [Department of Justice and Attorney General] ensure that the <i>Credit Unions Act</i> gives the Superintendent of Credit Unions sufficient power to ensure that only auditors with the requisite skills, experience and independence are appointed auditors of credit unions.	Implemented
La Caisse populaire de Shippagan	Justice and Attorney General	2009	1	1	223	We recommend the Superintendent of Credit Unions be independent of the [Department of Justice and Attorney General], and have the resources needed to properly supervise the credit union system.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
La Caisse populaire de Shippagan	Justice and Attorney General	2009	1	1	224	We recommend Executive Council ensure that term limits exist for all members of the governing bodies of provincial Crown corporations, agencies, boards and commissions. If existing members of governing bodies have been in place for a long period of time, there should be a transition plan to replace them. The length of the transitional period should be inversely proportional to the length of time the board member has served.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	33	The Department should ensure the Minister's advisory committee actively operates in compliance with legislation. The representation on the Minister's advisory committee and the frequency of its meetings should allow the advisory committee to serve its purpose.	Not Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	34	The Department should document clearly the committee's terms of reference, which should include its role and responsibilities.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	35	The Department should develop an orientation program for new committee members.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	42	With the assistance of the Minister's advisory committee, the Department should complete its strategic framework for provincial testing of students.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	48	With the assistance of the Minister's advisory committee, the Department should determine and document its purpose for provincial testing.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	69	In consultation with its stakeholders, the Department should challenge its current provincial testing schedule, explore alternatives for obtaining the information required to serve its purpose with the least disruption to the students' learning time, and revise its provincial testing schedule as needed.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	73	The Department should monitor all testing done by schools and districts that is similar to provincial testing.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	74	The Department should monitor the amount of students' learning time that is used for preparing for and writing provincial testing and all other similar testing done by the districts and schools to ensure that it is not excessive.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	75	The Department should develop practices to ensure that different testing of students complements one another and there is no duplication of efforts.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	83	The Department should strengthen the process for providing accommodations for students with special needs to ensure that: <ul style="list-style-type: none"> <li>• all eligible students receive accommodations and in the form to which they are entitled; and</li> <li>• only eligible students receive accommodations and only in the form to which they are entitled.</li> </ul>	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	91	The Department should document a policy on reporting individual students' results on provincial tests.	Not Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	92	The Department should assess its information system needs with regards to reporting the results of provincial testing and ensure that its needs are met.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	93	The Department should ensure that the results of provincial testing are easily identified on its web site.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	102	The Department should develop documented policies and procedures for the provincial testing program.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	103	The Department should provide training, as necessary, to help ensure the policies and procedures are understood and followed. This should include training teachers on the administrative guidelines and the use of provincial testing results.	Implemented
Provincial Testing of Students Anglophone Sector	Education and Early Childhood Development	2009	3	2	104	The Department should develop and implement quality control practices to ensure the policies and procedures are followed and updated as needed.	Implemented
Environmental Trust Fund	Environment and Local Government	2009	3	3	43	We therefore recommended the Department establish clearer objectives for the Environmental Trust Fund.	Not Implemented
Environmental Trust Fund	Environment and Local Government	2009	3	3	46	We recommended the Department annually make public its priorities for the types of projects that it wants to fund from the Environmental Trust Fund.	Implemented
Environmental Trust Fund	Environment and Local Government	2009	3	3	58	Because we found the flowchart useful, we recommended the Department enhance the one page flowchart of the Environmental Trust Fund application process to include a brief description of certain steps and should post the flow chart on the Environmental Trust Fund web site.	No longer applicable

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Environmental Trust Fund	Environment and Local Government	2009	3	3	66	We recommended the Department provide potential applicants with the program guidelines and criteria.	Implemented
Environmental Trust Fund	Environment and Local Government	2009	3	3	69	We recommended the program eligibility and assessment criteria should indicate how other sources of funding are to be assessed.	Implemented
Environmental Trust Fund	Environment and Local Government	2009	3	3	81	We recommended the Department ensures that it follows the written protocol for in-year ETF applications.	Implemented
Environmental Trust Fund	Environment and Local Government	2009	3	3	95	We recommended the Department document the criteria it uses to determine which projects will be inspected through onsite visits.	Implemented
Environmental Trust Fund	Environment and Local Government	2009	3	3	105	We recommended the Department's annual report include more information about the performance of the Environmental Trust Fund.	Not Implemented
New Brunswick Innovation Foundation	Economic Development	2009	3	4	21	We recommend the Province should provide future funding to NBIF on a year-by-year basis due to the significant financing costs associated with providing multiple year funding.	Implemented
