



2021 Report of the Auditor General of New Brunswick

Volume I

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK



Funding for Rural Internet

Regional Development Corporation and Opportunities New Brunswick

Volume I Chapter 2

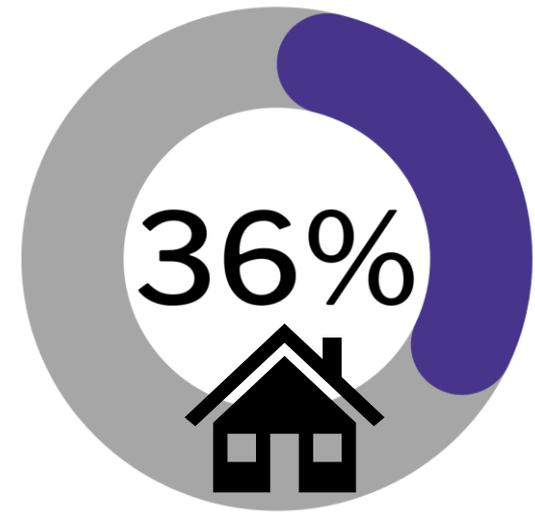
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Why is this Important?

- Internet is an essential service and 67,000 rural NB households did not have access in 2019
- Global pandemic highlighted the need for modern high-speed internet
- Province spent over \$39 million on funding rural internet since 2003



Conclusions



- Unable to conclude if funding for rural internet is achieving the desired outcomes
- Accountability not assigned to ensure a provincial government agency would be held responsible for funding outcomes

Conclusions

- Contract deliverables, including internet speed and pricing standards, remain unmet
- ONB's contract with Xplornet deviated from the funding submission made to the provincial government
- ONB paid **\$8.2 million** to improve rural internet services without adequate assessment of project outcomes

Modern Highspeed Internet Declared a Basic Communications Service by CRTC

- CRTC minimum expectation of service is 50/10 Mbps unlimited (2019 statistics)
 - 81.2% in all of NB
 - 64% in rural areas

Anticipated Project Cost and Sources of Funds - 2018 (millions)

Project phase	Source of funding			
	Federal	Provincial	Xplornet	Total
Phase one 2018-2019	\$0	\$10	\$20	\$30
Phase two 2020-2023	40	0	80	\$120
Total	\$40	\$10	\$100	\$150

What We Found

- Poor Phase One Governance and Lack of Accountability
- Phase One Lack of Competitive Process
- Unmet Phase One Contract Deliverables
- Questionable Phase One Claims Evaluation

Province Did Not Establish Appropriate Governance Structures for Rural Internet

- No department or agency claimed responsibility for outcomes specific to improving or expanding access in rural areas
 - RDC focused on economic development
 - ONB provided a claims administration service, not responsible for outcomes

Rural Internet Not Mentioned in ONB's Mandate Letter

- Board of Directors not involved in rural internet funding decisions
- Funding for rural internet was not within ONB's corporate mandate (not assigned)
- As a result, rural internet was not made part of ONB's strategy



ONB Relied on Xplornet for Needs Assessment

- ONB & RDC relied on Xplornet to prepare the needs assessment, define outcomes, and design technical solutions to meet the need
- ONB did not attempt to verify technical solution design
- Risk of needs determined by corporate goals rather than specific needs of rural New Brunswickers

