

REPORT OF THE

# Auditor General of New Brunswick

Volume I  
Performance Audit

2024

AUDITOR GENERAL  
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL  
DU NOUVEAU-BRUNSWICK

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Speaker of the Legislative Assembly  
Province of New Brunswick

Sir,

As required under section 15(1) of the *Auditor General Act* I am submitting Volume I of my Office's 2024 Report to the Legislative Assembly.

Respectfully submitted,

A handwritten signature in black ink that reads "Paul Martin". The signature is written in a cursive, flowing style.

Paul Martin, FCPA, FCA  
Auditor General

Fredericton, N. B.  
June 2024



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## Chapter 1 - Auditor General's Comments

Our 2024 Volume I report, includes four performance audit chapters:

- Travel Nurse Contracts
- Pupil Transportation
- New Brunswick Housing Strategy: Housing for All
- Mental Health Trust Fund No.9

### Travel Nurse Contracts

Between February 2022 and February 2024, travel nurse contracts were used to provide over \$173 million of services in the Department of Social Development, Horizon Health Network and Vitalité Health Network. Our work found that a lack of clearly defined vendor selection processes, poor contract oversight and deficiencies in payment review processes resulted in undue risk to the province. Improvements in these areas will help ensure contracts protect the interests of the province and that processes are improved to ensure services billed are received.

### Pupil Transportation

As the safety of New Brunswick's public school students is important to parents and guardians throughout the province, we chose to audit the Department of Education and Early Childhood Development's oversight of school district compliance with legislation and policies relating to pupil transportation, and the Department's strategies to ensure sufficient staffing levels of bus drivers. Our audit found there is a lack of departmental monitoring and oversight of Districts and instances of non-compliance with legislation and policies.

### New Brunswick Housing Strategy: Housing for All

New Brunswick Housing Corporation released the *New Brunswick Housing Strategy: Housing for All* in June 2023, highlighting four overall targets and 22 actions intended to solve the province's housing crisis. We found that while the New Brunswick Housing Corporation established targets and measurable actions, there are improvements to be made in transparency, monitoring and progress reporting.

### Mental Health Trust Fund No. 9

The Mental Health Trust Fund No.9, established in 1977, is designated for psychoanalysis treatment of deserving New Brunswickers. The terms of the trust assigned responsibilities to the Departments of Health and Finance and Treasury Board. Our audit found that while the Department of Finance and Treasury Board had been effectively fulfilling their obligations pertaining to the Trust, the Department of Health had not, leaving a financial resource to address a pressing societal need unused for more than 46 years.

### Recognition

We would like to recognize departmental staff for their assistance as we completed our work for this report. I also want to thank my audit team for their dedication and professionalism in fulfilling the mandate of the Office of the Auditor General of New Brunswick.



Paul Martin, FCPA, FCA  
Auditor General



# **Travel Nurse Contracts**

## **Department of Social Development, Horizon Health Network, Vitalité Health Network**





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# 2024 Volume I

## Chapter 2 Highlights

| Lack of oversight   | Undue risks to the province | Lack of vendor selection processes |
|---|-----------------------------|------------------------------------|
| Government spent over \$173 Million on travel nurse contracts as of February 29, 2024 |                             |                                    |

### Overall Themes

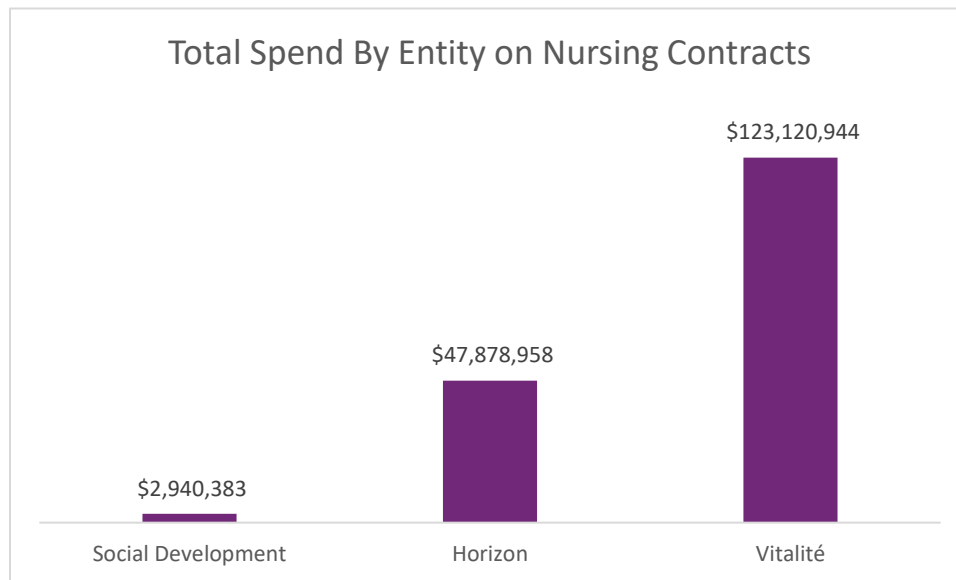
Overall themes noted in our work were:

- Covid-19 exacerbated an already dire health care staffing shortage
- poor documentation pertaining to vendor selection processes
- noted risks to government pertaining to contract development, content and execution
- lack of demonstrated value for money
- inadequate oversight of contracts
- lack of processes to ensure goods and services paid for were received

## About the Audit

**2.1** The contracting of private companies to provide nursing related services in New Brunswick began in February of 2022. As of February 29, 2024, government has paid \$173,940,285 to these companies for the provision of registered nurses (RNs), licensed practical nurses (LPNs), personal support workers (PSWs) and various other staff within hospital and long-term care settings.

**2.2** The Department of Health did not enter into any contracts for the use of travel nurses during our audit period. The following graph shows total travel nursing contract expenditures by organization as of February 29, 2024:



### Why we Chose this Topic

**2.3** Large dollar value contracts were signed in an expedited manner during Covid-19. The public interest has been high, with taxpayers wanting to ensure value for money was achieved.

### Auditee

**2.4** Our auditees were the:

- Department of Social Development
- Regional Health Authorities
  - Horizon Health Network
  - Vitalité Health Network



## Audit Objective

- 2.5** The objective of our audit was to determine if government contracts with private nursing agencies were reflective of best practices and demonstrated value for money.

## Audit Scope

- 2.6** We examined travel nurse contracts, invoices and support under those contracts, staffing vacancy reports and numerous other documents.
- 2.7** Our audit covered the period from January 1, 2022 – February 29, 2024. Information outside of this period was also collected and examined as deemed necessary. As part of our work, we interviewed key staff at the department and regional health authority level and reviewed all contracts and other documentation as required. We did not interview contractors, as our work focused on government responsibilities.
- 2.8** Our audit included only contracts entered into for the purpose of providing care in the long-term care sector and within the regional health authorities.
- 2.9** More details on the audit objectives, criteria, scope, and approach we used in completing our audit can be found in Appendix II and Appendix III.

## Conclusion

- 2.10** Our audit work concluded that the contracts with private nursing agencies were not reflective of best practices and did not demonstrate value for money.

# Results at a Glance

## Social Development

### Lack of Due Diligence



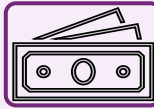
### Findings



Use of travel nurses was limited by the department to the short-term need



Travel nurse spend **not** correlated to staff vacancies or Covid-19 cases



**No** vendor selection process, one contract pricing model was **3.6 X** the rate of the other



**No** legal review of contracts resulting in undue risk to Government of New Brunswick



**Lack** of evidence of criminal record and vulnerable sector checks



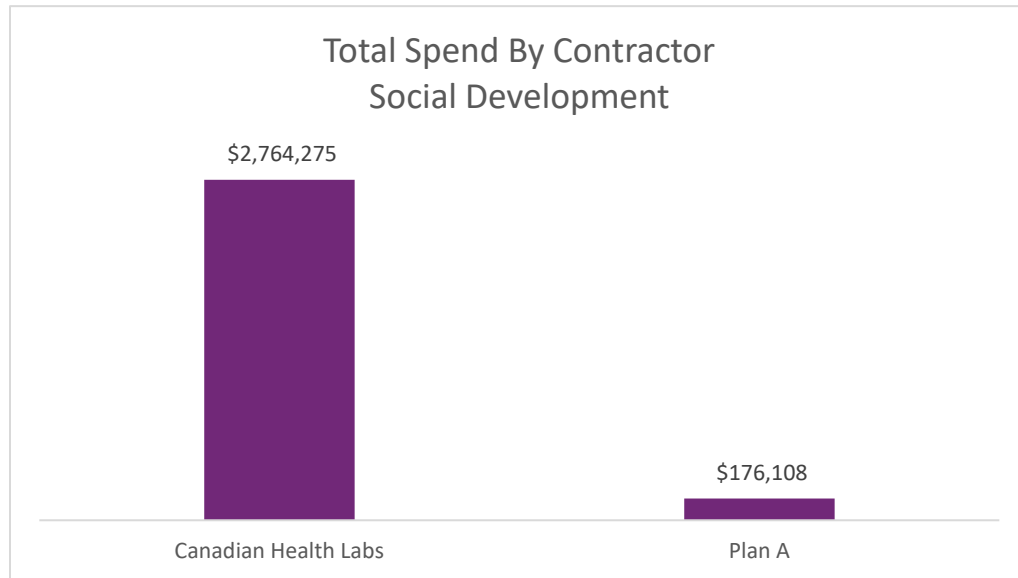
Liability insurance **not** appropriately provided for in one contract



Payments for goods and services made with **no** review and lacking supporting documentation

## Background

- 2.11** The Department of Social Development (SD) signed contracts with Plan A and Canadian Health Labs (CHL) on February 11, 2022, and February 15, 2022, respectively to provide care services within long-term and special care homes. SD’s use of travel nurses ceased in July 2022. The chart below details total expenditures by contractor during the 6-month period February – July 2022.



## Specific Needs Not Well Documented

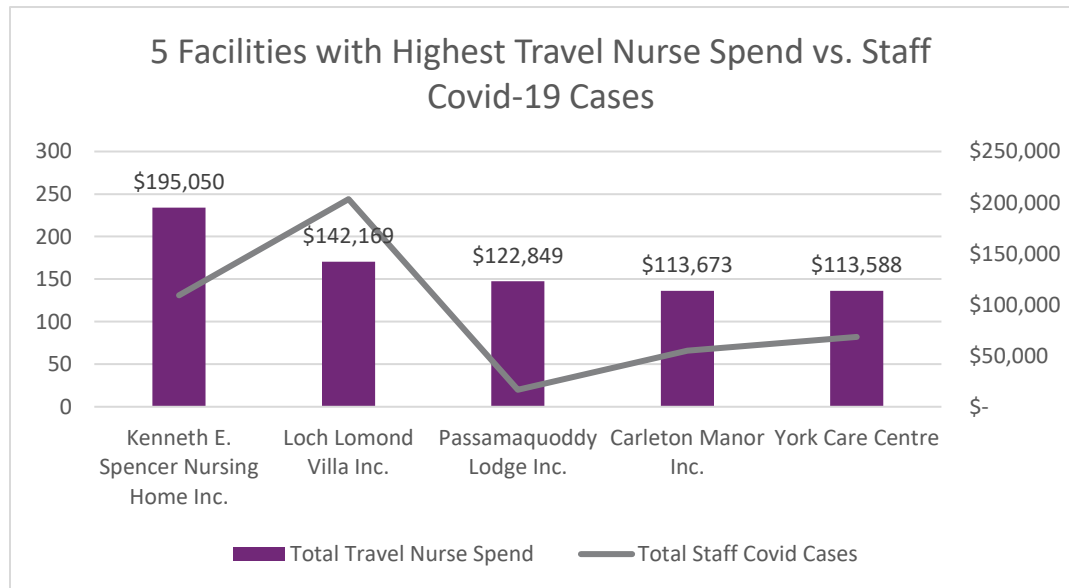
### Improved Data Analysis Would Better Support Decision Making

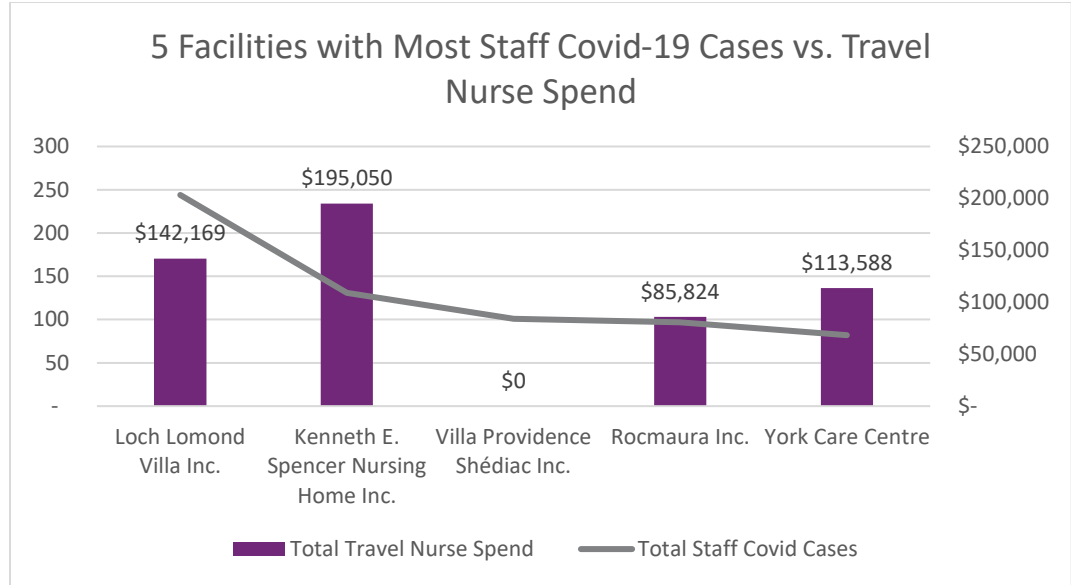
- 2.12** Departmental staff informed us of the dire need for health care staff, especially during the peak periods of Covid-19. The department was tracking numbers of deaths and outbreaks on a per facility and regional basis.
- 2.13** However, there was a lack of reporting utilized that would have established the location and extent of assistance required and how to best address those needs in the short and long term. While some of the staff shortages were due to Covid-19, the department recognizes a long-standing systemic issue in the area of recruitment and retention of care staff in the long-term care sector.

- 2.14 The department does not maintain staff vacancy data for the long-term care sector and did not utilize such information when assigning contracted resources.
- 2.15 SD informed us that while they lacked the formalized reporting to show where critical staffing shortages were in nursing and special care homes, they did have numerous verbal updates from frontline staff who were able to articulate their needs. During the 5<sup>th</sup> wave of Covid-19, SD concluded there was no other option but to contract with private companies for short term care assistance.

### Assistance Provided on a Request Basis

- 2.16 Nursing and special care homes could call the departmental Covid-19 response team (CRT) to request contracted staff. The CRT would ensure all other resourcing options had been exhausted, before contacting SD schedulers, who would assign contracted resources to the facility.
- 2.17 We determined that the provision of contracted staff was on a request basis. Whatever facility called and asked, was considered by the department for assistance. There was a lack of reporting detailing systemic and/or Covid-19 related vacancies relative to numbers of Covid-19 cases or outbreaks. This would have assisted the department in ensuring their decisions to provide care services were based on data, vs. solely verbal requests.
- 2.18 Data on staff vacancies would have assisted the department in planning and ensuring contracted staff were being placed where the risks were the greatest. The graphs below compare contracted staff spend to staff Covid-19 cases, showing that there was a lack of correlation between the two.





**2.19** Additionally, we reviewed nursing home inspection reports that detailed the repeated inability to meet legislated staffing level requirements. At the time of our audit, the department had not established an overall long-term care staffing recruitment/retention strategy, which contributed to decisions being made during crisis mode.

### Recommendation

**2.20** We recommend the Department of Social Development develop a long-term care staffing recruitment and retention strategy to ensure legislated staffing requirements are met. Vacancy data should be analyzed to determine areas of most risk.

## No Request for Proposals

### Emergency Exemption Utilized

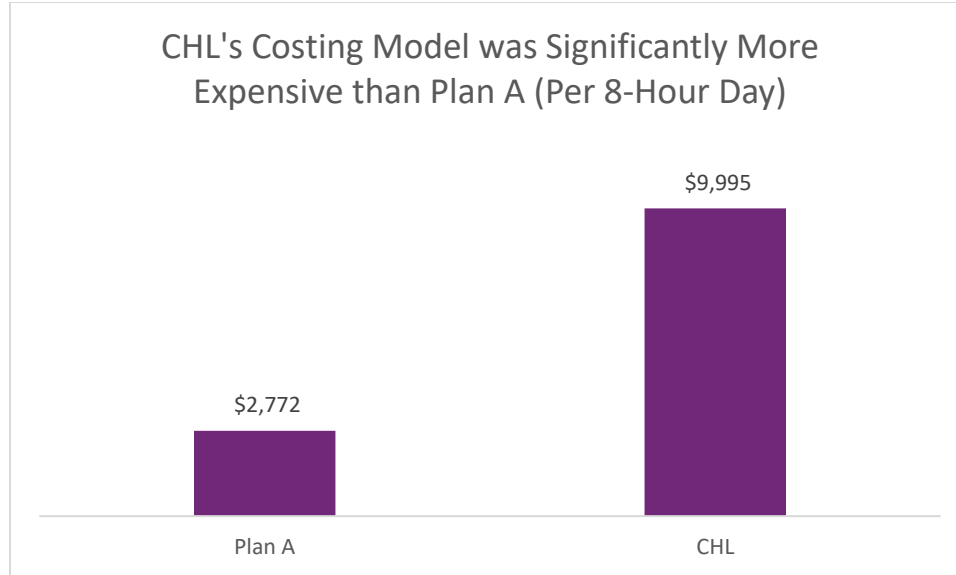
**2.21** The department informed us that due to the dire situation in long-term care facilities, they did not issue a request for proposals, but opted to utilize emergency exemptions as per Section 158(2)(a) of the *New Brunswick Regulation 2014-93* under the *Procurement Act*.

**2.22** While recognizing the immediate need for clinical assistance, we noted several areas for improvements related to ensuring value to taxpayers.

## Lack of Documentation to Support Vendor Selection

### Pricing Structures Varied Significantly

- 2.23** While the procurement exemption was legislatively allowed, we could find no documentation that would support the selection of CHL and Plan A. There were no selection guidelines, criteria or scoring matrices. Pricing structures and the service delivery model varied greatly between the contracts and there was no comparative analysis done to support the strategic use of one company over another.
- 2.24** Plan A offered individual care staff at hourly rates as follows:
- RNs (\$89.50)
  - LPNs (\$59.50)
  - PSWs (\$39.50)
- 2.25** CHL only offered a bundled pricing model (for RNs, LPNs and PSWs) at \$9,995/team/day as follows:
- A team day is up to 8 hours per day
  - A team is comprised of:
    - Virtual staff:
      - ½ team lead
      - ½ clinical lead
      - 1 scheduler
    - In person:
      - 1 logistics manager
      - 5 certified PSW's
      - 1 RN
      - 1 LPN
- 2.26** The department informed us they did not need several of the staff categories provided in the bundled pricing model, as they had their own schedulers, logistics staff and clinical leads.
- 2.27** We compared the daily costs to provide the following level of care:
- 5 personal support workers
  - 1 registered nurse
  - 1 licensed practical nurse
- 2.28** As shown in the chart below, CHL's costing model was significantly more expensive than Plan A (per 8-hour day):



### Recommendation

**2.29** We recommend the Department of Social Development ensure that a documented selection process (including selection criteria and scoring matrices) is established to support the awarding of contracts.

## Contracts Lacked Legal Review

### Contracts Were Prepared by Vendor

**2.30** The department used and signed contracts provided by the contractors, with notable favour to the vendor, resulting in undue risk to the province. The department informed us that a legal review of the contracts was not done.

### Contracts Not Aligned With GNB's Standard Form

**2.31** The signed contracts contained significant deviations from GNB's standard form contracts and Social Development's standard service agreement requirements. Examples of issues noted were:

- one contract did not have an end date
- one contract had no spending cap

- lack of clarity pertaining to what level of information must be documented on invoices
- only one contract allowed for the province to audit the service provider

**2.32** There was a lack of clarity pertaining to health and safety requirements. One contract required compliance with GNB health and safety policies and standards, but no detail was provided other than a link to [www.gnb.ca/nbon](http://www.gnb.ca/nbon), which is GNB's e-procurement site. We were unable to locate information on health and safety requirements within the link provided, and further noted the risks of using URLs as online information is subject to change.

**2.33** We also noted one contract was signed by the department the day after the contract was dated as being effective.

### Recommendation

**2.34** We recommend the Department of Social Development ensure that contracts of a predetermined dollar value be reviewed by legal.

## Teams Could be Deployed Regardless of Need

**2.35** The CHL contract gave CHL the right to deploy a minimum number of staff teams, regardless of the actual need.

**2.36** The contract for RNs/LPNs/PSWs included the following:

- term: February 14, 2022 – March 31, 2023
- contract cap: \$1.3 Mil (plus expenses, reimbursements and HST)
- CHL had the right to deploy staff totalling 1,624 team days over the term of the agreement
- the contract allowed for the department to terminate without cause upon 4 weeks written notice and the department exercised that option, effective May 13, 2022

### Recommendation

**2.37** We recommend the Department of Social Development ensure contract terms are reflective of actual service requirements.



