

**2023**

**Report of the Auditor General  
to the Nova Scotia  
House of Assembly**



**Metropolitan Regional Housing  
Authority – Examination of Service  
Contract Awards**



**Performance Audit**  
Independence • Integrity • Impact

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January 17, 2023

Honourable Keith Bain  
Speaker  
House of Assembly  
Province of Nova Scotia

Dear Sir:

I have the honour to submit herewith my Report to the House of Assembly under Section 18(2) of the Auditor General Act, to be laid before the House in accordance with Section 18(4) of the Auditor General Act.

Respectfully,

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# Metropolitan Regional Housing Authority – Examination of Service Contract Awards

## Department of Municipal Affairs and Housing

### Key Messages

- [The Metropolitan Regional Housing Authority's conflict of interest processes require improvement](#)  
The Director was in conflict prior to and after the awarding of the security services contracts and failed to disclose conflicts in accordance with internal and provincial conflict of interest policies.
- [The Metropolitan Regional Housing Authority primarily followed internal and provincial procurement policies for the procurement of security services; however, with compliance and transparency concerns noted.](#)

### Why We Did This Audit

- Conflicts of interest should be appropriately avoided, disclosed, and mitigated to maintain public confidence.
- Security services are essential to public housing tenants.
- Procurement processes should be followed within government.
- The Auditor General's role is to provide independent assurance to Nova Scotians that public money is spent properly.

### [Director conflicts of interest identified at the Metropolitan Regional Housing Authority](#)

- [Concerns raised with Office of the Auditor General related to the awarding of Metro security services contracts](#)
- [Numerous conflict-of-interest events identified](#)
- [Conflict-of-interest events between Metro's Director and the owner of a company providing security services not disclosed in accordance with policy](#)
- [Concerns relating to an additional conflict-of-interest event involving the Director and the owner of a company providing security services to Metro](#)
- [Director receiving government subsidies relating to personally owned rental properties](#)

### [Compliance and transparency concerns relating to the awarding of security services contracts](#)

- [Bidders not required to declare conflicts of interest](#)
- [Security services contracts primarily followed the tendering practices but scoring guidance requires improvement](#)
- [Alternative procurement for tenant services pilot program not properly supported](#)
- [Tenant services pilot program not adequately planned or assessed by management](#)

## Reference Guide – Key Findings and Observations

Paragraph	Key Findings and Observations
<b><i>Director Conflicts of Interest Identified at the Metropolitan Regional Housing Authority</i></b>	
<a href="#">1.2</a>	<a href="#">Office of the Auditor General consulted the Conflict of Interest Commissioner on report findings</a>
<a href="#">1.3</a>	<a href="#">Concerns raised with Office of the Auditor General related to the awarding of Metro security services contracts</a>
<a href="#">1.6</a>	<a href="#">Numerous conflict-of-interest events identified</a>
<a href="#">1.15</a>	<a href="#">Concerns relating to an additional conflict-of-interest event involving the Director and the owner of Company A</a>
<a href="#">1.17</a>	<a href="#">Director receiving government subsidies relating to personally owned rental properties</a>
<b><i>Compliance and Transparency Concerns Relating to the Awarding of Security Services Contracts</i></b>	
<a href="#">1.23</a>	<a href="#">Bidders not required to declare conflicts of interest</a>
<a href="#">1.26</a>	<a href="#">Security services contracts primarily followed the tendering practices but scoring guidance requires improvement</a>
<a href="#">1.35</a>	<a href="#">Tenant services program trialed in Spring 2020 and later incorporated into the security services tender</a>
<a href="#">1.38</a>	<a href="#">Alternative procurement approach for pilot program not properly supported</a>
<a href="#">1.41</a>	<a href="#">Pilot program not adequately planned or assessed by management</a>



