Health Sector Contracts
Phase 1

Independent Auditor's Report

June 2025

OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

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Audit Overview

OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

Objective

To determine whether agency nursing contracts are procured and managed appropriately, and whether agency nursing services are planned and delivered effectively.

Audit Scope Periods

- Line of Inquiry 1 & 2 - January 1, 2022 to June 30, 2024
- Line of Inquiry 3 - January 1, 2022 to December 31, 2024, except
- Line of Inquiry 3, Agency Nursing Reduction - January 1, 2022 to March 31, 2025

Why this Audit is Important

As the sole provincial health authority, Newfoundland and Labrador Health Services is responsible for the management and allocation of public resources to deliver and administer health and community services. Since 2022, the authority has made increasing use of agency nurses to deliver services, and agency nursing costs have remained high. As such, Newfoundland and Labrador Health Services must manage agency nursing effectively, with procurement processes that ensure value for money, invoice controls that guarantee compliance with contractual terms, and robust planning and oversight to manage service delivery.

Conclusions

We have serious concerns about how agency nursing contracts are procured and managed by Newfoundland and Labrador Health Services. The authority has not followed proper process in the procurement of agency nursing services and has failed to ensure value for money. In managing services, it lacked the controls to verify that contractual terms were followed and that funds were not paid inappropriately.

Moreover, Newfoundland and Labrador Health Services failed to adequately plan for agency nursing usage. Without effective planning, spending continues at near record levels. By March 2025, the average agency nurse cost over $400,000 annually – typically working more hours as overtime, resulting in less service for the money spent when compared to staff.

Summary of Recommendations

We recommend that Newfoundland and Labrador Health Services:

1. Fully engage its supply chain department, ensuring that legislation, public procurement policy, and best practice are followed.
2. Ensure emergency exemptions for procurement are pursued in accordance with provincial legislation and policy, including appropriate disclosures and pre-contract approvals.
3. Complete formal evaluations against predefined evaluation criteria before awarding contracts.
4. Ensure that any future agency nurse contracts use standardized contract language, terms, and conditions that clearly state Newfoundland and Labrador Health Services' expectations and standards.
5. Ensure that a comprehensive invoice approval process is documented, communicated and used consistently across the organization.
6. Ensure that the invoice verification and invoice approval duties are segregated and that verifiers and approvers sign and date all invoices when their tasks are completed.
7. Complete an immediate comprehensive audit of all amounts paid to Agency A from April 2022 to present, to recover public funds paid in error.
8. Develop comprehensive nurse staffing plans, with regular reporting that enables management to perform effective evaluation.
9. Develop policies and processes to ensure that casual nurses are utilized as a possible alternative to contracted nursing services.
10. Ensure that all employees are aware of their roles and responsibilities under conflict of interest legislation, with processes to ensure compliance occurring on an annual basis.
11. Ensure that conflict of interest screening occurs when assessing potential contractual relationships, such as with property lessors.

12. Rectify any current accommodations that were not acquired through an open, public, and transparent procurement process, in compliance with the Public Procurement Act and the Conflict of Interest Act.
13. Ensure management and the Board of Trustees are provided with complete and adequate information to facilitate assessing and monitoring of all aspects of contracted nursing services usage and spending.
14. Develop and execute a corrective action plan when agency nurse spending exceeds planned expenditure.
15. Formally assess contracted nursing service provider performance during contract execution and consider these assessments before renewing contracts.

What We Found

Procurement

Procurement Process

- The health authorities did not plan for the procurement of agency nursing services, as required by legislation.
- The health authorities failed to issue an open call for bids for any of the agency nursing contracts signed during our audit period.
- Eleven of the 15 agency nursing contracts signed between January 2022 and June 2024 used emergency exemptions, which was inappropriate.

Contract Terms and Value for Money

- The health authorities did not perform formal assessments of agencies before signing contracts.
- There was no formal evaluation of vendor performance before contracts were renewed, to ensure that value for money was being received.
- A contract was signed with “Agency A” in 2022 for $28.3 million. The agency had under two years of experience in the agency nursing business at the time, and there was little evidence that a thorough assessment of its credibility or capability was conducted during planning.
- The health authorities did not consistently use standardized contract templates to ensure terms and conditions aligned with government or health authority policies, and there was a lack of consistency from contract to contract.

Contract Management

Invoice Verification and Approval Process

- The health regions did not always follow government processes in their handling of invoices, including adhering to certain key internal controls.
- Verifiers were not always properly prepared for their role. Verifiers from both the Central and Western regions indicated they had signed off on invoices without having seen the contract.

Invoice Compliance

- In total, we identified almost $4 million worth of payments that were made for ineligible expenses, or for invoices for which the health authority was unable to provide supporting documentation.

  Hourly Billing
  - Most of the invoices we examined were inaccurate or lacked necessary backup.
  - Newfoundland and Labrador Health Services was unable to provide complete timesheets for 35 of 65 invoices we reviewed (54 per cent). Across these 35 invoices, $3.3 million was approved for payment without supporting timesheets.

  Supporting Documentation
  - Supporting documentation provided by Newfoundland and Labrador Health Services for reimbursable expenses was often inadequate. Of the 84 invoices we reviewed, 62 invoices included reimbursable expenses with 46 (74 per cent) having inadequate documentation.

Electric Vehicles

- There were widespread issues with payments made to Agency A for electric vehicle rentals.
- Despite rejection of a proposal from Agency A by the Central region in March 2023, Agency A continued to supply its nurses with electric vehicles, as proposed. Rental charges for these vehicles were invoiced to and paid by the Central region.
- Agency A submitted 60 invoices totalling $546,657 for electric vehicle rentals.
- There were strong indications of potential billing fraud by Agency A for electric vehicle rentals. Agency A invoiced and was paid $91,529 for 81 weeks of electric vehicle rentals for nurses that were not in the province.
- $327,522 was paid for the rental of electric vehicles to nurses who did not appear to have the vehicle, or where usage by a nurse could not be verified. This amount represents 60 per cent of the total paid to Agency A for electric vehicle rentals.

Other Vehicle Rentals, Accommodations, & Travel

- Nursing agencies often did not use an economical option for travel or accommodations, as required under contract terms, and there were examples of accommodation reimbursements that violated contractual terms for what was reimbursable.

Other Non-Reimbursable Expenses

- Agency A was frequently reimbursed for non-reimbursable expenses. In total, 61 per cent of the Agency A invoices for expense reimbursement that we examined included ineligible items.

Oversight, Planning, and Performance

Planning

Vacancies and Headcount

- Newfoundland and Labrador Health Services did not forecast or set targets for nursing vacancy levels

Service Requirements

- The health authorities did not routinely conduct a thorough needs assessment before engaging nursing agencies.
- Two contracts signed with Agency A committed to mandatory virtual administrative resources that were not identified in needs assessments. The total contractual cost of these resources was up to $5.65 million annually in the Central Region, and up to $4.5 million over an eight-month period in the Western region.

Casual Nurse Usage

- Casual nurses were not always utilized in departments for which they were qualified, potentially increasing reliance on agency nurses.
- The health authorities did not always utilize available casual nurses. We noted 72 instances of casual nurses being issued a record of employment for a shortage of work, following an average period of 16 days during which they were available for work, but not assigned shifts.

Agency Nurse Accommodations

- Forty-nine Newfoundland and Labrador Health Services employees entered into 53 leases in violation of conflict of interest legislation.
- In total, almost $1.9 million in rent was paid to these employees by the health authorities between 2022 and 2024.
- Employees who provided these properties to Newfoundland and Labrador Health Services charged well above market rates. On average, a 90 per cent premium was charged for these properties, as compared to average market rates.
- Newfoundland and Labrador did not identify or act on any of these instances of conflict of interest before the issue was raised externally.
- There were shortcomings with conflict of interest policies and procedures, that may have enabled conflicts to remain undetected.

Agency Nursing Reduction Plan

- Newfoundland and Labrador Health Services developed a plan to reduce the use of agency nurses, but it lacked detail regarding how targets would be achieved.
- Operational agency nursing reduction plans completed for the Central and Western regions included only general approaches to recruitment, retention, and planning. These operational plans included no targets, benchmarks, or timelines, and no detail about where, when, or how agency nursing reductions would be made.
- Operational plans had not been completed for the Eastern or Labrador-Grenfell regions as of December 31, 2024.

Execution

Spending and Agency Nursing Reduction

- Newfoundland and Labrador Health Services achieved its overall agency nurse headcount targets for March 2025. However, this success was the result of an inability of agencies to provide the number of nurses requested.
- Newfoundland and Labrador Health Services reported $132.6 million of agency nursing spending during the execution of its agency reduction plan, in the year ended March 31, 2025 - an $11.9 million (10 per cent) increase from a year earlier.
- The 30 per cent agency nurse headcount reduction reported by the authority in the year did not result in a proportional decrease in spending.
- Newfoundland and Labrador Health Services' cost per agency nurse for the year ended March 31, 2025 was at least $404,486. By way of comparison, the total of salary and benefits for a registered nurse at the midpoint of the collective agreement salary scale was estimated at approximately $118,750 at the end of 2024.
- There was little evidence of a spending reduction trend in the quarters leading up to March 31, 2025.
- Newfoundland and Labrador Health Services' public statements on agency nursing reduction were misleading. In February 2025, the authority's CEO provided a public update, indicating agency nurse usage had been reduced by 42 per cent from its highest point. It was misleading to draw attention to a 42 per cent headcount reduction, without being transparent that costs did not show a comparable decrease.

Reporting

- There were significant gaps in Newfoundland and Labrador Health Services' reporting of agency nurse spending. Reports failed to benchmark agency nurse spending against the prior year or the agency reduction plan. They also failed to provide analysis of the rates paid to vendors, or to compare agency nursing expenses to the cost of nursing employees.

Board of Trustees Oversight

- Topics related to agency nursing were not consistently documented in meeting minutes for the health authorities' Boards of Trustees meetings and related key committees.

Tracking Agency Performance

- The health authorities did not review agency performance throughout or following completion of contracts.

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

Given its responsibility for providing health care across the province, how will Newfoundland and Labrador Health Services:

1. Ensure that future procurement of contractual services follows legislation and policy designed to ensure value for money?
2. Prevent inappropriate payments to service providers, and recover funds improperly paid in the past?
3. Plan for and control its agency nurse use and spending?

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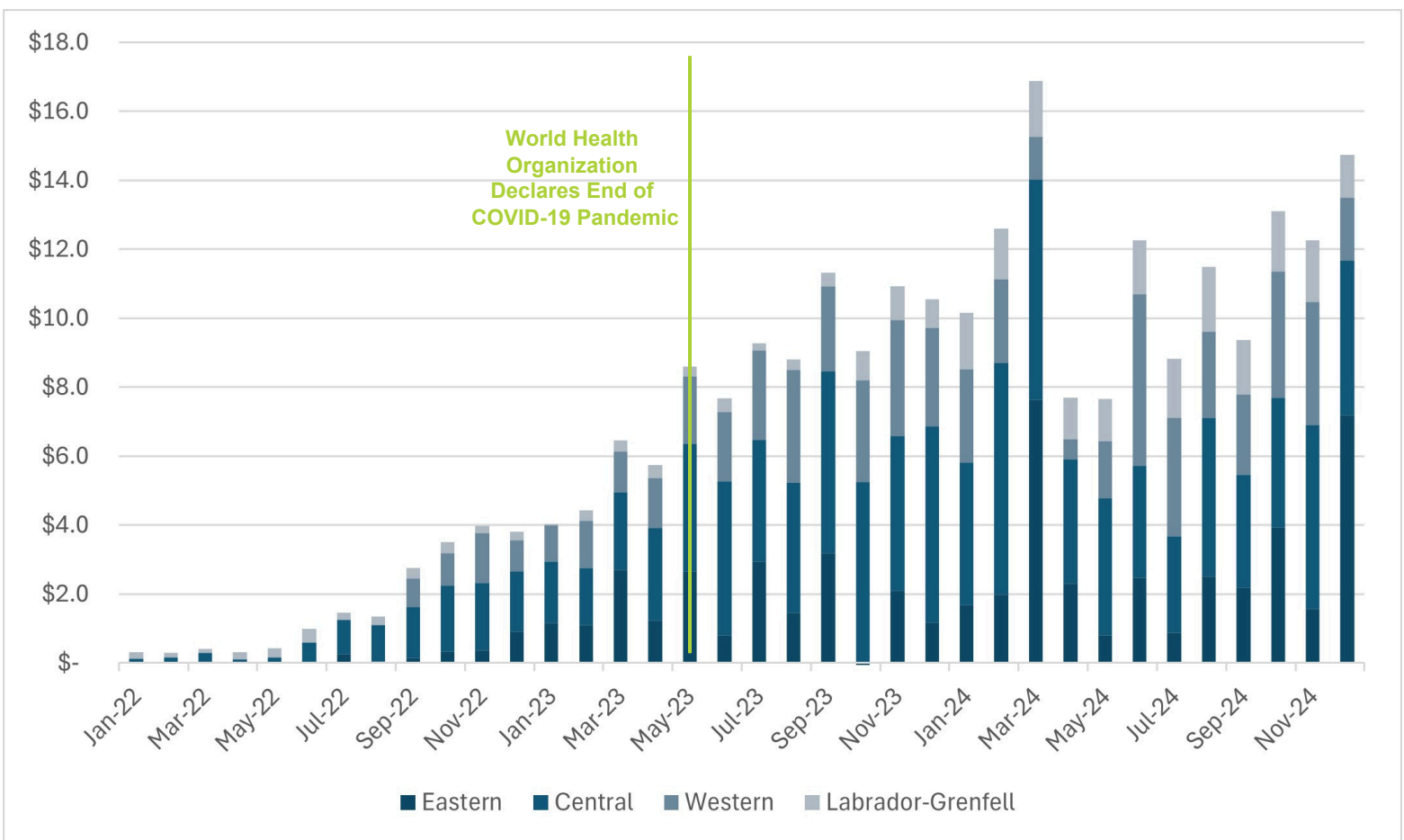
Background

As the sole provincial health authority, Newfoundland and Labrador Health Services is responsible for providing health care across the province. With an annual budget of approximately $3.4 billion, the health authority is accountable for managing and allocating resources, including funds provided by the provincial government for health and community services, and for the delivery and administration of health and community services in the province.

Prior to 2022, the scope of the province's use of agency nurses was limited, with the Labrador-Grenfell health authority accounting for most of the expenditures, and the Central health authority for the remainder. The Eastern and Western health authorities made no use of nursing agencies in that year. Collectively, the provincial health authorities made use of three nursing agencies in the 2021-22 fiscal year, spending a total of $3.3 million.

Newfoundland and Labrador's use of nursing agencies began to escalate in 2022, as illustrated in Figure 1. In April 2022, the province's Central health authority signed a one-year contract with a nursing agency, hereafter referred to as Agency A, for up to $28,251,000, to supply an average of 65 general registered nurses, and associated administrative support. A similar eight-month contract between the Western health authority and Agency A to supply up to 24 nurses, at a cost of up to $13,500,000 followed in June 2022.

Figure 1: Provincial Agency Nurse Spending by Month, 2022 to 2024 (in Millions)



Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services.

In April 2023, the Central, Eastern, Labrador-Grenfell, and Western Regional Health Authorities, along with the Newfoundland and Labrador Centre for Health Information, amalgamated into one entity - Newfoundland and Labrador Health Services. For consistency of presentation, the Central, Eastern, Labrador-Grenfell, and Western authorities/zones will be referred to as “regions” throughout this report, for periods both before and after amalgamation.

Since the initial agreement with Agency A in April of 2022, several contracts were signed with other nursing agencies. Between January 1, 2022, and December 31, 2024, Newfoundland and Labrador Health Services and its legacy regional health authorities signed 15 contracts with eight different nursing agencies. Payments made to these nursing agencies as well as three others that predated 2022 are summarized in Table 1.