New Brunswick Innovation Foundation	Economic Development	2009	3	4	22	We recommend the Province explicitly assign responsibility to [Economic Development] for communicating government performance expectations to NBIF, and monitoring and reporting on NBIF's performance in order to ensure that adequate accountability exists for the arrangement.	Implemented
New Brunswick Innovation Foundation	Economic Development	2009	3	4	23	We recommend [Economic Development] should ensure that regular reconciliations are performed verifying that money drawn from the Trust agrees with that reported in NBIF's financial statements.	No longer applicable

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
New Brunswick Innovation Foundation	Economic Development	2009	3	4	24	We recommend, in order to simplify and potentially reduce the cost of the funding process, the Province should terminate the Trust as allowed under the Deed of Settlement and Trust, and have [Economic Development] simply fund NBIF directly as part of a contractual arrangement.	Implemented
New Brunswick Innovation Foundation	Economic Development	2009	3	4	25	<p>Further to that, we recommend [Economic Development] should require NBIF to sign a letter of agreement before transferring additional funds to the Trust. That letter of agreement should clearly document:</p> <ul style="list-style-type: none"> <li>• The amount and timing of funding to flow from [Economic Development] to NBIF, the period covered, and any significant details relating to the process for NBIF accessing those funds.</li> <li>• [Economic Development] performance expectations for NBIF relating to its delivery of innovation funding. Those performance expectations should include: <ul style="list-style-type: none"> <li>• Expected program outcomes to be achieved by NBIF;</li> <li>• A requirement for NBIF to be covered by and compliant with the provincial Auditor General Act, giving our Office the legal right to conduct compliance and performance audits at NBIF and report the results of those audits to the Legislative Assembly;</li> <li>• A requirement for periodic independent evaluations of the delivery of innovation funding through NBIF using recognized evaluation standards; and</li> </ul> </li> </ul>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
New Brunswick Innovation Foundation	Economic Development	2009	3	4	25	<ul style="list-style-type: none"> <li>• A requirement for NBIF to apply public sector values in delivering innovation funding for the Province. This should include a requirement for NBIF to adopt a code of conduct, including conflict-of-interest guidelines, that is signed by all board members and staff. It should also include a requirement that NBIF be as publicly open as possible regarding access to information on the agreements, objectives, activities, and achievements with appropriate provisions being made for legitimate concerns of personal privacy, commercial confidence, and intergovernmental negotiations. Reporting required by [Economic Development] from NBIF. Required reporting should facilitate [Economic Development] monitoring and effectiveness reporting related to all aspects of NBIF's performance.</li> <li>• A requirement for both parties to comply with terms of the operational memorandum of understanding signed by [Economic Development] and NBIF.</li> <li>• Specific remedies available to [Economic Development] should NBIF fail to meet government performance expectations or reporting requirements associated with the arrangement. In such cases, [Economic Development] should have the right to withdraw funding, roll-over funding to future years, or take other specific actions as determined appropriate in the circumstances.</li> <li>• The role of government representatives on the board of NBIF.</li> <li>• Other terms and conditions as considered necessary in the circumstances.</li> </ul>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
New Brunswick Innovation Foundation	Economic Development	2009	3	4	26	<p>We recommend, in order for [Economic Development] to effectively monitor NBIF and provide a basis for public performance reporting on the arrangement, [Economic Development] should ensure that:</p> <ul style="list-style-type: none"> <li>• Government performance expectations are communicated to NBIF annually,</li> <li>• Appropriate, sufficient reporting is being provided to [Economic Development] by NBIF to allow the department to evaluate the degree to which NBIF has met government performance expectations,</li> <li>• Regular report review processes have been implemented within [Economic Development], and</li> <li>• Processes have been developed and implemented covering action to be taken by [Economic Development] when NBIF performance is not as expected.</li> </ul>	Implemented
New Brunswick Innovation Foundation	Economic Development	2009	3	4	27	<p>We recommend [Economic Development] should publicly report information on the extent to which the arrangement with NBIF has accomplished its provincial policy objectives, and at what cost, in its annual report.</p>	Not Implemented
New Brunswick Innovation Foundation	Economic Development	2009	3	4	28	<p>We recommend [Economic Development] should table evaluation reports related to the arrangement in the Legislative Assembly because of the value of those reports as inputs to public policy decisions associated with the delivery of innovation funding.</p>	Disagree

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
New Brunswick Innovation Foundation	Economic Development	2009	3	4	29	We recommend [Economic Development] should carefully consider the ramifications of the potential conflict for government representatives on the NBIF board between their fiduciary duties as board members and their assigned roles as protectors of the provincial interest relating to innovation funding delivered through NBIF. Action should be taken to mitigate any identified risks. The simplest option would be to eliminate the requirement that provincial representatives sit on the board of NBIF, or as a minimum remove their voting rights as board members	Disagree
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	9	We recommended the Province expand the Ombudsman's legislation to provide him with jurisdiction over Nursing Homes.	Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	35	We recommended the [Department of Transportation and Infrastructure] formally document the definition of "urgent situation."	Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	36	We recommended the [Department of Transportation and Infrastructure] put in place a process to ensure that the reason for exemption entered into the purchasing system is consistent with the signed purchase order approval.	Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	37	We recommended the [Department of Transportation and Infrastructure] implement a process to ensure that departments are adequately documenting and maintaining on file the justification for exemptions for emergency or urgent situations.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Status