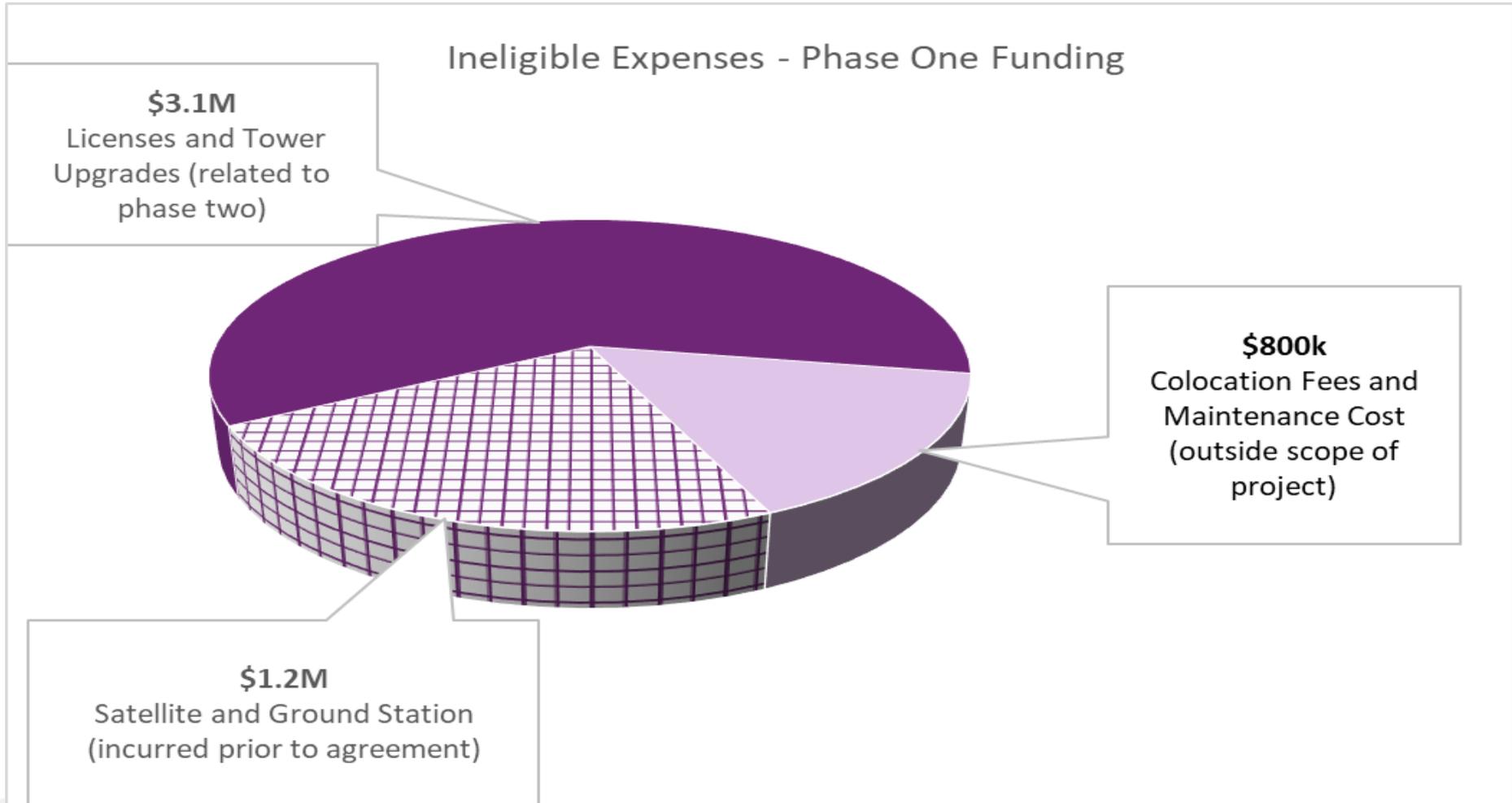
Lack of Competitive Process

- ONB & RDC did not pursue a competitive process for selecting Xplornet to deliver rural internet services
- The ONB/RDC funding submission stated Xplornet was ‘the only known provider...most effective for delivery of broadband internet to rural residents’ – we found no evidence of an analysis to support this claim

Funding Deviated from Eligibility Criteria

- Non-repayable contributions instead of contracted conditionally forgivable loan
- ONB-Xplornet contract did not align with submission approved by provincial government
- Funding guidelines imposed a 25% contribution limit – Phase one approval was for 33% – increased provincial contribution by \$2.5M

\$5.1 Million Ineligible Costs Claimed Under the Contract



ONB's Questionable Practices for Claims Reviews

- Paid certain claims “in advance”
- Did not follow their non-repayable contributions policy
- Advanced \$4.2 million based on a verbal arrangement with Xplornet in contradiction to RDC agreement terms
- ONB failed to obtain technical expertise to review project claims by Xplornet before funds were released

Phase One Contract Deliverables Issues

Comparing contract expectations to project results

Provide fixed-wireless internet access to 10,000 residences

Required infrastructure upgrades with an anticipated completion date of 31 March 2019

Provide 100/10 Mbps internet speeds for \$99.99/month until 31 March 2020

Insufficient bandwidth to serve 10,000 residences

15 tower upgrades – anticipated date missed by over a year

100/10 Mbps not offered until May 2021 at \$119.99/month

Public Reporting Issues



- RDC announced the completion of phase one and ONB paid \$8.2 million without verifying outcomes had been achieved
- ONB indicated to us phase one was not complete because the final evaluation of project deliverables has not been conducted by them
- Neither RDC or ONB report on funding performance