## Lack of Evidence of Criminal Record / Vulnerable Sector Checks

**2.38** SD requires client facing employees to have a criminal record and vulnerable sector check. As per the contracts:

- Plan A was responsible to provide SD with copies of recent criminal record and vulnerable sector checks
- For CHL the contract stated: “the Minister shall facilitate any training and background checks required by the Minister, including Criminal Record checks and Social Development Record Checks”. The contract did not require a vulnerable sector check.

**2.39** The department did not request or receive copies of criminal or vulnerable sector checks pertaining to either contract.

## Did Not Obtain SD Record Checks

**2.40** In addition to criminal record and vulnerable sector checks, the department requires staff working in long term and special care facilities to undergo a Social Development record check. SD’s record check document states:

*The purpose of the SD Record Check is to review Social Development files to determine if the Applicant has been a person identified in the following:*

- a) a court order based on a finding by the court that a person has endangered a child’s security or development as described in paragraphs 31(1)(a) to (g) of the Act or a person’s security as described in paragraphs 37.1(1)(a) to (g) of the Act,*
- b) a finding by the Minister following an investigation by the Minister, that a person endangered the security or development of a child as described in paragraphs 31(1)(a) to (g) of the Act,*
- c) a finding by the Minister following an investigation by the Minister, that a person endangered the security of another person as described in paragraphs 37.1(1)(a) to (g) of the Act,*
- d) has been found, in accordance with section 27(4)(d) of the Act, to operate a community placement resource in a manner that is dangerous, destructive or damaging to a user, where the Minister has directed the community placement resource to terminate operation of the community placement resource.*

**2.41** The contract with Plan A did not require an SD check. The contract with CHL stated: “the Minister shall facilitate any training and background checks required

by the Minister, including Criminal Record checks and Social Development Record Checks”

- 2.42** Plan A submitted 237 SD record checks of which 6 were deemed unacceptable. SD informed us they did not obtain SD record checks for CHL employees, despite the contracted requirement for the Minister to facilitate.

### Recommendation

- 2.43** We recommend the Department of Social Development ensure appropriate criminal record, vulnerable sector and Social Development checks are performed for care staff working in the long-term care sector.

## Province Not a Party to the Contract

- 2.44** The contract with Plan A was signed by the then Deputy Minister (Acting) of Social Development. We noted however that the province is not a party to the contract as the then Assistant Deputy Minister (ADM) was named instead.

### Recommendation

- 2.45** We recommend that the Department of Social Development ensure the province is a party to all Social Development contracts.

## Contract Signatories had Adequate Spending Authority

- 2.46** We requested documentation from the department detailing spending authority limits and determined that signatories for both contracts had adequate spending authority to sign the contracts with Plan A and CHL.

## Invalid Assignment of Liability

- 2.47** Plan A was responsible for providing their own liability insurance. However, SD’s contract with CHL (written by the contractor) stated that the Minister shall provide coverage to the Contractor under a government sponsored insurance plan.
- 2.48** We reviewed government’s insurance plan and found that Social Development is a non listed entity under the plan. To be covered under the plan, approval would have been granted by the plan manager and chairperson.

- 2.49** Additionally, third party contractors are expressly excluded from the plan and it is not possible to add entities or organizations as legitimate insureds under the plan by contract alone.

### Recommendation

- 2.50** We recommend the Department of Social Development ensure that contracts for services have provided for valid and appropriate liability insurance.

## Payments Made Without Due Diligence

### Contracts Did Not Require Adequate Support for Payment

- 2.51** Neither contract adequately documented the requirement for the appropriate level of support to be provided for invoice payment. While acknowledging Covid-19 brought unique challenges to the health care sector, we have serious concerns pertaining to the lack of oversight for invoices paid by Social Development under the two contracts. Payment approvers were at the Director and Assistant Deputy Minister level. Bills were paid without requiring evidence of goods/services as having been received and that charges were in compliance with the contract.
- 2.52** The following is an example of a CHL invoice, which does not detail staff names, locations or dates of work.

9059822 Canada Inc. O/A Canadian Health Labs



**INVOICE**

**BILL TO**  
 [Redacted]  
 Assistant Deputy Minister  
 Department of Social Development  
 Sartin MacDonald Building  
 P.O. Box 6000  
 Fredericton, NB  
 E3B 5H1  
 Email: [Redacted]  
 Phone: [Redacted]

**INVOICE**  
 DATE [Redacted]  
 TERMS [Redacted]  
 DUE DATE [Redacted]

| DATE          | DESCRIPTION  | QTY | RATE     | AMOUNT              |
|---------------|--|-----|----------|---------------------|
| 18/02/2022    | Long term home services LTC services provided by CHL | 1   | 9,995.00 | 9,995.00            |
| 19/02/2022    | Long term home services LTC services provided by CHL | 1   | 9,995.00 | 9,995.00            |
| 20/02/2022    | Long term home services LTC services provided by CHL | 1   | 9,995.00 | 9,995.00            |
| 21/02/2022    | Long term home services LTC services provided by CHL | 2   | 9,995.00 | 19,990.00           |
| 22/02/2022    | Long term home services LTC services provided by CHL | 3   | 9,995.00 | 29,985.00           |
| 23/02/2022    | Long term home services LTC services provided by CHL | 4   | 9,995.00 | 39,980.00           |
| 24/02/2022    | Long term home services LTC services provided by CHL | 4   | 9,995.00 | 39,980.00           |
| 25/02/2022    | Long term home services LTC services provided by CHL | 4   | 9,995.00 | 39,980.00           |
| 26/02/2022    | Long term home services LTC services provided by CHL | 4   | 9,995.00 | 39,980.00           |
| 27/02/2022    | Long term home services LTC services provided by CHL | 4   | 9,995.00 | 39,980.00           |
| SUBTOTAL      |  |     |          | 279,860.00          |
| GST/HST @ 15% |  |     |          | 41,979.00           |
| TOTAL         |  |     |          | 321,839.00          |
| BALANCE DUE   |  |     |          | <b>\$321,839.00</b> |

**Recommendation**

**2.53 We recommend that the Department of Social Development include expectations for adequate levels of invoice support to be provided before approving payment when contracting for goods and services.**

**No Processes to Verify Services Were Received**

**2.54** The department had no processes in place to ensure services being charged had been received. While Plan A invoices included details pertaining to the location of the services and name of the staff person, the department did not require timesheets or follow up with the facility to ensure the legitimacy of the charge.

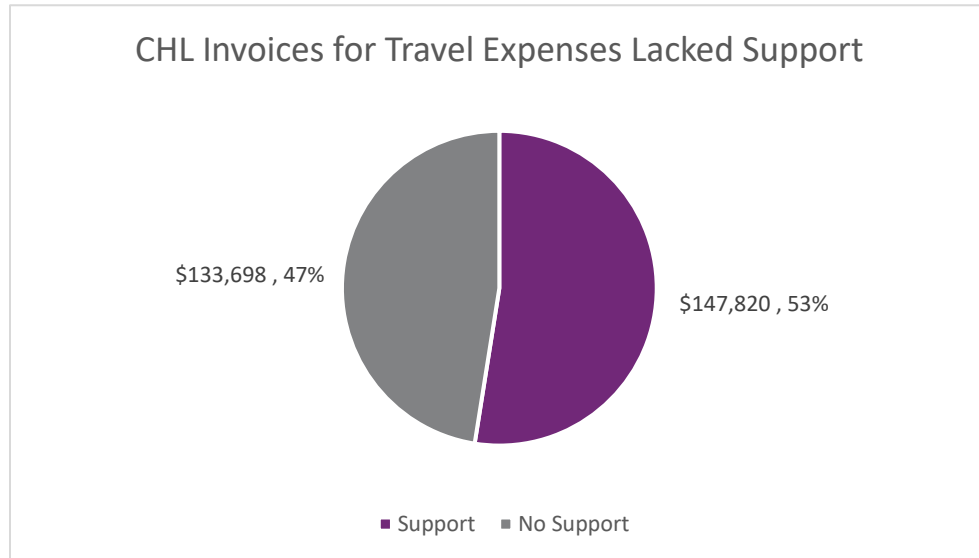
**2.55** CHL invoices lacked detail and no information was provided as to the staff name, location and date of work. Departmental payment approvers did not request additional information from the contractor and did not follow up with facilities to determine actual staffing schedules to confirm hours worked. Invoices were paid as presented to the department.

## Lack of Supporting Documentation for Payment of Travel Expenses

**2.56** Travel related invoices were approved and paid based on incomplete or missing back up to support the payment. Plan A submitted 20 travel related invoices and only 2 had adequate receipts. Our detailed testing showed:

- 9 instances where hotel charges were supported by booking confirmations rather than receipts showing payment
- 4 instances where hotel charges were not supported by any receipt or documentation
- 1 hotel bill had an additional hotel night charged that did not align with shifts worked
- 3 had charges not allowable as per the contract with no receipts/supporting documentation

**2.57** CHL submitted a total of 12 travel related invoices and none had adequate receipts. 47% of travel expenses were paid by SD without support as noted below:



**2.58** Our detailed testing showed the following examples of travel related payments made without adequate support:

- car rentals paid without Minister approval as required by the contract
- 7 instances where accommodations and flights were paid without receipts or documentation

- same hotel room charges being included in more than one invoice, resulting in double billing
- SD paid an invoice for a seven-night hotel stay with a receipt showing only a 3-night stay, furthermore the invoice was paid twice
- hotel rooms booked for the same individual, at same or different hotels for the same dates
- 2 flights invoiced and paid from Halifax to Newfoundland (with no evidence of having worked in New Brunswick)
- names were often missing from flight booking documentation
- flights paid based on travel itineraries vs. actual tickets
- gift cards were purchased in denominations for \$100 and \$250 totaling \$6,405
- pantry food items charged on hotel bills

### Recommendation

**2.59 We recommend the Department of Social Development ensure adequate levels of supporting documentation are obtained, reviewed and are in compliance with contract terms before payment.**

## No Incentive to Be Economical

**2.60** We noted instances where charges appeared to be non-economical. Vehicles rented were not of economy class as generally used by government employees. We also noted expenditures such as taxis for \$100 each way.

## Social Development Did Not Audit the Service Provider

**2.61** The contract with CHL gave the Minister the authority to audit the contractor.

**2.62** Despite the ability to do so, SD did not perform an audit of CHL, nor did they evaluate the cost-benefit in performing such a review. The contract with Plan A did not provide the Minister the authority to audit.

### Recommendation

- 2.63 We recommend the Department of Social Development ensure contracts provide the Minister with the authority to audit the service provider.**
- 2.64 We recommend the Department of Social Development consider performing audits on contracted service providers, noting cost/benefit of doing so.**

## No Post Implementation Review

- 2.65** At the time of our audit, the department had not considered or completed a post implementation review to determine the value add and/or lessons learned from the contracting and use of travel nurses.

### Recommendation

- 2.66 We recommend the Department of Social Development complete a post implementation review on the contracting and use of travel nurses.**

# Results at a Glance

## Horizon Health Network

### Improved Due Diligence Required



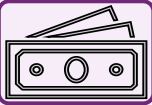
### Findings



Overall need well identified - focus on short-term use of travel nurses



Contracts **not** signed at appropriate levels



Guidelines established for vendor selection process, but **no** selection criteria or scoring matrix



2 contracts did **not** require criminal record or vulnerable sector checks



Adequate processes in place to ensure services had been received



Travel expenses paid **without** adequate support



## Background

### Governance

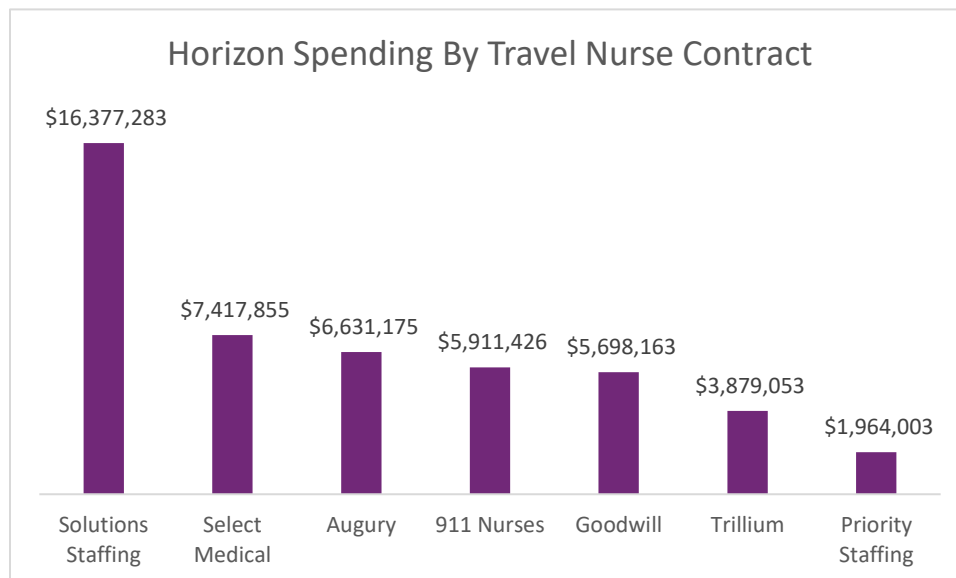
**2.67** A new board of directors was appointed in Horizon Health Network (HHN) on June 11, 2021. That board was dismissed by government and replaced with an interim trustee on July 15, 2022. An interim Chief Executive Officer (CEO) was also appointed at that time. A new board, consisting of government appointees only, was established July 1, 2023.

### Contracts

**2.68** HHN entered into contracts with the following 7 companies:

| Supplier           | Contract Signed Date |
|--------------------|----------------------|
| Goodwill           | August 25, 2022      |
| Priority           | September 2, 2022    |
| Trillium           | September 16, 2022   |
| 911                | November 30, 2022    |
| Augury             | March 15, 2023       |
| Select             | September 2, 2022    |
| Solutions Staffing | Not Signed           |

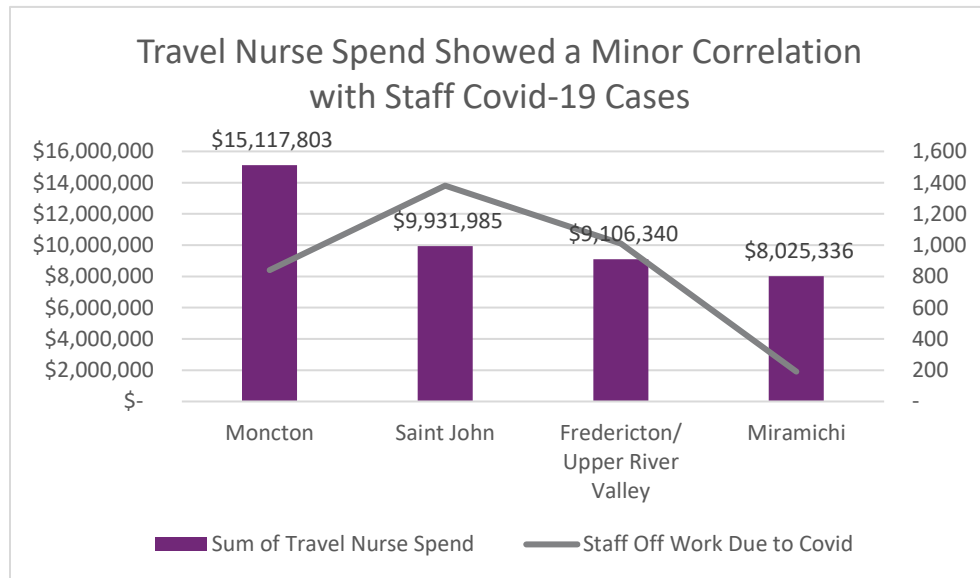
**2.69** Total spend by contract during the audit period was as follows:



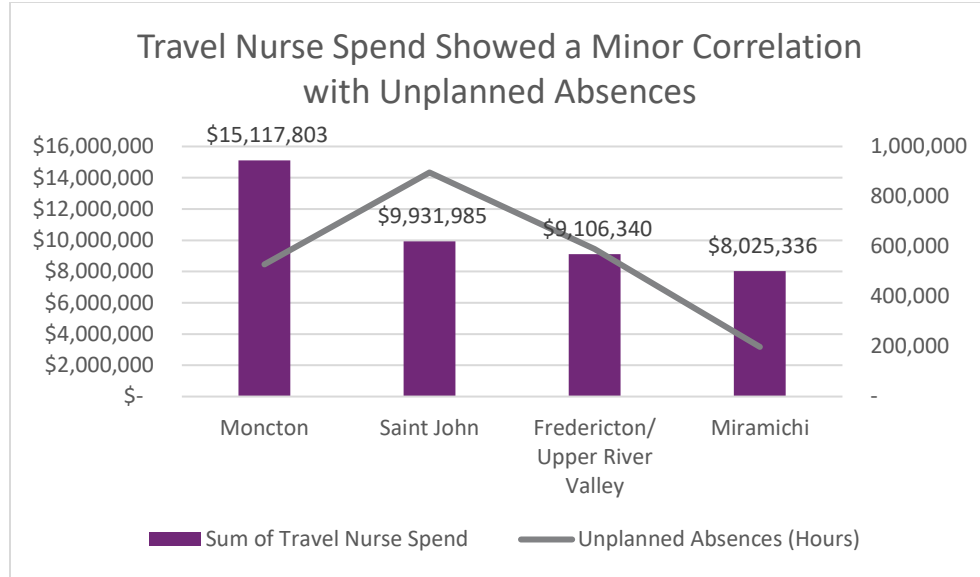
# Needs Were Well Documented

## Data Driven Reporting Utilized

- 2.70** Senior officials within HHN were able to provide us with data driven reporting that detailed staffing gaps and noted risks by facility. A briefing, prepared by HHN for their board meeting, noted “nursing vacancies have tripled in the last 5 years”. Despite the acknowledged systemic staffing shortages, HHN informed us their strategy was to utilize travel nurses for a short period of time and focus on long term recruitment and retention strategies.
- 2.71** In total, HHN utilized the travel nurse contracts for a period of just over 17 months. Only registered nurses (RNs) and licensed practical nurses (LPNs) were hired.
- 2.72** The trustee and board of directors were provided detailed briefings including staffing vacancies per facility, number of travel nurses requested and vacancy rates before and after travel nurses. Rationale and benefits of utilizing travel nurses were well documented, as was the impact if no travel nurses were approved, or if they were approved at 50%.
- 2.73** Data was utilized in decision making including staffing vacancies per facility and key units. We reviewed travel nurse spend by region as shown below and found a minor correlation between travel nurse spend and staff Covid-19 cases.



- 2.74** Similarly, when we compared travel nurse spend to unplanned absences there was also a minor correlation.



## Non-Compliance with Signatory Requirement

**2.75** HHN is defined as a Schedule B entity in the *Procurement Act*. Section 138(1) of Regulation 2014-93 under the *Procurement Act* states:

*When the value of a procurement contract is \$500,000 or greater, the Minister or the head of a Schedule B entity, as the case may be, shall approve the awarding of the contract.*

**2.76** We reviewed all contracts and noted they were signed by staff at the vice president or director level. No contracts were signed by the CEO as required by the *Act*.

**Recommendation**

**2.77 We recommend that the Horizon Health Network ensure compliance with legislation pertaining to contract signatures.**

## Lack of Documentation to Support Vendor Selection

### Guidelines Were Established for Contract Negotiation

**2.78** HHN was able to provide us with documented guidelines used in contract negotiation to “ensure a fair, equitable and fiscally responsible approach to purchasing of services”. Excerpts of guideline contents included but were not limited to:

- *Do not limit the number of proposals to be received.*
- *Following GNBs travel policy for reimbursement of travel expenses except for rental cars. Rental cars are only to be used with the approval of the Manager of Talent Acquisition in consultation with the receiving department’s manager.*
- *Do not enter an agreement that required payment for support staff of travel nurses, e.g., schedulers or managers.*
- *Contracts to be reviewed by an attorney at the Office of the Attorney General.*

### Example of Contract Not Aligned with HHN’s Guidelines

**2.79** Despite HHN’s own guidelines for rental cars to not be reimbursed except with the approval of the Manager of Talent Acquisition in consultation with the receiving department’s manager, 3/7 contracts allowed for the use of vehicle rentals without proper approval.