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	48	We recommended the Department of Social Development put in place a formal mechanism to assess the success of the pilot project they have entered into with Shannex.	Not Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	54	We recommended the Department of Social Development document its due diligence activities when assessing significant contracts.	Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	62	We recommended the Department of Social Development prepare and document a risk assessment of the Shannex contract and identify any mitigating actions that should be put in place.	Not Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	72	We recommended the Department of Social Development start planning a replacement tender in year three of the current contract.	Not Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	75	We recommended the Department of Social Development put in place a plan for how residents would be accommodated through any future move that could be required at the expiration of the contract term.	Not Implemented
Review of Nursing Home Contract with Shannex Inc.	Social Development and Transportation and Infrastructure	2009	3	5	77	We recommended the [Department of Transportation and Infrastructure] ensure that all purchase orders issued properly reflect the value of the services purchased, and in the correct currency.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Financial Assistance to Industry	Economic Development	2010	2	2	31	We recommended the Department establish additional measurable targets for FAIP to allow it to evaluate FAIP from different perspectives.	Not Implemented
Financial Assistance to Industry	Economic Development	2010	2	2	43	We recommended the Department investigate why required documents are not being submitted on a timely basis and seek alternative ways to obtain timely information from its clients.	Implemented
Financial Assistance to Industry	Economic Development	2010	2	2	53	We recommended the Department establish policies and procedures with respect to verifying clients' financial information other than their audited financial statements.	Not Implemented
Financial Assistance to Industry	Economic Development	2010	2	2	62	We recommended the Department establish policies and procedures on how to verify information provided by assistance clients prior to forgiving loans.	Implemented
Financial Assistance to Industry	Economic Development	2010	2	2	75	We recommended [Economic Development] establish policies and procedures regarding which types of financial analysis should be performed to identify risk of potential loss and which types of mitigation steps should be taken based on the risks identified.	Disagree
Financial Assistance to Industry	Economic Development	2010	2	2	94	We recommended the Department report to the Legislative Assembly on the success of FAIP in achieving the Department's targets.	Not Implemented
Financial Assistance to Industry	Economic Development	2010	2	2	105	We recommended [Economic Development] put in place a monitoring process that directly assesses each forgivable loan recipient's progress compared to the original payback calculation. This assessment should look at each of the three components of the original payback calculation; the risk factor, the estimated amount of incremental payroll and the income tax rate	Disagree

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	45	The Secretariat should make information concerning immigration representatives widely available, including what an applicant should expect in their arrangements with an immigration representative.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	46	The Secretariat should consider providing their website information on the Provincial Nominee Program in the languages of the countries of the program's target markets.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	67	The Secretariat should develop and implement appropriate monitoring procedures for the Provincial Nominee Program.	Not Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	68	The Secretariat should ensure that the revised business applicant category is supported with documented policies and procedures, forms and records relating to the \$75,000 conditionally refundable deposit, and appropriate controls over the receipt and disbursement of the deposits.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	69	Roles and responsibilities for monitoring the landed nominees' business activities should be clearly assigned to staff members. Staff members involved with the new conditionally refundable deposits (receiving, recording, monitoring, refunding, etc.) should be properly trained.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	70	The Secretariat should ensure the \$75,000 conditionally refundable deposits, which are required from business nominees, are properly recorded in a separate account and reconciled on a regular basis to the status of the program's business nominees.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	71	The Secretariat should obtain additional resources needed to adequately monitor the business activities of landed nominees.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	77	The Secretariat should ensure all staff members are fully aware of the policy on conflict of interest and have a clear understanding of how it applies to their work and the Provincial Nominee Program.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	78	The Secretariat should ensure the Provincial Nominee Program is adequately supported with documented policies and procedures.	Not Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	84	The Secretariat should ensure that a pilot project is properly planned and documented before it is implemented.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	85	The Secretariat should obtain written agreements with parties involved in delivering pilot projects, which clearly state their responsibilities and provides a reporting framework or communication plan for proper accountability.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	86	The Secretariat should ensure each pilot project is evaluated.	Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	90	The Secretariat should examine its organizational structure and consider re-positioning the settlement and multiculturalism branch so that it operates under the same direction as the PNP, within the immigration division.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	104	The Secretariat should ensure the Provincial Nominee Program operates in compliance with the <i>Canada-New Brunswick Agreement</i> .	Not Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	105	The Secretariat should develop and implement an evaluation plan which allows it to measure performance of the Provincial Nominee Program and determine if the program meets its objective "to increase the economic benefits of immigration to New Brunswick". Corrective action should be taken to address deficiencies identified by the evaluation.	Not Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	108	The Secretariat should establish program goals, performance indicators and monitoring procedures for evaluating performance of the Provincial Nominee Program.	Not Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	111	The Secretariat should develop and implement an approach to regularly measure performance of the Provincial Nominee Program and compare performance to the objectives and targets stated in the <i>"Population Growth Strategy"</i> .	Not Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	118	The Secretariat should review the objectives and targets relating to immigration stated in the Strategy and establish a specific action plan for achieving their objectives and targets.	Not Implemented