Risks Noted in Relation to NB Obligations Under Phase Two

- Fixed wireless construction costs increased 31% versus 2017 proposal
- Statement of work for phase two included 14 of the 15 phase one towers
- Inability to determine if phase two budget estimates were accurately calculated (Phase 1 and Phase 2 reconciliation issue)



AGNB Recommendations

- **10** Recommendations to **ONB** and/or **RDC** related to the quality of contracts, improving evaluations of claims, and assessments of contract deliverables, etc.
- **Three** recommendation to **ECO** to ensure a specific department or agency is responsible for outcomes related to rural internet





New Brunswick Workers' Emergency Income Benefit

Department of Post-Secondary Education, Training and Labour

Volume I Chapter 3

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Timely Execution but Opportunities for Improvement

- Program successfully aided over 40,000 New Brunswickers
- Department worked quickly under challenging circumstances
- Areas for improvement identified in our audit
- Planning for future provincial emergency benefit programs needs improvement

Why is this Important?



- Oversight and monitoring of programs to help the most vulnerable should be a priority for government
- Government transferred **\$54.5M** to a third-party service provider for quick delivery of **\$900** emergency income benefit to individuals, with a final cost of **\$38.6M**
- This was a new program area for the responsible Department, resulting in higher risk of fraud or program ineffectiveness

Overall Conclusions

The Department:

- did not adequately plan for the implementation of the program
- utilized a weak contract for services that was underdeveloped
- did not monitor program delivery to ensure required results were effectively and efficiently achieved



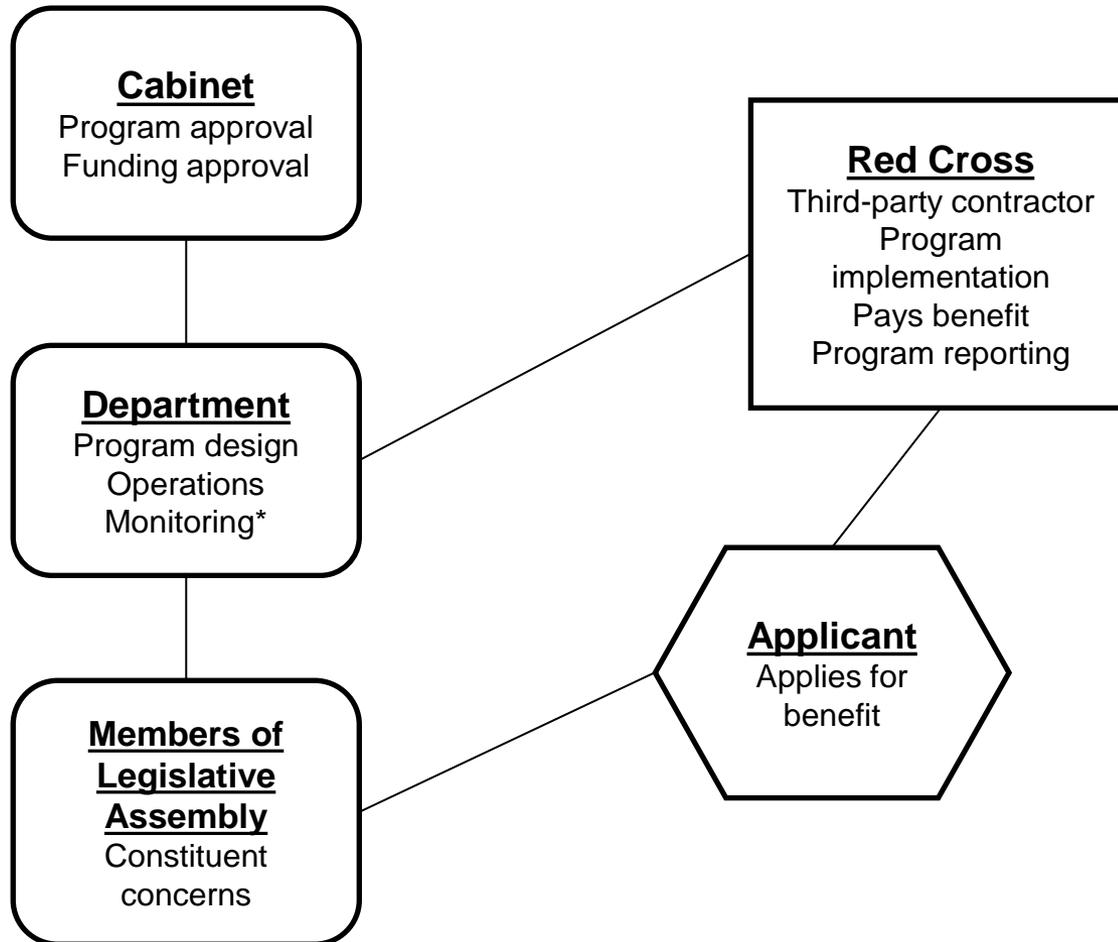
Over 40,000 New
Brunswickers directly
impacted by NBWEIB

