



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?