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	119	The Secretariat should develop annual operational plans to be used in day-to-day work, which would result in the achievement of the annual targets shown in the <i>Population Growth Strategy</i> .	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Immigration with the Provincial Nominee Program	Post-Secondary Education, Training and Labour	2010	2	3	123	To provide better accountability to the Legislative Assembly and the public, the Secretariat should report on the performance of the Provincial Nominee Program both on its website and in the Department's Annual Report.	Implemented
New Brunswick Art Bank	Tourism, Heritage and Culture	2010	2	4	37	We recommended risks associated with the security of the Art Bank database be addressed.	Implemented
New Brunswick Art Bank	Tourism, Heritage and Culture	2010	2	4	38	We recommended [Tourism, Heritage and Culture] take steps to eliminate the risk associated with the lack of division of duties identified above. One option might be for someone other than the Art Bank Coordinator to be given responsibility for entering information into the Art Bank database.	Implemented
New Brunswick Art Bank	Tourism, Heritage and Culture	2010	2	4	39	We recommended Art Bank staff provide regular reporting on the status of the Art Bank collection to [Tourism, Heritage and Culture] senior management.	Implemented
New Brunswick Art Bank	Tourism, Heritage and Culture	2010	2	4	49	We recommended Art Bank staff ensure that storage space at Kings Landing is adequate and that all artworks are appropriately protected while in storage there.	Implemented
New Brunswick Art Bank	Tourism, Heritage and Culture	2010	2	4	63	We recommended the Department determine if the current program objective of accumulating and maintaining a permanent collection of the work of New Brunswick visual artists continues to be an achievable goal, or whether it should be altered in recognition of the limited resources available to the Art Bank. If the goal is still considered appropriate, [Tourism, Heritage and Culture] should allocate adequate funding to the Art Bank to allow all artworks to be maintained in good condition on an ongoing basis	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
New Brunswick Art Bank	Tourism, Heritage and Culture	2010	2	4	75	We recommended Art Bank staff consider and, where feasible, implement other options for increasing the public exposure of the collection.	Implemented
New Brunswick Art Bank	Tourism, Heritage and Culture	2010	2	4	79	We recommended [Tourism, Heritage and Culture] present performance information for the Art Bank in its annual report.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	36	We recommended future reviews of ANBL's retail network include an assessment of all service delivery methods, and not be limited to the current retail network structure.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	42	We recommended ANBL document any full store reviews it conducts. This process should contain the necessary information to support any retail network decisions.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	51	We recommended ANBL establish terms of reference for the Agency Stores Committee.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	55	ANBL should ensure that a criminal record check is performed before awarding an agency store.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	58	We recommended any changes made to the recommendation report by the Agency Stores Committee be approved and recorded in the minutes of the committee.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	61	We recommended the Applicant Visit Checklist be completed, in every case. If a section of the checklist is not applicable for an applicant, it should be so noted with an explanation of the reason.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	73	We recommended ANBL comply with their Disposal of Assets Policy. In particular ANBL should determine and document the value of all assets involved in the potential purchase of an existing store property.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	75	ANBL should make changes to the Agency Store Program to requiring ANBL to provide a detailed list of assets to be disposed in circumstances involving the purchase of an existing liquor store property.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	77	ANBL should revise the Agency Store Program to require potential applicants to specifically list the assets their offer covers when the offer contains a commitment to purchase the existing liquor store property.	Implemented
Agency Stores	New Brunswick Liquor Corporation	2010	2	5	108	We recommended ANBL review their approach to monitoring agency store compliance to ensure the methods and procedures used are cost effective and efficient taking into consideration the risk areas of concern to ANBL.	Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	44	We recommend the Department of Environment establish additional legislative requirements geared to strengthening governance and accountability of provincial wastewater commissions. In this regard, the Department should develop a regulation that: <ul style="list-style-type: none"> <li>• attaches specific term limits to all appointments to wastewater commission boards. Longest-serving members of provincial boards (i.e. those having served 20 years or more) should be replaced immediately, and other members in place for longer than maximum legislated term limits should be replaced as soon as practical on a case by case basis;</li> </ul>	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Wastewater Commissions	Environment and Local Government	2011	1	1	44	<ul style="list-style-type: none"> <li>· prescribes any local or provincial requirements for the appointment of regional or other representative board members (i.e. by and/or from particular municipalities, aboriginal reserves, etc.);</li> <li>· prescribes the roles, responsibilities, and accountabilities of government, board members, municipalities and key stakeholders;</li> <li>· sets annual reporting requirements for wastewater commissions as well as procedures for annual budget and business plan approvals;</li> <li>· establishes the requirement for all executive members of the board, including the Chair, to be elected from among appointed members;</li> <li>· requires all commissions delivering service to one or more municipalities to set up a technical steering committee that, where possible, involves engineering staff from those municipalities to ensure that commission plans for capital projects are acceptable and as a source of technical advice; and</li> <li>· establishes other terms and conditions as considered appropriate in the circumstances.