Contract Objectives for the Program – Established by the Department

- Register applicants online and by telephone;
- Assess eligible applications online and by telephone; and
- Provide a one-time \$900 income benefit payment to successful applicants.



Program Key Players



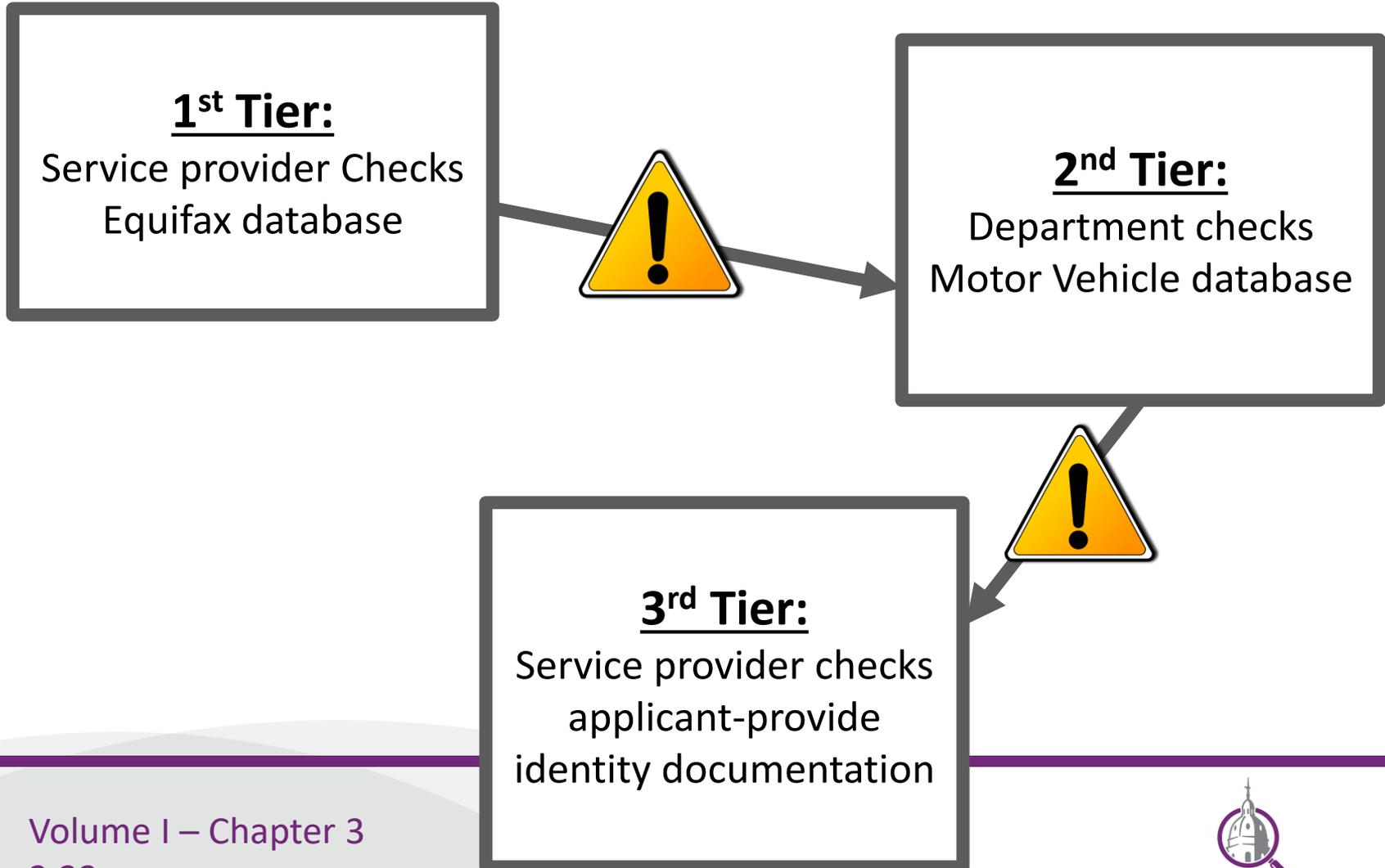
New Brunswick Workers' Emergency Income Benefit