Table 1: Cash Payments to Nursing Agencies (Calendar Year 2022 to 2024)

Agency	2022	2023	2024	Total
Agency A	$13,014,898	$47,238,132	$13,343,580	$73,596,610
Agency B	674,297	13,890,764	35,115,605	49,680,666
Agency C	-	2,952,832	22,797,304	25,750,136
Agency D	-	6,316,120	18,439,765	24,755,885
Agency E	1,045,789	6,219,249	13,491,766	20,756,804
Agency F	-	6,260,420	10,059,543	16,319,963
Agency G	-	3,585,189	6,959,456	10,544,645
Agency H	2,065,400	2,967,945	2,938,446	7,971,791
Agency I	-	216,384	7,706,805	7,923,189
Agency J	841,908	882,437	1,193,800	2,918,145
Agency K	746,844	399,026	-	1,145,870
Total	**$18,389,136**	**$90,928,497**	**$132,046,069**	**$241,363,702**

Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services, unaudited.
Note: Newfoundland and Labrador Health Services’ accounting records cannot easily be separated by vendor. Totals above are reported from its accounts payable systems based on amounts paid, which do not reconcile to accounting records.

As of December 2024, 278 agency nurses were in use by Newfoundland and Labrador Health Services, representing 6 per cent of its total nursing workforce.

As a public body, Newfoundland and Labrador Health Services is subject to the Public Procurement Act and its supporting regulations and policy. Within Newfoundland and Labrador Health Services, the supply chain department is responsible for the contracting of all supplies and services for the provincial health authority. The supply chain department provided centralized service to the regions both prior to and following the amalgamation into Newfoundland and Labrador Health Services.

In February 2024, the Minister of Health and Community Services requested that the Comptroller General examine payments made to Agency A and other nursing agencies, based on concerns around compliance with contractual terms and conditions. This investigation was terminated two months later, following an announcement that the Office of the Auditor General would undertake an audit of health sector contracts. In order to cover the breadth and depth of the topic, our audit will be completed in phases, with phase one focused on agency nursing contracts.

Our audit started in Spring 2024. Progress was significantly impacted by delays encountered in the collection of information, as Newfoundland and Labrador Health Services faced challenges with staff turnover and decentralized reporting systems.

Our audit included three lines of inquiry:

- To determine whether agency nursing contracts are procured appropriately;
- To determine whether agency nursing contracts are managed appropriately; and
- To determine whether agency nursing services are planned and delivered effectively.

The audit period for the first two lines of inquiry was January 1, 2022 to June 30, 2024. The third line of inquiry covered January 1, 2022, to December 31, 2024, except for the topic of Newfoundland and Labrador Health Services' agency nursing reduction effort, which had an audit period that extended to March 31, 2025, to align with the duration of the health authority's agency nursing reduction plan. Five criteria were established to assess these lines of inquiry.

Summary of Key Findings

Procurement Compliance

- The health authorities did not plan for the procurement of agency nursing services, as required by legislation. (Page 16)
- Neither specifications nor selection and evaluation criteria were documented for any of the 15 agency nursing contracts signed between January 2022 and June 2024. (Page 16)
- The health authorities failed to issue an open call for bids for any of the agency nursing contracts signed during our audit period. (Page 16)
- Eleven of the 15 agency nursing contracts signed between January 2022 and June 2024 had documentation on file for emergency exemptions. (Page 16)
- The use of emergency exemptions was not appropriate for any of the contracts. (Page 17)
- Numerous exemptions had not legitimately been sought or approved at the time of procurement; rather, many were documented retroactively. (Page 17)
- Some of these retroactive exemption approvals were not sought until an internal audit by government into agency nursing contract issues was imminent. (Page 17)
- In three instances an exemption form was signed by an individual without proper signing authority. (Page 17)
- The supply chain department chose not to endorse the procurement processes followed for certain agency contracts. (Page 17)
- Six of the 11 agency nurse contracts that utilized emergency exemptions had documentation on file indicating the contract “was signed and or executed without the knowledge of NLHS Provincial Supply Chain.” (Page 17)
- The supply chain department was, in fact, involved with a number of these contracts. (Page 17)
- Contract award announcements often violated Public Procurement Policy disclosure requirements. Only three of the 15 contract awards within our audit period were posted online within the required 30 days. (Page 17)

Procurement and Value for Money

- The health authorities did not perform formal assessments of agencies before signing contracts. (Page 19)
- There was no formal evaluation of vendor performance before contracts were renewed, to ensure that value for money was being received. (Page 19)
- Agency A had under two years of experience in the agency nursing business at the point of a $28.3 million contact award in 2022. (Page 19)
- There was little evidence that a thorough assessment of Agency A’s credibility or capability was conducted during planning. (Page 19)
- Documentation indicated that three reference checks were completed for Agency A; all three were collected on April 20, 2022 - the same day the contract was signed. (Page 20)
- The health authorities did not consistently use standardized contract templates to ensure terms and conditions aligned with government or health authority policies. (Page 20)
- Eleven of the 15 contracts signed between January 2022 and June 2024 lacked any significant elements of standardization. (Page 20)
- There was a lack of consistency in terms and conditions from contract to contract. (Page 20)
- Hourly rates varied widely from contract to contract, ranging from $83 to $312 per hour. (Page 20)
- Excluding Agency A, hourly rates agreed to by health authorities from January 2022 to June 2024 were similar to those of a comparable jurisdiction. (Page 21)
- Terms and conditions of contracts with Agency A were particularly favourable to the agency. (Page 21)
- The Central and Western regions agreed to the inclusion of administrative resources in Agency A contracts, for which no need had been established in requirement analyses. The positions had no documented deliverables, and did not submit timesheets to confirm that billed hours were actually worked. Agency A was paid approximately $18 million between 2022 and 2024 for these administrative resources. (Page 21)

Contract Management

Invoice Approval Process

- The health regions did not always follow government processes in their handling of invoices, including adhering to certain key internal controls. (Page 23)
- Only 26 of the 84 invoices we examined (31 per cent) had separate verification and approval sign-offs. (Page 24)
- Verifiers were not always properly prepared for their role. For example, a verifier from the Central region indicated that no training was provided regarding how invoices should be verified. Verifiers from both the Central and Western regions indicated they had signed off on invoices without having seen the contract. (Page 24)
- There were also apparent differences in how thoroughly the manual invoices were verified. (Page 24)
- Forty-five of the 84 invoices we tested (54 per cent) were missing evidence of verification. (Page 24)

Invoice Compliance

- In total, we identified almost $4 million worth of payments that were made for ineligible expenses, or for invoices for which the health authority was unable to provide supporting documentation. This total covered only the invoices we sampled – approximately seven per cent of agency nursing invoices paid between January 2022 and June 2024 ($10.0 million of $147.5 million). (Page 24)

Hourly Billing

- Most of the invoices we examined were inaccurate or lacked necessary backup. Of the 84 invoices we sampled, 65 (77 per cent) had contract compliance issues, yet 83 (99 per cent) were paid in full. (Page 24)
- Of the 84 invoices we reviewed, 65 invoices included hourly billing. Newfoundland and Labrador Health Services was unable to provide complete timesheets for 35 of these 65 invoices (54 per cent). Across these 35 invoices, $3.3 million was approved for payment without supporting timesheets. (Page 25)
- Other issues were noted with the support provided for the 65 hourly billing invoices. Thirty-six invoices billed for overtime, four of which (11 per cent) could not be verified due to missing timesheets, for a total value of $8,011. (Page 25)
- In addition to issues with supporting documentation, nursing agencies overcharged for services on 24 of the 65 invoices that included hourly billing (37 per cent). For example: for 20 of the 65 invoices (31 per cent), hours did not match the timesheets provided, worth $48,570; and for eight of the 65 invoices (12 per cent) hourly rates did not comply with contracts, worth $19,284. (Page 25)
- There was an instance of an agency being paid a higher rate for overtime, under a contract which did not allow for higher overtime rates. The agency was inappropriately paid an extra $11,308 for overtime. (Page 26)

Supporting Documentation

- Supporting documentation provided by Newfoundland and Labrador Health Services for reimbursable expenses was often inadequate. Of the 84 invoices we reviewed, 62 invoices included reimbursable expenses with 46 (74 per cent) having inadequate documentation. (Page 26)
- Nine of the 62 invoices (15 per cent) were approved for payment despite expense receipts that did not match the amounts claimed. (Page 26)

Per Diem Allowances for Meals and Incidentals

- Of the 84 invoices we reviewed, 57 included per diems. Of the 57, 25 invoices (44 per cent) were not compliant with contract terms. Differences were particularly prevalent for Agency A, which was inappropriately paid for per diems on 22 of the 26 invoices (85 per cent) we sampled on which they were included. (Page 26)
- $35,634 in Harmonized Sales Tax was inappropriately charged and paid on per diems, across 21 of the 26 Agency A invoices on which they were included (81 per cent). The error was identified by Newfoundland and Labrador Health Services during a random audit of Agency A invoices, but the authority decided not to request a full audit to recover inappropriate charges. (Page 26)
- In addition to per diems that were non-compliant, Agency A was frequently paid for questionable extra per diem expenses based on ambiguous contract language. For example, on 23 of 26 invoices on which they were included, per diems were paid for days on which no shifts were scheduled for a total of $138,608. In one instance, 243 of these extra person days were included on a single invoice, totalling $18,658 in incremental costs. (Page 26)
- Agency A charged higher 'out-of-province' rates on eight of the 26 invoices with per diems. Again, contracts were not clear about whether out-of-province rates were permissible for nurses from other provinces on assignment in Newfoundland and Labrador, but agencies other than Agency A generally did not use out-of-province rates. (Page 26)

Electric Vehicle Rentals

- There were widespread issues with payments made to Agency A for electric vehicle rentals. (Page 27)
- Despite rejection of a proposal from Agency A by the Central region in March 2023, Agency A continued to supply its nurses with electric vehicles, as proposed. Rental charges for these vehicles were invoiced to and paid by the Central region. (Page 27)
- In total, Agency A submitted 60 invoices and was paid $546,657 for electric vehicle rentals. (Page 27)
- There were strong indications of potential billing fraud by Agency A for electric vehicle rentals. (Page 29)
- In total, Agency A invoiced and was paid $91,529 for 81 weeks of electric vehicle rentals for nurses that were not in the province. (Page 29)
- A further $8,372 was paid for seven weeks in which the nurse was in the province for only part of the rental period. (Page 29)
- Agency A was paid $227,622 for electric vehicle rentals without any indication of who was supposedly using the vehicle. (Page 29)
- In summary, $327,522 was paid for the rental of electric vehicles to nurses who did not appear to have the vehicle, or where usage by a nurse could not be verified. This amount represents 60 per cent of the total paid to Agency A for electric vehicle rentals. (Page 29)

Other Vehicle Rentals, Accommodations, & Travel

- Nursing agencies often did not use an economical option for travel or accommodations, as required under contract terms. For example, in one instance an agency charged $10,212 for a 48-night hotel stay in Gander, which equated to over $6,300 per month, and another for $5,467 for a one month stay in a one-bedroom suite near Corner Brook. (Page 29)
- There were examples of accommodation reimbursements that violated contractual terms for what was reimbursable. For example, $689 was reimbursed for two nights in a Winnipeg hotel on December 28 and 29 of 2022, for the spouse of a nurse who was working onsite for the Central region at the time. (Page 29)
- Gasoline was reimbursed on 34 of the 41 Agency A invoices we sampled across the Central and Western authorities, which was not permissible under contract terms. (Page 29)

Other Non-Reimbursable Expenses

- Agency A was frequently reimbursed for non-reimbursable expenses. Of the 62 invoices we examined for which expenses were reimbursed, all 23 that included contractually non-compliant items were submitted by Agency A. (Page 30)
- In total, 61 per cent of the Agency A invoices for the reimbursement of expenses that we examined included ineligible items. (Page 30)

Planning and Oversight

Vacancies and Headcount

- Newfoundland and Labrador Health Services did not forecast or set targets for nursing vacancy levels. (Page 32)
- Newfoundland and Labrador Health Services did not set targets for attrition, and did not routinely track or report attrition levels. (Page 32)
- Newfoundland and Labrador Health Services tracked actual recruitment in both regularly scheduled and ad hoc reporting, but did not set or report against recruitment targets. Moreover, the authority did not forecast future staffing requirements. (Page 32)

Agency Nurse Requirements

- The health authorities did not routinely conduct a thorough needs assessment before engaging nursing agencies. (Page 33)
- Two contracts signed with Agency A committed to mandatory virtual administrative resources that were not identified in needs assessments. The total contractual cost of these resources was up to $5.65 million annually in the Central Region, and up to $4.5 million over an eight-month period in the Western region. (Page 33)

- The failure to assess needs was observed despite increased spending. Provincial agency nursing expenditures grew from $19.6 million in the 2022 calendar year to $137.1 million in 2024, an increase of almost 600 per cent. (Page 33)
- Newfoundland and Labrador Health Services did not complete formal needs assessments prior to signing any of the seven agency nurse agreements that followed amalgamation. (Page 33)

Casual Nurse Utilization

- Casual nurses were not always utilized in departments for which they were qualified, potentially increasing reliance on agency nurses. (Page 33)
- The health authorities did not always utilize available casual nurses. We noted 72 instances of casual nurses being issued a record of employment for a shortage of work, following an average period of 16 days during which they were available for work, but not assigned shifts. Meanwhile, the health authorities consistently reported vacant nurse positions across all four regions, despite the failure to utilize these available casual nurses. (Page 33)
- Thirty-seven grievances were submitted by nurses or groups of nurses between January 2022 and December 2024, alleging that shifts were offered to agency nurses while employed nurses were available for work. (Page 33)

Agency Nurse Accommodations

Conflicts of Interest

- Forty-nine Newfoundland and Labrador Health Services employees entered into 53 leases for the accommodation of health professionals, including agency nurses, in violation of conflict of interest legislation. (Page 34)
- Landlords who proposed properties were put on a list that was maintained by Newfoundland and Labrador Health Services. The authority selected properties from the list on a first come, first served basis, rather than applying criteria, such as the lowest cost. (Page 34)
- In total, almost $1.9 million in rent was paid to employees by the health authorities between 2022 and 2024. (Page 34)
- All 49 employees who provided accommodations also violated legislation requiring disclosure of the conflict of interest. (Page 34)
- Employees who provided these properties to Newfoundland and Labrador Health Services charged well above market rates. Of 42 rental rates provided to us by the authority, 41 (98 per cent) exceeded market rates, as provided by the Canada Mortgage and Housing Corporation. On average, a 90 per cent premium was charged for these properties, as compared to average market rates. (Page 34)
- A director involved in the recruitment of agency nurses was paid $53,075 between April 2022 and September 2024 through accommodation rental. (Page 36)
- One lease was terminated because the property owner managed a unit of travel nurses. They were paid $21,000 under that lease. (Page 36)
- A former member of Newfoundland and Labrador Health Services' Board of Trustees violated the Conflict of Interest Act by providing rental accommodations while serving on the Board. (Page 36)
- Newfoundland and Labrador did not identify or act on any of these instances of conflict of interest before the issue was raised externally. It was not until a letter was received by the Minister of Health and Community Services in March 2024 from the Registered Nurses' Union that an investigation or any action was undertaken. (Page 36)
- There were shortcomings with conflict of interest policies and procedures, that may have enabled conflicts to remain undetected. (Page 37)
- Neither Newfoundland and Labrador Health Services nor the legacy health authorities required employees to sign a Code of Conduct or Conflict of Interest agreement during onboarding, or on an annual basis. (Page 37)
- There was no process for employees to receive conflict of interest training. (Page 37)
- Newfoundland and Labrador Health Services did not inquire about or identify potential conflicts of interest while evaluating properties for possible rental, or when signing agreements with lessors. (Page 37)
- Following the identification of violations of the Conflict of Interest Act by lessors, Newfoundland and Labrador Health Services' response often did not resolve the conflicts of interest appropriately. (Page 37)
- Retroactive conflict of interest exemptions were issued by Newfoundland and Labrador Health Services for 41 of the 53 conflicts of interest. (Page 37)

- Newfoundland and Labrador Health Services did not hold employees accountable for violations of conflict of interest legislation, or demonstrate concern that legislation had been violated. No employees were disciplined for their violation of the Act. (Page 37)
- Public disclosure from Newfoundland and Labrador Health Services about conflict of interest was misleading. The authority indicated that all but six of the leases identified as possibly being in contravention of the Conflict of Interest Act had been terminated. In actual fact, 35 employees continued to provide accommodations as of December 31, 2024. (Page 38)