</li> </ul>	Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	45	<p>We also recommend Executive Council Office amend the provincial policy document, “An Appointment Policy for New Brunswick Agencies, Boards and Commissions” to require term limits be placed on all government appointments to agencies, boards, and commissions.</p>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Wastewater Commissions	Environment and Local Government	2011	1	1	46	We recommend the Department of Environment ensure that board vacancies at wastewater commissions are filled on a timely basis.	Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	47	<p>We recommend the Department of Environment ensure that all wastewater commission boards in the Province are provided with ongoing guidance in the areas of governance and accountability. This guidance could include, but not be limited to, such areas as:</p> <ul style="list-style-type: none"> <li>• How to prepare board member position profiles and other selection criteria for reference by appointing bodies;</li> <li>• The roles and responsibilities of commission board members;</li> <li>• How to hold management accountable for performance;</li> <li>• Committees of the board;</li> <li>• Commission board members' accountability obligation to commission stakeholders; and</li> <li>• Steps to take when a commission wants to involve itself in areas outside its legislated mandate.</li> </ul>	Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	59	We recommend necessary steps be taken, by the Department of Environment to ensure wastewater commissions comply with the <i>Public Purchasing Act</i> .	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Wastewater Commissions	Environment and Local Government	2011	1	1	127	We recommend, the Department of Environment, in consultation and agreement with the City of Moncton, the City of Dieppe and the Town of Riverview, evaluate the existing GMSC Board member composition in light of our findings regarding questionable governance, accountability and financial management practices. Emphasis should be placed on ensuring GMSC operates under a modern governance framework and that it is well positioned to serve ratepayers of Moncton, Riverview and Dieppe within the legislated mandate.	Implemented
Wastewater Commissions	Environment and Local Government	2011	1	1	128	Once the Board of GMSC has been determined, the Department of Environment, in cooperation with the Greater Moncton Sewerage Commission, the Department of Local Government, the City of Moncton, the City of Dieppe, and the Town of Riverview, should develop a plan specifically geared to improve: <ul style="list-style-type: none"> <li>• governance processes;</li> <li>• financial management;</li> <li>• monitoring and oversight;</li> <li>• accountability; and</li> <li>• compliance with provincial legislation at the Greater Moncton Sewerage Commission.</li> </ul>	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	26	The Department of [Transportation and Infrastructure] should conduct a preliminary assessment to identify the best procurement approach prior to a Cabinet decision on how to proceed (P3 or traditional approach).	Not Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	31	The Department of Finance should have the government obtain approval of the Legislative Assembly, during the budget process, for future year P3 funding commitments in advance of entering into such contracts.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	71	The Department of [Transportation and Infrastructure] should document the development of significant assumptions for VFM analysis, especially the assessment of their reasonableness.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	72	The Department of [Transportation and Infrastructure] should review assumptions made by its VFM consultant. Reviews and important discussions should be properly documented.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	73	The Department of [Transportation and Infrastructure] should obtain the discounted cash flow model from its consultant as part of the arrangement for future P3 projects.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	96	The Department of [Transportation and Infrastructure] should perform a sensitivity analysis which includes all key variables in the project cost estimate process.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	97	The Department of [Transportation and Infrastructure] should inform the public of key information in the P3 process.	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	103	The Department of [Transportation and Infrastructure] should perform an independent due diligence review of the value for money assessment for each proposed P3 project.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	111	<p>To ensure provincially owned schools are properly maintained over their useful lives, the Department of [Transportation and Infrastructure] in cooperation with the Departments of Finance and Education should:</p> <ol style="list-style-type: none"> <li>1. develop and implement an asset management system that provides for and prioritizes multi-year maintenance and capital repair needs of the schools; and</li> <li>2. implement budgeting measures to protect the long-term funding stream required for sufficient ongoing maintenance of the schools.</li> </ol>	Implemented
Eleanor W. Graham Middle School and Moncton North School	Transportation and Infrastructure - Public-Private Partnership	2011	3	2	117	<p>The Department of [Transportation and Infrastructure] should tender or solicit multiple fee estimates when engaging advisors for P3 projects, given the significant cost of these services.</p>	Implemented
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	50	<p>We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.</p>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	62	To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.	Not Implemented
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	74	The Legislative Administration Committee should establish additional guidelines for constituency office assets to ensure purchases by Members are reasonable (e.g. timing, individual cost and/or frequency of asset purchases).	Implemented