Expense	(\$ Millions)
Service provider costs	\$2.1
Benefit Payments to 40,582 Applicants	36.6
Total	\$38.7
PETL advanced	\$54.5
Total recovered from service provider in January 2021	\$15.8

What We Found

- Poor controls
- Weak contract
- Lack of transparency
- Lack of accountability
- Inadequate monitoring

Poor Applicant Identity Validation



Extra Department Staff Deployed Due to Weak Contract

- Inadequate planning led to increased Department resources needs
- Service provider outlined need for additional Department resources in document that was not shared with PETL
 - Resulted in Department redeploying 77 staff members to assist with the program

Increased Risk of Fraud Due to Invalid Social Insurance Numbers

- Department failed to obtain valid Social Insurance Number (SIN) for all recipients – increasing the risk of fraud
- Risk that applicants could be provided with more than a single payment of the benefit

Poor Controls

- Large lump sum payment weakened the control set in place
- No risk assessment conducted
- Poor social insurance number control (errors)



Weak Controls Over SIN Accuracy

Resulted in many (827) errors in validity of applicant-provided Social Insurance Numbers

None provided: 266

Invalid Number: 455

Duplicate: 106

This demonstrates ineffective control over the application process

No Appeal Process Created



- Department stated they did not have time to develop an appeal process or framework
- Some applicants permitted to re-submit application questionnaire
- Opportunity for appeal was not communicated with the public

No Risk Assessment

- No risk assessment to determine what controls should be in place to protect against fraud and misuse of Workers' Emergency Income Benefit

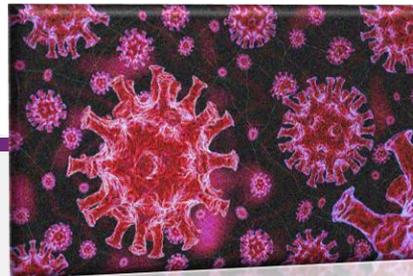
**Timely risk assessments and strong fraud prevention strategies can strengthen the overall control structure of programs*

Inadequate Monitoring

- \$2.1 million of contractor expenses not verified by the Department
- Department did not enforce weekly reports as required by contract
- No staff assigned to monitor program activities against contract terms – *no corrective action taken*

Lack of Timely Reporting

- Program report delivered 5 months late – final report accepted in December 2020
- Reimbursement likely should have occurred in summer 2020 after final report submitted as per contract
- Service provider reimbursed \$15.8 million unused funding on January 29, 2021



Lack of Transparency and Accountability

- Rationale for key decisions were not well documented
- By not keeping track of what was discussed and decided, it would be difficult to hold decision makers to account and to bring lessons forward to future initiatives
- Department does not plan to publicly report on the performance of program

The Department:

- ✓ Performed internal debriefs of the program after it was completed to identify shortcomings and possible solutions
- ✓ Had an up-to-date Emergency and Pandemic Influenza plan in place in preparation for continuity of service

AGNB Recommendations

- **14** recommendations to **PETL** addressing planning and implementation processes
- **One** recommendation to **ECO** to support departments tasked with new activities during future emergency situations

Recommendations and Responses	
We recommend the Department of Post-Secondary Education, Training and Labour:	
Recommendation	Department's response
3.37 request supporting details or documentation from third-party service providers for inclusion in schedules attached to third-party contracts.	
3.38 request standard operational procedures from potential service providers prior to finalizing contract terms.	
3.45 consider and plan for the effective delivery of all legal requirements when developing programs such as the New Brunswick Workers Employment Income Benefit.	
3.50 when developing new programs, design key controls to mitigate fraud risk and maintain the control structure throughout a program implementation.	
3.55 ensure an appeals process is present in programs that provide financial benefits to applicants to ensure fairness in program implementation.	
3.63 clearly document program roles and responsibilities during program and contract development when using a third-party service provider.	