Agency Nursing Reduction Plan

- Newfoundland and Labrador Health Services developed a plan to reduce the use of agency nurses, but it lacked detail regarding how targets would be achieved. (Page 38)
- The plan used an historically high headcount of 373 agency nurses from February 2024, as a baseline for reduction targets. Reductions from this high point would be more achievable than reductions from any other point of comparison, such as the 12-month average. (Page 38)
- The plan extended only up to March 31, 2025, despite Newfoundland and Labrador Health Services communicating targets beyond that date. To reach its April 2026 target of 60 nurses, over 200 more agency nurses would need to be eliminated in a year; a further reduction of 77 per cent. (Page 39)
- Newfoundland and Labrador Health Services gave reason to doubt the April targets it had communicated, indicating a new task force had been implemented, and, as a result of its ongoing work, that they were “currently unable to provide estimated targets or timelines” for reductions. (Page 39)
- Operational agency nursing reduction plans completed for the Central and Western regions in July 2024 included only general approaches to recruitment, retention, and planning, with no targets, benchmarks, or timelines, and no detail about where, when, or how agency nursing reductions would be made. (Page 39)
- Operational plans had not been completed for the Eastern or Labrador-Grenfell regions as of December 31, 2024. (Page 39)

Performance on Planning Objectives

Agency Nursing Reduction Effort

- Newfoundland and Labrador Health Services achieved its overall agency nurse headcount targets for March 2025. However, success was the result of an inability of agencies to provide the number of nurses requested. (Page 40)
- Newfoundland and Labrador Health Services reported $132.6 million in agency nursing spending during the execution of its agency reduction plan, in the year ended March 31, 2025 - an $11.9 million (10 per cent) increase from a year earlier. (Page 41)
- Only the Central region showed any improvement, with expenditure in each of the other regions rising by at least 15 per cent. The Labrador-Grenfell region, in particular, reported an 88 per cent increase, with spending rising from $9.3 million to $17.5 million. (Page 41)
- The 30 per cent agency nurse headcount reduction reported by the authority in the year did not result in a proportional decrease in spending. (Page 42)
- The total cost per agency nurse for the year ended March 31, 2025 was at least $404,486. (Page 42)
- By way of comparison, the total of salary and benefits for a registered nurse at the midpoint of the collective agreement salary scale was estimated at approximately $118,750 at the end of 2024. (Page 43)
- The reported annualized cost of reimbursable expenses alone was more than $46,000 per agency nurse, a total which represented more than 60 per cent of the $75,303 starting salary of a new registered nursing graduate. (Page 43)
- There was little evidence of a spending reduction trend in the quarters leading up to March 31, 2025. The last three quarters of the fiscal year of 2024-25 were three of the four highest spending quarters on record. (Page 43)
- Newfoundland and Labrador Health Services’ public statements on agency nursing reduction were misleading. In February 2025 the authority’s CEO provided a public update, indicating agency nurse usage had been reduced by 42 per cent from its highest point. (Page 43)
- It was misleading to draw attention to a 42 per cent headcount reduction, without being transparent that costs did not show a comparable decrease. (Page 43)

Reporting

- There were significant gaps in Newfoundland and Labrador Health Services' reporting of agency nurse spending. (Page 44)
- Newfoundland and Labrador Health Services' reporting failed to benchmark agency nurse spending against the prior year or the agency reduction plan. It also failed to provide analysis of the rates paid to vendors, or to compare agency nursing expenses to the cost of nursing employees. (Page 44)
- Newfoundland and Labrador Health Services' financial reporting package did not disclose agency nurse spending separately from employee compensation until August 2024. Forecasted agency nurse spending was not added until December 2024. (Page 44)
- The forecasts that had been provided in December proved to be inaccurate. A total of $12.4 million of agency nurse spending was forecasted across January and February in December's report. The actual spend subsequently reported in February for the two months was $24.6 million, almost twice what had been forecasted. (Page 44)
- There were issues with amounts budgeted for agency nursing. In 2023 and 2024, the Department of Health and Community Services approved blocks of funding for agency nursing, with the general understanding that the amounts would be insufficient. Therefore, the budget was not a realistic benchmark against which agency nurse spending could be managed. (Page 44)
- Newfoundland and Labrador Health Services indicated that budgeting shortfalls such as these might have to be funded on the authority's line of credit. For context, the authority's line of credit balance rose by an average of 86 per cent annually from 2019 to 2024, growing from $37 million to $648 million. (Page 45)

Oversight by Board of Trustees

- Topics related to agency nursing were not consistently documented in meeting minutes for the health authorities' Boards of Trustees and related key committees. (Page 45)
- The financial reports provided to the Board of Trustees in their reporting package failed to benchmark agency nurse spending against the prior year or the agency reduction plan. (Page 45)

Tracking Agency Performance

- The health authorities did not review agency performance throughout or following completion of contracts. (Page 45)

Findings - Procurement Compliance

Objective 1 To determine whether agency nursing contracts are procured appropriately.

Criteria 1 Newfoundland and Labrador Health Services' procurement and contract award processes are compliant with applicable policy and legislation.

What We Expected

We expected Newfoundland and Labrador Health Services to comply with the language and the intent of the Public Procurement Act, supporting regulations, and Public Procurement Policy, which generally require an open bid process to be used for large contracts. We expected the authority's supply chain department to be fully engaged in the procurement process, ensuring that legislation, policy, and best practice were consistently followed. We expected emergency exemptions to be used sparingly and in accordance with legislation and policy intent.

What We Learned

We found the health authorities did not plan for the procurement of agency nursing services, as required by legislation. Section 3 (1) (a) of Newfoundland and Labrador Public Procurement Regulations directs that, as part of procurement planning, public bodies shall:

"prepare complete documentation including
- i. specifications,
- ii. terms and conditions, and
- iii. selection and evaluation criteria, where appropriate."

We found neither specifications nor selection and evaluation criteria were documented for any of the 15 agency nursing contracts signed between January 2022 and June 2024.

Section 5 (1) (a) of the regulations specifies that an open call for bids is required where the estimated value of the contract is $133,800 or greater. Section 6 outlines the seven conditions under which an exception is permissible, one of which is "an emergency or a situation of urgency exists and the acquisition of the commodity cannot reasonably be made in time by an open call for bids."

We found the health authorities failed to issue an open call for bids for any of the agency nursing contracts signed during our audit period. Eleven of the 15 agency nurse contracts signed between January 2022 and June 2024 had documentation on file for emergency exemptions, on the basis of registered nurse vacancies or shortages, and risk to service levels and patient care. Of the remaining four, three were contract renewals for which the authorities failed to complete an emergency exemption form and one was an original contract for which the exemption form was missing.

We found the use of emergency exemptions was not appropriate for any of the contracts. Section 7.3 of Public Procurement Policy states that "*poor planning does not constitute an emergency, and using exemptions in such a way should be discouraged*."

We found there was sufficient time for advanced planning for the procurement of agency nurses. Specifically, we noted:

- Nursing vacancies increased in every six-month period from October 2018 to April 2023. Given the consistent and gradual nature with which the vacancy issue evolved, there was adequate opportunity for advanced planning and to follow the appropriate open bids process; and
- Six of the 15 contracts began at least a year after Agency A was originally engaged, during which time advance planning for appropriate procurement could have been undertaken.

Four of the 15 contracts from January 2022 to June 2024 were renewals signed in 2023, and none of these used an open bids process. Two of these four were contracts with Agency A; as discussed later, these contracts had well above market rates and unfavourable terms. Given they were renewals, there was time to plan for an open bids process, to ensure competitive terms and potentially lower rates.

We found numerous exemptions had not legitimately been sought or approved at the time of procurement; rather, many were documented retroactively. In this regard, we noted that seven of the 11 exemption forms were dated after contracts had been signed, which is a violation of Public Procurement Policy. On average, the exemption forms for these seven were approved 137 days after contacts were signed, with the longest occurring 252 days later.

Moreover, **we found some of these retroactive exemption approvals were not sought until an internal audit by government into agency nursing contract issues was imminent.** For example, one exemption form was not signed until March 2024, with associated email correspondence explicitly indicating the retroactive approval was being sought in preparation for the Comptroller General's review of agency nursing contracts. The contract had been in place since August 2023. In another instance, retroactive approval was sought in preparation for the Comptroller General's review, but Newfoundland and Labrador Health Services was unsuccessful in gathering the required approvals.

We found three instances where an exemption form was signed by an individual without proper signing authority. Policy stated that exemptions for contracts over $2 million required approval by a vice president or chief operating officer, unless signing authority was properly delegated. These three exemptions were approved by a director without the delegated signing authority.

We also found the supply chain department chose not to endorse the procurement processes followed for certain agency nurse contracts. The supply chain department is responsible for the contracting, purchasing, inventory and distribution of all supplies and services. **We found that six of the 11 contracts that utilized emergency exemptions had documentation on file indicating the contract "was signed and or executed without the knowledge of NLHS Provincial Supply Chain."** They further noted "NLHS Provincial Supply Chain – Sourcing and Contracts was not engaged throughout the procurement of this product or services. The division cannot confirm Public Procurement Act Legislation and Process was adherently followed as outlined." In our review of documentation, though, **we found that the supply chain department was, in fact, involved with a number of these contracts.**

Finally, **we found contract award announcements often violated Public Procurement Policy disclosure requirements.** Section 20 of the Public Procurement Policy states that awards through sole source and emergency exemptions should be posted online within 30 days of the contract being awarded, unless otherwise directed by the Chief Procurement Officer. We found **only three of the 15 contract awards within our audit period were posted online within the required 30 days.** Five were not posted at all during our audit period, and seven others exceeded 30 days.

What We Recommend

Newfoundland and Labrador Health Services should:

1. Fully engage its supply chain department, ensuring that legislation, public procurement policy, and best practice are followed.
2. Ensure emergency exemptions for procurement are pursued in accordance with provincial legislation and policy, including appropriate disclosures and pre-contract approvals.

Why It Matters

Government procurement policy helps ensure public bodies obtain the best value for money. By complying with the language and intent of the policy in soliciting competitive bids, public bodies provide assurance that goods and services are acquired at the best possible price. Agency nursing services represent a significant cost to the taxpayer. It is vital they are procured prudently, and in accordance with the policies and controls instituted by government to ensure value for money and transparency.

Findings - Procurement Value for Money

Objective 1 To determine whether agency nursing contracts are procured appropriately.

Criteria 2 Newfoundland and Labrador Health Services ensures value for money and competitive terms before contracts are signed.

What We Expected

Within Newfoundland and Labrador Health Services, the supply chain department is responsible for contracting all supplies and services for the provincial health authority. We expected this department would lead a robust effort to evaluate potential nursing agencies against predefined evaluation criteria, ensuring vendor credibility, service capability, and value for money before contracts were signed. Moreover, we expected the use of standardized contract language, with consistent terms and conditions.

What We Learned

Evaluation of Agencies

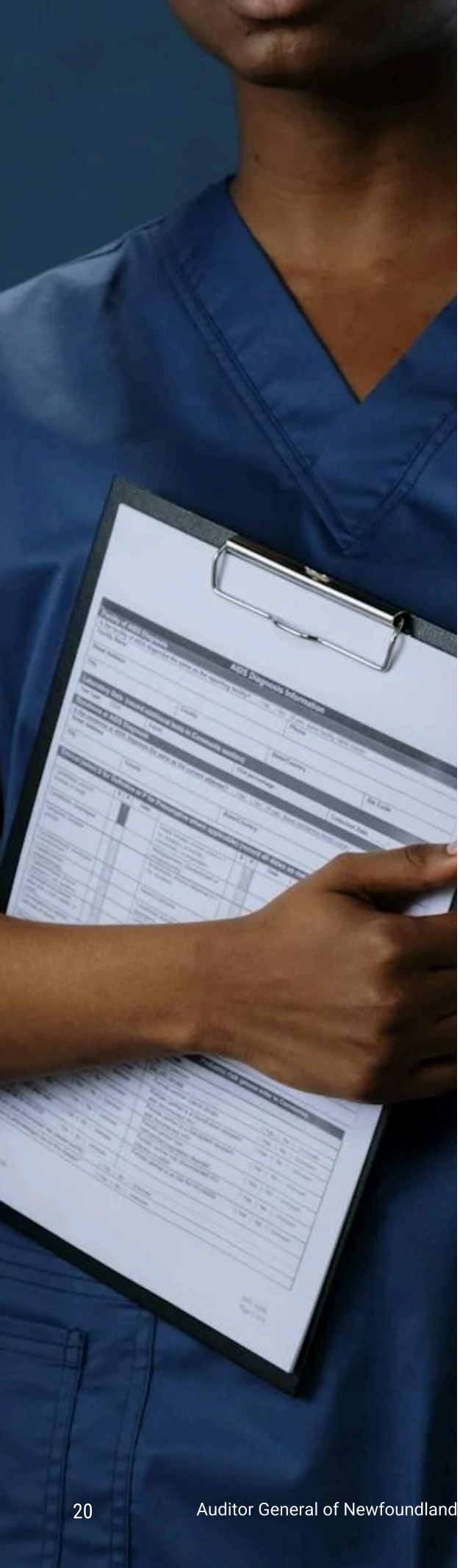
We found the health authorities did not perform formal assessments of agencies before signing contracts. As previously mentioned, Section 3 (1) (a) of Newfoundland and Labrador Public Procurement Regulations directs that, as part of procurement planning, public bodies shall prepare documentation. We found no formal selection and evaluation criteria were documented, and as such, there was no evaluation of agencies against documented criteria.

We found there was no formal evaluation of vendor performance before contracts were renewed, to ensure that value for money was being received. Of the contracts signed between January 1, 2022, and June 30, 2024, four were renewals that occurred in 2023. There was no formal evaluation of the performance of these agencies before the new contracts were signed.

Agency A

In April 2022, the Central region signed an agency nursing contract with Agency A for up to $28.3 million. In the fiscal year preceding this contract, agency nurses were used on a much smaller scale, accounting for a total of $1.2 million within the region. **Agency A had under two years of experience in the agency nursing business at the point of the $28.3 million contact award in 2022.**

We found little evidence that a thorough assessment of Agency A's credibility or capability was conducted during planning. When questioned as to why the authority was comfortable signing such a large contract with an inexperienced vendor, officials commented that Agency A was the only agency that claimed it could meet the demand at the time, and that the Central region had completed reference checks. However, as previously noted, the Central region did not issue an open call for bids prior to signing the contract with Agency A, so there was no opportunity for other agencies who could meet demand to come forward.



We found reference checks were completed very late in the procurement process, well beyond the stage where they could have been used for planning. **Documentation indicated that three reference checks were completed for Agency A; all three were collected on April 20, 2022 - the same day the contract was signed.**

Contract Terms

We found the health authorities did not consistently use standardized contract templates to ensure terms and conditions aligned with government or health authority policies. When the first contract was signed with Agency A in April of 2022, its language was based upon a draft provided by the agency, which was updated based on feedback from the Central region. The subsequent contract signed with Agency A by the Western region in June of 2022 contained very similar language, terms, and conditions. Our analysis of these contracts identified numerous issues with unfavourable rates and terms, as discussed in the sections that follow.

We found 11 of the 15 contracts signed between January 2022 and June 2024 lacked any significant elements of standardization. Reviewing the language of the contracts, we found the health authorities did not begin to standardize contract terms and conditions until April 2023, around the time the former health authorities were amalgamated into Newfoundland and Labrador Health Services. From April 2023 to November 2023, six new contracts were signed with nursing agencies. Four of these had common elements, with consistent contract structure that included Privacy/Confidentiality Oath or Affirmation for Contractors/Vendors.