### No Formalized Selection Process, Criteria or Scoring Matrix

**2.80** There were 37 agencies that submitted proposals to HHN’s talent acquisition team to provide travel nurse services. While HHN was able to provide us with a description of the process used, they did not have criteria or a scoring matrix to support the decisions. The documented process was limited to:

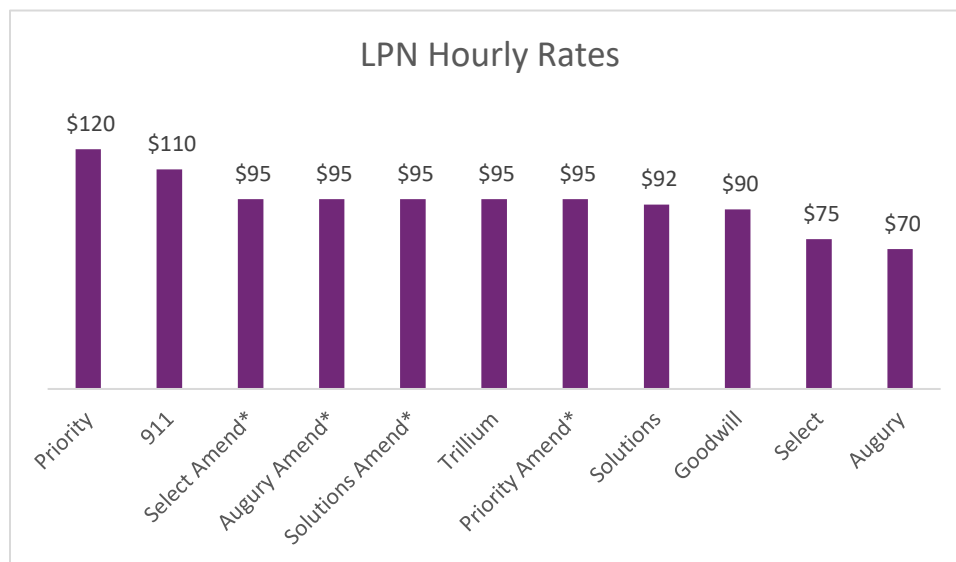
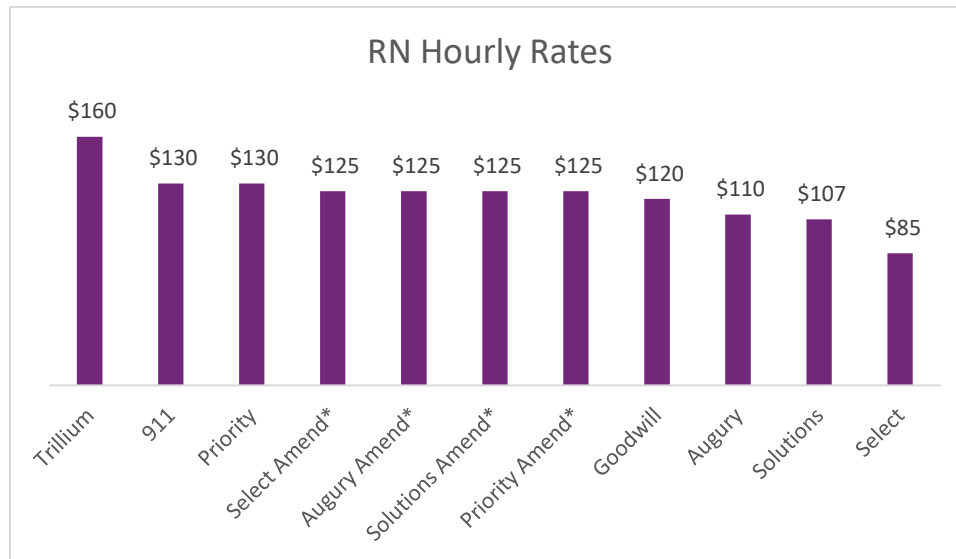
- initial conversations with all agencies to discuss service and rates
- draft contracts were reviewed to determine if agreement was aligned to HHN values
- selection of top travel nurse agencies to work with HHN

- review of contracts by the Office of the Attorney General

**2.81** There was no documentation detailing how or why the vendors were selected. HHN staff informed us they did meet with CHL to discuss what services they could offer but did not receive a proposal from CHL and did not engage them.

### Rates Varied Between Contractors

**2.82** The graphs below show the varying hourly rates for RNs and LPNs between HHN's travel nurse contractors. Some contractors amended their rates during the contract period.



\* Amend is used to indicate amended rates

## Recommendation

- 2.83** We recommend that the Horizon Health Network ensure selection criteria are established with scoring matrices when evaluating service provider proposals to support the selection decision processes.

## Noted Concerns with Contracts

### Most Contracts Reviewed by the Office of the Attorney General

- 2.84** HHN was able to provide us with documentation showing that all but one contract had been reviewed by the Office of the Attorney General (OAG) before signing.

### Contracts Not Aligned with GNB Standards

- 2.85** We noted the following examples of gaps in contract documentation when compared to Government of New Brunswick's (GNB) standard contract template:
- 3/7 contracts had no effective date
  - no contracts had spending caps
  - 5/7 contracts did not allow for government to audit the service provider
  - 5/7 contracts did not specify invoice detail requirements for billing purposes
- 2.86** We also noted that the contracts stated provincial laws governing the agreements varied from New Brunswick to Ontario and British Columbia. Also, one contract required RN licensing in Ontario.
- 2.87** Liability insurance requirements were not consistently specified as follows:
- 2/7 contracts had no liability amounts noted
  - liability insurance amounts varied from \$5-10 Mil, or \$1 Mil per incident

### Recommendation

**2.88 We recommend that the Horizon Health Network ensure contracts align with GNB standards and deviation from those standards should be rationalized.**

## Contract Not Signed

**2.89** The contract with Solutions Staffing was not signed by HHN or the vendor. Over \$16 Mil was paid to this company, under terms that were not signed off on by either party.

### Recommendation

**2.90 We recommend that the Horizon Health Network ensure all contracts are signed by both parties.**

## Contract Signatories Lacking Spending Authority

**2.91** None of HHN's contract signatories had adequate levels of spending authority to sign the contracts based on actual spend. None of the contracts had spending caps and overall projected spend analysis was not done or utilized for the purposes of determining levels of required signing authority. Staff informed us they did not know what the spend would be and only considered contracted hourly rates for spending authority.

### Recommendation

**2.92 We recommend that the Horizon Health Network ensure contracts are signed by the appropriate personnel with adequate levels of spending authority.**

## Lack of Requirement for Criminal Record / Vulnerable Sector Checks

**2.93** HHN requires patient facing employees to have criminal record and vulnerable sector checks.

**2.94** Of the seven contracts HHN signed:

- 2 had no requirement for criminal or vulnerable sector record checks

- 2 had unclear terminology stating the staffing firm will perform background/qualification checks
- 1 required criminal record check only
- 2 required criminal record and vulnerable sector check

### Recommendation

**2.95 We recommend the Horizon Health Network ensure that contracts require patient facing contracted workers to have criminal record and vulnerable sector checks prior to the first day of work.**

## Payments Made Without Due Diligence

### Adequate Processes to Ensure Services Paid for Were Received

**2.96** While invoice detail varied, HHN senior officials informed us they had processes established to ensure services paid for had been received. We noted email verification from supervisors and/or actual timesheets as support for invoice payment. We found 3 of 111 invoices tested were missing documentation to support hours worked.

### Inadequate Support for Payment of Travel Expenses

**2.97** As HHN did not use distinct account coding for care and travel expenditures, we were unable to determine the total spend in each area.

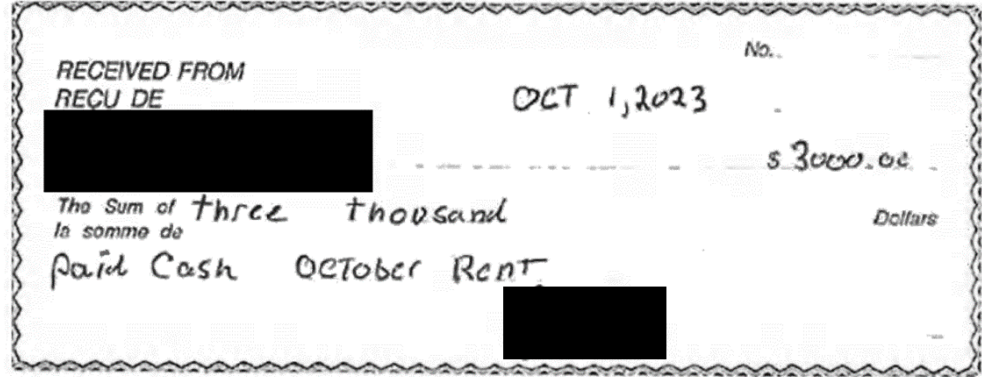
**2.98** We reviewed 200 travel expenses claimed and found only 122 (61%) had any level of back up to support the payment.

**2.99** In the cases where support was provided, it was often inadequate. Some examples are noted below:

- a Jeep Wrangler rented for a month with only a 7-day timesheet as support
- accommodations paid for 33 nights, with only a 4-day timesheet as support
- accommodations totaling \$2,837 were invoiced and paid with a 2-hour timesheet as support



- a monthly accommodation charge of \$2,900 was invoiced and paid twice
- receipt for accommodations totaling \$3,000 lacked property details, as noted below



### Recommendation

**2.100 We recommend the Horizon Health Network ensure adequate support is provided for all invoices and there are adequate levels of review performed before payment is issued.**

## Some Payments Were Outside the Terms of the Contract

**2.101** We reviewed 111 invoices to ensure charges and rates used were in compliance with contracts. Within that sample, 41% of invoices included instances of non-compliance with contract terms. For example, we noted:

- 14 instances in Solutions Staffing care invoices where rates charged were higher than allowable under the contract
- additional accommodation fees for pets, one charge noted as being \$200

### Recommendation

**2.102 We recommend the Horizon Health Network ensure billed rates are in compliance with the contract terms and rates.**

## Travel Nurse Reduction Plan

- 2.103** HHN began what they refer to as a de-escalation plan in September 2023 to begin the reduction in travel nursing support. The plan was further refined in October. They provided us with details on timelines for their travel nursing reduction plan, that showed by March 31, 2024, there would be no authorized use of travel nurses unless there is approval from the Executive Leadership Team.
- 2.104** At present there is no plan to perform a formalized review of the use of travel nurses to determine the value add and/or lessons learned.

### Recommendation

- 2.105** We recommend the Horizon Health Network perform a post implementation review on the use of contracted travel nurses. This review should establish alternative options for dealing with short-term and long-term staff shortages.

# Results at a Glance

## Vitalité Health Network

### Improved Due Diligence Required



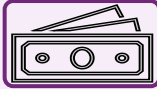
### Findings



**Did not provide information as requested** by the Office of the Auditor General



Overall need well identified - but travel nurse spend **not** correlated to facility level needs



**No** documentation to support vendor selection, over **\$98 million** spent on contractor with highest pricing structure



**No** legal review of contracts resulting in undue risk



Contracts allowed for teams to be deployed regardless of actual need



One contract contained an auto renewal clause



Contracts did **not** require vulnerable sector record checks



**Inadequate** processes in place to ensure services were received



Only **1 of 4** contractors were required to provide French language services

## Requested Information Not Provided

### Non-Compliance With *Auditor General Act*

- 2.106** Vitalité Health Network (Vitalité) informed us their staff had completed three internal audit reports pertaining to the contract with Canadian Health Labs (CHL). On April 17, 2024, our Office formally requested access to the audit reports and were denied.
- 2.107** Section 13(a) of the *Auditor General Act* states “the Auditor General is entitled to free access at all convenient times to information, including files, documents, records, agreements and contracts, despite that they may be confidential or private, that relates to the fulfilment of his or her responsibilities.”
- 2.108** Due to the lack of cooperation from Vitalité, risks that they identified in the audit reports and to what extent those risks were addressed is not known.
- 2.109** Section 13.2(1) of the *Auditor General Act* states, “No person shall obstruct the Auditor General, a person employed in the Office of the Auditor General or a person appointed by the Auditor General under a contract for professional services in the exercise or performance or the intended exercise or performance of his or her powers or duties under this Act or any other Act, and no person shall conceal or destroy any documents that the Auditor General considers necessary for the purposes of this Act or any other Act.” Furthermore, “a person who violates or fails to comply with subsection (1) commits an offence punishable under Part 2 of the *Provincial Offences Procedure Act* as a category F offence.”
- 2.110** It is critical that government organizations understand the powers of the Auditor General and comply with the *Auditor General Act*.

## Background

### Governance

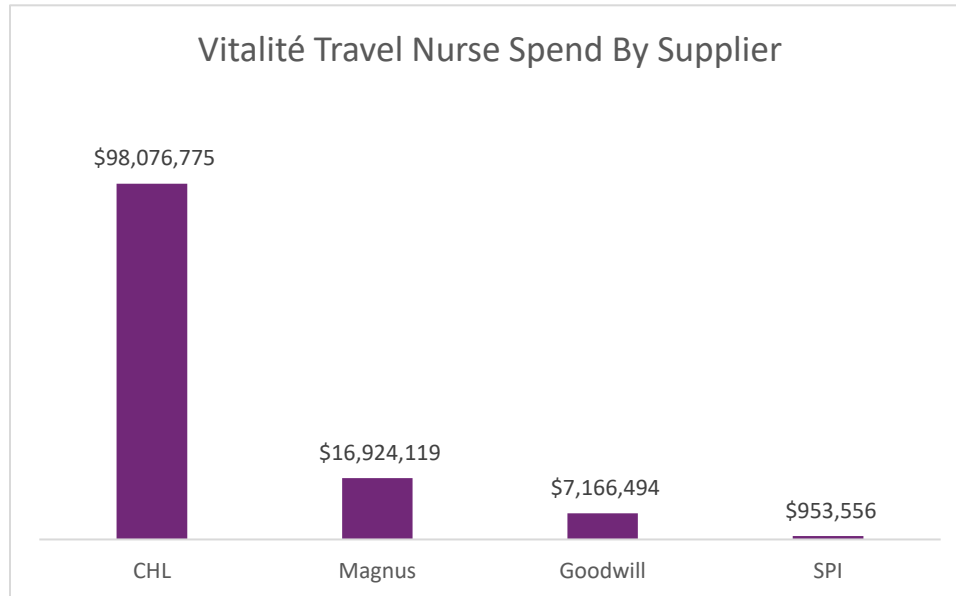
- 2.111** Vitalité’s current CEO was appointed on November 30, 2020. The board of directors was dissolved by government and an interim trustee was appointed on July 15, 2022. A new board, consisting of government appointees only, was established on July 1, 2023.

## Contracts

**2.112** Vitalité entered into 6 contracts with 4 companies as follows:

| Supplier | Contract Signed Date |
|----------|----------------------|
| Goodwill | June 2, 2022         |
| CHL (1)  | July 29, 2022        |
| SPI      | July 25, 2022        |
| CHL (2)  | November 16, 2022    |
| CHL (3)  | December 2, 2022     |
| Magnus   | December 16, 2022    |

**2.113** Total travel nurse spend by supplier during our audit period was as follows:



## Needs Were Well Documented

### Data Driven Reporting Used to Determine Overall Need

**2.114** Vitalité provided us with detailed information pertaining to their staff shortages by region. Staff shortages were systemic, as well as Covid-19 related when staff tested positive. We were informed a great number of staff were absent for other

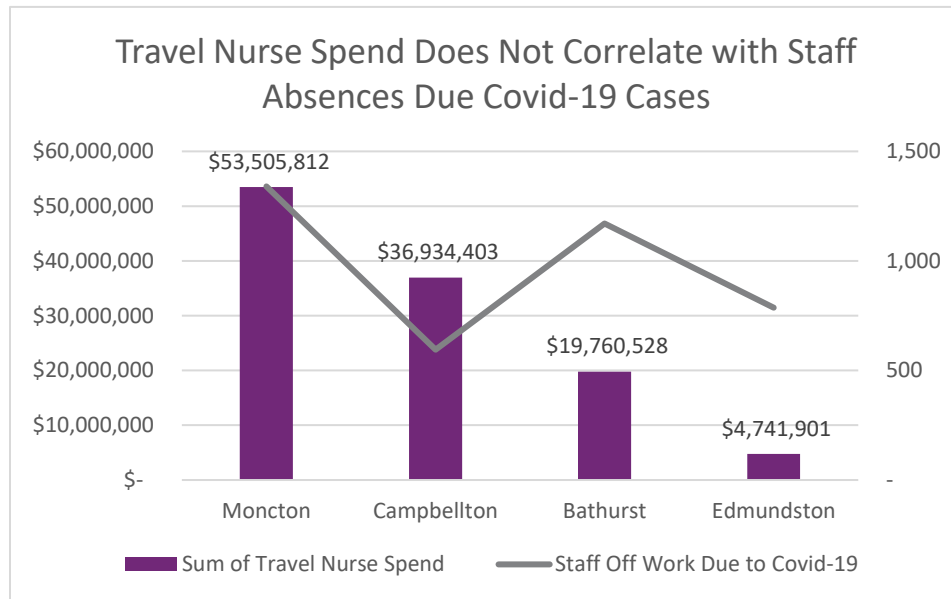
reasons, including stress and fatigue and a number of healthcare workers left the profession all together.

**2.115** While SD and HHN utilized travel nurses for shorter periods of time, Vitalité and its board of directors supports the use of travel nurses until 2026. Senior officials informed us that they do not think government supports closures, and that, in their opinion, travel nurses would be their only other choice. We did not audit the validity of their assertions but provide it for context only.

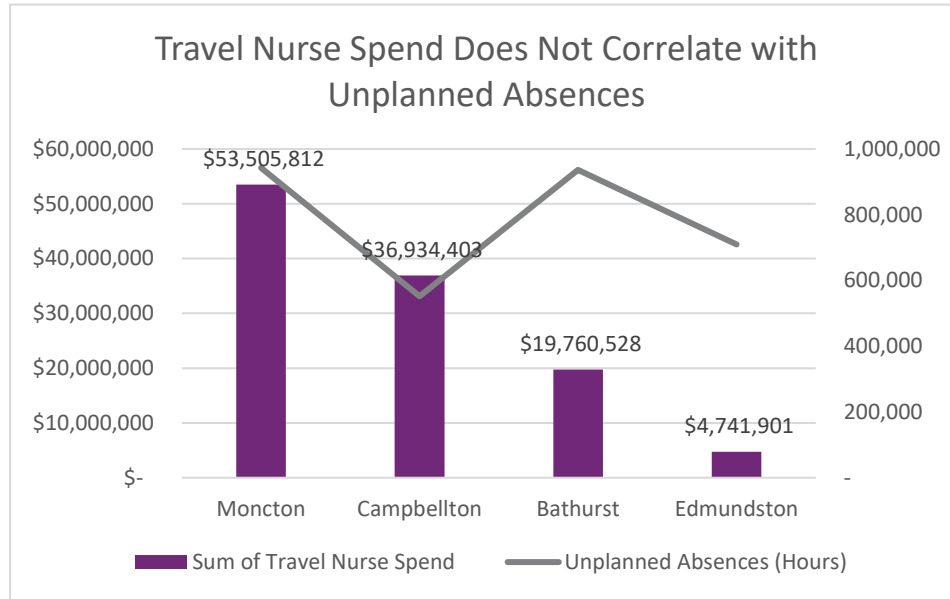
### Travel Nurse Spend Not Always Where Needed Most

**2.116** We obtained data to allow us to determine if travel nurses were provided in the areas with the most need, based on staff absences due to Covid-19 and unplanned absences for other reasons.

**2.117** The graph below shows that travel nurse spend did not correlate with staff absences due to Covid-19.



**2.118** The graph below shows that travel nurse spend did not correlate with unplanned staff absences.



### Recommendation

**2.119** We recommend that the Vitalité Health Network use data to ensure staffing resources are assigned to facilities facing the most risks.

## Non-Compliance with Signatory Requirement

### Compliance with Legislation

**2.120** Vitalité is defined as a Schedule B entity in the *Procurement Act*. Section 138(1) of Regulation 2014-93 under the *Procurement Act* states:

*When the value of a procurement contract is \$500,000 or greater, the Minister or the head of a Schedule B entity, as the case may be, shall approve the awarding of the contract.*

**2.121** During our work we noted that the signatory on all contracts was the CEO, in compliance with legislation.

## Non-Compliance With Board Policy

- 2.122** Vitalité’s Board Policy – Expenditure Authorization Limit (effective July 24, 2022), requires that contracts representing a commitment of more than \$5,000,000 per year be approved by the board.
- 2.123** The board had been dissolved in July 2022 and a trustee in place, who was given all the duties and powers of the board. Contracts were signed with CHL, Magnus and Goodwill, that based on their level of spend, would have required trustee/board approval based on policy, however, documented approval of specific contracts was not obtained.

### Recommendation

- 2.124** We recommend that the Vitalité Health Network obtain board approval for contracts as required under the Board Policy – Expenditure Authorization Limit.

## Lack of Documentation to Support Vendor Selection

### No Guidelines, Selection Criteria or Scoring Matrices – Vitalité Did Not Require French Language Services in All Facilities

- 2.125** Vitalité did not establish guidelines, selection criteria or scoring matrices that would support the selection of the contractors.
- 2.126** Vitalité did not require French language services in any contract, except CHL. Senior officials informed us the reason CHL was selected and given most of the work was their ability to provide French language services.
- 2.127** However, within CHL contracts, requirements were limited to the following:
- **Contract 1** (July 29, 2022) for RNs/LPNs:
    - Minimum of 0% of the staff deployed in Campbellton will be Francophone/bilingual
    - At no point will a team who is deployed at Dumont be less than 50% bilingual (functional)
  - **Contract 2** (November 16, 2022) for PSWs:



- Minimum of 0% of the staff deployed in Campbellton and Bathurst will be Francophone/bilingual
  - At no point will a team who is deployed at Dumont and Edmundston be less than 80% bilingual (functional)
  - **Contract 3** (December 2, 2022) for RNs/LPNs:
    - Minimum of 0% of the staff deployed in Campbellton and Bathurst will be Francophone/bilingual
    - At no point will a team who is deployed at Dumont or Edmundston be less than 90% bilingual (functional)
- 2.128** The total spend for CHL as of February 2024 was over \$98 Mil. However, total amounts spent for services at the Dumont and Edmundston totaled only \$55,278,993 and that included all service providers, not just CHL.
- 2.129** The contract with CHL accounted for more than 80% of the overall spend on travel nurses. Yet, French language services were only required in two facilities. Total spend for travel nurse services where English only was required was \$42,797,782.
- 2.130** We were informed by Vitalité that there were concerns with the level of French language services provided, however, as previously noted, Vitalité denied us access to their internal audit reports.