Risks Exist in Government Oversight of Crown Agencies

Executive Council Office

Volume I Chapter 4

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Why is this Important?

If ECO and Crown agencies do not properly prepare documents as required by legislation

- government and public may not be fully informed if Crown agencies have met **mandated priorities and objectives**
- best interest of New Brunswickers may not be served if these are not met

Ensuring Effective Oversight and Monitoring is Important

- *PAC unable to meet all entities every year*
- *the accountability cycle outlined in the Act is essential to effective oversight of Crown agencies*



Overall Conclusion

- ECO and most Crown agencies *did not* fully comply with the *Accountability and Continuous Improvement Act* when preparing critical documents needed for oversight
 - mandate letters
 - annual plans
 - annual reports

What We Found

Issues with:

Mandate Letters

Annual Plans

Annual Reports

Monitoring

Mandate Letters - ECO Complied with *the Act*:

- ✓ ECO met five of eight content requirements for mandate letters, such as
 - addressing the mandate letters to the Chair of the Crown agency
 - including strategic and operational direction of the Crown agency in mandate letters

Areas Where ECO *Did Not Comply* with the Act: **2019 Mandate Letters**

No mandate letter issued

3 of 11 Crown agencies

**Mandate letter issued late
(after fiscal year started)**

7 of 11 Crown agencies

**No performance
expectations included in
mandate letter**

3 of 11 Crown agencies

Annual Plans - Areas Where Crown Agencies Did Not Fully Comply with the Act

Crown Agency (refer to paragraph 4.5)	Annual Plan		
	Prepared as Required by the Act (See Appendix I)	Includes Priorities and Objectives from 2019 Mandate Letter	Posted Online
CCNB	▲	▲	✓
FCSC	✓	▲	✓
KLC	●	▲	X
NBCC	▲	▲	✓
NB Liquor	●	●	X
NB Power	▲	▲	X
ONB	●	●	X
RDC	●	No Mandate Letter	X
RPC	▲	No Mandate Letter	X
SNB	X	No Plan	No Plan
Worksafe NB	X	No Mandate Letter and No Plan	No Plan

Legend	
✓	100% of requirements met
▲	50% - 74% of requirements met
●	< 50% of requirements met
X	Document not prepared or posted online
No Plan	Not applicable as document was not prepared
No Mandate Letter	Not applicable as document was not prepared

Annual Reports – Areas Where Crown Agencies *Did Not Fully Comply* with the Act

Crown Agency (refer to paragraph 4.5)	Annual Report			
	Prepared as Required by the Act (See Appendix I)	Includes Priorities and Objectives from 2019 Mandate Letter	Posted Online	Filed with Clerk
CCNB	▲	▲	✓	✓
FCSC	◆	◆	✓	✓
KLC	▲	▲	✓	✓
NBCC	◆	▲	✓	✓
NB Liquor	▲	◆	✓	✓
NB Power	◆	▲	✓	✓
ONB	▲	▲	✓	✓
RDC	▲	No Mandate Letter	✓*	✓*
RPC	◆	No Mandate Letter	✓	✓
SNB	◆	▲	✓	✓
Worksafe NB	◆	No Mandate Letter	✓	✓

Legend	
✓	100% of requirements met
✓*	Late filing: RDC only filed its 2019 annual report on January 29, 2021
◆	75% - 99% of requirements met
▲	50% - 74% of requirements met
No Mandate Letter	Not applicable as document was not prepared

Who is Monitoring Compliance?

- *The Act* is silent when it comes to who is responsible for monitoring
- ECO does not monitor annual plans and reports for compliance with *the Act* which may result in gaps in oversight
- ECO mandate is to “*monitor the ongoing progress in achieving government objectives*”

AGNB Recommendations

Five recommendations to **ECO** to ensure mandate letters, annual plans and annual reports comply with *the Act*

Two of these recommendations are for **ECO** to collaborate with Departments, Ministers and Crown agencies when preparing annuals plans and annual reports

Concerning Theme in Volume I

Key findings across chapters of this report indicate lack of:

- oversight;
- transparency; and
- accountability

leading to ongoing unaddressed risks.

❖ *Recommendations were made to remedy deficiencies identified*

Questions