In the absence of standardized contracts, **we found there was a lack of consistency in terms and conditions.** For example:

- The level of detail in contracts varied widely, with documents ranging from seven to 34 pages;
- 11 of the 15 contracts allowed for the payment of per diems, while the other four did not include per diems;
- 13 of the 15 contracts indicated rental car expenses were reimbursable, while the other two did not include rental cars.
- Only one of 13 included a maximum rental rate;
- Four of the 15 contracts included a cap on airfare costs, while the remaining 11 did not; and
- Nine of the 15 contracts specified that nurses' licensure costs were reimbursable, while the other six did not.

We did find all 15 of the contracts signed between 2022 and 2024 required agencies to maintain liability insurance.

We found hourly rates varied widely from contract to contract, ranging from $83 to $312 per hour, as outlined in Table 2. Agency A's hourly rates were the clear outlier. The Central region agreed to registered nurse hourly rates of up to $172 with Agency A, the Western region to hourly rates of up to $312, and subsequently, the amalgamated Newfoundland and Labrador Health Services authority to hourly rates of $172 for registered nurses.

Table 2: Agency Nursing Contracts from 2022 to 2024

Start Date	Agency	Region	Type of Contract	Base Hourly Rate
27-Feb-23	Agency A	Western	Renewal	$282.53
4-Jul-22	Agency A	Western	Initial	$274.31
22-Aug-23	Agency A	NLHS (All)	Initial	$235.00 [1]
30-Apr-23	Agency A	Central	Renewal	$172.22
22-Aug-23	Agency A	Eastern	Initial	$172.22
30-Apr-22	Agency A	Central	Initial	$161.25
22-Dec-22	Agency F	Central	Initial	$145.00 [2]
5-Apr-23	Agency G	Central, Western	Initial	$135.00
29-Jun-23	Agency C	NLHS (All)	Initial	$130.00
20-Nov-23	Agency D	NLHS (All)	Renewal	$130.00
4-Jul-23	Agency I	NLHS (All)	Initial	$128.00
3-Jun-22	Agency B	Eastern	Initial	$120.00
25-Nov-22	Agency D	Eastern	Initial	$101.92
22-Apr-22	Agency E	Eastern	Initial	$83.20
20-Mar-23	Agency E	All Regions	Renewal	$83.20

Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services.
1. Contract for specialized Airway Nurse Practicioners only; no general registered nurses included in this contract
2. Contract signed in December 2022 had a rate of $130; amended to $145 in January 2023

Excluding Agency A, we found hourly rates agreed to by health authorities from January 2022 to June 2024 were similar to those of a comparable jurisdiction. The health authorities signed nine contracts with nursing agencies other than Agency A between April 1, 2022 and June 30, 2024, with hourly base rates for a general registered nurse ranging from $83 to $145, averaging $117 per hour. As a point of comparison, we reviewed the results of a public request for proposals for agency nurse services by the Northwest Territories in March 2024, where hourly rates ranged from $96 to $165, averaging $122 per hour.

In addition to having less competitive rates, **we found the terms and conditions of contracts with Agency A were particularly favourable to the agency**. As previously mentioned, Agency A's initial contract with the Central region was built upon language initially proposed by the agency, and the contract that followed with the Western region in June of 2022 was broadly similar. These contracts contained several terms and conditions that were not present in contracts with any other agency, including the following:

- Invoice payment required in 15 days while all other agencies had payment terms of 30 days or longer;
- Sole sourcing of electric vehicle rentals from a company affiliated with Agency A;
- Escalator clauses which increased per diem rates at a future date;
- Hourly rate increases based on the consumer price index;
- Inflexible team structure, requiring resources to be deployed in blocks of eight or 10 people, regardless of staffing requirements;
- A minimum number of teams per day, regardless of staffing needs - the Central region committed to deploy a minimum of five teams per day (for a minimum daily spend of $77,400), and the Western region to a minimum average of three teams per day (a minimum of $59,250); and
- The inclusion of two administrative resources on teams for the Central region and three in the Western region.

The point regarding administrative resources is significant. These resources were predominantly virtual and **no need for the services had been identified in requirement analyses. The contracts failed to outline deliverables or the responsibilities of the roles. They did not supply timesheets, and as such, it was not possible to confirm whether billed hours were actually worked. We found these administrative resources cost approximately $18 million between 2022 and 2024.**

What We Recommend

Newfoundland and Labrador Health Services should:

3. Complete formal evaluations against predefined evaluation criteria before awarding contracts.
4. Ensure that any future agency nurse contracts use standardized contract language, terms, and conditions that clearly state Newfoundland and Labrador Health Services' expectations and standards.

Why It Matters

Public sector contractual services represent a significant cost to the taxpayer. It is vital that the terms, conditions, and rates in contracts are rigourously considered, and revised where necessary, before agreements are signed. The use of well-designed predefined evaluation criteria provides the opportunity to avoid ineffective vendors and helps ensure value for money. Also, the use of standardized contracts reduces the likelihood of unfavourable or ambiguous terms and conditions that may make services more expensive than expected.

Findings - Contract Management

Objective 2

To determine whether agency nursing contracts are managed appropriately.

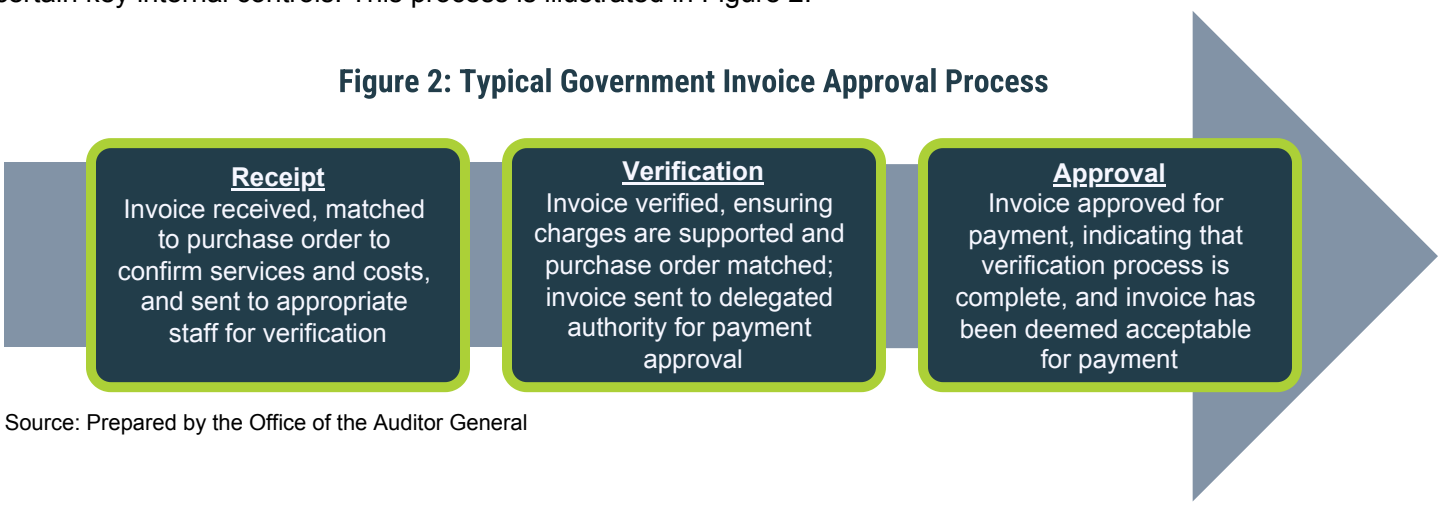
Criteria 1

Newfoundland and Labrador Health Services has adequate controls and procedures in place to ensure compliance with government policy and the terms and conditions of agency nursing contracts.

What We Expected

We expected Newfoundland and Labrador Health Services' invoice approval process for nursing agency invoices to be appropriate and comprehensive, as well as consistent with government's invoice approval process, including certain key internal controls. This process is illustrated in Figure 2.

Figure 2: Typical Government Invoice Approval Process



Source: Prepared by the Office of the Auditor General

We also expected that amounts paid to agencies would comply with their respective contract terms, including amounts for hourly billing and reimbursable expenses.

What We Learned

Invoice Approval Process

We found the health regions did not always follow government processes in their handling of invoices, including adhering to certain key internal controls. This finding is consistent with the Auditor General Report on the Province's 2024 Financial Statement Audits, which found deficiencies in the health authority's internal processes for recording invoices. There was an absence of standardized processes, and we found invoice approval procedures varied widely among the regions.

When agency nursing contracts began with Agency A in 2022, none of the regions had a consistent agency invoice verification and approval process. We found invoice verification and approval processes were done manually for all regions and some regions had more robust manual processes than others. Invoice verification and payment approval practices varied. The Eastern region had standardized processes in place, that included separate verifiers and approvers. In the Central and Labrador-Grenfell regions only the approver signed off, with no separate assessment by a verifier. In the Western region, although there was a verifier, there was no sign-off to document that verification was complete. As a result of these inconsistent processes, **we found only 26 of the 84 invoices we examined (31 per cent) had separate verification and approval sign-offs.**

Invoice Verification

We found various issues with the invoice verification process. **Verifiers were not always properly prepared for their role. For example, a verifier from the Central region indicated that no training was provided regarding how invoices should be verified. Verifiers from both the Central and Western regions indicated they had signed off on invoices without having seen the contract.**

Failure to provide verifiers with contracts was noteworthy, given that the Central region had been warned about the importance of understanding contractual terms. Before signing the province's first contract with Agency A in April of 2022, one of the references for the agency provided feedback that the Central region "*should have a clear understanding of their fee schedule and review invoices carefully. There were sometimes mistakes*."

There were also apparent differences in how thoroughly the manual invoices were verified. A verifier in the Western region indicated an invoice verification could take two to three weeks, while a verifier in the Central region indicated that it took 20 to 40 minutes.

When invoices pertain to large contracts and the verification process is manual, it is good practice to have a checklist or information sheet to ensure compliance, and to include reconciliations of the backup to the invoiced amounts for support. **We found 45 of the 84 invoices we tested (54 per cent) were missing evidence of verification.**

Invoice Compliance with Agency Contracts

We found most of the invoices we examined were inaccurate or lacked necessary backup. Of the 84 invoices we sampled, 65 (77 per cent) had contract compliance issues, yet 83 (99 per cent) were paid in full. These issues involved various types of expenses, including hourly billing and reimbursable expenses such as travel, accommodations, and per diems for meals and incidentals.

In total, we identified almost $4 million worth of payments that were made for ineligible expenses, or for invoices for which the health authority was unable to provide supporting documentation, as shown in Table 3. Each of these categories of issues is discussed in the sections that follow. **It should be noted that this total covered only the invoices we sampled - approximately seven per cent of agency nursing invoices paid between January 2022 and June 2024 ($10.0 million of $147.5 million).**

Table 3: Possible Overpayments Found in 7% Sample

Invoices with Errors or No Supporting Documentation		
Expense	**Invoice Errors**	**Total**
Hourly Billing	Regular timesheets not provided by NLHS to support invoice payment	$3,285,391
Electric Vehicles	No nurse identified as renter	$ 227,622
Reimbursable Expenses	Invoices for reimbursable expenses missing all supporting documentation	$186,345
Electric Vehicles	Nurse identified as renter was not in the province	$91,529
Hourly Billing	Regular hours on invoice exceeded hours on timesheet	$48,570
Reimbursable Expenses	Non-compliant expenses reimbursed	$43,698
Per Diem Allowances	HST charged inappropriately on per diem allowances for meals and incidentals	$35,634
Hourly Billing	Invoiced hourly rate not compliant with contract terms	$19,284
Hourly Billing	Overtime hours billed but not worked	$11,308
Electric Vehicles	Nurse identified as renter was not in the province for part of rental period	$8,372
Hourly Billing	Overtime timesheets not provided by NLHS to support invoice payment	$8,011
Reimbursable Expenses	Invoiced amount for reimbursable expenses in excess of receipt	$6,660
	Total Identified 2022-2024	**$3,972,424**
Invoices with Ambiguous Contract Terms or Insufficient Support		
Per Diem Allowances	Per diems paid for days not worked	$138,608
Reimbursable Expenses	Supporting documentation was insufficient	$4,250
	Total Identified 2022-2024	**$142,858**
	Total for Potential Recovery	**$ 4,115,282**

Source: Prepared by the Office of the Auditor General based on information provided by Newfoundland and Labrador Health Services

Hourly Billing

Of the 84 invoices we reviewed, 65 invoices included hourly billing. We found Newfoundland and Labrador Health Services was unable to provide complete timesheets for 35 of these (54 per cent). Across these 35 invoices, $3.3 million was approved for payment without supporting timesheets.

Furthermore, across these 65 invoices, **36 invoices billed for overtime, four of which (11 per cent) could not be verified due to missing timesheets, for a total value of $8,011.** Similarly, six of 65 invoices (nine per cent) did not indicate the type of nurse, making it impossible to verify whether the rate charged was correct.

In addition to issues with supporting documentation, we found nursing agencies overcharged for services on 24 of the 65 invoices that included hourly billing (37 per cent). For example:

- **For 20 of the 65 invoices (31 per cent), hours did not match the timesheets provided, worth $48,570; and**
- **For eight of the 65 invoices (12 per cent), hourly rates did not comply with contracts, worth $19,284.**

Moreover, we found one instance of an agency being paid a higher rate for overtime, under a contract which did not allow for higher overtime rates. In this case, the agency had previously signed a contract in November 2022 which specified separate regular and overtime rates. When the contract was renewed one year later, blended hourly rates were used to cover both regular and overtime hours. In one of the invoices we reviewed from after the contract renewal, **the agency was inappropriately paid an extra $11,308 for overtime.**

Supporting Documentation

We found supporting documentation provided by Newfoundland and Labrador Health Services for reimbursable expenses was often inadequate. Of the 84 invoices we sampled, 62 invoices included reimbursable expenses with 46 (74 per cent) having inadequate documentation. For example, we found five invoices for which the health authority was not able to provide any supporting documentation, for a total expenditure of $186,345. Other examples of inadequate documentation included:

- A Microsoft Word file was provided as a receipt for a $4,000 monthly accommodation rental without a signature from the landlord;
- An email screenshot between two Agency A employees was provided as support for an Airbnb expense of $250. No nurse's name, no receipt, no rental property name, and no address were indicated; and
- A "stipend" of $20,000 ($50/day x 400 days) was paid in December 2023. After we enquired what this bill was for on February 29, 2025, Newfoundland and Labrador Health Services indicated it was "the result of a keying error," and a refund had been received from the agency on March 17, 2025.

We found nine of 62 invoices (15 per cent) were approved for payment despite expense receipts that did not match the amounts claimed. For example, in one instance, an amount of $2,812 was submitted and paid, based on a receipt for car air fresheners, odor remover, and laundry detergent for $28.12, resulting in an overpayment of $2,784. In another instance, $950 was reimbursed for a flight, based on a receipt which indicated the flight had been cancelled, and the charge refunded. When we enquired about the transaction, Newfoundland and Labrador Health Services indicated that it was "*unsure why this occurred; it may have been an error*."

Per Diem Allowances for Meals and Incidentals

The provincial government allows employees to claim allowances for meals and incidentals at rates prescribed for in-province travel, out-of-province travel, and international travel. Most of the agency nursing contracts signed between January 1, 2022, and June 30, 2024 included similar allowances.

Of the 84 invoices we reviewed, 57 invoices included per diems. **We found 25 of these 57 invoices (44 per cent) were not compliant with contract terms. Differences were particularly prevalent for Agency A, which was inappropriately paid for per diems on 22 of the 26 invoices (85 per cent) we sampled on which they were included.** By comparison, across other agencies, we noted issues with per diems on three of 31 invoices (10 per cent).

There were a range of issues for Agency A per diems. **We found $35,634 in Harmonized Sales Tax was inappropriately charged and paid on per diems, across 21 of the 26 Agency A invoices on which they were included (81 per cent). The error was identified by Newfoundland and Labrador Health Services during a random audit of Agency A invoices, but the authority decided not to request a full audit to recover inappropriate charges.**

In addition to per diems that were non-compliant, we found Agency A was frequently paid for questionable extra per diem expenses based on ambiguous contract language. For example, on 23 of 26 invoices, per diems were paid for days on which no shifts were scheduled for a total of $138,608. In one instance 243 of these extra person days were included on a single invoice, totalling $18,658 in incremental costs. While contracts were unclear on whether this was permissible, very few cases were noted in our samples from other agencies.