## Rates Varied Between Contractors

- 2.131** While all other vendors offered individual care staff at an hourly rate, CHL only offered a bundled pricing model. Vitalité signed two contracts with CHL for the provision of RNs and LPNs and the pricing model was as follows:
- A team of up to 12 hours per day
    - \$18,043.42 per team/day (CHL contract signed July 29, 2022)
    - \$18,403.42 per team/day (CHL contract signed December 2, 2022)
  - A team is comprised of:
    - Virtual staff
      - 1 operations lead
      - 1 clinical lead
      - 0.44 scheduler
    - In person
      - 0.22 logistics lead
      - 2 LPNs
      - 3 RNs
- 2.132** Including all non-direct care staffing costs, the cost per hour (based on rates effective December 2, 2022) to have a clinical staff person (LPN/RN) on the floor

was \$306/hour. As per GNB collective bargaining agreements (effective July 1, 2023), RNs and LPNs are compensated per hour as follows:

- RNs – Class A, Steps A to G (\$36.41 – \$46.13)
- LPNs – Steps A to C (\$30.22 – \$32.46)

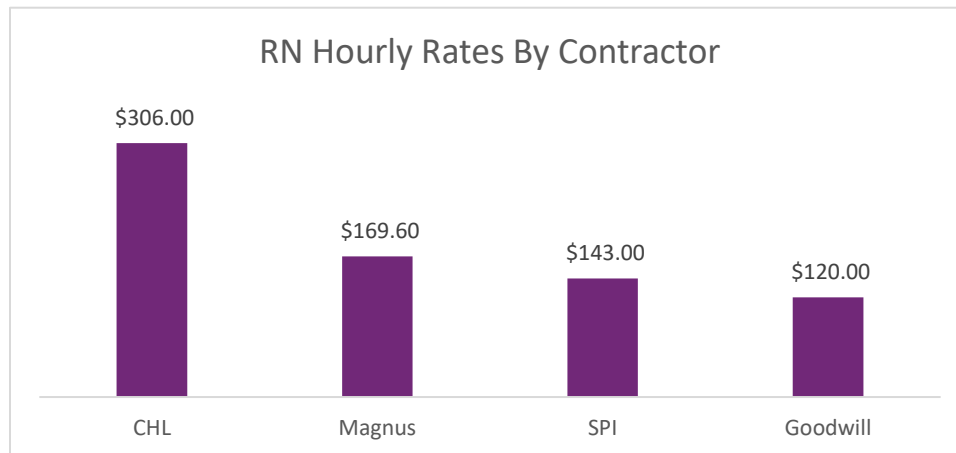
**2.133** Vitalité signed one contract with CHL for the provision of PSWs and the pricing model was as follows:

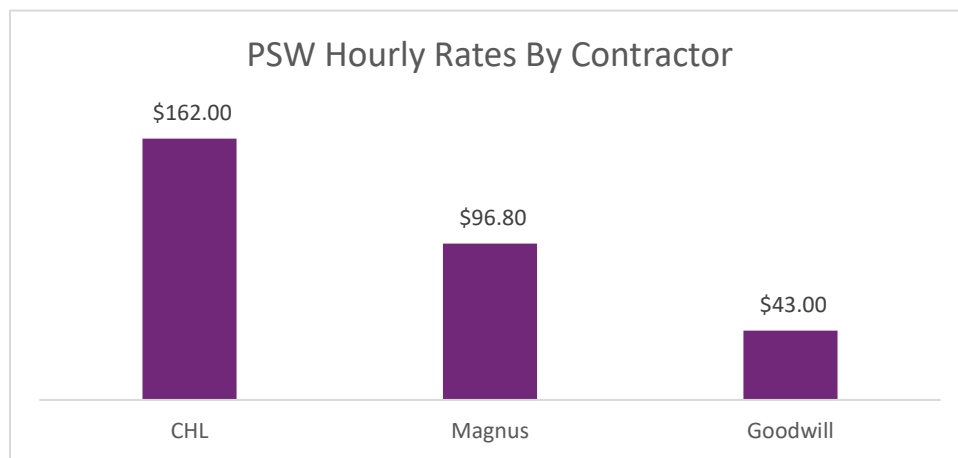
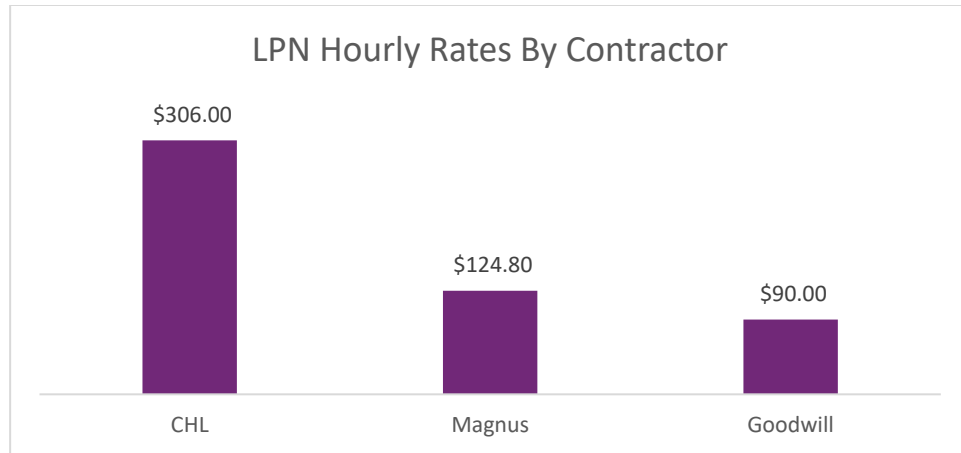
- A team of up to 12 hours per day
- \$13,632.00 per team/day (CHL contract signed November 16, 2022)
- A team is comprised of:
  - Virtual staff
    - 1 operations lead
    - 1 clinical lead
    - ½ scheduler
  - In person
    - ½ logistics lead
    - 7 PSWs

**2.134** Including all non-direct care staffing costs, the cost per hour to have a PSW on the floor was \$162/hour. As per GNB’s collective bargaining agreements that same level of staff would be paid \$22.61 – \$24.24 per hour.

**2.135** The contract with CHL stated in the event that a partial team is deployed, the contractor will bill for a partial team. However, the contract did not specify what this partial billing would be comprised of. We found instances where Vitalité paid over \$18,000 for a bundle with some staff not working 12 hours and some worked as few as 3.5 hours.

**2.136** The costs for RNs, LPNs and PSWs by contractor are noted below. Some contractors amended their rates during the contract period.





### Recommendation

**2.137 We recommend that the Vitalité Health Network ensure the development and use of guidelines and selection criteria to support the selection of vendors.**

## Noted Concerns with Contracts

### No Legal Review of Contracts

**2.138** Vitalité did not obtain a legal review for any of the contracts they signed.

### Contracts Not Aligned with GNB’s Standard Template

**2.139** Of the 6 contracts signed, we noted the following examples of gaps in contract documentation when compared to GNB’s standard contract template:

- 2 contracts had no effective date
- 3 contracts had no spending cap
- 3 did not provide the ability to audit the service provider

**2.140** One contract noted the provincial laws governing the agreement as Ontario.

#### Recommendation

**2.141** We recommend the Vitalité Health Network ensure that significant contracts of a predetermined dollar value be reviewed by legal counsel.

### Teams Can be Deployed Regardless of Need

**2.142** The CHL contracts gave CHL the right to deploy a minimum number of staff teams, regardless of the actual need, approximately equating to the contract cap. The contracts with CHL included the following:

- Contract for PSWs
  - Term: November 21, 2022 – May 31, 2024
  - Contract cap: \$45 Mil (plus expenses, reimbursements and HST)
  - CHL has the right to deploy staff totalling 3,262 team days over the term of the agreement, equating to \$44,467,584 (plus expenses, reimbursements and HST)
- Contract for RNs/LPNs

- Term: December 5, 2022 – February 5, 2026
- Contract cap: \$93 Mil (plus expenses, reimbursements and HST)
- CHL has the right to deploy staff totalling 4,620 staff days over the term of the agreement, equating to \$85,021,952 (plus expenses, reimbursements and HST)

### Recommendation

**2.143 We recommend that Vitalité Health Network ensure contract terms are reflective of actual service level requirements.**

## Auto Renewal Clause

**2.144** The contract with CHL for RN/LPNs expires February 5, 2026. The contract states “if the Contractor achieves 100% Francophone/Bilingual fulfilment under this Agreement for a rolling 12-month basis, Vitalité agrees this Service Agreement shall automatically continue to renew annually up to a maximum of 5 terms, as long as the contractor continues meeting its obligations for fulfillment and language under this Agreement.”

### Recommendation

**2.145 We recommend that the Vitalité Health Network ensure contracts do not have an auto renewal clause.**

## Contract Not Signed

**2.146** The contract with Goodwill was signed by the vendor but not signed by Vitalité. Over \$7 Mil was paid to this company, under terms of a contract that was not signed by both parties.

### Recommendation

**2.147 We recommend that the Vitalité Health Network ensure all contracts are signed by both parties.**

## Vulnerable Sector Checks Not Required

**2.148** Vitalité requires patient facing employees to have a criminal record and vulnerable sector check.

**2.149** We reviewed contract terms to determine whether a criminal record and vulnerable sector check was a requirement and noted:

- criminal record or backgrounds checks were required in all six contracts
- no contracts required vulnerable sector checks

**2.150** None of the contracts specifically outlined the timing of when these checks would be completed, whereas Vitalité’s policy states they must be provided on or before the first day of work. Because the term “background check” is not well defined and can be limited to employment history, education, home ownership, etc. the requirement for a criminal record and vulnerable sector check should be clearly specified.

### Recommendation

**2.151** We recommend the Vitalité Health Network ensure that contracts require patient facing contracted workers to have a criminal record and vulnerable sector check prior to the first day of work.

## Invalid Assignment of Liability

**2.152** All contractors except for CHL were responsible for providing their own liability insurance. Vitalité’s contract with CHL (written by CHL) stated, the Vitalité Health Network shall provide coverage to the Contractor under a government sponsored insurance plan.

**2.153** However, third party contractors are expressly excluded from the plan and as per the plan manager, “it is not possible to add entities or organizations as legitimate insureds under the plan by contract alone.”

### Recommendation

**2.154** We recommend the Vitalité Health Network ensure that contracts for services have provided for valid and appropriate liability insurance.

## Payments Made Without Due Diligence

### Established Processes Not Operating as Intended

**2.155** Vitalité informed us that supervisory staff signed off on actual work hours as verification of having received the services. While the process had been established, it was not always working as intended. We tested over \$23 Mil of invoices for clinical staff service provision and found 28% of the invoices were not signed by supervisory staff.

### Travel Invoices Paid Without Adequate Support

**2.156** 85% of travel related expense we reviewed included some form of support for payment.

**2.157** Examples of instances where expenses were paid with no support include:

- Hertz car rental (\$1,818.97)
- Air Canada (\$1,749.90)
- Air Canada (\$517.38)
- rent for a house in Moncton (\$3,500)

**2.158** We also found instances where accommodation expenses were paid, with insufficient support for payment. Examples were:

- accommodation charges of \$2,700 for a month's rent were supported by a timesheet for 3 days' worth of work
- accommodation charges of \$2,205 noted as being for October 1<sup>st</sup> – 15<sup>th</sup>, 2023 were supported by a timesheet for work between September 23<sup>rd</sup> – October 6<sup>th</sup>, 2023

**2.159** We found meal allowances were often charged and paid without sufficient support. In our testing of 64 invoices, we noted meal allowances on CHL invoices were paid without adequate support totaling \$281,640. Meal allowances were often paid for double or triple what the support provided would have allowed for.

### High Rates for Car Rentals Paid Without Adequate Support

**2.160** Vitalité's contract with CHL allowed for the rental of vehicles from Canadian EV Labs or an affiliated company. We determined that the CEO of CHL is also the sole director of Canadian EV Labs and Canadian Sustainability Labs.

- 2.161** The contract also stipulated that rental costs were not to exceed current market rates. In our audit testing, we noted invoices from Canadian Sustainability Labs for electric vehicle (EV) rentals and EV charging. Rates for the EV car rentals ranged from \$184 – \$345 per day and were provided to PSWs, LPNs, RNs and logistics staff.
- 2.162** Government’s travel policy documents the negotiated rates for government employees with rental car companies as being \$62.66 – \$82.66 per day.
- 2.163** Examples of Canadian EV Labs and Canadian Sustainability Labs charges of note were as follows:
- one invoice paid without support or description of the purpose or employee name, totaling \$11,305
  - one invoice included 43 car rentals, totaling \$63,910 for one week
- 2.164** EV car rental invoices included staff names (sometimes first and sometimes first and last) but did not specify date or location of work. In some cases, timesheets accompanied the rental invoices, but not consistently. The vast majority of rentals were for a period of 7 days and there was no evidence of validation to ensure the legitimacy of the charges.

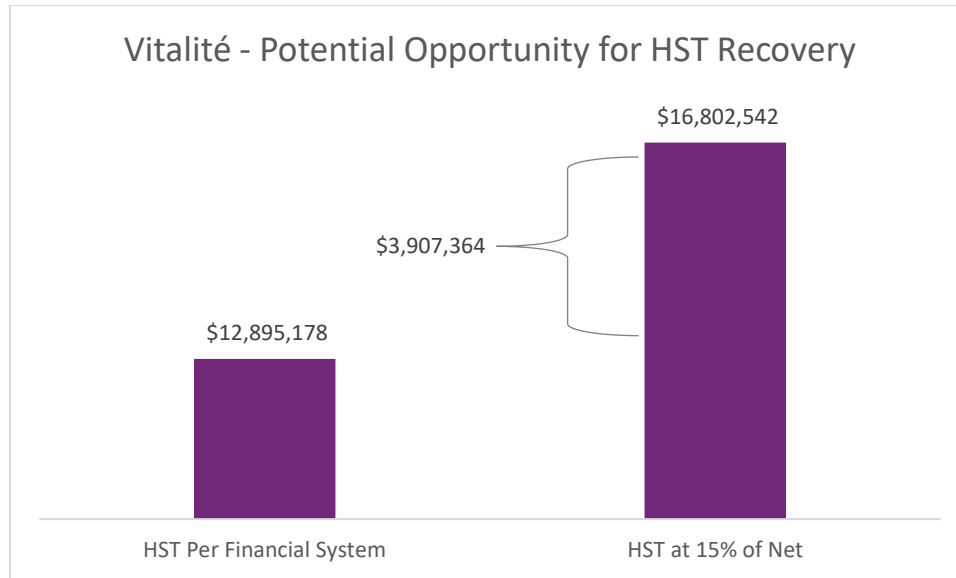
### Recommendation

- 2.165** We recommend the Vitalité Health Network ensure adequate support is provided for all invoices and that charges are in compliance with contracts before payment is issued.

## Potential Opportunity to Recover HST

- 2.166** During our review of invoices from all four contractors utilized by Vitalité, we noted instances where invoices did not breakout the full amount of HST and were not coded for recovery.
- 2.167** Had 15% been charged on all pre HST expenditures, the recovery would have been \$3,907,364 higher. While some charges such as long-term accommodations/lodging (one month or more) are not subject to HST, there is a potential opportunity for HST recovery.





**2.168** We could find no evidence that invoice approvers had adequately reviewed the treatment of HST.

### Recommendation

**2.169** We recommend that the Vitalité Health Network perform a detailed review of expenses paid to determine opportunities for HST recoveries.

**2.170** We recommend that the Vitalité Health Network improve processes to ensure review of the appropriate treatment of HST before processing and payment.

## Use of Travel Nurses Continues

**2.171** In correspondence to our Office dated April 24, 2024, Vitalité stated “the decision was unavoidable in the short-term...” and “It’s a band-aid solution we’re gradually removing, and we plan to reduce the use of mobile nurses over the next two years”.

**2.172** Vitalité had not developed a comprehensive formalized travel nurse reduction plan and had not yet planned to do a review of the use of travel nurses for lessons learned.

**2.173** We were provided with a list of 53 projects focused on addressing recruitment and retention related to nurses and other positions. 14 of the projects were noted as

completed. Of the remaining 39 projects, 10 were assigned planned completion dates.

### Recommendation

**2.174 We recommend that Vitalité Health Network perform a post implementation review on the use of contracted travel nurses. This review should establish alternative options for dealing with short-term and long-term staff shortages.**

## Appendix I: Recommendations and Responses

### Department of Social Development

| Par. #  | Recommendation  | Department's Response  | Target Implementation Date |
|---|---|--|----------------------------|
| <b>We recommend the Department of Social Development:</b> |   |  |                            |
| 2.20  | develop a long-term care staffing recruitment and retention strategy to ensure legislated staffing requirements are met. Vacancy data should be analyzed to determine areas of most risk. | Social Development is involved in a number of different initiatives to support long-term care staffing. A comprehensive recruitment and retention strategy will be developed in cooperation with the sector, recognizing that Social Development is not the direct employer.                             | April 1, 2025              |
| 2.29  | ensure that a documented selection process (including selection criteria and scoring matrices) is established to support the awarding of contracts.                                       | The Department agrees with this recommendation and notes that such processes are already in place for competitive procurement processes such as requests for proposals. The circumstances that gave rise to this recommendation do not reflect its normal procurement and contract management processes. | Already in place.          |

| Par. #  | Recommendation  | Department’s Response  | Target Implementation Date |
|---|---|--|----------------------------|
| <b>We recommend the Department of Social Development:</b> |   |  |                            |
| 2.34  | ensure that contracts of a predetermined dollar value be reviewed by legal. | The Department agrees with this recommendation and has a process in place where the standard form GNB contract or Social Development’s standard service agreement is used, with any significant modifications reviewed by legal. The deviations from the standard contract practices were relative to circumstances at the time. | Already in place.          |
| 2.37  | ensure contract terms are reflective of actual service requirements.        | The Department agrees with this recommendation and notes that the circumstances that gave rise to this recommendation do not reflect its normal procurement and contract management processes.   | Already in place.          |

| Par. #  | Recommendation   | Department's Response  | Target Implementation Date |
|---|--|--|----------------------------|
| <b>We recommend the Department of Social Development:</b> |  |  |                            |
| 2.43  | ensure appropriate criminal record, vulnerable sector and Social Development checks are performed for care staff working in the long-term care sector. | The Department agrees with this recommendation and is planning to add this in the LTC Act that is currently underdevelopment to replace the Family Services Act and the Nursing Home Act. Current legislative framework in the Nursing Home Act does not allow SD to establish staffing qualifications, such as mandating criminal record, vulnerable sector and Social Development checks be performed, however SD will continue to promote this as a best practice for NHs to implement. | Fall 2026                  |
| 2.45  | ensure the province is a party to all Social Development contracts.  | The Department agrees with this recommendation, to the extent that it applies to Social Development contracts, and notes that the circumstances that gave rise to this recommendation do not reflect its normal procurement and contract management processes.   | Already in place.          |

| Par. #  | Recommendation   | Department's Response  | Target Implementation Date |
|---|--|--|----------------------------|
| <b>We recommend the Department of Social Development:</b> |  |  |                            |
| 2.50  | ensure that contracts for services have provided for valid and appropriate liability insurance.  | The Department agrees with this recommendation and notes that the circumstances that gave rise to this recommendation do not reflect its normal procurement and contract management processes. | Already in place.          |
| 2.53  | include expectations for adequate levels of invoice support to be provided before approving payment when contracting for goods and services. | The Department agrees with this recommendation and notes that the circumstances that gave rise to this recommendation do not reflect its normal invoice approval process.                      | Already in place.          |
| 2.59  | ensure adequate levels of supporting documentation are obtained, reviewed and are in compliance with contract terms before payment.          | The Department agrees with this recommendation and notes that the circumstances that gave rise to this recommendation do not reflect its normal invoice approval process.                      | Already in place.          |

| Par. #  | Recommendation   | Department's Response  | Target Implementation Date         |
|---|--|--|------------------------------------|
| <b>We recommend the Department of Social Development:</b> |  |  |                                    |
| 2.63  | ensure contracts provide the Minister with the authority to audit the service provider.      | The Department agrees with this recommendation and notes that the circumstances that gave rise to this recommendation do not reflect its normal procurement and contract management processes.   | Already in place.                  |
| 2.64  | consider performing audits on contracted service providers, noting cost/benefit of doing so. | The Department agrees with this recommendation and will consider performance audits on contracted service providers in future audit plans.   | April 1, 2025 (2025-26 audit plan) |
| 2.66  | complete a post implementation review on the contracting and use of travel nurses.           | The Department will apply the learnings and recommendations from the Auditor General review on the use of travel nurse agencies. However, since the Department has not used the services of travel nurses in over two years, and is focusing its efforts on supporting nursing homes recruit and retain permanent staff, a post-implementation review will not be actioned at this time. | Not applicable                     |