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	83	The Legislative Administration Committee should consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, it should give the Office of the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.	Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Constituency Office Costs for Members of the Legislative Assembly and Executive Council	Legislative Assembly and Executive Council Office	2011	3	3	89	The Legislative Administration Committee should develop an inventory control policy for assets purchased for constituency offices which includes controls similar to those in the Government's policies AD-1703 and AD-1704.	Implemented
CMHC Social Housing Agreement	Social Development	2011	3	4	60	We recommended the Department develop a comprehensive long-term plan to ensure the Province can continue to provide and maintain social housing. The plan should include an effective funding and financing strategy to address the declining condition of housing stock.	Not Implemented
CMHC Social Housing Agreement	Social Development	2011	3	4	74	Given the hardship the programs could face in the future due to declining funding, the expiration of the CMHC Social Housing Agreement in 2034, the declining condition of housing stock and the remaining need for social housing, we recommended program evaluations be carried out in order to develop a strategy to address these issues and to comply with the Agreement.	Not Implemented
Medicare Payments to Doctors	Health	2012	2	2	42	We recommend the Department develop an action plan, with specific steps and timelines, to address the deficiencies identified by our work. The action plan is to include, but not be limited to, the following:	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Medicare Payments to Doctors	Health	2012	2	2	42	<ul style="list-style-type: none"> <li>• Improving the monitoring of doctor remuneration, including all methods of remuneration (Fee-For-Service, salary, sessional), total payments, and the cap and the “on-call group account” for salaried doctors</li> <li>• Improving the audit function by: expanding the audit coverage to include all Medicare payments; using a risk-based audit approach; ensuring the audit unit has the skill set and information needed; documenting procedures for authorizing, processing, recording and reviewing the reversal / repayment of recoveries; publicly reporting the actual performance of its audit function in comparison with targeted recoveries and providing a rationale for any variances; expanding the use of the Professional Review Committee, etc.</li> <li>• Improving the Department’s enforcement of doctor compliance with legislation and departmental policies by establishing an enforcement policy and implementing ramifications for doctors who do not comply, such as those who over-charge, double bill for services relating to workplace injuries and those who do not shadow-bill</li> <li>• Ensuring claims submitted for radiology services comply with legislation and payments for those services are subject to the same payment controls, monitoring and auditing as other Fee-For-Service payments</li> <li>• Improving and automating the process of recovering Medicare payments relating to WorkSafeNB claims.</li> </ul>	Not Implemented

Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Medicare Payments to Doctors	Health	2012	2	2	43	Similar to other government reporting of employee compensation and vendor payments, and to provide better accountability, we recommend the Department publicly report total remuneration for each doctor, regardless of whether the doctor is paid via Fee-For-Service, salary, sessional or alternative payment arrangements.	Not Implemented
Medicare Payments to Doctors	Health	2012	2	2	44	To provide better accountability, we recommend the Department publicly report annually summary-level information on doctor remuneration, such as: total payments for each remuneration method (Fee-For-Service, salary, sessional, other), doctor remuneration by dollar range, doctor remuneration by specialty, etc.	Implemented
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	50	<p>The findings in the OoC’s report are consistent with ours. Recommendations regarding the procurement process from the OoC’s report are applicable to our findings as well. The OoC’s recommendations included:</p> <ul style="list-style-type: none"> <li>• Contract managers should ensure that the requirements of the <i>Public Purchasing Act</i> are followed. Documentation should be maintained supporting Minister’s exemptions particularly when the exemption for Specific Skills or Sole Source of supply is used.</li> <li>• A purchase order should be obtained prior to the payment of any amounts and the value of the purchase order should not be exceeded.</li> <li>• A signed statement of work should always be obtained prior to the commencement of the project.</li> <li>• When contracts are negotiated and signed with vendors, only contracts drafted by PNB should be utilized. Vendor contracts should not be used.</li> </ul>	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	51	<p>In addition to the recommendations made by the OoC, we recommend:</p> <ul style="list-style-type: none"> <li>• To avoid frequent contract amendments, the Department of Health adequately plan and define the scope, deliverables, timelines and costs for each IT contract and complete all required documentation before signing contracts or allowing work to commence; and</li> <li>• In the event contract amendments are required, the Department of Health properly prepare and approve change requests and amendments to original contract agreements.</li> </ul>	*
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	69	<p>In general, the findings in the OoC's report were consistent with ours. The OoC's recommendations related to conflict of interest are applicable to our findings in this area as well. The OoC's recommendations included:</p> <ul style="list-style-type: none"> <li>• Employees and contractors should sign off as having read and understood AD-2915 (Conflict of Interest) on an annual basis. For employees, this could be incorporated as part of their annual performance review. As stated in AD-2915 employees must advise the Senior Executive Officer of any conflict of interest situation in which they find themselves. Documentation should be maintained.</li> <li>• Managers and directors should familiarize themselves with the meaning and definition of an "apparent conflict of interest ". A suggested reading could be the document on this topic published by the Treasury Board of Canada Secretariat</li> </ul>	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	69	<ul style="list-style-type: none"> <li>Contractors should not occupy management positions within the department. Where the situation is unavoidable, the contractor should be strictly limited to the financial information which they can access particularly with respect to competitor's information.</li> <li>Where contractors are members of project steering committees, they should not take part in any discussions surrounding the contracting/outsourcing of any work for the project.</li> <li>Contractors should be required to disclose business relationships with other contractors working in the department when a partnership or joint venture type relationship exists.</li> <li>If a Project Manager or member of a Steering Committee is a contractor and also a partner or principal of a consulting firm, the department should refrain from hiring other contractors from the same company on the project</li> </ul>	*