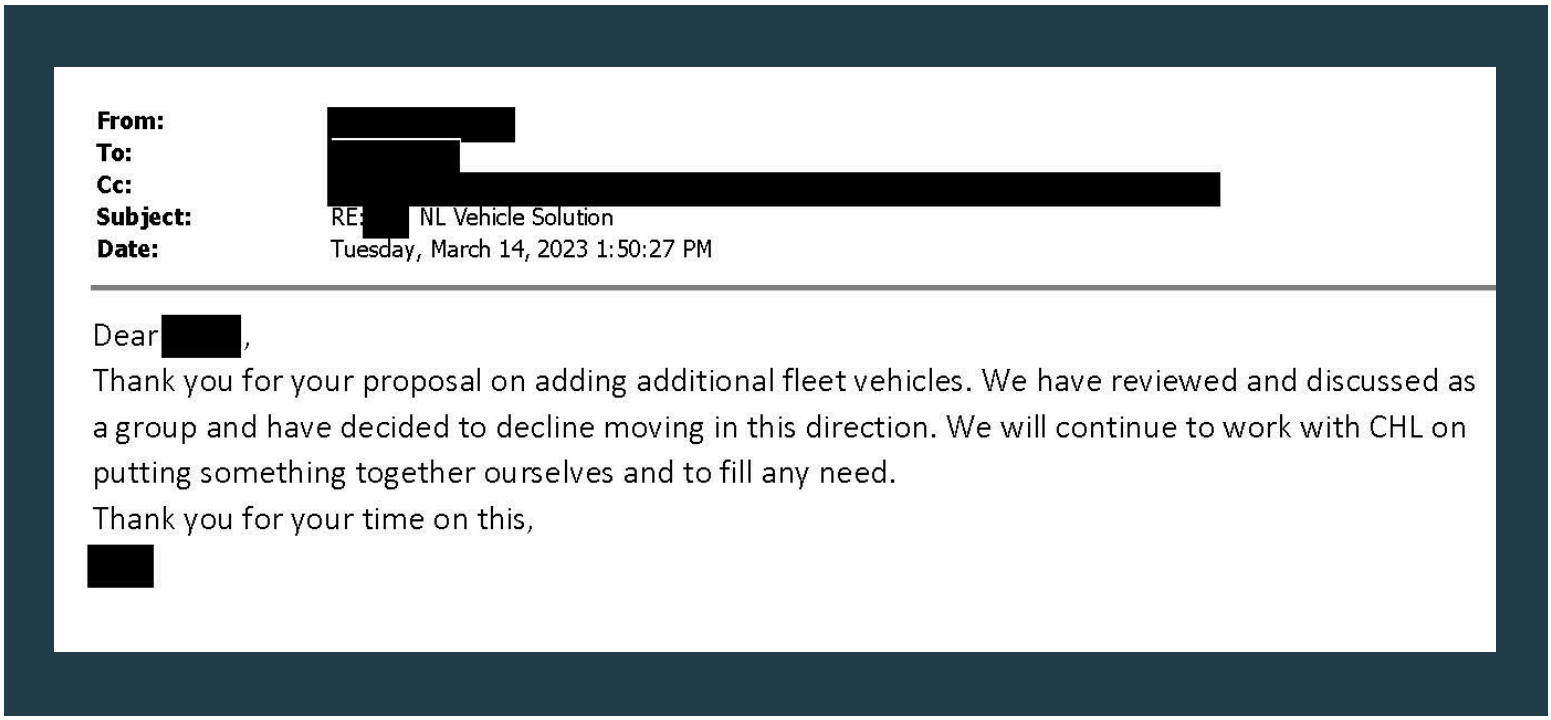
Similarly, **we found Agency A charged higher 'out-of-province' rates on eight of the 26 invoices with per diems. Again, contracts were not clear about whether out-of-province rates were permissible for nurses from other provinces on assignment in Newfoundland and Labrador, but agencies other than Agency A generally did not use out-of-province rates.**

As previously noted, we found issues in three of the 31 per diem invoices (10 per cent) for agencies other than Agency A. One of these lacked supporting documentation, one charged an extra per diem, and one charged a per diem not covered under the contract.

Electric Vehicle Rentals

We found widespread issues with payments made to Agency A for electric vehicle rentals. Agency A began billing for electric vehicle rentals from a company with which it was affiliated in July 2022. In March 2023, it made a presentation to the Central region, proposing to formalize these vehicle rentals, at a cost of $150 daily. The proposal was rejected by the Central region (see Figure 3). **Despite the rejection, Agency A continued to supply its nurses with electric vehicles, as proposed. Rental charges for these vehicles were invoiced to and paid by the Central region** (see Figure 4). The number of vehicles invoiced increased over time, escalating from one vehicle per week in March 2023 to as many as 11 vehicles per week by September 2023, at a cost of up to $195.50 per day. **In total, Agency A submitted 60 invoices and was paid $546,657 for electric vehicle rentals.**

Figure 3: Rejection of Agency A Electric Vehicle Proposal



From: [redacted]
To: [redacted]
Cc: [redacted]
Subject: RE: [redacted] NL Vehicle Solution
Date: Tuesday, March 14, 2023 1:50:27 PM

Dear [redacted],

Thank you for your proposal on adding additional fleet vehicles. We have reviewed and discussed as a group and have decided to decline moving in this direction. We will continue to work with CHL on putting something together ourselves and to fill any need.

Thank you for your time on this,

[redacted]

Source: Provided by Newfoundland and Labrador Health Services.

Figure 4: Agency A Electric Vehicle Invoice

[redacted]

INVOICE

BILL TO
Central Regional Integrated Health Authority
[redacted]

INVOICE [redacted]
DATE 19/10/2023
TERMS Net 15
DUE DATE 03/11/2023

DATE	DESCRIPTION	QTY	RATE	AMOUNT
23/07/2023	[redacted] - EV Rental Mileage EV#1 - July 17-23, 2023			1,021.65
23/07/2023	[redacted] - EV Rental Mileage EV#4 - July 17-23, 2023			1,050.84
23/07/2023	[redacted] - EV Rental Charging Fees - July 17-23, 2023			420.00
23/07/2023	[redacted] - EV Daily Rental EV#53 - [redacted] - July 17-23, 2023			1,127.00
23/07/2023	[redacted] - EV Daily Rental EV#54 - [redacted] - July 17-23, 2023			1,127.00
23/07/2023	[redacted] - EV Daily Rental EV#80 - [redacted] - July 17-23, 2023			1,127.00
23/07/2023	[redacted] - EV Daily Rental EV#81 - [redacted] - July 17-23, 2023			1,127.00
23/07/2023	[redacted] - EV Daily Rental EV#82 - [redacted] - July 17-23, 2023			1,127.00
23/07/2023	[redacted] - EV Daily Rental EV#89 - [redacted] - July 17-23, 2023			1,127.00
23/07/2023	[redacted] - EV Daily Rental EV#90 - [redacted] - July 17-23, 2023			1,127.00

Source: Provided by Newfoundland and Labrador Health Services.

We found strong indications of potential billing fraud by Agency A for electric vehicle rentals. In total, Agency A invoiced and was paid $91,529 for 81 weeks of electric vehicle rentals for nurses that were not in the province. A further $8,372 was paid for seven weeks in which the nurse was in the province for only part of the rental period.

Moreover, we found $227,622 was paid to Agency A for electric vehicle rentals without any indication of who was supposedly using the vehicle. In summary, $327,522 was paid for the rental of electric vehicles to nurses who did not appear to have the vehicle, or where usage by a nurse could not be verified. This amount represents 60 per cent of the total paid to Agency A for electric vehicle rentals.

We found little evidence that health authorities verified that the electric vehicles were in use by a nurse, or even that the electric vehicles existed.

Finally, we found the Central region appeared to have limited awareness of electric vehicle rentals from Agency A. When we enquired about the agency proceeding to bill for electric vehicle rentals after their proposal to do so had been rejected, an official from the Central region indicated that no Agency A electric vehicles were utilized and that any electric vehicles rented would have been provided by local car rental agencies.

Other Vehicle Rentals, Accommodations, & Travel

The 15 agency nurse contracts signed with health authorities between January 2022 and June 2024 did not generally include dollar limits on travel or accommodation expenses, but often required the agency to use an economical option. However, **we found nursing agencies often did not use an economical option. For example, we found a charge of $10,212 for a 48-night hotel stay in Gander, which equated to over $6,300 per month, and another for $5,467 for a one-month stay in a one bedroom suite near Corner Brook.** Given the continuous nature of agency nurse presence in Gander and Corner Brook, apartment leases would likely have been a more economical approach. Documentation provided by the former CEO of Newfoundland and Labrador Health Services indicated that rental rates for accommodations procured by Newfoundland and Labrador Health Services are “typically based at a rate of $1,500 per month (utilities and snow clearing included) for a 1 bed unit.”

We found examples of accommodation reimbursements that violated contractual terms for what was reimbursable. For example, $689 was reimbursed to Agency A for two nights in a Winnipeg hotel on December 28 and 29 of 2022, for the spouse of a nurse who was working for the Central region. Timesheets indicated the nurse worked shifts in Newfoundland and Labrador on December 26, 28, and 29. The applicable contract did not cover travel costs for the family members of nurses. When asked about the transaction, Newfoundland and Labrador Health Services indicated that it was “unsure why this occurred and was unable to locate any further details about this expense.”

We also found six instances of invoices for cleaning services for rental accommodations. These services were not explicitly covered under the applicable contract. In another instance, a security deposit of $1,000 was paid for a nurse’s accommodations, for which Newfoundland and Labrador Health Services had no record of receiving a refund after the individual moved out.

Similarly, vehicle expenses were not always compliant with contract terms. For example, the contracts signed with Agency A by the Central and Western regions in 2022 did not provide for the reimbursement of gasoline. In practice, **we found gasoline was reimbursed on 34 of the 41 Agency A invoices we sampled across the Central and Western regions.** We also noted an instance of a nurse who was reimbursed for both mileage ($243) and gasoline ($185) during a three-day U-Haul rental.

Other Non-Reimbursable Expenses

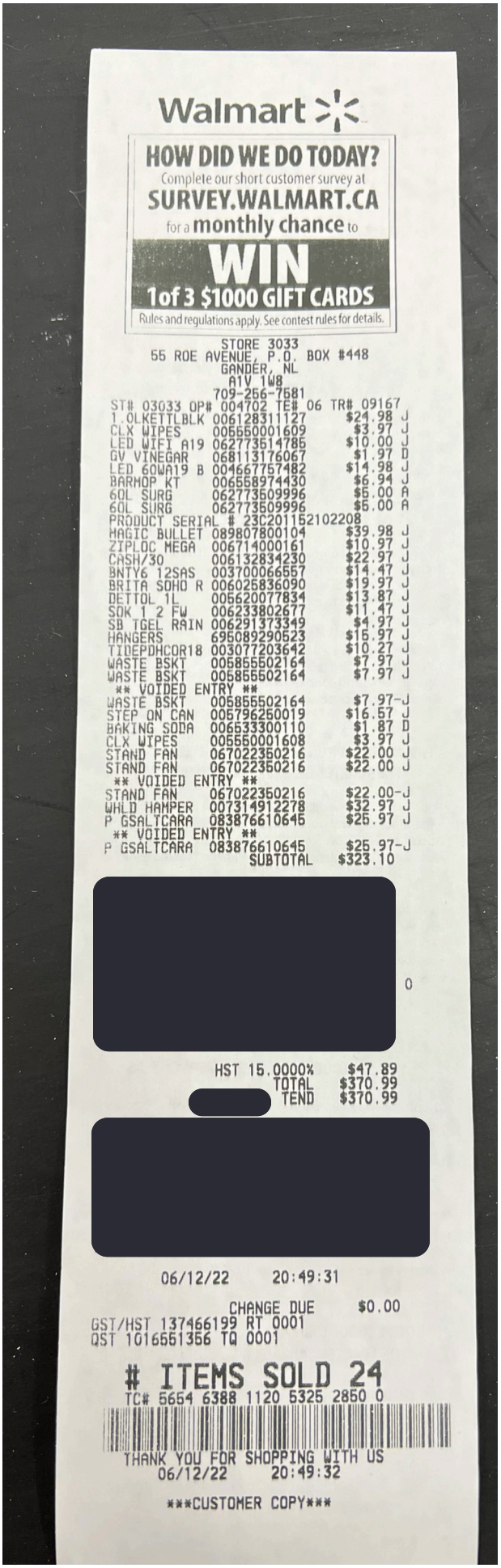
We found Agency A was frequently reimbursed for non-reimbursable expenses. Of the 62 invoices we examined for which expenses were reimbursed, all 23 that included contractually non-compliant items were submitted by Agency A. In total, 61 per cent of the Agency A invoices for expense reimbursement that we examined included ineligible items, while none of the 24 similar invoices from other agencies included such items.

It should be noted that the Agency A's contracts specified what types of reimbursable expenses were permissible-mileage, per diem allowances for meals and incidentals, airfare, accommodations, vehicle rentals, pre-deployment costs, and in some cases, furniture rentals. The contracts included clauses indicating that no further benefits were to be paid. We found many of the items reimbursed to be non-compliant (i.e. not covered under accommodations, per diems for meals, or other permissible types of expenses), including the items outlined in Table 4.

Table 4
Non-compliant Expenses Reimbursed to Agency A

Vacuum	Microwave
Coffee maker	Milk frother
Food processor	Fan
Air fryer	Kettle
Toaster oven	Bathroom scale
Rice cooker	Electric skillet
Slow cooker	Night light
Blender	Water filter
Vinegar	Car wash
Garlic salt	Bin liners
Storage bins	Recycling bags
Shampoo	Air freshener
Laundry bags	Garbage pails
Sandwich bags	Laundry pods
Fabric softener	Stain remover
Baking soda	Tool set

Source: Provided by Newfoundland and Labrador Health Services.



What We Recommend

Newfoundland and Labrador Health Services should:

5. Ensure that a comprehensive invoice approval process is documented, communicated and used consistently across the organization.
6. Ensure that the invoice verification and invoice approval duties are segregated and that verifiers and approvers sign and date all invoices when their tasks are completed.
7. Complete an immediate comprehensive audit of all amounts paid to Agency A from April 2022 to present, to recover public funds paid in error.

Why It Matters

Public sector organizations need to oversee invoice payments carefully. Management must hold vendors accountable to the terms and intent of contracts. Controls are essential to prevent inappropriate or fraudulent billing, and to recover funds paid inappropriately. Invoice verification and review processes help ensure contractual terms and public policy are respected. In the absence of standardized rigorous procedures that utilize well documented evidence, there is a risk public funds will be mismanaged or wasted, or that fraudulent vendor billing will go undetected.

Findings - Planning and Oversight

Objective 3

To determine whether agency nursing services are planned and delivered effectively.

Criteria 1

Newfoundland and Labrador Health Services plans for the use of nursing agencies.

What We Expected

Agency nursing services represent a significant cost to the provincial taxpayer when compared to employees. We expected Newfoundland and Labrador Health Services to have robust processes to evaluate and understand its agency nursing requirements, including reliable forecasts of areas with critical nursing vacancies. We further expected the authority to have a detailed plan to decrease its reliance on agency nurses over time, with time-bound spending reduction targets.

We expected appropriate oversight of agency nursing services and related expenses by Newfoundland and Labrador Health Services, including processes to ensure that permanent, temporary, and casual nursing employees were consistently utilized as a preferred alternative to agency nurses. We expected assurance that ethical standards were known and upheld. We expected the authority and its employees to understand and comply with the Conflict of Interest Act, in the procurement and payment of any expenses, including agency nursing services.

What We Learned

Planning for Vacancies and Headcount

We found Newfoundland and Labrador Health Services did not forecast or set targets for nursing vacancy levels. When asked whether targets were set for the reduction of nursing vacancies, they indicated only that they aimed "*to fill vacancies at 100%.*"

Similarly, **we found Newfoundland and Labrador Health Services did not set targets for attrition, and did not routinely track or report attrition levels.** The most recent forecast and analysis of potential retirements was completed by the Eastern region in May 2022.