## Horizon Health Network

| Par. #  | Recommendation  | Regional Health Authority’s Response   | Target Implementation Date |
|---|---|--|----------------------------|
| <b>We recommend the Horizon Health Network:</b> |   |  |                            |
| 2.77  | ensure compliance with legislation pertaining to contract signatures.   | <p>Horizon Health Network accepts this recommendation.</p> <p>Horizon will be accountable to ensure policy, process and auditing is incorporated into our RHA financial practice to ensure compliance with regulatory standards pertaining to contract signatures. A strengthened governance will support this requirement moving forward.</p>   | May 31, 2024               |
| 2.83  | ensure selection criteria are established with scoring matrices when evaluating service provider proposals to support the selection decision processes. | <p>Horizon Health Network accepts this recommendation.</p> <p>Our accountability and internal review verifies that Horizon’s selection criteria was understood, but not properly documented with scoring matrices. A strengthened governance will support this requirement moving forward., including revisions to policy, process and education to all staff implicated in this process to ensure</p> | May 31, 2024               |



| Par. #  | Recommendation   | Regional Health Authority’s Response   | Target Implementation Date |
|---|--|--|----------------------------|
| <b>We recommend the Horizon Health Network:</b> |  |  |                            |
|   |  | compliance with best practices and healthcare industry standards.  |                            |
| 2.88  | ensure contracts align with GNB standards and deviation from those standards should be rationalized. | <p>Horizon Health Network accepts this recommendation.</p> <p>It is understood by Horizon that with Office of Attorney General contract review, approved contracts were in alignment with GNB standards. Moving forward, Horizon will ensure due diligence with additional measures for future contractual review with review of best practice, financial policy improvements, Standard Operating Procedures, and internal auditing practices to ensure 100% compliance with GNB standards or a well documented rationale for any deviation to these best practices.</p> | May 31, 2024               |
| 2.90  | ensure all contracts are signed by both parties.   | <p>Horizon Health Network accepts this recommendation.</p> <p>Horizon conducted a review of contracts and ensured all were signed when it was noted that Solutions Staffing was missing a</p>  | May 31, 2024               |

| Par. #  | Recommendation   | Regional Health Authority’s Response  | Target Implementation Date |
|---|--|---|----------------------------|
| <b>We recommend the Horizon Health Network:</b> |  |   |                            |
|   |  | signature. Solutions Staffing Addendum to Master agreement was then signed by both parties. Immediately, Horizon will review policy, process, and education with key staff members to ensure a strengthened governance for any future contracts.  |                            |
| 2.92  | ensure contracts are signed by the appropriate personnel with adequate levels of spending authority. | Horizon Health Network accepts this recommendation.<br><br>Horizon will ensure policy review of signature requirements, clear accountability for signatures of contracts is enforced and policies for spending authority are appropriately updated and communicated to all staff implicated in this process as signatories. This will be strengthened in our governance of contracts. | May 31, 2024               |

| Par. #  | Recommendation   | Regional Health Authority’s Response  | Target Implementation Date |
|---|--|---|----------------------------|
| <b>We recommend the Horizon Health Network:</b> |  |   |                            |
| 2.95  | ensure that contracts require patient facing contracted workers to have criminal record and vulnerable sector checks prior to the first day of work. | <p>Horizon Health Network accepts this recommendation.</p> <p>Horizon’s policy on Criminal Clearance includes a criminal record and vulnerable sector check for all patient facing staff as a condition to working in our facilities. The approval of a travel nurse did require assurance that criminal check was complete. In the future, Horizon will ensure clear language will be included in contracts in alignment with Horizon policy, as well as auditing and follow up to ensure 100% compliance.</p> | May 31, 2024               |
| 2.100   | ensure adequate support is provided for all invoices and there are adequate levels of review performed before payment is issued.                     | <p>Horizon Health Network accepts this recommendation.</p> <p>Horizon will review our internal processes within finance to ensure there is correct oversight and due diligence as well as education of all staff to ensure the necessary support is provided for clear oversight,</p>   | May 31, 2024               |

| Par. #  | Recommendation   | Regional Health Authority’s Response  | Target Implementation Date |
|---|--|---|----------------------------|
| <b>We recommend the Horizon Health Network:</b> |  |   |                            |
|   |  | review, and approvals prior to payment to travel agency suppliers.  |                            |
| 2.102   | ensure billed rates are in compliance with the contract terms and rates.   | <p>Horizon Health Network accepts this recommendation.</p> <p>Horizon will review our internal documents, as well as the process to review all billed rates, We will ensure full compliance with contract terms and rates during all future contract engagement and payments.</p>   | May 31, 2024               |
| 2.105   | perform a post implementation review on the use of contracted travel nurses. This review should establish alternative options for dealing with short-term and long-term staff shortages. | <p>Horizon Health Network accepts this recommendation.</p> <p>Horizon will initiate a full evaluation of travel nurse contracts, engagement process, working arrangements and completion of work to review the efficiency and effectiveness of the travel nurse agency engagement. This information will be used on a proactive basis to guide any future decision making and changes in practices to ensure value-based procurement practices are clearly in place, monitored and reviewed</p> | September 2024             |

| Par. #  | Recommendation | Regional Health Authority's Response  | Target Implementation Date |
|---|----------------|---|----------------------------|
| <b>We recommend the Horizon Health Network:</b> |                |   |                            |
|   |                | for impact. Our leadership team will also ensure that all alternative options to address staffing challenges are appropriately and proactively reviewed to avoid engagement with travel nurse companies as far as possible in future. |                            |

## Vitalité Health Network

| Par. #   | Recommendation  | Regional Health Authority's Response   | Target Implementation Date | AGNB Response   |
|--|---|--|----------------------------|---|
| <b>We recommend the Vitalité Health Network:</b> |   |  |                            |   |
| 2.119  | use data to ensure staffing resources are assigned to facilities facing the most risks. | <p>The proposed correlation between <u>facility</u> absenteeism/vacancies and agency staff expenditures in this report by the Auditor General of New Brunswick is misleading and not representative of the greatest risk. Furthermore, the Auditor General explains in section 2.121 that the absences are related to COVID-19. We need to rectify this assertion, as COVID-19 accentuated retirements, thus increasing the impact on staff shortages, which were already significant.</p> <p>The Network ensures that travel staff resources are allocated to the areas of greatest risk, including emergency, hemodialysis, surgical suite, surgical, mother-child, medical, extended care, intensive care and psychiatry. Considering the widespread lack of staff in the</p> | Already underway           | <p>Staff absences due to Covid-19 was one key driver for the use of contracted health care staff.</p> <p>Vitalité was unable to provide us with documentation showing that staff absences due to Covid-19 was considered when providing travel nurse support to various facilities.</p> |

| Par. #   | Recommendation | Regional Health Authority's Response   | Target Implementation Date | AGNB Response |
|--|----------------|--|----------------------------|---------------|
| <b>We recommend the Vitalité Health Network:</b> |                |  |                            |               |
|  |                | <p>Network, which you were able to ascertain from the reports requested in connection with the absenteeism report submitted last April 17. The assignment of agency staff enabled us to ensure continuity of essential services while maintaining a minimum threshold of patient care hours to avoid:</p> <ul style="list-style-type: none"> <li>• the closure of the Campbellton Regional Hospital Emergency Department</li> <li>• a 65% reduction in emergency room capacity at the Dr-Georges-L.-Dumont University Hospital Centre</li> <li>• that no emergency dialysis service is available</li> <li>• that every day, 60 patients requiring hemodialysis would have remained untreated, with a risk of death.</li> </ul> |                            |               |

| Par. #   | Recommendation  | Regional Health Authority's Response  | Target Implementation Date | AGNB Response   |
|--|---|---|----------------------------|---|
| <b>We recommend the Vitalité Health Network:</b> |   |   |                            |   |
|  |   | <ul style="list-style-type: none"> <li>• the closure of 57 beds in medical, extended care, intensive care and mother-child programs (in addition to the 100 beds already closed)</li> <li>• the reduction of operating room services, reducing the number of surgeries performed and increasing waiting lists.</li> <li>• the closure of the Restigouche Hospital Centre (the province's forensic psychiatry centre)</li> <li>• a significant reduction in child psychiatry services</li> </ul> |                            |   |
| 2.124  | obtain board approval for contracts as required under the Board Policy – Expenditure Authorization Limit. | The trustee, during his interview with your office, clearly reiterated that he had given his approval prior to the signature of the said contracts. It is important to note that the use of agency staff was endorsed by the Department of Health. Several meetings were held with the  | Already underway           | Documented approval of specific contracts, as required by board policy, was not obtained. |



| Par. #   | Recommendation   | Regional Health Authority's Response  | Target Implementation Date  | AGNB Response  |
|--|--|---|---|--|
| <b>We recommend the Vitalité Health Network:</b> |  |   |   |  |
|  |  | <p>Department during which travel nurses were discussed. The trustee was aware of the need for staff and the urgency to act quickly. He even made this publicly clear to the people of N.B. last March in a written media release.</p> <p>The Network maintains its position that we have complied with the Board Policy – Expense Authorization Limit; however, we will ensure that we maintain documentary evidence that such approval has been obtained in the future.</p> |   |  |
| 2.137  | ensure the development and use of guidelines and selection criteria to support the selection of vendors. | The Network had to act quickly to counter the nursing shortage. As mentioned in our correspondence of April 24, here are the selection criteria used in the selection of vendors. Please note that only a very limited number of agencies were able to provide the necessary  | In compliance with the Public Procurement Act, guidelines and selection criteria are provided for the selection process. The Network had to | Vitalité did not provide guidelines, selection criteria and/or scoring matrices that would support vendor selection. |

| Par. #   | Recommendation | Regional Health Authority's Response  | Target Implementation Date   | AGNB Response   |
|--|----------------|---|--|---|
| <b>We recommend the Vitalité Health Network:</b> |                |   |  |   |
|  |                | <p>staff in a timely manner to maintain our service offering:</p> <ul style="list-style-type: none"> <li>• Ability to provide a large volume of human resources quickly</li> <li>• Flexible, agile deployment of resources with experience in specialized fields (hemodialysis, emergency, etc.)</li> <li>• Obtain French or bilingual resources</li> </ul> <p>We would like to point out that all the graphs presented in the auditor's report showing the hourly rates for the various classifications do not allow a comparison between the various vendors. In terms of comparability, it is essential to use the same bases, and comparing team pricing versus individual pricing is not fair, or even comparable,</p> | <p>act quickly to counter the nursing shortage. The contracts were directly related to health and social services, including the need for health care professionals, for which the Public Procurement Act allows certain exemptions in order to ensure the continuity of essential services by maintaining a minimum threshold of safety in terms of patient care hours.</p> | <p>Charts within the report accurately present assumptions used and how hourly rates were calculated. The purpose of the analysis was to highlight the expense of a bundled model for the provision of required in person, direct care staff.</p> |

| Par. #   | Recommendation  | Regional Health Authority's Response  | Target Implementation Date | AGNB Response   |
|--|---|---|----------------------------|---|
| <b>We recommend the Vitalité Health Network:</b> |   |   |                            |   |
|  |   | because the level of service offered by the vendor is not the same.   |                            |   |
| 2.141  | ensure that significant contracts of a predetermined dollar value be reviewed by legal counsel. | Since then, all contracts with a substantial monetary value have been examined by a legal advisor.  | Already underway           | Significant contracts were signed without legal review resulting in risk to government.   |
| 2.143  | ensure contract terms are reflective of actual service level requirements.                      | The contracted level of service ensures only the minimum necessary to ensure the continuity of essential services by maintaining a minimum threshold of safety in terms of patient care hours. Service level requirements were analyzed before contracts were signed. Furthermore, we are able to assess this need at the nursing unit level, and this exercise is updated every two weeks. | Already underway           | The contract with CHL required minimum daily team deployments regardless of actual need for the entire term of the 3 year contract, essentially guaranteeing the vendor, the contract cap amount. |

| Par. #   | Recommendation  | Regional Health Authority's Response   | Target Implementation Date | AGNB Response  |
|--|---|--|----------------------------|--|
| <b>We recommend the Vitalité Health Network:</b> |   |  |                            |  |
| 2.145  | ensure contracts do not have an auto renewal clause.  | Since then, all contractual clauses for contracts with a substantial monetary value have been examined by a legal advisor.   | Already underway           | Our recommendation was that contracts should not have an automatic renewal clause.   |
| 2.147  | ensure all contracts are signed by both parties.  | All Network contracts are signed by both parties. The contract indicated in the report was sent to the Auditor General as evidence on May 16, 2024, who refused to withdraw the recommendation despite our compliance. | Already underway           | The contract referred to in our report was not signed. An attached schedule was signed, however the contract itself was not. |
| 2.151  | ensure that contracts require patient facing contracted workers to have a criminal record and vulnerable sector check prior to the first day of work. | Several agencies have confirmed to us that criminal background checks include a simultaneous verification of suitability to work with vulnerable people before their first day on the                                  | June 1, 2024               | Our recommendation was that contracts require a criminal record and  |

| Par. #   | Recommendation   | Regional Health Authority's Response   | Target Implementation Date   | AGNB Response  |
|--|--|--|--|--|
| <b>We recommend the Vitalité Health Network:</b> |  |  |  |  |
|  |  | job. We will ask the agencies to verify this.  |  | vulnerable sector check.   |
| 2.154  | ensure that contracts for services have provided for valid and appropriate liability insurance.                                  | We ensure that all contracts with a substantial monetary value are reviewed by legal counsel, and that they carry valid and appropriate liability insurance. | Already underway   | No Vitalité travel nurse contracts were reviewed by legal. The contract with CHL did not have appropriate liability insurance. The contract referred to a government sponsored insurance plan, for which outside contractors are not eligible for. |
| 2.165  | ensure adequate support is provided for all invoices and that charges are in compliance with contracts before payment is issued. | For Magnus, Goodwill and SPI contracts, the supporting documents included with the invoice are validated before payment.                                     | As of June 15, 2024, CHL will be required to provide supporting documentation with | Payments for all goods and services should not be paid   |

| Par. #   | Recommendation   | Regional Health Authority's Response  | Target Implementation Date                            | AGNB Response   |
|--|--|---|---|---|
| <b>We recommend the Vitalité Health Network:</b> |  |   |   |   |
|  |  | <p>In the case of CHL, supporting documents are made available upon request and not at the time of invoicing. So there is a potential delay in payment issuance with very tight payment terms (15 days from invoice date). A process is being put in place where an internal resource will be mandated to validate supporting documents, when received.</p> | <p>invoices, as well as the applicable HST amount</p> | <p>without adequate support.</p>  |
| <p><b>2.169</b></p>                              | <p>perform a detailed review of expenses paid to determine opportunities for HST recoveries.</p> | <p>As clarified during our meeting with the auditor, HST recovery was completed in March 2024. The HST issue applied only to the CHL vendor.</p> <p>Firstly, the calculation in graph 2.171 is incorrect. If the estimated pre-tax expenditure, according to the chart, is \$12,895,178, the sales tax should have been estimated at \$1,934,277.</p>       | <p>March 31, 2024</p>                                 | <p>Our audit identified instances where HST had not been captured and recommend a review.</p> |

| Par. #   | Recommendation | Regional Health Authority's Response  | Target Implementation Date | AGNB Response |
|--|----------------|---|----------------------------|---------------|
| <b>We recommend the Vitalité Health Network:</b> |                |   |                            |               |
|  |                | <p>The recovered value recorded in March 2024 is \$1,285,997.</p> <p>In February 2024, a tax review process was initiated, which was completed in March 2024 for all invoices related to the periods identified in this audit. The CRA rule requires that supporting documents with sales tax registration numbers be available in order to claim tax amounts. CHL did not provide Vitalité Health Network with the supporting documents for September 2022 to September 2023 until October 2023, and the invoices for October 2023 to January 2024 at the end of January 2024. As a result, invoice processing by Accounts Payable did not allow sales taxes to be claimed in a timely manner.</p> |                            |               |

| Par. #   | Recommendation  | Regional Health Authority's Response  | Target Implementation Date  | AGNB Response |
|--|---|---|---|---------------|
| <b>We recommend the Vitalité Health Network:</b> |   |   |   |               |
| 2.170  | improve processes to ensure review of the appropriate treatment of HST before processing and payment.                             | As stated during our meeting with the auditor, the invoice review process is underway to ensure that sales taxes are taken into account when invoices from CHL are processed by Accounts Payable. However, we note that there are delays in obtaining supporting documents, which puts pressure on compliance with payment terms. Example invoice # 2551 dated May 9, 2024, due May 24, no supporting documents received as of May 14. Contrary to what the auditor states in section 2.172, responsibility for HST processing and compliance lies with Accounts Payable and not with the invoice approver. | As of June 15, 2024, CHL will be required to provide supporting documentation with invoices, as well as the applicable HST amount |               |
| 2.174  | perform a post implementation review on the use of contracted travel nurses. This review should establish alternative options for | A post-partum review is scheduled for 2026 after implementation of the agency staffing project. As mentioned during the interview with the President and CEO, we have a   | April 1, 2026   |               |



| Par. #   | Recommendation   | Regional Health Authority's Response   | Target Implementation Date | AGNB Response |
|--|--|--|----------------------------|---------------|
| <b>We recommend the Vitalité Health Network:</b> |  |  |                            |               |
|  | dealing with short-term and long-term staff shortages. | <p>solid human resources work plan in terms of recruitment and retention planning. In addition, we are currently working on contingency plans to deal with short- and long-term staff shortages. I would also like to point out that we monitor the progress and results of the recruitment and retention plan with the extended leadership team at all monthly strategy sessions, to ensure that we are able to wean ourselves off the need for agency staff.</p> <p>In fact, we have managed to reverse the trend in nursing staff arrivals and departures since the summer of 2023.</p> |                            |               |

## Appendix II: Audit Objective and Criteria

The objective and criteria for our audit of the Department of Social Development, Horizon and Vitalité Health Networks are presented below. Social Development and the health authorities and their senior management reviewed and agreed with the objective and associated criteria.

|                  |  |
|------------------|--|
| <b>Objective</b> | <b>To determine if government contracts with private nursing agencies were reflective of best practices and demonstrated value for money.</b>  |
| Criterion 1      | There was a clearly identified need for services based on documented short- and long-term planning objectives.   |
| Criterion 2      | Contracted services were obtained for the best value.  |
| Criterion 3      | Adequate processes were in place to support payment of invoices to contractors including: <ul style="list-style-type: none"><li>• Verification that services were received for payments rendered</li><li>• Billed amounts were in compliance with signed agreements</li><li>• Payments were appropriately authorized</li></ul> |
| Criterion 4      | A post implementation review has been conducted to determine whether the use of travel nurses best achieves required service levels in a cost-effective manner (in both the short and long-term)   |

## Appendix III: Independent Assurance Report

This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on the Department of Social Development, Horizon and Vitalité Health Networks and their travel nurse contracts. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of these entities with respect to the management of travel nurse contracts.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies the Canadian Standard on Quality Management 1 – Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code of Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management’s responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the findings in this report are factually based

### **Period covered by the audit:**

The audit covered the period between January 1, 2022, to February 29, 2024. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters outside of this period as deemed necessary.

### **Date of the report:**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on May 31, 2024, in Fredericton, New Brunswick.



# Department of Education and Early Childhood Development - Pupil Transportation





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# 2024 Volume I

## Chapter 3 Highlights

|  |  |  |
|--|--|--|
| <b>Several instances of non-compliance with legislation and policy</b> | <b>Many buses have overdue inspections and lack required maintenance</b> | <b>No targets or objectives have been set for recruitment and retention of bus drivers</b> |
| <b>Department lacks oversight mechanisms</b>                           |  |  |

### Overall Conclusions

Our audit work concluded that the Department of Education and Early Childhood Development (the department) does not have effective systems and processes to ensure school district compliance with legislation and departmental policies relating to pupil transportation. Additionally, adequate strategies are not in place to ensure sufficient staffing levels of bus drivers.

Of utmost concern to us, is that despite our office’s extensive audit of pupil transportation in 2001, several gaps in levels of compliance still remain. We see little improvement in the area of departmental monitoring and oversight.

While the department has begun to develop a school bus driver recruitment and retention strategy, no targets or objectives have been set.

# Results at a Glance

## Pupil Transportation

### Lack of Departmental Oversight



### Non-Compliance with Legislation



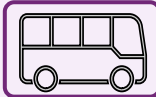
### Findings



**46%** of driver files did **not** demonstrate compliance with licensing requirements for employment



**20%** of drivers did **not** have a criminal record check on file



**37%** of drivers did **not** have evidence of completion of bus driver training at hire



**42%** of bus drivers did **not** have proof of first aid training at hire



**68%** of bus drivers did **not** have performance appraisals in the last 5 years



**45%** of Commercial Vehicle Enforcement bus inspection reports noted deficiencies

## About the Audit

### Introduction to the Audit

- 3.1 At the time of our 2001 audit, the department had a Pupil Transportation Branch, consisting of 4 employees, including a Director of Pupil Transportation. Now, known as the Educational Facilities and Pupil Transportation Branch, there are two distinct pupil transportation staff – a Pupil Transportation Coordinator and a Lead Application and Tech Support Analyst.
- 3.2 The branch has the mandate to “provide districts with support and expertise in the planning and management of educational facilities and pupil transportation,” with the objective of “implementation of a safe and efficient pupil transportation service”.
- 3.3 Pupil transportation is governed by the *Pupil Transportation Regulation* under the *Education Act*, as well as a number of departmental policies, which are implemented by District Education Councils and district superintendents.
- 3.4 The *Motor Vehicle Act* provides standards regarding driver licensing requirements and required timelines for inspections.