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	70	We recommend the Department of Health develop and implement a plan to eliminate reliance on consultants serving as project managers and prohibit consultants from serving as members of RFP evaluation committees or project steering committees.	*
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	81	We recommend the Department of Health develop and implement a plan to in-source all IT operation and maintenance functions over the next two years.	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
EHealth – Procurement and Conflict of Interest	Health	2012	2	3	85	<p>We recommend the Office of the Chief Information Officer develop and monitor compliance with a government-wide policy relating to the procurement, contracting and management of IT consultants. That policy should address and mitigate risks regarding procurement and conflict of interest of consultants, and clearly state when the use of internal IT resources is more appropriate. As a minimum, the policy should require that:</p> <ul style="list-style-type: none"> <li>• the primary role of IT consultants be to provide specialized expertise to government, typically for development initiatives;</li> <li>• IT operations and maintenance work be in-sourced, with allowances made for knowledge transfer from private sector experts in the shorter term;</li> <li>• a competitive bidding process, in compliance with all pertinent government legislation, be followed for the selection of consultants;</li> <li>• any exemption from the competitive bidding process be properly authorized and made for sound business reasons defensible to the public;</li> <li>• there is sufficient in house government expertise to effectively oversee and manage the work of consultants before a project is started;</li> <li>• the opportunity for real or perceived conflict of interest on the part of contracted consultants is mitigated, in part by requiring that project managers, and members of key project committees be staffed exclusively with in-house resources; and</li> <li>• provincial remuneration levels for IT staff not act as a barrier to the ability of government to hire and retain needed internal IT resources on a permanent basis.</li> </ul>	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Solid Waste Commissions	Environment and Local Government	2012	2	4	49	We recommend the Department of Environment and Local Government include a dispute resolution mechanism in the planned Solid Waste Commissions Regulation under the <i>Regional Service Delivery Act</i> to address situations where a commission board has been unable to obtain the two-thirds majority needed to approve an annual budget, commission borrowing, or the election of board officers.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	51	We recommend the Province, through the Minister of Environment and Local Government, ensure future appointments of local service district representatives to the new Regional Delivery Commission boards are made within three months of a vacancy occurring.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	58	We recommend each new Regional Delivery Commission adopt the following good governance practices: <ul style="list-style-type: none"> <li>• document the roles and responsibilities of their board, individual board members, and board executive members;</li> <li>• document and approve terms of reference for each of their board committees;</li> <li>• provide all new board members with orientation sessions;</li> <li>• document a code of conduct for board, management and staff; and</li> <li>• create a governance committee of the board to oversee the development and implementation of good governance practices.</li> </ul>	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Solid Waste Commissions	Environment and Local Government	2012	2	4	65	We recommend all commissions provide up-to-date accountability information on their websites including, as a minimum, the following: <ul style="list-style-type: none"> <li>• audited financial statements;</li> <li>• annual reports;</li> <li>• current commission tipping fees; and</li> <li>• the names of board members indicating which local government they represent.</li> </ul>	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	79	We recommend commissions negotiating solid waste transfer agreements in future consider: <ul style="list-style-type: none"> <li>• what direct and administrative costs are being incurred by landfill commissions in providing service to transfer station commissions; and</li> <li>• how these costs may be most fairly allocated in establishing landfill tipping fees under the agreement.</li> </ul>	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	80	We recommend Transfer Station Commissions investigate the potential for cost savings by shipping their solid waste to alternative provincial landfills, prior to renewing their existing transfer agreements.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	99	We recommend the Department finalize and request government approval for additions to the Designated Materials Regulation covering used oil, glycol, and e-waste.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	100	We also recommend the Department design and implement additional extended producer responsibility programs to further reduce the volume of solid waste going to New Brunswick landfills.	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Solid Waste Commissions	Environment and Local Government	2012	2	4	122	We recommend the Department ensure challenging diversion goals are set for regional commissions. The Department should also monitor commission performance and ensure the degree of success by individual commissions in achieving their diversion goals is publicly reported. One option may be for commissions to report their diversion performance on their websites.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	123	We also recommend the Department support the delivery of enhanced diversion programs by regional solid waste commissions to help them meet their diversion goals.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	135	Given the environmental risks and financial costs associated with illegal dumping, we recommend the Department develop a standardized compliance and enforcement approach to better manage illegal dumping in the Province.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	139	We recommend the Department ensure all construction and demolition debris disposal sites in the Province are physically inspected periodically to ensure they are accepting only materials specified in their Departmental certificate of approval to operate and identify and address other environmental concerns. Frequency of inspections of individual sites should be based upon a Departmental evaluation of the risk of non-compliance at individual disposal sites.	*