We also found Newfoundland and Labrador Health Services tracked actual recruitment in both regularly scheduled and ad hoc reporting, but did not set or report against recruitment targets. Moreover, the authority did not forecast future staffing requirements.

These findings were consistent with those of the Auditor General Report on the Province's 2024 Financial Statement Audits, which concluded that Newfoundland and Labrador Health Services' recruitment initiative monitoring was not performed effectively and recommended the prioritization of better monitoring.

Planning for Agency Nurse Requirements

We found the health authorities did not routinely conduct a thorough needs assessment before engaging nursing agencies. Between January 2022 and December 2024, a formal needs assessment was performed for only two of the 15 contracts signed.

The only formal needs assessments completed were for the first two Agency A contracts - once by the Central region (prior to initial signing in April 2022), and once by the Western region (prior to initial signing in June 2022). However, **both contracts committed to mandatory virtual administrative resources that were not identified in needs assessments. The total contractual cost of these resources was up to $5.65 million annually in the Central region, and up to $4.5 million over an eight-month period in the Western region.**

We found the failure to assess needs was observed despite increased spending. Provincial agency nursing expenditures grew from $19.6 million in the 2022 calendar year to $137.1 million in 2024, an increase of almost 600 per cent, with no needs assessment completed to analyze requirements after 2022. We also found the needs assessment process did not improve following the amalgamation of the regional health authorities. **Newfoundland and Labrador Health Services did not complete formal needs assessments prior to any of the six agency nurse contracts that were signed after amalgamation**.

Planning for Casual Nurse Utilization

We found casual nurses were not always utilized in departments for which they were qualified, potentially increasing reliance on agency nurses. The collective agreement with the Registered Nurses' Union of Newfoundland and Labrador defines expectations for casual nurses. As of December 31, 2024, the Central and Western regions had begun to designate casual nurses with an "obligated" status more frequently, limiting them to specific units, even when shifts were available in other units.

We also found the health authorities did not always utilize available casual nurses. The Government of Canada requires employers to issue a record of employment upon request, when an employee has had or is anticipated to have seven consecutive calendar days without work. We reviewed records of employment issued to nurses by the health authorities between January 2022 and December 2024 and **we noted 72 instances of casual nurses being issued a record of employment for a shortage of work, following an average period of 16 days during which they were available for work, but not assigned shifts. Meanwhile, the health authorities consistently reported vacant nurse positions across all four regions, despite the failure to utilize these available casual nurses,** as illustrated in Table 5.

Table 5
Records of Employment (ROEs) issued to Nurses for Shortages of Work
January 2022 to December 2024

Region	ROEs Issued for Shortage of Work	Average Registered Nursing Vacancies
Eastern	26	310
Central	15	108
Western	7	85
Labrador-Grenfell	24	94
Total	**72**	**597**

Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services, unaudited.

We found 37 grievances were submitted by nurses or groups of nurses between January 2022 and December 2024, alleging that shifts were offered to agency nurses while employed casual nurses were available for work. All 37 of these grievances were ongoing at the end of our audit period.

Planning for Agency Nurse Accommodations

We found conflict of interest violations in the rental of accommodations for agency nurses, shortcomings in applicable policies and procedures, and issues with related responses from Newfoundland and Labrador Health Services.

Conflict of Interest Violations

We found 49 Newfoundland and Labrador Health Services employees entered into 53 leases for the accommodation of health professionals, including agency nurses, in violation of conflict of interest legislation. Newfoundland and Labrador Health Services indicated these landlords approached the authority offering properties for rent, following information about nursing gaps and related accommodations being reported in the media. **Landlords who proposed properties were put on a list that was maintained by Newfoundland and Labrador Health Services. The authority selected properties from the list on a first come, first served basis, rather than applying criteria, such as the lowest cost.**

Section 8(1) of the Conflict of Interest Act states "*A public office holder shall not knowingly, directly or indirectly, be a party to a contract with the department or agency of the Crown with which he or she is employed under which the public money of the province is paid and under which the public office holder receives a benefit.*" We found 53 instances of employees providing rental accommodations to health care professionals, including agency nurses, in direct violation of the Act. **In total, almost $1.9 million in rent was paid to these employees by the health authorities between 2022 and 2024.**

We found all 49 employees who provided accommodations also violated legislation requiring disclosure of the conflict of interest. Section 13(1) of the Conflict of Interest Act requires a public office holder "*who has reasonable grounds to believe that he or she would be furthering a private interest, other than an excluded private interest, shall disclose in writing the nature of the conflict of interest to his or her deputy minister or the chief operating officer responsible for that public office holder's department or agency and shall remove himself or herself from the position of conflict of interest*." None of the 49 employees made such a disclosure prior to Newfoundland and Labrador Health Services' investigation into the issue.

We found that the employees who provided these properties to Newfoundland and Labrador Health Services charged well above market rates. The authority provided us with the monthly rental rates paid for 42 of the properties that were provided in violation of the Conflict of Interest Act. **Of these, 41 (98 per cent) charged above market rates, as provided by the Canada Mortgage and Housing Corporation. On average, a 90 per cent premium was charged for these properties, as compared to average market rates.** While it was noted that the properties rented by Newfoundland and Labrador Health Services were fully furnished, and the Canadian Mortgage and Housing Corporation makes no mention of whether properties in its averages are furnished, furnishings would not be expected to account for a 90 per cent premium in rental rates.

We also noted that the street addresses of 21 of the 42 properties (50 per cent) included a civic number suffix (e.g. the "A" in 123A Main Street), indicating multiple residences within the building, and that the property was not a detached residence for which higher rental rates might be expected.

Table 6
Monthly Rental Rates Paid to NLHS Employees 2022- 2024

Location	Monthly Rent Paid by NLHS	Market Average Rent As at October 2024	Above Market	Premium Paid
St. John's	$2,000		Yes	
St. John's	$1,900		Yes	
St. John's	$1,600		Yes	
St. John's Average	**$1,833**	**$1,133**		**62%**
Grand Falls-Windsor [1]	$2,600		Yes	
Grand Falls-Windsor [4]	$2,100		Yes	
Grand Falls-Windsor [4]	$2,100		Yes	
Grand Falls-Windsor [4]	$2,100		Yes	
Grand Falls-Windsor	$2,000		Yes	
Grand Falls-Windsor [4]	$2,000		Yes	
Grand Falls-Windsor [1, 4]	$1,700		Yes	
Grand Falls-Windsor [4]	$1,500		Yes	
Grand Falls-Windsor [4]	$1,500		Yes	
Grand Falls-Windsor [4]	$1,300		Yes	
Grand Falls-Windsor Average	**$1,890**	**$802**		**136%**
Mount Moriah	$3,000		Yes	
Corner Brook	$3,000		Yes	
Massey Drive [4]	$2,700		Yes	
Corner Brook	$2,700		Yes	
Corner Brook [4]	$1,700		Yes	
Corner Brook	$1,600		Yes	
Corner Brook	$1,500		Yes	
Corner Brook	$1,300		Yes	
Corner Brook Area Average	**$2,188**	**$880**		**149%**
Gander [2]	$2,600		Yes	
Gander	$2,600		Yes	
Gander	$2,500		Yes	
Gander [2,4]	$2,100		Yes	
Gander [4]	$2,100		Yes	
Gander [5]	$2,000		Yes	
Gander [4]	$2,000		Yes	
Gander [4]	$1,500		Yes	
Gander [4]	$1,500		Yes	
Gander [4]	$1,500		Yes	
Gander Average	**$2,040**	**$948**		**115%**

Location	Monthly Rent Paid by NLHS	Market Average Rent As at October 2024	Above Market	Premium Paid
Clarenville	$2,900		Yes	
Clarenville	$2,600		Yes	
Springdale	$2,500		Yes	
Stephenville	$2,500		**Yes**	
Carbonear	$2,200		Yes	
St. Lawrence	$2,100		Yes	
Bonavista	$1,600		Yes	
Salt Pond [4]	$1,500		Yes	
Bell Island [3, 4]	$1,500		Yes	
Clarenville [4]	$1,500		Yes	
Bell Island [3]	$800		No	
Provincial Average	**$2,000**	**$1,050**		**90%**

Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services and the Canada Mortgage and Housing Corporation.
1-3. Two properties owned by one employee.
4. Property address contained a civic number suffix (e.g. 123A Main Street).

We found a director involved in the recruitment of agency nurses was paid $53,075 between April 2022 and September 2024 through accommodation rental. Upon review by Newfoundland and Labrador Health Services, this lease was terminated due to the director's conflict of interest. While this lease was not formally disclosed as required, or evaluated for exemption prior to being signed, we found it had been approved by a former vice president in the Central region.

Similarly, we found one case of a lease that was terminated because the property owner managed a unit of travel nurses. They were paid $21,000 under that lease.

We found a former member of Newfoundland and Labrador Health Services' Board of Trustees violated the Conflict of Interest Act by providing rental accommodations while serving on the Board. This individual began serving as a member of the Board in April 2023 and entered into a lease of their property with Newfoundland and Labrador Health Services in September 2023, which continued until August 2024. The lessor did not self-report a potential conflict of interest until February 22, 2024, which was six days after the release of a Globe and Mail article about travel nurse usage in Newfoundland and Labrador.

Finally, it is worth noting that **Newfoundland and Labrador Health Services did not identify or act on any of these instances of conflict of interest before the issue was raised externally. It was not until a letter was received by the Minister of Health and Community Services in March 2024 from the Registered Nurses' Union that an investigation or any action was undertaken.**

Conflict of Interest Policies and Procedures

We found there were shortcomings with conflict of interest policies and procedures, that may have enabled conflicts to remain undetected. For example, neither Newfoundland and Labrador Health Services nor the legacy health authorities required employees to sign a Code of Conduct or Conflict of Interest agreement during onboarding, or on an annual basis. Newfoundland and Labrador Health Services required employees to sign an Oath of Confidentiality upon hiring and regularly thereafter, but no such process existed with respect to conflict of interest or expected codes of conduct.

Moreover, there was no annual process for employees to recertify that they were not in conflict. **We also found there was no process for employees to receive conflict of interest training.**

With respect to the leasing process, **we found Newfoundland and Labrador Health Services did not inquire about or identify potential conflicts of interest while evaluating properties for possible rental, or when signing agreements with lessors.**

Conflict of Interest Response

We found, following the identification of violations of the Conflict of Interest Act by lessors, Newfoundland and Labrador Health Services' response often did not resolve the conflicts of interest appropriately. As of December 31, 2024, there were still 16 rental arrangements in place that had been entered into in violation of the Conflict of Interest Act, in that they had not gone through public bidding. Of these, 13 (81 per cent) were retroactively approved for a conflict of interest exemption by Newfoundland and Labrador Health Services. The remaining three (19 per cent) were excused by Newfoundland and Labrador Health Services on the basis of having been negotiated after a public tender failed to yield results. The Act permits an exemption only where the contract is awarded by public tender.

More generally, **we found retroactive conflict of interest exemptions were issued by Newfoundland and Labrador Health Services for 41 of the 53 conflicts of interest,** some of which subsequently had their leases terminated, were sold by the employee, or were renewed through the requests for supplier qualification processes which qualifies for conflict of interest exemption under the Act. In conducting its investigation of potential conflicts of interest, Newfoundland and Labrador Health Services sent letters to lessors, requesting a written response. Of these lessors, 10 failed to respond to the request, but nine were granted retroactive exemptions anyway.

In attempting to resolve their conflicts of interest, we noted that the Chief Executive Officer of Newfoundland and Labrador Health Services sent a letter to the Public Service Commission's Conflict of Interest Advisory Committee in November 2024, requesting guidance around the request for supplier qualification process. As of the end of our audit scope period, a response had not been received from the committee.

Employee Management

We found Newfoundland and Labrador Health Services did not hold employees accountable for violations of conflict of interest legislation, or demonstrate concern that legislation had been violated. The authority publicly indicated "there were a number of places where we felt there was a contravention of the Act." **However, we found no employees were disciplined for their violation of the Act**. Rather, a Newfoundland and Labrador Health Services' vice president responsible for human resources indicated "we understand that mistakes happen."

Public Disclosure

We found public disclosure from Newfoundland and Labrador Health Services about conflict of interest was misleading. In a press release on November 18, 2024, the authority indicated that all but six of the leases identified as possibly being in contravention of the Conflict of Interest Act had been terminated. In actual fact, 35 employees continued to provide accommodations as of December 31, 2024. While 19 of these were the result of leases subsequently being reissued under a public bidding process that was compliant with the Act, in substance, it is misleading to indicate that these leases were terminated.

Planning for Agency Nursing Reduction

We found Newfoundland and Labrador Health Services developed a plan to reduce the use of agency nurses, but it lacked detail regarding how targets would be achieved. The authority published a high-level plan in April 2024, with agency nursing targets and implementation timelines. Targets in the plan are outlined in Table 7 below.

Table 7
Agency Nurse Headcount Reduction Targets
As at April 2024

	Quarter Ended				Total by March 2025
Region	June 2024	September 2024	December 2024	March 2025	
Western	45%	-5%	-10%	-10%	20%
Central	-	-10%	-10%	-10%	-30%
Labrador-Grenfell	-	-	-5%	-5%	-10%
Eastern Rural	-10%	-	-5%	-5%	-20%
Eastern Urban	-5%	-	-	-	-5%
Overall Headcount Reduction Target for March 2025					-30%

Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services.

We found the plan was not detailed, and the targets in the plan were predominantly for headcount reduction. In our opinion, the headcount reduction target in the plan implied a reduction in spending.

We found the plan used an historically high headcount of 373 agency nurses from February 2024 as a baseline for reduction targets. Reductions from this high point would be more achievable than reductions from any other point of comparison, such as the 12-month average. We also noted the plan proposed a 45 per cent increase in agency nurse headcount by June 30, 2024 in the Western region. This was the result of transitional requirements, following the opening of a new hospital in Corner Brook. Historically, agency nurses would not have been used in this sort of situation.

We found, as designed, it could be challenging for the plan to achieve its overall target of a 30 per cent headcount reduction by March 31, 2025, given that a 30 per cent reduction was proposed for only one region. Overperformance against targets within the regions would be necessary to realize an overall reduction of 30 per cent.

We found the plan extended only up to March 31, 2025, despite Newfoundland and Labrador Health Services communicating targets beyond that date. The authority publicly stated its intention to reduce agency nursing headcount to 60 by April 2026, without a plan for the significant progress that would be required. Based on the 30 per cent reduction target for March 31, 2025, 261 agency nurses would be expected by that date. **To reach its April 2026 target of 60 nurses, over 200 more agency nurses would need to be eliminated in a year, which is a further reduction of 77 per cent.**

Further to this, in response to questions about agency nurse spending and timelines in March 2025, **Newfoundland and Labrador Health Services gave reason to doubt the April targets it had communicated, indicating a new task force had been implemented, and, as a result of its ongoing work, they were "*currently unable to provide estimated targets or timelines*" for reductions.**

Operational Planning in the Regions

In July 2024, subsequent to the April 2024 publication of Newfoundland and Labrador's overall agency reduction plan, operational plans were completed for the Central and Western regions. **We reviewed these plans, and found they included only general approaches to recruitment, retention, and planning.** The planned actions documented were vague, including items such as "*help managers manage difficult people*," "*talk to staff about how we can make long-term care units better places to work*", and "*create a space for managers to have conversations with a focus on staff relationships*." **These operational plans included no targets, benchmarks, or timelines, and no detail about where, when, or how agency nursing reductions would be made.**

We also found operational plans had not been completed for the Eastern or Labrador-Grenfell regions as of December 31, 2024.

What We Recommend

Newfoundland and Labrador Health Services should:

8. Develop comprehensive nurse staffing plans, with regular reporting that enables management to perform effective evaluation.
9. Develop policies and processes to ensure that casual nurses are utilized as a possible alternative to contracted nursing services.
10. Ensure that all employees are aware of their roles and responsibilities under conflict of interest legislation, with processes to ensure compliance occurring on an annual basis.
11. Ensure that conflict of interest screening occurs when assessing potential contractual relationships, such as with property lessors.
12. Rectify any current accommodations that were not acquired through an open, public, and transparent procurement process, in compliance with the Public Procurement Act and the Conflict of Interest Act.