### Why we Chose this Topic

- 3.5 As of April 5, 2024, over 107,000 children in New Brunswick were enrolled in the K-12 public school system, of which 78% are bused. Non-compliance with legislation and departmental policies surrounding pupil transportation could increase the risk of endangering a vulnerable population.
- 3.6 Some areas of the province are experiencing challenges with the recruitment and retention of bus drivers, contributing in part to a rise in late and cancelled buses.

### Auditee

- 3.7 Our auditee was the Department of Education and Early Childhood Development (the department). We also made inquiries and obtained audit evidence from the Department of Transportation and Infrastructure (DTI), the Department of Justice and Public Safety (JPS) and the province’s seven school districts.

### Audit Objectives

- 3.8 Our audit objectives were to determine if the Department of Education and Early Childhood Development has:
  - effective systems and processes to monitor and ensure school district compliance with legislation and departmental policies relating to pupil transportation

- strategies in place to ensure sufficient staffing levels of bus drivers

## Audit Scope

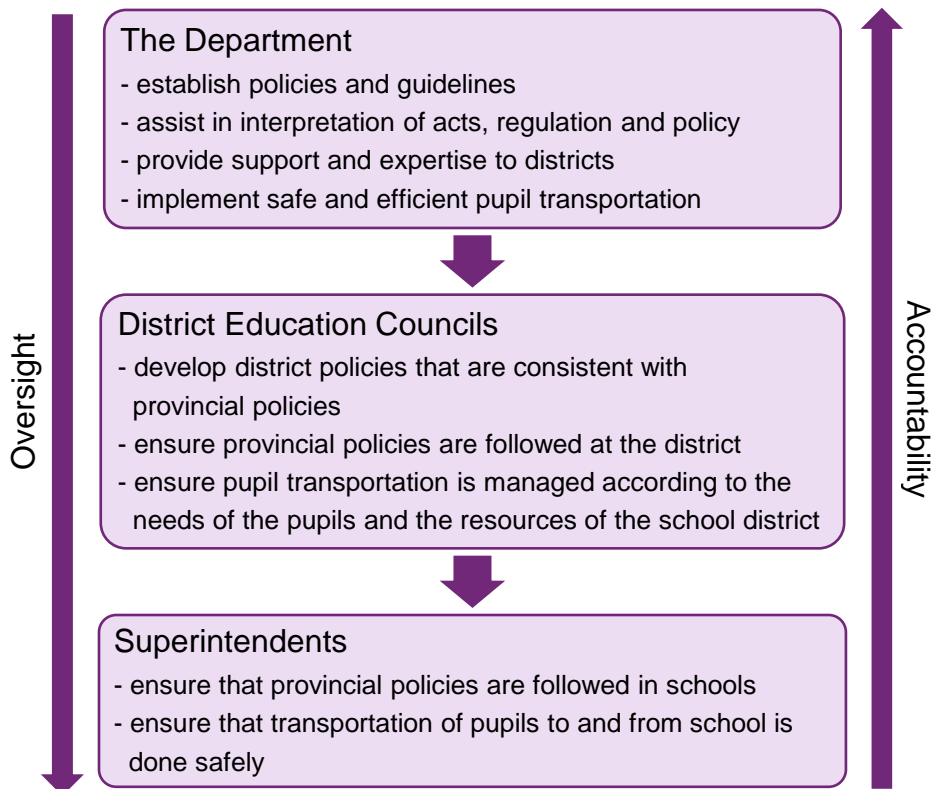
- 3.9** Our audit scope included the department's role in ensuring compliance with legislation and departmental policies relating to pupil transportation and in strategy development for the shortage of school bus drivers.
- 3.10** The audit covered the period from January 1, 2022 – February 1, 2024. Information outside of this period was also collected and examined as deemed necessary.
- 3.11** As part of our work, we reviewed school bus driver personnel files, relevant policy, legislation, contracts, and school bus inspection and maintenance data. We met with departmental and district staff, and a sample of school bus drivers.
- 3.12** More details on the audit objectives, criteria, scope, and approach we used in completing our audit can be found in Appendix II and Appendix III.

## Conclusion

- 3.13** Our audit work concluded that the department does not have effective systems and processes to monitor and ensure compliance with legislation and departmental policies relating to pupil transportation. Additionally, the department does not have strategies in place to ensure sufficient staffing levels of bus drivers. Overall findings are as follows:
- There are no formal oversight mechanisms for compliance with legislation and policy related to pupil transportation
  - None of the tested school districts demonstrated full compliance with legislation and policy
  - We found 63 school buses with overdue motor vehicle inspections, and 311 with overdue maintenance
  - The department is in the early stages of developing a provincewide recruitment and retention strategy, however they have not:
    - set any targets or objectives for staffing levels
    - established a contingency plan to address short-term absences

## Background

- 3.14** The New Brunswick public school system is comprised of seven school districts. As of January 26, 2024, there were 1,304 provincially owned and leased school buses in operation in the province, operated by 1,067 permanent and 275 casual drivers. Districts do, in some cases, use contracted conveyance for transporting students.
- 3.15** The school districts are supported by the Educational Facilities and Pupil Transportation Branch of the department in the planning and management of pupil transportation via the provision of policy interpretation, guidance and expertise.
- 3.16** Under departmental Policy 514 on Pupil Transportation Management, the department affirms its commitment “to ensuring students are transported to and from school in a secure manner,” and its belief in “the shared management of schools with District Education Councils.”
- 3.17** We prepared the following chart describing pupil transportation related responsibilities of the department, the District Education Councils and the superintendents of each district as noted in policy, legislation or departmental websites.



- 3.18** The focus of this audit was the performance of the department as a central oversight body to the school districts, as this has a direct impact on the safety and efficiency of pupil transportation provincewide.

## Testing Level of Compliance

- 3.19** We performed detailed testing at four of the seven school districts to assess compliance with:
- the *Pupil Transportation Regulation* under the *Education Act*
  - the *Motor Vehicle Act*
  - key departmental policies relating to pupil transportation
- 3.20** We selected Anglophone South school district (ASD-S), Anglophone West school district (ASD-W), Anglophone East school district (ASD-E), and Francophone sud school district (DSF-S) for detailed testing based on the following factors:
- geographical size
  - number of school bus drivers
  - spending on pupil transportation
  - number of students
  - bus driver vacancies
  - presence of private contract buses
  - coverage of anglophone and francophone districts
- 3.21** We reviewed the personnel files for:
- 60 provincial drivers
  - 5 contracted drivers
- 3.22** We also physically examined 20 school buses and interviewed 8 bus drivers to gain additional insights about the pupil transportation system.
- 3.23** We examined inspection and maintenance data from the Vehicle Management Agency (VMA) of DTI and supplementary inspections performed by the Commercial Vehicle Enforcement Branch (CVE) of JPS, to assess compliance with inspection and maintenance requirements.

## Non-Compliance with Driver Employment Standards

- 3.24** The *Pupil Transportation Regulation* and departmental policies stipulate several requirements for school bus drivers including:
- a valid license
  - an appropriate driver abstract (driving history)
  - a criminal record check

- physical fitness (as per a medical examination)
- mandatory training

### Lack of valid licensing

**3.25** School bus drivers require at minimum, a class 2 license with a B or C endorsement. Of the 65 driver personnel files tested, we noted:

- 38% (25) did not have a license on file at hire
- 12% (8) did not have a license on file at the time of our review
- 8% (5) had a license with an inappropriate class or endorsement at hire
- 3% (2) had a license with an inappropriate class or endorsement at the time of our review

### Inconsistent driver abstracts

**3.26** A driver abstract is a record of one's driving history. It would show any motor vehicle infractions in the province as well as those forwarded from other co-operating jurisdictions in Canada and the United States. The *Pupil Transportation Regulation* stipulates that superintendents are to obtain a driver abstract before employment and at each license renewal. Departmental Policy 215 on Driver Record states that a driver record will be unacceptable when the driver or candidate:

- has 3 distinct events under the *Motor Vehicle Act* within 2 consecutive years during the past 5 years
- has any criminal code driving conviction
- has ever had an event that by its severity, affords reasonable grounds that they would not be suitable to drive a school vehicle

**3.27** Of the 65 driver personnel files tested we noted:

- 25% (16) did not have a driver abstract at time of hire
- 22% (14) did not have a driver abstract at the time of license renewal
- 2 had prior driver abstracts on file (from outside our audit period) that would not meet policy requirements as noted above

**3.28** We noted one driver abstract with an infraction for the use of an imitation inspection sticker. Another driver had the following infractions across several abstracts such that the record would be deemed unacceptable under Policy 215:

- 2001: speeding
- 2004: speeding
- 2005: speeding
- 2005: speeding
- 2007: accident
- 2008: driver not wearing seatbelt
- 2008: accident
- 2013: speeding
- 2015: collision



- 3.29** In our testing we observed a driver’s criminal record with convictions relating to driving under the influence, the last one dated 10 years prior to their hire date as a school bus driver.
- 3.30** Under this policy, it is the responsibility of the superintendent to make the final determination on the acceptability of the driving record. None of these cases had evidence of superintendent review and approval.

### Recommendation

- 3.31 We recommend the Department of Education and Early Childhood Development ensure that districts obtain and retain the following for all school bus drivers, both at hire and at each license renewal:**
- **A driver’s license of the appropriate class**
  - **An acceptable abstract of driving record**
  - **Superintendent approval of any driving records where acceptability is in doubt.**

### Lack of criminal record checks

- 3.32** As school bus drivers are in direct contact with a vulnerable population, a criminal background check is a legislated requirement for the position under the *Pupil Transportation Regulation*.
- 3.33** Of the 65 driver personnel files we tested, 20% (13) did not have a criminal record check on file. While 7 of those 13 drivers were hired prior to 2001, when this requirement came into force, we would still have expected the district to ensure a subsequent record check as a best practice.

### Recommendation

- 3.34 We recommend the Department of Education and Early Childhood Development ensure that districts obtain and retain criminal background checks for all school bus drivers.**

### Improvements required for proof of medical examination for bus drivers over 65

- 3.35** The *Pupil Transportation Regulation* requires that proof of medical fitness be provided for school bus drivers before employment and at each license renewal, and that the driver must pass a medical examination:
- every 4 years if the person is under 45 years of age
  - every 2 years if the person is between 45 and 65 years of age
  - annually if the person is over 65 years of age



- 3.36** Systems are in place such that a school bus driver cannot obtain or renew their license without providing proof of medical fitness to the driver examiner. The districts rely on this control to ensure drivers are physically fit at time of hire and license renewal, though this does not account for medical examinations required more frequently due to the age of the driver.
- 3.37** We observed some districts using system notifications to ensure drivers obtained appropriate medical examinations given their age, though this control was not employed by all districts examined.

### Recommendation

- 3.38** We recommend the Department of Education and Early Childhood Development ensure that districts establish processes to verify that medical examinations are passed annually for school bus drivers over 65 years of age.

### Improvements required for mandatory training

- 3.39** The *Pupil Transportation Regulation* in combination with departmental Policy 508 on the School Bus Driver Training Program specify bus driver training requirements of:
- satisfactory completion of the School Bus Driver Training Program at hire
  - annual attendance in a driver training refresher course
  - a valid first aid certificate at hire and at each license renewal
- 3.40** Of the 65 driver personnel files tested, we noted:
- 37% (24) did not have evidence of completion of the bus driver training at time of hire
  - 17% (11) did not have evidence of annual refresher training
  - 42% (27) did not have evidence of first aid training at time of hire
  - 17% (11) did not have a valid first aid certificate at license renewal

### Recommendation

- 3.41** We recommend the Department of Education and Early Childhood Development ensure that districts obtain and retain evidence that all required training has been completed by all school bus drivers, including:
- The School Bus Driver Training Program, at hire
  - A driver training refresher course at least annually
  - First Aid training at hire and at each license renewal

**3.42** We also noted that Policy 508 on the School Bus Driver Training Program does not specify what material should be covered by annual refresher courses. The department indicated that it has no expectations regarding the content of refresher training and that they “*let the districts decide what they want to refresh bus drivers on, since they are more in the know about what the current issues are.*”

**3.43** While there are benefits to districts tailoring training to their needs, it is best practice for key risk elements to be standardized and required to be covered each year.

### Recommendation

**3.44** We recommend the Department of Education and Early Childhood Development develop standardized guidelines for annual bus driver refresher training.

## Lack of Performance Appraisals

**3.45** As per the *Education Act*, each district superintendent is responsible for “*ensuring that the performance of school personnel is evaluated,*” including bus drivers. While no timeline is defined for performance appraisals in the *Act*, they are a valuable tool to ensure drivers are meeting expectations and understand their role.

**3.46** Implementation of the legislated requirement for performance appraisals for bus drivers varied in the 4 districts we tested as follows:

- one does not conduct performance appraisals
- one has begun doing appraisals recently, for a small number of drivers
- one does performance appraisals on a 5-year rotation
- one does appraisals of permanent drivers on a 3-year rotation

**3.47** Of the 65 driver personnel files tested, 68% (44) had not had performance appraisals in the last 5 years.

### Recommendation

**3.48** We recommend the Department of Education and Early Childhood Development ensure that districts perform regular performance appraisals of school bus drivers.

## Inconsistent Understanding of Responsibilities

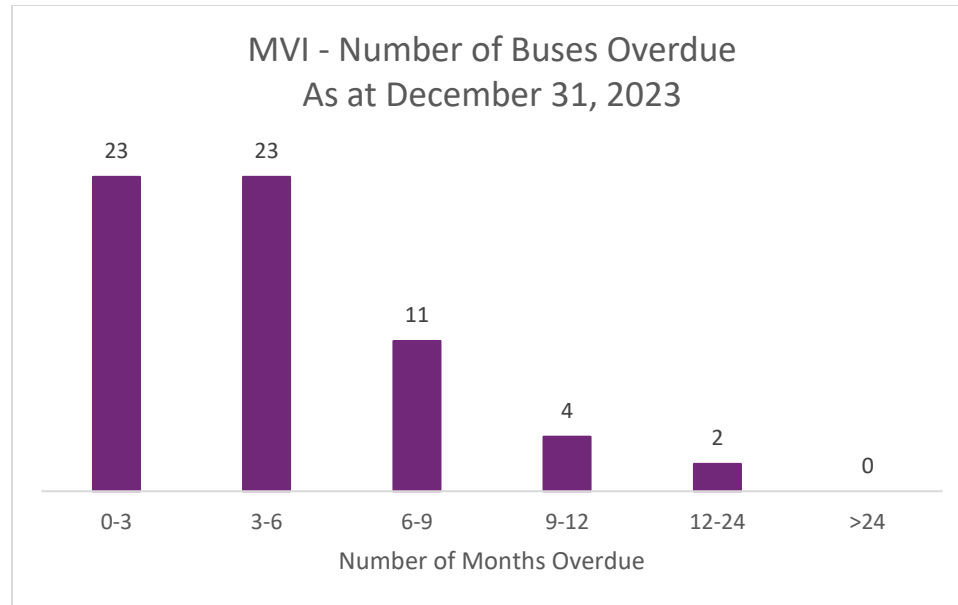
- 3.49** While not required under legislation and policy, regular review and acknowledgement of understanding of key responsibilities is a best practice, particularly for a position that deals with the safety of children.
- 3.50** We found that while all tested districts cover legislation and/or policies in initial and ongoing driver training, only one required annual signoff of key policies to indicate that they were read and understood.
- 3.51** All bus drivers that we interviewed expressed that safety was their primary responsibility and were able to demonstrate a detailed understanding of the required pre-trip inspections, though not all were aware of their specific responsibilities under legislation and departmental policies.

### Recommendation

- 3.52** We recommend the Department of Education and Early Childhood Development ensure that districts obtain annual signoff from all school bus drivers to signify that they have read and understood their responsibilities under:
- the *Education Act* and the *Pupil Transportation Regulation*
  - pupil transportation specific policies:
    - Policy 504 – School Vehicle Inspections, Maintenance, and Reduction of Idling
    - Policy 508 – School Bus Driver Training Program

## Past Due Inspection and Maintenance

- 3.53** The *Vehicle Inspections Regulation* under the *Motor Vehicle Act*, and departmental Policy 504 on School Vehicle Inspections, Maintenance and Reduction of Idling stipulate that a motor vehicle inspection must be conducted every 6 months on provincially owned or leased school buses. All of the 20 buses we physically examined, had up to date inspection stickers.
- 3.54** However, when we examined inspection data from VMA we found 63 buses had past due inspections as of December 31, 2023. The following chart shows how long these inspections were overdue:



**3.55** In addition to motor vehicle inspections, the department has a contract with CVE to conduct additional mechanical inspections of a sample of approximately 200 school buses per year. Per the department, these inspections are in-depth and are conducted randomly and without notice.

**3.56** We reviewed all inspections performed by CVE during our audit period (330) and found that 45% (150) inspection reports identified at least one defect. These defects range from minor to issues requiring a school bus be put out of service until corrected. We noted 18 buses placed out of service as a result of these inspections.

**3.57** In total, we observed 311 individual defects across 150 inspection reports. Some defects of note include:

- 35 instances of air leakage relating to the air brake system
- 20 instances of emergency exits not functioning properly
- 17 instances of lights not functioning properly
- 1 bus noted to have a hole in the floor

**3.58** The magnitude and severity of defects noted through these additional inspections highlights the need for timely and thorough motor vehicle inspections.

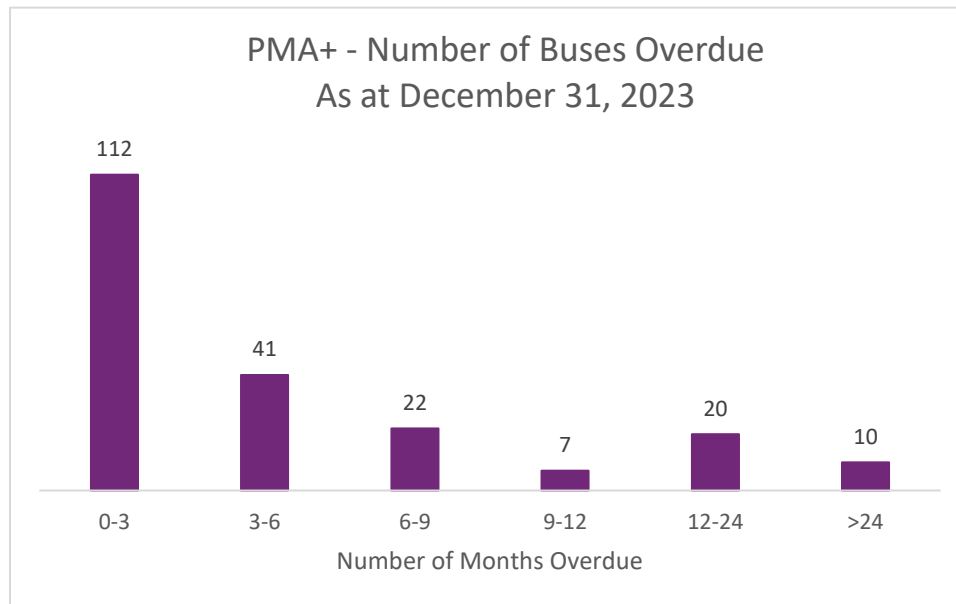
## Recommendation

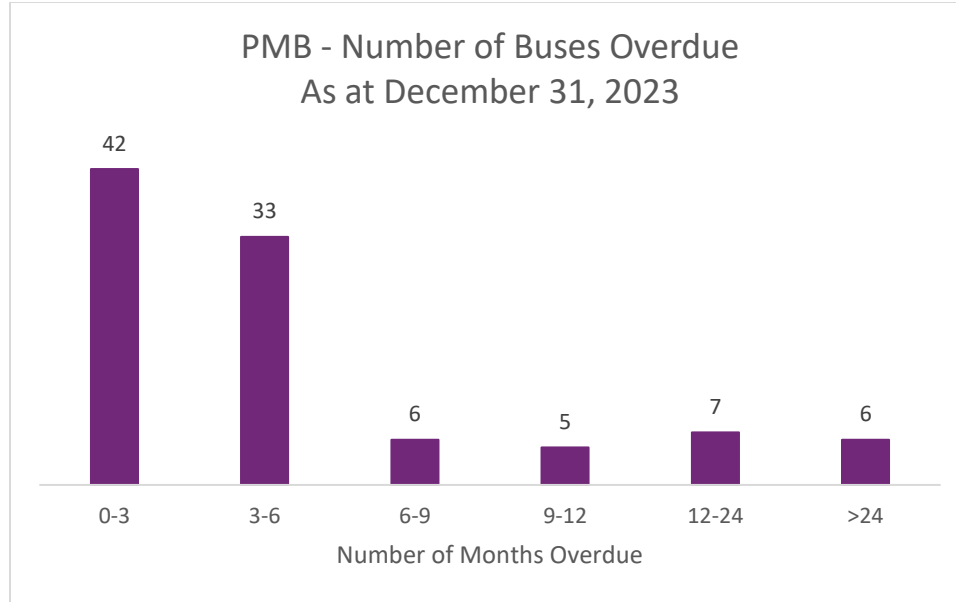
**3.59 We recommend the Department of Education and Early Childhood Development, in cooperation with the school districts and the Vehicle Management Agency, ensure that all school buses receive motor vehicle inspections every 6 months.**

**3.60** The service level agreement between the department and VMA also specifies a schedule for regular preventative maintenance for school buses. There are two main types of preventative maintenance:

- Preventative Maintenance A+ (PMA+) is required every 6 months and consists of a grease job, visual inspection, oil change and filter change
- Preventative Maintenance B (PMB) is required annually and consists of a comprehensive inspection and preventative maintenance of a school bus

**3.61** When we examined data from VMA on school bus maintenance, we found that 212 buses had past due PMA+ and 99 buses had past due PMB. The following charts show how long this required maintenance was overdue:





## Recommendation

**3.62 We recommend the Department of Education and Early Childhood Development, in cooperation with the school districts and the Vehicle Management Agency, ensure that school buses receive all scheduled preventative maintenance based on the schedule in the service level agreement with the Vehicle Management Agency.**

**3.63** A daily pre-trip inspection is a critical component of school bus safety required by the *Pupil Transportation Regulation* and Policy 504. This inspection is intended to “ensure the vehicle is safe to operate and help prevent delays due to breakdown and avoid costly repairs.”