Solid Waste Commissions	Environment and Local Government	2012	2	4	145	We recommend the Department develop and implement a plan, in agreement with individual commissions, covering ongoing government involvement in educating the public about solid waste matters. That involvement should focus on areas of province-wide concern.	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	78	We recommend, in order to optimize decisions and reduce long term costs from asset management, the Department prioritize the addition of all significant asset categories not currently modeled in the system with timelines for their inclusion.	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	83	We recommend the Department report on roads that are in very poor condition and develop optimization targets specific to that category of roads within the Asset Management System.	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	89	We recommend the Department further enhance the Asset Management System to incorporate non-road condition based factors such as traffic counts, safety indicators, and environmental concerns that significantly impact project selection.	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	114	We recommend the Department establish guidelines to govern projects selected outside the Asset Management System and document the rationale and benefits of these projects against the Asset Management System optimization criteria.	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	115	We recommend the Department, in its annual report, communicate the implications of selecting and completing projects that do not meet Asset Management System optimization criteria.	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	118	We recommend the Department provide sufficient training for additional staff to be competent in utilizing the Asset Management System. Training should include, but not be limited to, knowledge of optimization process rules.	*

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Chapter Name	Department/ Agency	Year	Volume	Chapter	Par.	Recommendation	Self Reported Status
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	126	We recommend the Department complete the Road Surface policy (a policy that will guide decisions regarding the most appropriate and economical road surface given particular circumstances (i.e. chip seal versus asphalt)). Once complete, we recommend the Department incorporate the road surface selection process into the Asset Management System optimization model.	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	130	In order to ensure sustainability of the Province's highway network at the most economical cost, we recommend the Department include total lifecycle costs in all new road construction decisions. We also recommend the Department obtain statutory funding when the decision is made to add new roads (similar to Public-Private Partnership highway projects).	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	179	We recommend the Department develop effective program performance measures for its stated goals and objectives that include specific, relevant targets against which performance can be measured.	*
Capital Maintenance of Highways	Transportation and Infrastructure	2012	2	5	180	We recommend the Department's annual report clearly state the overall highway network condition by kilometer in each condition category the Department uses, (currently very good, good, fair, and poor), with the intent of highlighting the short, medium, and long term impacts of not following Asset Management System projected funding recommendations. We further recommend the Department report the level of infrastructure debt caused by deferred capital maintenance in order to present a complete picture of the highway network status and the risk to safety and sustainability.	*

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# Glossary

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<b>Collège communautaire du Nouveau-Brunswick</b>	Volume 1	Chapter 5	113-114
<b>Department of Economic Development</b>	Volume 1	Chapter 4	72-74, 91-93, 94-98
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		Chapter 8	276-277, 284-286
<b>Department of Education and Early Childhood Development</b>	Volume 1	Chapter 4	94-98, 101
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<b>Energy Efficiency and Conservation Agency of New Brunswick</b>	Volume 1	Chapter 5	115-119
<b>Department of Environment and Local Government</b>	Volume 1	Chapter 4	73, 101
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<b>Executive Council Office – Office of the Chief Information Officer</b>	Volume 1	Chapter 4	94-98
<b>Department of Finance</b>	Volume 1	Chapter 4	71-72, 75, 79, 83-86, 94-98
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<b>Department of Government Services</b>	Volume 2	Chapter 4	131-178
<b>Department of Health</b>	Volume 1	Chapter 4	101
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<b>Invest New Brunswick</b>	Volume 1	Chapter 5	123-124
<b>Department of Justice and Attorney General</b>	Volume 1	Chapter 4	101
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<b>Department of Natural Resources</b>	Volume 1	Chapter 4	101
<b>New Brunswick Agricultural Insurance Commission</b>	Volume 1	Chapter 4	76
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<b>New Brunswick Community College</b>	Volume 1	Chapter 5	126-129
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<b>New Brunswick Internal Services Agency</b>	Volume 1	Chapter 4	79, 94-97
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<b>New Brunswick Investment Management Corporation</b>	Volume 1	Chapter 3	46
<b>New Brunswick Legal Aid Services Commission</b>	Volume 1	Chapter 5	132
<b>New Brunswick Lotteries and Gaming Corporation</b>	Volume 1	Chapter 5	109, 133-135
<b>New Brunswick Research &amp; Productivity Council</b>	Volume 1	Chapter 5	136-137
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<b>Office of the Comptroller</b>	Volume 1	Chapter 4	70-82, 94-96
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<b>Public Trustee – Trusts Administered</b>	Volume 1	Chapter 5	138-139

<b>Regional Development Corporation</b>	Volume 1	Chapter 5	141-147
<b>Service New Brunswick</b>	Volume 1	Chapter 4	87, 94-98, 101
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<b>Department of Social Development</b>	Volume 1	Chapter 4	88-90
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