Why It Matters

The cost of agency nursing services rose by almost 600 per cent between 2022 and 2024. As such, it is essential for Newfoundland and Labrador Health Services to carefully prepare for agency nursing usage, with informed expectations of the services that will be required in the future, and a credible plan to reduce reliance on nursing agencies moving forward. Specific, time-bound spending reduction targets would enable management to recognize when corrective action is necessary, and to act accordingly.

All public organizations and public office holders need to understand and comply with the Conflict of Interest Act. Conflict of interest processes exist for a reason. Without focus on employee adherence, there is an increased risk that violations will go undetected or unaddressed. Failure to address violations appropriately can contribute to an unethical culture and erode public confidence in management oversight.

Findings - Performance on Planning Objectives

Objective 3 To determine whether agency nursing services are planned and delivered effectively.

Criteria 2 Newfoundland and Labrador Health Services' use of nursing agencies meets planning objectives.

What We Expected

We expected Newfoundland and Labrador Health Services to manage agency nurse spending, ensuring costs were evaluated against budget, forecast, prior year, and its agency reduction plan. We expected variances from expectations would be thoroughly analyzed, with root causes well understood and clearly communicated to senior management and the Board of Trustees.

Most importantly, we expected Newfoundland and Labrador Health Services to reduce agency nurse spending. We expected to see credible progress towards spending reduction targets, and transparent public disclosure to communicate status.

What We Learned

Agency Nursing Reduction Effort

Headcount

Newfoundland and Labrador Health Services reported the use of 237 agency nurses in March 2025, representing approximately five per cent of its total nursing workforce at the time. With 356 nursing vacancies reported at March 2025, the 237 agency nurses represented two thirds of the total positions that would otherwise have been unfilled. For context, 304 agency nurses were in use in December of 2023, at which time there were 617 reported nursing vacancies.

We found Newfoundland and Labrador Health Services achieved its overall agency nurse headcount targets for March 2025. However, we found success was the result of an inability of agencies to provide the number of nurses requested, as illustrated in Figure 5.

Figure 5
Agency Nurse Headcounts
As at March 2025

Total		
Target	**Actual**	**Variance**
261	264 Requested	1%
	237 Supplied	-9%

Eastern Region		
Target	**Actual**	**Variance**
77	46 Requested	-40%
	39 Supplied	-49%

Central Region		
Target	**Actual**	**Variance**
116	100 Requested	-14%
	91 Supplied	-21%

Western Region		
Target	**Actual**	**Variance**
81	88 Requested	8%
	78 Supplied	-4%

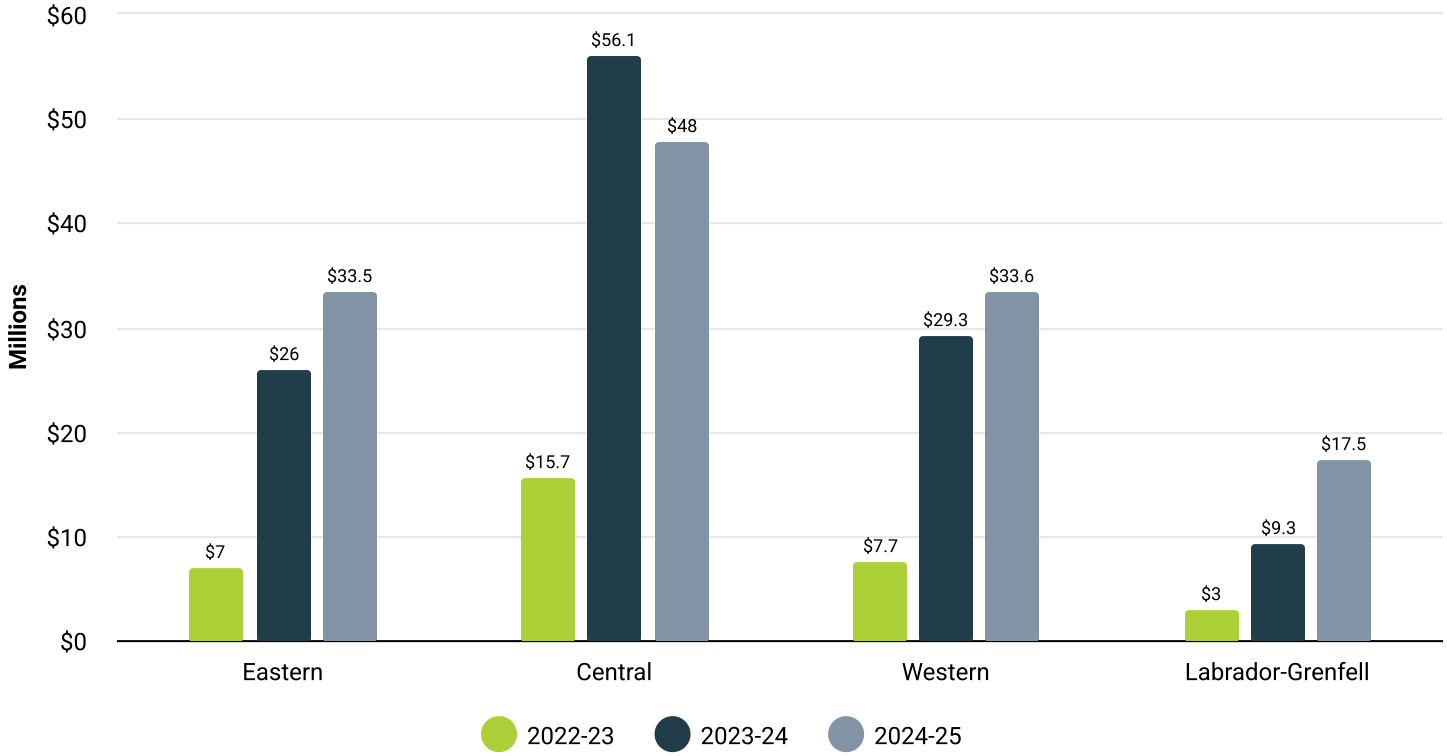
Labrador-Grenfell Region		
Target	**Actual**	**Variance**
47	30 Requested	-36%
	29 Supplied	-38%

Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services
Note: The total target of 261 is based on agency reduction plan's overall 30 per cent reduction target. Regional targets were stated independently in the plan, with a cumulative total that did not reconcile to the overall 30 per cent target.

Spending

We found Newfoundland and Labrador Health Services reported $132.6 million in agency nursing spending during the execution of its agency reduction plan, in the year ended March 31, 2025 - an $11.9 million (10 per cent) increase from a year earlier. Only the Central region showed any improvement, with expenditure in each of the other regions rising by at least 15 per cent. The Labrador-Grenfell region, in particular, reported an 88 per cent increase, with spending rising from $9.3 million to $17.5 million.

Figure 6: Agency Nursing Expenditures by Region



Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services

However, Newfoundland and Labrador Health Services identified an accounting error relating to its 2023-24 financial statements, which may have been a significant factor in the increased spending reported. Following validation work that was heavily focused in October 2024 to January 2025, $12 million of agency nurse expenses related to 2023-24 were identified by the authority, and included in 2024-25 fiscal year results. Assuming the correction of the error to be accurate, and agency nursing costs in 2024-25 to be properly reported, agency nurse spending in the year would have been down by $12.1 million, or 9 per cent as compared to prior year.

It should be noted that Newfoundland and Labrador Health Services' failure to properly account for vendor payments in the appropriate period was a finding in our 2023-24 financial statement audit, which recommended that the authority review its internal processes. Given this previous finding, and the misstatement identified for 2023-2024, we cannot be confident that 2024-25 results reflect all appropriate costs.

In addition to the accounting error, the authority indicated that 2024-25 costs were impacted by agency nurses averaging more hours worked. Many of the agency nurse contracts stipulated higher overtime rates, meaning that increased hours per nurse would be expected to result in higher hourly billing.

In summary, we found the difference in Newfoundland and Labrador Health Services' agency nurse spending during the execution of its agency reduction plan, in the year ended March 31, 2025, was in the range of a 9 per cent reduction to a 10 per cent increase, depending on whether the impact of the prior year accounting issue is considered. Either way, **the 30 per cent agency nurse headcount reduction reported by the authority in the year did not result in a proportional decrease in spending.**

Cost per Nurse

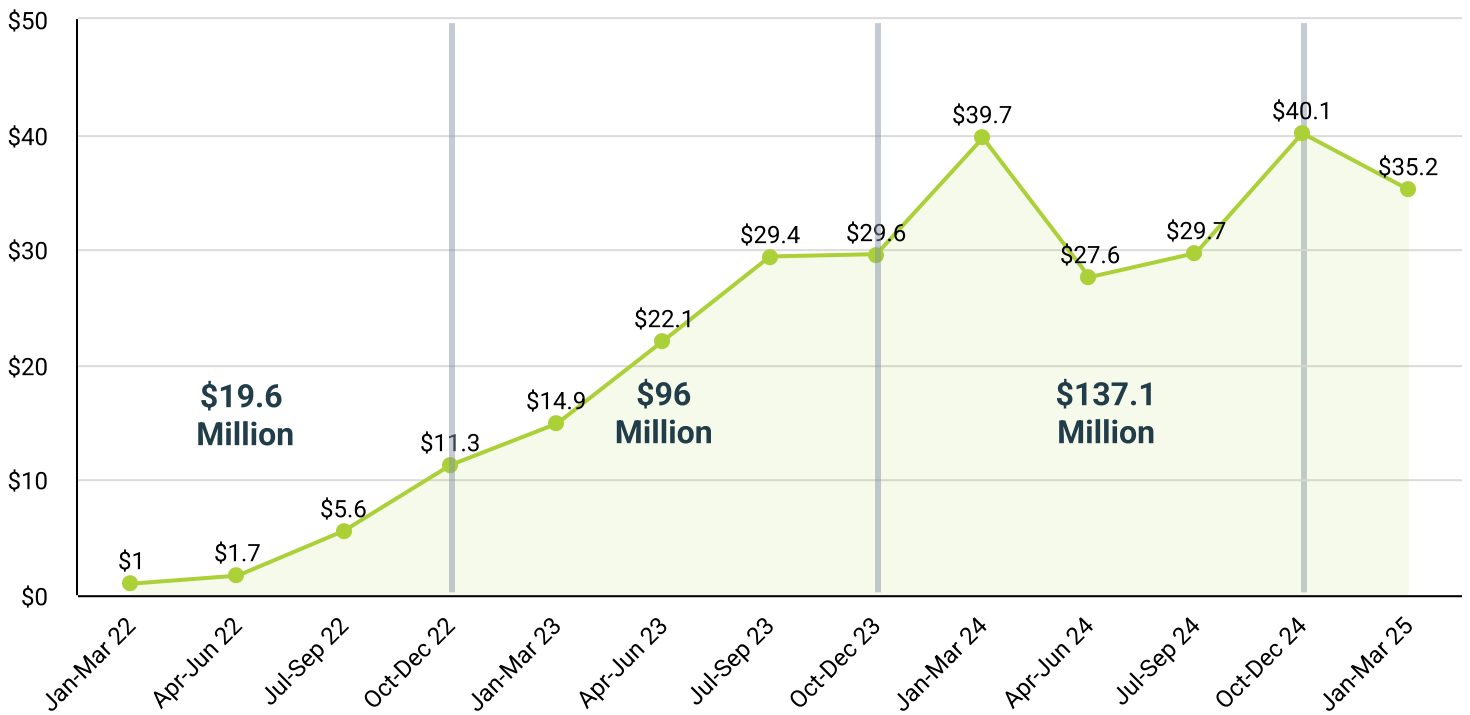
We found the total cost per agency nurse for the year ended March 31, 2025 was at least $404,486. Based on Newfoundland and Labrador Health Services' 2024-25 accounting records, $444,908 of cost was recognized per agency nurse. Removing the aforementioned $12 million of expense related to the prior fiscal year, the cost per nurse would have been $404,486. As previously mentioned, though, we cannot be confident that 2024-25 results reflect all appropriate costs.

By way of comparison, the total of salary and benefits for a registered nurse at the midpoint of the collective agreement salary scale was estimated at approximately $118,750 at the end of 2024. The component of agency nurse cost relating to reimbursable expenses is worth noting separately, as there is no such expense when nurses are hired. Based on information provided in Newfoundland and Labrador Health Services' March to December 2024 financial statements, **we found the reported annualized cost of reimbursable expenses alone was more than $46,000 per agency nurse, a total which represented more than 60 per cent of the $75,303 starting salary of a new registered nursing graduate.**

Trends in Agency Nurse Spending

We found little evidence of a spending reduction trend in the quarters leading up to March 31, 2025. The last three quarters of the fiscal year of 2024-25 were three of the four highest spending quarters on record. While results reported for October 2024 to March 2025 were ambiguous, given the impact of the correction of the previously mentioned accounting error related to 2023-24, the period from April to September 2024 was not impacted, and the $57.3 million of agency nurse spending reported across these six months exceeded April to September 2023 by 11 per cent.

Figure 7
Agency Nurse Expenditure by Quarter (in Millions)



Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services

Public Disclosure

We found Newfoundland and Labrador Health Services' public statements on agency nursing reduction were misleading. In February 2025, the authority's CEO provided a public update, indicating agency nurse usage had been reduced by 42 per cent from its highest point. As previously mentioned, depending on whether the impact of a prior year accounting error is considered, the difference in Newfoundland and Labrador Health Services' agency nurse cost in the year ended March 31, 2025, was in the range of a 9 per cent decrease, to a 10 per cent increase, as compared to the previous year. **It was misleading to draw attention to a 42 per cent headcount reduction, without being transparent that costs did not show a comparable decrease.**

Reporting on Agency Nursing

We found significant gaps in Newfoundland and Labrador Health Services' reporting of agency nurse spending. We enquired about what regular reporting was produced and were provided with four main reports - a monthly spreadsheet of spending by agency, a monthly spreadsheet of agency nurse supply and demand by region, an agency reduction plan update report, and monthly financial reporting packages. As illustrated in Table 8, **we found these reports failed to benchmark agency nurse spending against the prior year or the agency reduction plan. They also failed to provide analysis of the rates paid to vendors, or to compare agency nurse expenses to the cost of nursing employees.**

Table 8
Coverage of Agency Nurse Costs in Reports

Report Type	Spending		Cost Comparison to:				
	Actual	By Site	Budget	Forecast	Prior Year	Agency Reduction Plan	Cost of Internal Staff
Agency Spending Spreadsheet	✓	✗	✗	✗	✗	✗	✗
Supply/ Demand Spreadsheet	✗	✗	✗	✗	✗	✗	✗
Agency Reduction Plan Update Report	✗	✗	✗	✗	✗	✗	✗
Financial Reporting Package	✓	✗	✓	✓	✗	✗	✗

Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services

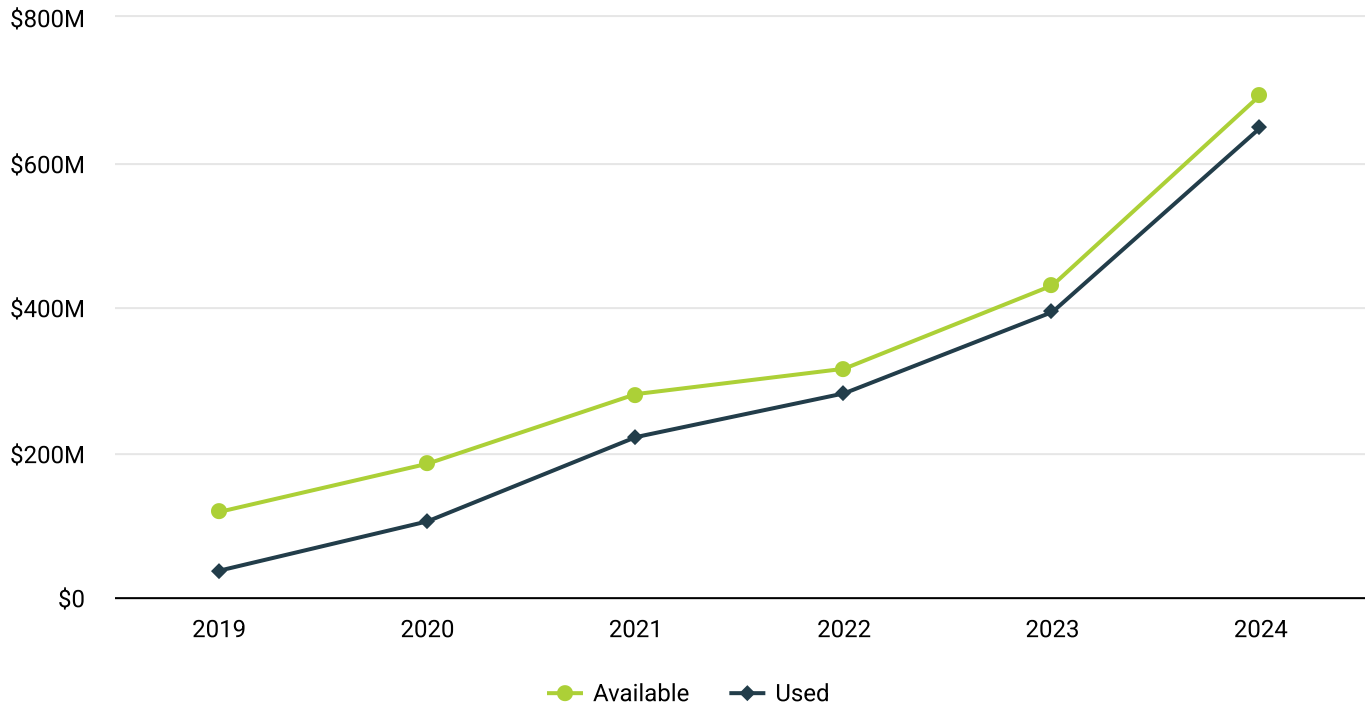
We also found Newfoundland and Labrador Health Services' financial reporting package did not disclose agency nurse spending separately from employee compensation until August 2024. Subsequently, between August and December 2024, agency nurse spending by region was reported, but no comparisons to forecast or agency reduction targets were included, making it difficult to evaluate whether spending exceeded expectations. **Forecasted agency nurse spending was not added until December 2024,** for comparison in future months.