**3.64** School bus drivers are also required under the service level agreement with VMA to maintain daily logbooks, noting daily kilometers or hours of use, fuel consumed, oil added, descriptions of problems, and repairs.

**3.65** Of the 20 buses we examined:

- 10% (2) did not have up-to-date pre-trip inspection sign-off
- 25% (5) did not have completed logbooks for the month examined

## Recommendation

- 3.66** We recommend the Department of Education and Early Childhood Development, in cooperation with the school districts, ensure all required documentation in pre-trip inspection sheets and school bus logbooks is present, and kept up to date.
- 3.67** Given the non-compliance noted in driver files and other areas, we inquired with the department about how compliance with legislation and policy is ensured and monitored and were told that there are presently no “*formal methods for oversight.*”

## Strategies to Ensure Sufficient Staffing Levels

### No Targets and Objectives for Staffing Levels

- 3.68** The department and districts expressed concerns pertaining to the recruitment and retention of bus drivers, particularly for casual drivers. The department began working on a provincewide recruitment and retention strategy and had started collecting data from districts on demographics, and driver absences. However, no targets or objectives had been established and at the time of our audit, the strategy had been put on hold due to other priorities.
- 3.69** Through our conversations with district personnel, we determined there were varying levels of understanding and knowledge of the strategy development. Some were aware of it, and others were not.

## Recommendation

- 3.70** We recommend the Department of Education and Early Childhood Development develop a provincewide strategy that addresses actual bus driver recruitment and retention needs and challenges, including measurable targets and objectives that align with projected staffing requirements.

### No Contingency Plan

- 3.71** We inquired with the department as to whether they have implemented any interim measures to address short-term driver absences and were told that there is no contingency plan to address this at the department level.

## Recommendation

**3.72 We recommend the Department of Education and Early Childhood Development, in cooperation with the school districts, establish a contingency plan to address short-term driver absences.**



## Appendix I: Recommendations and Responses

| Par. #   | Recommendation  | Department’s Response   | Target Implementation Date |
|--|---|---|----------------------------|
| <b>We recommend the Department of Education and Early Childhood Development:</b> |   |   |                            |
| <b>3.31</b>  | <p>ensure that districts obtain and retain the following for all school bus drivers, both at hire and at each license renewal:</p> <ul style="list-style-type: none"> <li>• A driver’s license of the appropriate class</li> <li>• An acceptable abstract of driving record</li> <li>• Superintendent approval of any driving records where acceptability is in doubt.</li> </ul> | <p>It is the Department’s expectation that all School Districts keep bus driver files up to date as appropriate.</p> <p>The Department will explore methods to ensure School Districts remain compliant with bus driver documentation requirements.</p> | Fall 2024                  |
| <b>3.34</b>  | <p>ensure that districts obtain and retain criminal background checks for all school bus drivers.</p>   | <p>This is a requirement within the existing policy framework. It is a school district responsibility to adhere to this requirement.</p> <p>The Department will look at how oversight can be improved.</p>  | Fall 2024                  |

| Par. #   | Recommendation  | Department’s Response   | Target Implementation Date  |
|--|---|---|---|
| <b>We recommend the Department of Education and Early Childhood Development:</b> |   |   |   |
| 3.38   | ensure that districts establish processes to verify that medical examinations are passed annually for school bus drivers over 65 years of age.  | <p>The Department will review existing Regulations and Acts governing this requirement.</p> <p>Work will then be undertaken with our GNB partners to close the identified gaps.</p> | <p>Initial review to be completed by end of August 2024.</p> <p>Other work will be determined following initial review.</p> |
| 3.41   | <p>ensure that districts obtain and retain evidence that all required training has been completed by all school bus drivers, including:</p> <ul style="list-style-type: none"> <li>• The School Bus Driver Training Program, at hire</li> <li>• A driver training refresher course at least annually</li> <li>• First Aid training at hire and at each license renewal</li> </ul> | <p>The Department will develop guidelines which will outline the expectation for the documentation of each bus driver’s completion of the required training.</p>                    | <p>Fall 2024</p>  |
| 3.44   | develop standardized guidelines for annual bus driver refresher training.   | <p>The Department will develop a minimum standard for the annual driver refresher.</p>  | <p>August 2024</p>  |

| Par. #   | Recommendation  | Department’s Response  | Target Implementation Date           |
|--|---|--|--------------------------------------|
| <b>We recommend the Department of Education and Early Childhood Development:</b> |   |  |                                      |
| 3.48   | ensure that districts perform regular performance appraisals of school bus drivers.   | The Department will work with school districts to identify the requirements to complete regular performance appraisals of bus drivers. | Fall 2024 for 2025-26 budget process |
| 3.52   | <p>ensure that districts obtain annual signoff from all school bus drivers to signify that they have read and understood their responsibilities under:</p> <ul style="list-style-type: none"> <li>• the <i>Education Act</i> and the <i>Pupil Transportation Regulation</i></li> <li>• pupil transportation specific policies: <ul style="list-style-type: none"> <li>○ <i>Policy 504 – School Vehicle Inspections, Maintenance, and Reduction of Idling</i></li> <li>○ <i>Policy 508 – School Bus Driver Training Program</i></li> </ul> </li> </ul> | Will be included in the minimum requirements for the annual driver refresher.  | August 2024                          |
| 3.59   | in cooperation with the school districts and the Vehicle Management Agency, ensure that all school buses receive motor vehicle inspections every 6 months.  | Work is underway to review and improve processes to improve tracking of motor vehicle inspections at the Department level.             | End of 2024                          |

| Par. #   | Recommendation   | Department’s Response   | Target Implementation Date |
|--|--|---|----------------------------|
| <b>We recommend the Department of Education and Early Childhood Development:</b> |  |   |                            |
| 3.62   | in cooperation with the school districts and the Vehicle Management Agency, ensure that school buses receive all scheduled preventative maintenance based on the schedule in the service level agreement with the Vehicle Management Agency. | Work is underway to develop a system to better track preventative maintenance at the Department level. This will assist in ensuring the prescribed schedule is followed.  | End of 2024                |
| 3.66   | in cooperation with the school districts, ensure all required documentation in pre-trip inspection sheets and school bus logbooks is present, and kept up to date.   | The Department will explore potential solutions with school districts for implementation.   | End of 2024                |
| 3.70   | develop a provincewide strategy that addresses actual bus driver recruitment and retention needs and challenges, including measurable targets and objectives that align with projected staffing requirements.                                | <p>The hiring of school bus drivers as is the case for all other school personnel is the responsibility of individual school districts.</p> <p>The Department will review bus driver recruitment challenges faced by school districts. An appropriate recruitment strategy may be put in place to support school districts in their staffing efforts.</p> | TBD                        |

| Par. #   | Recommendation  | Department’s Response  | Target Implementation Date |
|--|---|--|----------------------------|
| <b>We recommend the Department of Education and Early Childhood Development:</b> |   |  |                            |
| 3.72   | in cooperation with the school districts, establish a contingency plan to address short-term driver absences. | <p>School districts are responsible for the day-to-day operations of the pupil transportation system. This includes ensuring that they have plans in place for short-term driver absences.</p> <p>The Department will discuss with school districts to identify opportunities where support may be beneficial.</p> | TBD                        |

## Appendix II: Audit Objectives and Criteria

The objective and criteria for our audit of the Department of Education and Early Childhood Development are presented below. The Department of Education and Early Childhood Development and their senior management reviewed and agreed with the objective and associated criteria.

**Objective 1**                    **To determine if the Department of Education and Early Childhood Development has effective systems and processes to monitor and ensure school district compliance with legislation and departmental policies relating to pupil transportation.**

Criterion 1                    The Department of Education's systems and processes should ensure that all bus drivers meet required employment standards and training requirements related to:

- Driver training and licensing requirements
- Physical fitness and comportment

Criterion 2                    The Department of Education's systems and processes should ensure that there are adequate performance appraisals for bus drivers.

Criterion 3                    The Department of Education's systems and processes should ensure that all bus drivers understand their legislated and policy-based roles and responsibilities.

Criterion 4                    The Department of Education's systems and processes should ensure that school buses are inspected and maintained adequately.

**Objective 2**                    **To determine if the Department of Education and Early Childhood Development has strategies in place to ensure sufficient staffing levels of bus drivers.**

Criterion 1                    The department should have established a provincewide strategy that addresses actual bus driver recruitment and retention needs and challenges.

Criterion 2                    The department should have set measurable targets and objectives that align with projected staffing requirements.

Criterion 3                    The department should have established a contingency plan to address short-term driver absences.

## Appendix III: Independent Assurance Report

This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on the Department of Education and Early Childhood Development and Pupil Transportation. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of the Department of Education and Early Childhood Development with respect to Pupil Transportation.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies the Canadian Standard on Quality Management 1 – Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code of Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management’s responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the findings in this report are factually based

### **Period covered by the audit:**

The audit covered the period between January 1, 2022 to February 1, 2024. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters outside of this period as deemed necessary.

### **Date of the report:**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on May 31, 2024, in Fredericton, New Brunswick.





# New Brunswick Housing Corporation NB Housing Strategy: Housing for All





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# 2024 Volume I Chapter 4 Highlights

|   |   |   |
|---|---|---|
| <b>The strategy has 4 targets and 22 actions</b>                                | <b>Actions are not clearly linked to targets, and improvements to documentation would increase transparency</b> | <b>Public reporting processes have not yet been established</b> |
| <b>NBHC can improve processes to ensure the stated targets will be achieved</b> |   |   |

## Overall Conclusions

Our audit work concluded that the New Brunswick Housing Corporation (NBHC) has established targets and measurable actions within the NB Housing Strategy. However, there are improvements to be made regarding linkages, transparency, monitoring and reporting on progress.

# Results at a Glance

## NB Housing Strategy

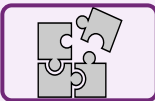
Actions Not Clearly Linked to Targets



Improvements Required for Transparency



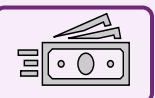
Findings



The strategy does **not** document what actions are linked to specific targets



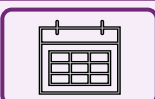
**73%** of the actions did **not** have a timeline for completion



**50%** of the actions did **not** note the overall cost to government



**36%** of the actions were missing key milestones in planning documents



**36%** of the actions did **not** have documented start and/or end date targets



There is **no** documented public reporting strategy

## About the Audit

### Introduction to the Audit

- 4.1** In July 2023, Treasury Board approved the transfer of resources from departments to the New Brunswick Housing Corporation as follows:
- Department of Social Development
    - 158 positions and \$133 million of budgeted expenditures
    - \$38 million in capital funding
    - \$60.2 million of budgeted revenue/recoveries (loans, public housing rent, recoveries from Canadian Mortgage Housing Corporation)
  - Department of Transportation and Infrastructure
    - five positions and \$355,000
  - Service New Brunswick
    - 27 positions and \$1.7 million
- 4.2** The support for shelters and organizations providing services to individuals experiencing homelessness remained with the Department of Social Development.
- 4.3** The NB Housing Strategy: Housing for All (the strategy), was released June 29, 2023. The Minister responsible for NBHC messaged that the strategy represents “*the beginning of our 10-year plan to ensure New Brunswickers have access to safe, affordable and appropriate housing for themselves and their families*”.

### Why we Chose this Topic

- 4.4** The strategy reports that New Brunswick, and Canada are facing a housing crisis like never before. According to data reported by NBHC, population growth has outpaced development and New Brunswick’s population is expected to reach 900,000 by 2033.
- 4.5** The strategy documents a vision, guiding principles, goals, targets and actions for the first three years of the 10-year plan.
- 4.6** The goal of our audit was to ensure the strategy was clear, transparent, and included adequate measurement and reporting mechanisms. We intend to perform ongoing monitoring on the progress of the strategy.



## Auditee

**4.7** Our auditee was the New Brunswick Housing Corporation. We also made inquiries and obtained audit evidence from:

- The Department of Environment and Local Government (ELG)
- The Department of Finance and Treasury Board (FTB)
- The Department of Post Secondary Education Training and Labour (PETL)
- The Department of Transportation and Infrastructure (DTI)
- Regional Development Corporation (RDC)
- Service New Brunswick (SNB)

## Audit Objective

**4.8** Our audit objective was to determine if the New Brunswick Housing Corporation has adequate mechanisms in place to ensure the ‘NB Housing Strategy: Housing for All’ stated targets are achieved.

## Audit Scope

**4.9** The audit covered the period from June 29, 2023 – March 31, 2024. Information outside of this period was also collected and examined as deemed necessary.

**4.10** More details on the audit objective, criteria, scope, and approach we used in completing our audit can be found in Appendix II and Appendix III.

## Conclusion

**4.11** Our audit work concluded that while the New Brunswick Housing Corporation has established targets and actions within the ‘NB Housing Strategy: Housing for All’, there are improvements to be made to ensure stated targets are achieved.

**4.12** Overall findings are as follows:

- NBHC has established targets with measurable actions in support of the strategy. However, actions are not clearly linked to targets
- there was a lack of clarity pertaining to how stated actions targeted for mid-high income New Brunswickers will have an impact on those households
- actions have been assigned to executive owners and have clearly established outcomes but, in some cases, timelines and costs to government are not documented
- project plans and monitoring tools are in place, but sometimes lack dates, key milestones, and budget details
- public performance reporting mechanisms have not been established



## Background

**4.13** The strategy’s 22 actions are documented under 4 strategic pillars aimed at targeting:

1. New Brunswick households with mid-to-high incomes
2. New Brunswick households with low-to-mid incomes
3. Vulnerable households with low incomes
4. A strong foundation for our housing system

**4.14** NBHC has the overall responsibility for the development, monitoring, and reporting of the strategy. In addition, NBHC along with other government departments and organizations have been assigned various actions within the strategy, as we have summarized below:

| Strategic Pillar  | Action Description  | Owner |
|---|---|-------|
| <b>A Healthy and Competitive Housing Market</b><br><br>• Meeting the needs of households with mid-to-high incomes | Rapid Rural Workforce Housing Pilot: 220 housing units in four rural communities  | GNB   |
|   | Launch a public awareness campaign to promote modular homes   | NBHC  |
|   | Extend temporary property tax relief through 2024: limits assessment growth for tax purposes by 10% for eligible non-residential properties and apartment buildings with more than four units | GNB   |
|   | A new case management system for the Tenant and Landlord Relations Office   | NBHC  |
| <b>Affordable Homes for Low-to-Mid Income Earners</b>   | Establish a Housing Working Capital Fund for municipalities and non-profits   | RDC   |
|   | Rent Bank: short term loans to low-to-mid-income renters  | NBHC  |
|   | Launch the NB Public Universities Students Housing On-Campus Fund   | PETL  |
|   | Financial support to Habitat for Humanity: \$70,000 per unit for up to 10 new homes per year  | NBHC  |

|  |  |             |
|--|--|-------------|
|  | Make government surplus property available for affordable housing development  | DTI         |
| <b>A Safe Home for Vulnerable New Brunswickers</b> <ul style="list-style-type: none"> <li>Meeting the needs of vulnerable households with low incomes</li> </ul> | Direct to Tenant Rental Benefit: \$22 million per year for rental assistance   | NBHC        |
|  | Build 380 new public housing units over three years  | NBHC        |
|  | Enhance Affordable Rental Housing Program: provide an additional \$15,000 per unit   | NBHC        |
|  | Increase funding amount for the development of subsidized housing  | NBHC        |
|  | Invest \$192 million including funding to non-profits, repairs to government owned subsidized housing, low income working individuals and families, etc.   | NBHC        |
|  | Increase funding level for landlords: Residential Rehabilitation Assistance Program  | NBHC        |
|  | Begin a comprehensive review of existing NBHC programs   | NBHC        |
| <b>A Strong Foundation for our Housing System</b>  | Three-year Residential Construction and Manufacturing Action Plan: recruit and/or pre-qualify 10,000 individuals from India (or other country), launch international student co-op carpentry program, support skills/trades. | PETL        |
|  | Work with Regional Service Commissions to explore opportunities to better coordinate efforts   | RDC         |
|  | Establish a Small Communities Housing Infrastructure Fund: \$20 million per year   | RDC         |
|  | Work with and financially support the New Brunswick Non-Profit Housing Association   | NBHC        |
|  | Launch preliminary guidelines for housing needs assessments by fall 2023   | NBHC<br>ELG |
|  | Work with communities to reduce barriers by improving policies and by-laws   | NBHC<br>ELG |

- 4.15** The current strategy has a budget of \$551 million, which includes:
- \$379 million (69%) in previously committed funding
  - \$172 million (31%) of new funding
- 4.16** The strategy states it has “*identified \$500 million over three years in new and previously committed funding by this government and its strategic partners to solve our housing crisis*”. The costs that have been documented in the three-year strategy related to the actions total \$458.8 million.

## Clearly Established Targets

- 4.17** The strategy has four clearly established targets as detailed below:
- *Increase housing starts with a target of 6,000 per year. This would be equivalent to building another City of Fredericton in eight years. In 2022, the province experienced record development with 4,680 new starts.*
  - *Reduce the percentage of NB households spending more than 30 per cent of income on shelter costs to less than 15 per cent*
  - *Create conditions to hold annual rent increases at an average of 2.5 per cent and the percentage change in average home prices to 4.8 per cent*
  - *Decrease the number of households in need of subsidized housing to 7,500 by 2026 from the current waitlist of more than 11,000*
- 4.18** The targets are well presented, easy to understand, and measurable in terms of being able to know if outcomes were achieved or not. However, baseline data was not publicized for the following two targets:
- *reduce the percentage of NB households spending more than 30 per cent of income on shelter costs to less than 15 per cent*
  - *create conditions to hold annual rent increases at an average of 2.5 per cent and the percentage change in average home prices to 4.8 per cent*
- 4.19** Without baseline data for where we are today, it is difficult for New Brunswickers to know the reasonableness of the targets.

### Recommendations

- 4.20** **We recommend the New Brunswick Housing Corporation include baseline data for the established targets in the ‘NB Housing Strategy: Housing for All’.**

## Actions Not Clearly Linked to Targets

- 4.21** The strategy highlights 22 actions intended to support and enable the achievement of the four housing targets. However, the strategy does not document what actions are linked to specific targets, and NBHC was unable to provide us with clear linkages. New Brunswickers and decision makers will not know which actions (or inactions) are driving success (or failure).

### Recommendation

- 4.22** We recommend the New Brunswick Housing Corporation publish linkages between the stated actions and the targets they support within the ‘NB Housing Strategy: Housing for All’.

## Targeted Income Levels are Not Defined

- 4.23** The strategy has categorized each of its 22 actions under one of four strategic pillars, differentiated by household income level as follows:

Strategic Pillar 1: a healthy and competitive housing market - meeting the needs of households with mid-to-high incomes

Strategic Pillar 2: affordable homes for low-to-mid-income earners - meeting the needs of working households with low-to-mid incomes

Strategic Pillar 3: a safe home for vulnerable New Brunswickers - meeting the needs of vulnerable households with low incomes

Strategic Pillar 4: a strong foundation for our housing system

- 4.24** The actions within each strategic pillar are “*designed to complement each other and create conditions where no one in New Brunswick is required to spend more than 30 per cent of their income for safe and appropriate housing*”. However, the strategy does not define what income levels are considered high, medium, or low, making it challenging for the public and stakeholders to understand, evaluate, and hold NBHC accountable.

## Recommendation

- 4.25 We recommend the New Brunswick Housing Corporation define what New Brunswick household income levels are considered high, medium or low to enhance clarity, accountability and transparency.**

## Actions Not Clearly Linked for Mid - High Income Levels

- 4.26** The actions that were categorized as addressing the needs of New Brunswickers based on various household income levels appeared to be clear, except for those under strategic pillar 1, intended to meet the needs of those with mid to high incomes. The actions were as follows:
- development of 220 housing units in at least four rural communities across the province determined through current vacancy rates or targeted hiring projects
  - launch an awareness campaign to promote modular homes
  - extend (by one year) the current property tax relief program for non-residential properties and apartment buildings with four or more units
  - allocate a previously announced \$1 million for a new case management solution at the Tenant and Landlord Relations office
- 4.27** When we enquired with NBHC senior management as to how these actions would impact mid to high income New Brunswickers, we were informed, that while not noted in the strategy, the development of 220 homes focused on working newcomers and that modular homes were being used.