Subsequent to our audit scope period, in February 2025's financial report, it was noted **the forecasts that had been provided in December proved to be inaccurate. A total of $12.4 million of agency nurse spending was forecasted across January and February in December's report. The actual spend subsequently reported in February for the two months was $24.6 million, almost twice what had been forecasted.**

We found issues with amounts budgeted for agency nursing. In 2023 and 2024, the Department of Health and Community Services approved blocks of funding for agency nursing, with the general understanding that the amounts would be insufficient. Budgets for 2023 and 2024 included only these approved blocks for agency nursing. For the year ended March 31, 2024, this block was exhausted early in the year, with spending throughout the remainder of the year resulting in a $71.6 million budget overrun. **Therefore, the budget was not a realistic benchmark against which agency nurse spending could be managed.**

Finally, **we found Newfoundland and Labrador Health Services indicated that budgeting shortfalls such as these might have to be funded on the authority's line of credit.** For context, as illustrated in Figure 8, **the authority's line of credit balance rose by an average of 86 per cent annually from 2019 to 2024, growing from $37 million to $648 million.**

Figure 8
Newfoundland and Labrador Health Services
Operating Line of Credit Availability and Debt Balance



Source: Prepared by the Office of the Auditor General, based on information provided by Newfoundland and Labrador Health Services.

Oversight by Board of Trustees

We found topics related to agency nursing were not consistently documented in meeting minutes for the health authorities' Boards of Trustees and related key committees. We reviewed meeting minutes for the Board of Trustees, as well as Resource Planning and Finance Committees throughout our audit scope period, for evidence that topics related to agency nursing were covered. Only 27 of 106 sets of minutes (25 per cent) documented agency nursing as a topic of conversation, and only 16 (15 per cent) documented discussion of nursing vacancies.

Improvement was noted following the amalgamation of the legacy health authorities into Newfoundland and Labrador Health Services. In the minutes of the amalgamated authority's Finance Committee and Board of Trustees meetings from April 2023 to December 2024, agency nursing discussion was documented in 16 of the 27 sets of minutes (59 per cent) and nursing vacancies in 15 (56 per cent). Following publication of the agency nursing reduction plan in April 2024, eight of nine sets of minutes for the Finance Committee and Board of Trustees (89 per cent) documented discussion of agency nurses.

Also, as previously mentioned, the financial reports provided to the Board of Trustees in their reporting package failed to benchmark agency nurse spending against the prior year or the agency reduction plan.

Tracking Agency Performance

We found the health authorities did not review agency performance throughout or following completion of contracts. An attempt was made by the Central region to develop an agency performance scorecard in March 2023. As of the end of 2024, this scorecard had not made it into the Newfoundland and Labrador Health Services' reporting process.

What We Recommend

Newfoundland and Labrador Health Services should:

13. Ensure management and the Board of Trustees are provided with complete and adequate information to facilitate assessing and monitoring of all aspects of contracted nursing services usage and spending.
14. Develop and execute a corrective action plan when agency nurse spending exceeds planned expenditure.
15. Formally assess contracted nursing service provider performance during contract execution and consider these assessments before renewing contracts.

Why It Matters

Spending on agency nursing in Newfoundland and Labrador grew dramatically between 2022 and 2024. Because agency nurses are an expensive way to deliver service, effective stewardship and oversight are fundamental to ensuring that the health authority receives the best possible value for money. When agency nurse usage exceeds plans, it is vital root causes are analyzed, well understood, and communicated, and corrective action is taken where necessary. It is also important that Newfoundland and Labrador Health Services is straightforward and transparent in communications around agency nurse usage and spending, to ensure residents can be confident in how public health services are delivered and managed.

Subsequent Events

In August 2024, Newfoundland and Labrador Health Services posted a Request for Proposals to establish a standing offer agreement for agency nurse contracts. The request for proposals was open for four weeks, closing in September 2024. In March 2025, 17 vendors were awarded contracts. These contracts were standardized and had an official start date of April 1, 2025.

On April 1, 2025, a response was received from the Public Service Commission's Conflict of Interest Advisory Committee providing the Chief Executive Officer of Newfoundland and Labrador Health Services with guidance for awarding future leases to employees. The response advised that employees are permitted to respond to public tenders but should be used as a last resort, bearing in mind best value and urgent need, and should be reminded of their obligations under the Conflict of Interest Act, 1995.

On May 29, 2025, the Department of Health and Community Services released the first phase of a Human Resources Plan, which outlines workforce projections for 21 distinct health care occupations, including nurse practitioners, registered nurses, and licensed practical nurses, over the next 10 years. This plan included 18 recommendations relating to the three nursing occupations, and covered themes of recruitment, retainment, rethinking and automation.

Conclusion

We found that agency nursing contracts were not procured appropriately by Newfoundland and Labrador Health Services. We found numerous examples where the best possible value for money did not occur. Newfoundland and Labrador Health Services failed to undertake basic planning before engaging agencies, including the preparation of specifications, terms and conditions, and selection and evaluation criteria.

We found that agency nursing contracts were not managed appropriately by Newfoundland and Labrador Health Services. The health authorities frequently lacked effective controls to ensure that only valid expenses were paid. Processes were often not standardized across the province. Often, invoice verifiers were not properly trained or prepared, and in some cases they were not provided with the contracts they were validating expenses against. Expenditures were sometimes approved with little or no backup, and the payment of invalid invoices was pervasive.

We found agency nursing contracts were not planned and delivered effectively by Newfoundland and Labrador Health Services. Newfoundland and Labrador Health Services lacked the basic processes needed to plan for agency nursing usage. Targets were not set, and forecasts were not developed for overall hiring, attrition, or vacancies. Without understanding what the need would be, it was difficult to develop realistic plans for how agency nurses would be used. Reporting did not provide senior management or the Board of Trustees with the tools to understand agency nurse spending, assess performance in reducing costs, or manage progress. Agency nurse spending was not reported against forecast, prior year, or the agency reduction plan, and the budget used for comparison was unrealistic.

As a result of our audit, we found that agency nurse spending does not appear to be well controlled. Despite the health authority publicly reporting that progress is being made, expenditures continue at near record levels. The implementation of an agency reduction plan in April of 2024 has not driven the expected progress, with reported spending not showing clear evidence of reduction. By March 2025, the average agency nurse costs over $400,000 annually – typically working more hours and more overtime, resulting in less service for the money being spent when compared to staff.

We are also concerned that conflict of interest processes at Newfoundland and Labrador Health Services were insufficient to prevent 49 people from signing contracts in violation of legislation. It was alarming that the conflicts continued until being raised publicly.

Appendix I - About This Audit

Why this Audit is Important

As the sole provincial health authority, Newfoundland and Labrador Health Services is responsible for providing health care across Newfoundland and Labrador. With an annual budget of approximately $3.4 billion, it is accountable for managing and allocating resources, including funds provided by the provincial government for health and community services, and to deliver and administer health and community services in the province. The authority must have robust planning and oversight processes to ensure that programs are delivered effectively, with well-designed controls to ensure that services are procured and managed appropriately.

Between 2022 and 2024, Newfoundland and Labrador Health Services and the legacy health authorities made increasing use of nursing agencies in the delivery of its services, with expenditures exceeding $137 million in 2024 - an increase of almost 600 per cent from 2022. With this increase in expenditure, it is important that Newfoundland and Labrador Health Services ensure that resources are allocated effectively, and for the best value for money.

Objectives

The objectives of our audit of Health Sector Contracts – Phase One were to determine:

1. Whether agency nursing contracts are procured appropriately;
2. Whether agency nursing contracts are managed appropriately; and
3. Whether agency nursing services are planned and delivered effectively.

Criteria

Audit criteria were developed based on discussions with Newfoundland and Labrador Health Services management, review of relevant documentation, legislation, policies and procedures, and literature reviews, including reports of other legislative auditors. The Office of the Auditor General defined five criteria regarding the objectives, which senior management of Newfoundland and Labrador Health Services accepted as suitable.

The Office of the Auditor General assessed whether agency nursing contracts are procured appropriately against the following criteria:

1. Newfoundland and Labrador Health Services' procurement and contract award processes are compliant with applicable policy and legislation; and
2. Newfoundland and Labrador Health Services ensures value for money and competitive terms before contracts are signed.

The Office of the Auditor General assessed whether agency nursing contracts are managed appropriately against the following criterion:

1. Newfoundland and Labrador Health Services has adequate controls and procedures in place to ensure compliance with government policy and the terms and conditions of agency nursing contracts.

The Office of the Auditor General assessed whether agency nursing services are planned and delivered effectively against the following criteria:

1. Newfoundland and Labrador Health Services plans for the use of nursing agencies; and
2. Newfoundland and Labrador Health Services' use of nursing agencies meets planning objectives.

Scope and Approach

Our audit began in March 2024. The audit scope period for the first two objectives was January 1, 2022 to June 30, 2024. The third objective covered January 1, 2022 to December 31, 2024, except for the topic of Newfoundland and Labrador Health Services' agency nursing reduction effort, which had an audit scope period that extended to March 31, 2025, to align with the duration of the authority's reduction plan. The focus was on agency nursing procurement, contract management, and planning and oversight by Newfoundland and Labrador Health Services. We conducted our audit using a risk-based approach built upon our understanding of the responsibilities, systems, risk factors, and activities of Newfoundland and Labrador Health Services as they relate to the procurement, administration, and delivery of agency nurse contracts.

Our audit procedures included discussions with select representatives of Newfoundland and Labrador Health Services. These procedures considered legislation, guidelines, policies, and procedures, as well as planning, reporting, and oversight processes. We reviewed each of the contracts signed between 2022 and 2024, as well as all related procurement records and documents. We completed a detailed assessment of a sample of agency nursing invoices, along with accompanying supporting documentation. We evaluated Newfoundland and Labrador Health Services' verification and approval processes, and considered whether expenses paid were properly supported, and in compliance with government policy and contractual terms.

Our procedures also included an examination of financial reporting, as well as monthly reports of agency nurse headcount and spending. We reviewed planning documents, particularly those supporting efforts to reduce agency nursing usage. We also examined records of employment issued by Newfoundland and Labrador Health Services, to assess whether casual nurses were consistently utilized as a preferred alternative to agency nurses. Finally, we reviewed records related to the rental of accommodations for agency nurse usage from employees of Newfoundland and Labrador Health Services, assessing the design and effectiveness of conflict of interest processes.

We did not assess the effectiveness of Newfoundland and Labrador Health Services' efforts to hire or retain nursing employees in this audit.

Audit Standards

This independent assurance report was prepared by the Office of the Auditor General of Newfoundland and Labrador after auditing Newfoundland and Labrador Health Services through our audit objective and criteria. This audit was performed to a reasonable level of assurance with the Canadian Standard in Assurance Engagements 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada and under the authority of the Auditor General Act, 2021.

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

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

Management Representations

The Chief Executive Officer of Newfoundland and Labrador Health Services confirmed that senior management had provided the Office of the Auditor General with all the information they were aware of that had been requested or that could significantly affect the findings or conclusions of the audit report on behalf of Newfoundland and Labrador Health Services.

Date Conclusion Reached

We obtained sufficient and appropriate audit evidence on which to base our conclusions on June 19, 2025 in St. John's, Newfoundland and Labrador.

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

Appendix II
Response to Recommendations

Recommendation 1
Newfoundland and Labrador Health Services should fully engage its supply chain department, ensuring that legislation, public procurement policy, and best practice are followed.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 2
Newfoundland and Labrador Health Services should ensure emergency exemptions for procurement are pursued in accordance with provincial legislation and policy, including appropriate disclosures and pre-contract approvals.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 3
Newfoundland and Labrador Health Services should complete formal evaluations against predefined evaluation criteria before awarding contracts.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 4
Newfoundland and Labrador Health Services should ensure that any future agency nurse contracts use standardized contract language, terms, and conditions that clearly state Newfoundland and Labrador Health Services' expectations and standards.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 5
Newfoundland and Labrador Health Services should ensure that a comprehensive invoice approval process is documented, communicated and used consistently across the organization.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 6
Newfoundland and Labrador Health Services should ensure that the invoice verification and invoice approval duties are segregated and that verifiers and approvers sign and date all invoices when their tasks are completed.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 7
Newfoundland and Labrador Health Services should complete an immediate comprehensive audit of all amounts paid to Agency A from April 2022 to present, to recover public funds paid in error.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 8
Newfoundland and Labrador Health Services should develop comprehensive nurse staffing plans, with regular reporting that enables management to perform effective evaluation.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 9
Newfoundland and Labrador Health Services should develop policies and processes to ensure that casual nurses are utilized as a possible alternative to contracted nursing services.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 10
Newfoundland and Labrador Health Services should ensure that all employees are aware of their roles and responsibilities under conflict of interest legislation, with processes to ensure compliance occurring on an annual basis.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 11
Newfoundland and Labrador Health Services should ensure that conflict of interest screening occurs when assessing potential contractual relationships, such as with property lessors.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 12
Newfoundland and Labrador Health Services should rectify any current accommodations that were not acquired through an open, public, and transparent procurement process, in compliance with the Public Procurement Act and the Conflict of Interest Act.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 13
Newfoundland and Labrador Health Services should ensure management and the Board of Trustees are provided with complete and adequate information to facilitate assessing and monitoring of all aspects of contracted nursing services usage and spending.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 14
Newfoundland and Labrador Health Services should develop and execute a corrective action plan when agency nurse spending exceeds planned expenditure.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

Recommendation 15
Newfoundland and Labrador Health Services should formally assess contracted nursing service provider performance during contract execution and consider these assessments before renewing contracts.

Response:
Newfoundland and Labrador Health Services accepts this recommendation.

About Us

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

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

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

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

Brad Brown, CPA - Assistant Auditor General
Jessica Nugent, CPA - Audit Principal
Jennifer Tuttle, CPA - Audit Principal
Matthew Roberts, P. Eng. - Audit Manager
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