## Recommendation

- 4.28 We recommend the New Brunswick Housing Corporation clearly document how each action impacts targeted income levels within each strategic pillar.**

## Improvements Required for Transparency

- 4.29** We reviewed the 22 actions in detail to determine if the following attributes were present in the strategy:
- measurable actions
  - timelines
  - program costs
  - identified owner
  - source of funding
- 4.30** Most actions were measurable, assigned ownership and identified source of funding. However, we noted 16/22 (73%) actions did not have a timeline for completion.
- 4.31** Additionally, 11/22 (50%) had no noted overall cost to government. For example:
- extend the temporary Property Tax Relief Program through 2024
  - use of government surplus properties
  - campaign for modular construction
- 4.32** While the strategy details the extension of a program, or increases in subsidies, it does not disclose overall projected costs to government. There is a cost to making government surplus properties available for housing development, as properties have monetary value and could be otherwise sold for revenue. Additionally, there will be costs associated with a launch of a public awareness campaign to promote the use of modular homes.
- 4.33** The strategy provides for a three-year Residential Construction and Manufacturing Action Plan. This is a substantial initiative, that includes “*establishing a New Brunswick skilled trades office and/or strategy in India (or other country) to recruit and/or pre-qualify 10,000 individuals in priority trade occupations to support immigration to New Brunswick*”. However, no program costs, or housing solutions for the immigrants were included in the strategy.
- 4.34** In some cases, program details were not sufficient to determine if the funding was going to be a loan, forgivable loan, or non-repayable grant. For example, NBHC senior management informed us that the Rapid Rural Workforce Housing Pilot would be “*rent to own*” but this is not clearly detailed in the strategy.
- 4.35** One of the actions is to “*invest*” \$3 million over the next two-years to support up to 750 renter households annually, with an average household loan of \$1,500. 1,500 households with an average loan of \$1,500 as stated in the strategy, would be an overall loan disbursement of \$2.25 million. The lending of \$3 million does not

represent the cost to government. The cost to government was not disclosed. The cost would include expenses for developing, implementing, overseeing the program, the opportunity cost (as in what else could government have done with the resources) or interest cost if government had to borrow it, and what percent of the loans will not be paid back, thus resulting in a bad debt expense.

### Recommendation

**4.36 We recommend the New Brunswick Housing Corporation establish proposed timelines and calculate overall costs to government for all actions in the housing strategy.**

## Project Plans Could be Improved

**4.37** While there were no standardized project planning templates, we were provided with varying levels of planning documentation pertaining to all 22 action items. NBHC also maintains a comprehensive tracking document in spreadsheet format as a tool to track progress of the 22 actions. We noted the following as of February 2024:

- roles and responsibilities (executive owners) have been assigned
- 8/22 (36%) were missing key milestone information
- 8/22 (36%) did not have start and/or end date targets
- budgeted to actual spending was not included

### Recommendation

**4.38 We recommend the New Brunswick Housing Corporation ensure project plans and status tracking tools include key milestone information, start and end dates, and budgeted to actual costs.**

## Lack of Public Reporting Strategy

- 4.39** NBHC owns the strategy and has the responsibility to report internally and externally on the status of completion. NBHC senior management holds internal monthly meetings with executive owners of all 22 actions. If an action is off track updates are provided on what is needed to get back on track.
- 4.40** We recognize the strategy is not quite one year old. However, as it is only a three-year strategy, it is important that results are reported publicly in a timely fashion. One of the guiding principles within the strategy is “*accountability and transparency in reporting the outcomes of the strategy’s implementation.*”
- 4.41** A one-page high level update was published at the six-month mark (December 2023), which included a status for 21 of the 22 actions. While the update was of some value, public reporting on actions should include planned vs. actual key milestones, budget, outcomes, and impact on stated targets.
- 4.42** The status of the action ‘Launch Public Awareness Campaign to Promote Modular Homes’ was reported as planned, but as of February 2024, no start date has been identified.
- 4.43** Sixteen actions are identified as “in progress” but no further information was provided, and one action was not included in the update ‘Providing Funding for Accessible Units’.
- 4.44** There has been no public reporting on the achievement of the four stated targets within the strategy. At the time of our audit, NBHC had not established a reporting plan that would include frequency, content, and communication channels.
- 4.45** NBHC informed us the strategy is a “*living document*” and that changes to the current one is anticipated. If current actions are modified and/or deleted, the strategy should provide information as to what had been done to date and why the decision was made to modify the original action.

### Recommendation

- 4.46** We recommend the New Brunswick Housing Corporation establish a performance reporting strategy, that includes frequency, content, and communication channels (internal and external).



## Appendix I: Recommendations and Responses

| Par. #   | Recommendation  | New Brunswick Housing Corporation Response  | Target Implementation Date | AGNB Response  |
|--|---|---|----------------------------|--|
| <b>We recommend the New Brunswick Housing Corporation:</b> |   |   |                            |  |
| 4.20   | include baseline data for the established targets in the 'NB Housing Strategy: Housing for All'.                            | Multi-year baseline data trends were used to establish housing targets in May 2023. These charts were provided to the AG.   | Implemented.               | While baseline data was established, it was not published in the strategy for two of the 4 targets. Without publicizing the baseline, it is difficult for taxpayers to assess the reasonableness of the targets. |
| 4.22   | publish linkages between the stated actions and the targets they support within the 'NB Housing Strategy: Housing for All'. | <p>HNB publishes the “HousingNB Results Update” and “Detailed status of NB housing strategy initiatives” each month. These documents are used by HNB, departments and other stakeholders to monitor strategy implementation.</p> <p>HNB will improve communication to the public about strategy implementation and results.</p> | End of Q4 2024-2025        |  |

| Par. #   | Recommendation  | New Brunswick Housing Corporation Response   | Target Implementation Date | AGNB Response |
|--|---|--|----------------------------|---------------|
| <b>We recommend the New Brunswick Housing Corporation:</b> |   |  |                            |               |
| 4.25   | define what New Brunswick household income levels are considered high, medium or low to enhance clarity, accountability and transparency. | <p>HNB will establish measures that enable better clarity across the household income spectrum.</p> <p>For pillar 1, HNB uses the “percent of households in core housing need” to measure the number of vulnerable low-income households.</p>  | End of Q4 2024-2025        |               |
| 4.28   | clearly document how each action impacts targeted income levels within each strategic pillar.   | <p>HNB established monthly performance measures/dashboards to track the contribution of initiatives and programs to higher level strategic targets.</p> <p>HNB will continue to expand this approach to all areas of the housing strategy.</p> | End of Q4 2024-2025        |               |

| Par. #   | Recommendation   | New Brunswick Housing Corporation Response  | Target Implementation Date | AGNB Response   |
|--|--|---|----------------------------|---|
| <b>We recommend the New Brunswick Housing Corporation:</b> |  |   |                            |   |
| 4.36   | establish proposed timelines and calculate overall costs to government for all actions in the housing strategy.                      | The budget for all initiatives were included in the 3-year plan. Timelines have also been established for all initiatives. These were provided to the AG. A few initiatives are in planning stages and have only broad timelines assigned (i.e. by year). | Implemented.               | Our recommendation was that costs be calculated for all actions. While an overall budget was assigned to the strategy, and some actions assigned costs, 50% of the actions were not assigned costs. Publishing the cost of what is being proposed is critical to accountability and transparency. |
| 4.38   | ensure project plans and status tracking tools include key milestone information, start and end dates, and budgeted to actual costs. | HNB recognizes the need to improve project management practices.  | End of Q4 2024-2025        |   |

| Par. #   | Recommendation  | New Brunswick Housing Corporation Response  | Target Implementation Date                    | AGNB Response |
|--|---|---|---|---------------|
| <b>We recommend the New Brunswick Housing Corporation:</b> |   |   |   |               |
| 4.46   | establish a performance reporting strategy, that includes frequency, content, and communication channels (internal and external). | <p>HNB has established a strategy performance monitoring system, used primarily for communication within HNB and GNB.</p> <p>HNB will report on performance in our Annual Report as required under the Accountability and Continuous Improvement Act (ACIA).</p> <p>HNB will provide better information to the public and stakeholders.</p> | <p>As per ACIA</p> <p>End of Q4 2024-2025</p> |               |

## Appendix II: Audit Objective and Criteria

The objective and criteria for our audit of the New Brunswick Housing Corporation are presented below. The New Brunswick Housing Corporation and their senior management reviewed and agreed with the objective and associated criteria.

|                  |  |
|------------------|--|
| <b>Objective</b> | <b>To determine if the New Brunswick Housing Corporation has adequate mechanisms in place to ensure the ‘NB Housing Strategy: Housing for All’ stated targets are achieved.</b>  |
| Criterion 1      | The New Brunswick Housing Corporation has clearly established targets with measurable actions in support of the ‘NB Housing Strategy: Housing for All’.  |
| Criterion 2      | The New Brunswick Housing Corporation has established roles and responsibilities including documented plans, strategies, assigned resources and timelines to achieve the actions outlined in the ‘NB Housing Strategy: Housing for All’. |
| Criterion 3      | The New Brunswick Housing Corporation has adequate performance reporting mechanisms in place regarding the achievement of stated targets and actions of the ‘NB Housing Strategy: Housing for All’.                                      |

## Appendix III: Independent Assurance Report

This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on the New Brunswick Housing Corporation and its 'NB Housing Strategy: Housing for All'. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of the New Brunswick Housing Corporation with respect to 'NB Housing Strategy: Housing for All'.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies the Canadian Standard on Quality Management 1 – Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code of Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the findings in this report are factually based

### **Period covered by the audit:**

The audit covered the period between June 29, 2023, to March 31, 2024. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters outside of this period as deemed necessary.

### **Date of the report:**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on May 31, 2024, in Fredericton, New Brunswick.

# Mental Health Trust Fund No. 9 – Departments of Health and Finance and Treasury Board







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# 2024 Volume I Chapter 5 Highlights

**There is no plan in place to make use of the funds for deserving New Brunswickers**

**The Department of Health does not have an adequate understanding of the Trust**

**After 46 years, the donor's wishes have not been fulfilled**

## Overall Conclusions

Our audit work on the Mental Health Trust Fund No. 9 concluded that the Department of Health has not been effective in fulfilling their obligations pertaining to the Trust. The Department of Finance and Treasury Board has effectively fulfilled their obligations pertaining to the Trust.

# Results at a Glance

## Mental Health Trust Fund No. 9

Trust Funds Remain Unused After 46 years



### Findings



Department of Health officials did **not** have an adequate understanding of the Trust



Department of Health did **not** have mechanisms in place to allow for use of the Trust



Department of Finance and Treasury Board **has** effectively fulfilled its duty in reporting and investing

## About the Audit

### Introduction to the Audit

- 5.1** The Province of New Brunswick is named trustee of The Mental Health Trust Fund No. 9 (the Trust) in the notes to the annual consolidated financial statements. The Trust was valued at \$1.6M as of March 31, 2023, and is described as being “used to pay for the psychoanalysis treatment of deserving New Brunswick residents”.
- 5.2** As per sections 29(1) and 29(2) of the *Trustees Act*, a trustee has a fiduciary duty in the administration of the trust to act in good faith and in accordance with the terms of the trust. “A trustee shall exercise the powers and perform the duties of the office of the trustee solely in the best interests of the beneficiaries or purposes of the trust.”
- 5.3** Our audit is not to imply judgement as to the purpose of the Trust but to determine if it has been managed effectively.

### Why we Chose this Topic

- 5.4** Demand for addictions and mental health services continues to rise in New Brunswick with less than 50% of high priority cases receiving treatment within national benchmarks. Timely access to mental health treatment has been established as a key action area for the Department of Health.
- 5.5** The Trust’s value continues to increase year over year increasing the risk that the Province is not exercising its fiduciary duty to fulfil the donor’s intentions and its resources are not being made available to address the pressing needs in our community.

### Auditee

- 5.6** Our auditees were the Department of Health and the Department of Finance and Treasury Board.

### Audit Objective

- 5.7** Our audit objective was to determine if the Department of Health and the Department of Finance and Treasury Board have effectively fulfilled their obligations pertaining to the Mental Health Trust Fund No. 9.

## Audit Scope

- 5.8** We examined Department of Health’s and Department of Finance and Treasury Board ’s actions in fulfilling their obligations pertaining to the Trust.
- 5.9** The audit covered the period from the Trust’s creation in 1977 to February 29, 2024. Information outside of this period was also collected and examined as deemed necessary. As part of our work, we interviewed department officials, and reviewed associated documents and financial reporting of trust fund assets.
- 5.10** More details on the audit objective, criteria, scope, and approach we used in completing our audit can be found in Appendix II and Appendix III.

## Conclusion

- 5.11** Our audit work concluded that the Department of Finance and Treasury Board has effectively fulfilled their obligations pertaining to the Mental Health Trust Fund No. 9. The Department of Health has not been effective in fulfilling their obligations pertaining to the Mental Health Trust Fund No. 9 and our overall findings are:
- Department of Health officials do not have an adequate understanding of the Trust
  - the Department of Health did not have the mechanisms in place to allow for timely use of the Trust as intended

## Background

- 5.12** The Mental Health Trust Fund No. 9 (the Trust) was established in 1977 from a bequest made to the Province of New Brunswick. The Trust, designated for psychoanalysis treatment of deserving New Brunswickers, represents a financial resource to address a pressing societal need.
- 5.13** A bequest is an act of estate planning whereby an individual leaves a gift to a person, organization, or foundation for a specific purpose in their will creating a lasting legacy. The recipient becomes a trustee to give effect to the intentions of the donation.
- 5.14** In 1977, \$85,866.39 was withdrawn from estate investments and deposited to the Trust. This has an equivalent value of approximately \$420,851.32 at the time of this report.
- 5.15** As the recipient of the bequest, the Province of New Brunswick is the legal Trustee of the Trust with the fiduciary duty to give effect to the purpose of the trust terms. Upon creation of the Trust over 46 years ago, responsibilities were assigned to both the Department of Health and the Department of Finance, now known as the Department of Finance and Treasury Board through the terms of the Trust. The Trust is governed by the terms of the Trust and the *Trustees Act*.

## Lack of Timely Effort by Department of Health

- 5.16** Under the terms of the Trust, the Department of Health is to draw funds for the purpose of psychoanalysis. The Department has the responsibility to determine which cases are most deserving based on an individual's mental health condition and their financial resources.
- 5.17** Psychoanalysis treatment is not covered under the *Medical Services Payment Act* and we have been informed by the Department of Health that it has not been offered in New Brunswick over the life of the Trust. The Canadian Psychoanalytic Society's webpage lists a total of 336 members throughout Canada, the majority of whom are in the Provinces of Quebec and Ontario and none in Atlantic Canada.
- 5.18** The limitation on the use of the Trust fund assets for psychoanalysis treatment has been identified as a challenge in accessing the funds by the auditees. We were informed there were attempts to apply to the courts to have the terms of the trust modified but these attempts were denied as the Department of Health had not demonstrated enough effort to use the funds for their intended purpose.
- 5.19** In 1995, the then Department of Finance was informed by the Mental Health Commission, later amalgamated with the Department of Health, it had "not had time to deal with the issues relating to the use of funds".
- 5.20** We were not able to obtain evidence of a plan to use the funds, guidelines to evaluate applicants for funding, or communication with the mental health community to ensure there was awareness of the Trust.
- 5.21** At the time of our audit, the Department of Health has acknowledged they have not leveraged the Trust.
- 5.22** We found the Department of Health has not made a timely effort to utilize the funds. The current Departmental officials have little knowledge of the Trust, its terms, and its history. The Department was unable to present evidence of any kind regarding the Trust, including any efforts made to give effect to the terms of the trust and fulfill the donor's wishes.



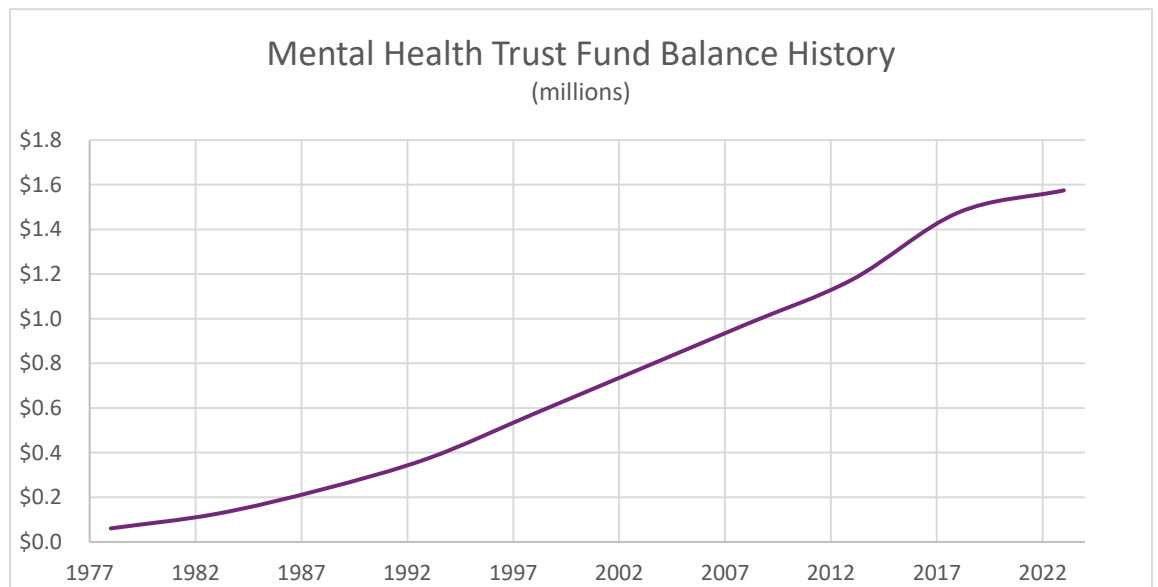
## Recommendation

**5.23** We recommend the Department of Health take action to develop and implement a comprehensive plan to use the funds as per the terms of the trust. This plan should include regularly updating Department of Finance and Treasury Board on progress with Trust programs and cashflow requirements to ensure resources are effectively utilized, outcomes are achieved, and adjustments can be made as needed to optimize impact.

## Trust Effectively Administered by Department of Finance and Treasury Board

**5.24** Under the terms of the Trust, the Department of Finance and Treasury Board is assigned administrative responsibility. For the purposes of our audit, we defined administrative responsibility as having reported and invested the Trust’s assets.

**5.25** As of March 31, 2023, the Trust’s value is approximately \$1,635,256. The Department of Finance and Treasury Board prepares annual financial statements for the Trust, from which the assets have been disclosed in the notes to the annual audited consolidated financial statements of the Province of New Brunswick. A graph of the Trust’s value since its inception to March 31, 2023, is presented below.



- 5.26** Trust assets have increased steadily since inception. The Department of Finance and Treasury Board established an investment policy with a goal of preserving capital and earning income through a buy and hold strategy portfolio of fixed income investments. We have been informed that no investment management expenses are incurred by the Trust. The policy has been reviewed and updated most recently in 2015 and 2023 to ensure investments continue to be appropriate for the circumstances of the Trust. The Department of Finance and Treasury Board sought the Department of Health’s input when establishing the policy to ensure the probable duration of the Trust was also considered.
- 5.27** As of March 31, 2023, approximately 30% of assets are liquid and accessible within one year while the remainder of funds are held in long term investments ranging in maturity up to five years. Depending on the future funding needs identified by the Department of Health, there may be a risk to providing capital in a timely fashion to New Brunswickers.
- 5.28** The Department of Finance and Treasury Board has shared information and sought input with the Department of Health at key milestone dates over the life of the Trust in an effort to help the Department of Health utilize the funds as intended.
- 5.29** We found the Department of Finance and Treasury Board has effectively fulfilled its duties as the Administrator of the Trust.

## Appendix I: Recommendation and Response

| Par. #  | Recommendation  | Department’s Response   | Target Implementation Date |
|---|---|---|----------------------------|
| <b>We recommend the Department of Health:</b> |   |   |                            |
| <b>5.23</b>                                   | take action to develop and implement a comprehensive plan to use the funds as per the terms of the trust. This plan should include regularly updating Department of Finance and Treasury Board on progress with Trust programs and cashflow requirements to ensure resources are effectively utilized, outcomes are achieved, and adjustments can be made as needed to optimize impact. | A comprehensive plan is currently in the process of being developed to ensure proper use of the funds per the terms of the trust. As part of this plan, the Department of Health will provide regular updates to the Department of Finance and Treasury Board | October 2024               |

## Appendix II: Audit Objective and Criteria

The objective and criteria for our audit of the Departments of Health and Finance and Treasury Board are presented below. The Departments and their senior management reviewed and agreed with the objective and associated criteria.

**Objective**                      **To determine if the Department of Health and the Department of Finance and Treasury Board have effectively fulfilled their obligations pertaining to the Mental Health Trust Fund No. 9.**

**Criterion 1**                      Department of Health has made all reasonable efforts to utilize the funds as they were intended in a timely manner.

**Criterion 2**                      Department of Finance and Treasury Board has effectively administered the Mental Health Trust Fund No. 9.

## Appendix III: Independent Assurance Report

This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on the Department of Health and the Department of Finance and Treasury Board's Mental Health Trust Fund No. 9. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of these Departments with respect to their obligations under the Trust.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies the Canadian Standard on Quality Management 1 – Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code of Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the findings in this report are factually based

### **Period covered by the audit:**

The audit covered the period between January 1, 1977 to February 29, 2024. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters outside of this period as deemed necessary.

### **Date of the report:**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on May 31, 2024, in Fredericton, New Brunswick.