## Recommendations and Responses

Recommendation	Department Response
<p><b>Recommendation 1.1</b>  <a href="#">We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to adhere to the Housing Authority Conflict of Interest Policy and address the following:</a></p> <ul style="list-style-type: none"> <li>• <a href="#">taking the appropriate action to address the conflicts identified in this report;</a></li> <li>• <a href="#">ensuring employees are informed of the conflict of interest policy;</a></li> <li>• <a href="#">determining whether a conflict of interest exists and what actions are to be taken;</a></li> <li>• <a href="#">establishing procedures for employees to report and document a conflict of interest to their supervisor; and</a></li> <li>• <a href="#">establishing procedures for supervisors to mitigate the conflict.</a></li> </ul> <p style="text-align: right;">See page 15</p>	<p>The Nova Scotia Provincial Housing Agency (the "NSPHA") has taken immediate action to address the conflicts identified in this report.</p> <p>A new Conflict of Interest Policy, processes and guidelines have been developed to align with government's Conflict of Interest Policy and Code of Conduct for Public Servants and ensure consistent implementation and monitoring across the province. The guidelines include standard procedures employees can follow to report and document a conflict of interest to their supervisors and for supervisors to mitigate the conflict.</p> <p> Department Agrees</p> <p> <b>Target Date for Implementation:</b> Completed</p>
<p><b>Recommendation 1.2</b>  <a href="#">We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to add conflict-of-interest language and disclosure requirements in all public tenders.</a></p> <p style="text-align: right;">See page 16</p>	<p>The NSPHA has achieved this recommendation by adding conflict of interest language and disclosure requirements in all public tenders.</p> <p> Department Agrees</p> <p> <b>Target Date for Implementation:</b> Completed</p>
<p><b>Recommendation 1.3</b>  <a href="#">We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to incorporate bidder operational capability and capacity into the scoring guidance when evaluating tender submissions.</a></p> <p style="text-align: right;">See page 17</p>	<p>The NSPHA has incorporated evaluation of bidder operational capability and capacity into its scoring guidance for evaluating tender submissions.</p> <p> Department Agrees</p> <p> <b>Target Date for Implementation:</b> Completed</p>
<p><b>Recommendation 1.4</b>  <a href="#">We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to follow government procurement policy for alternative procurements that are not publicly tendered. Projects using the alternative procurement process should be led by the Purchasing Department and include the following:</a></p> <ul style="list-style-type: none"> <li>• <a href="#">a documented business case; and</a></li> <li>• <a href="#">clearly developed objectives, goals, and key performance indicators.</a></li> </ul> <p style="text-align: right;">See page 19</p>	<p>Work is underway to develop a new Procurement Policy and accompanying processes and tools that establish and standardize procedures for purchasing goods and services within the NSPHA. Training and orientation on the new Procurement Policy will be provided to staff and mechanisms developed to monitor and evaluate implementation.</p> <p>The new Procurement Policy will follow government policy for alternative procurements that are not publicly tendered. Projects using the alternative procurement process will be led by the Finance Division and include documented business cases as well as clearly developed objectives, goals and key performance indicators.</p> <p> Department Agrees</p> <p> <b>Target Date for Implementation:</b> June 30, 2023</p>

\* Note: Department responses are unaudited; we will follow up and assess implementation as part of our regularly scheduled follow-up reporting process, with the first review in 2025.

## Questions Nova Scotians May Want to Ask

1. What action did the Department take to address the conflicts identified in our report?
2. Will the Department conduct an audit at the remaining four regional housing authorities (Cape Breton Island, Cobequid, Eastern Mainland and Western Regional) to ensure the process for awarding contracts follows appropriate conflict of interest policies and procurement protocols?
3. Does the Department plan to change conflict of interest training requirements for staff and supervisors at the regional housing authorities?

# 1 Metropolitan Regional Housing Authority – Examination of Service Contract Awards

- 1.1 In June 2022 we tabled a performance audit on [Oversight and Management of Government Owned Public Housing](#). We found the province does not have an effective governance structure in place for public housing and is failing to provide adequate oversight of the regional housing authorities. Further to this work, we are reporting these additional findings and recommendations relating to service contracts awarded in 2020.

## Director Conflicts of Interest Identified at the Metropolitan Regional Housing Authority



### Office of the Auditor General consulted the Conflict of Interest Commissioner on report findings

- 1.2 We initiated this engagement at the Metropolitan Regional Housing Authority specifically after being made aware of certain issues and events relating to a potential conflict of interest. As part of our work, we consulted the Conflict of Interest Commissioner. We conducted this performance audit following the Canadian Standard on Assurance Engagements (CSAE) 3001. This audit was not designed to detect or conclude on potential criminal wrongdoing.

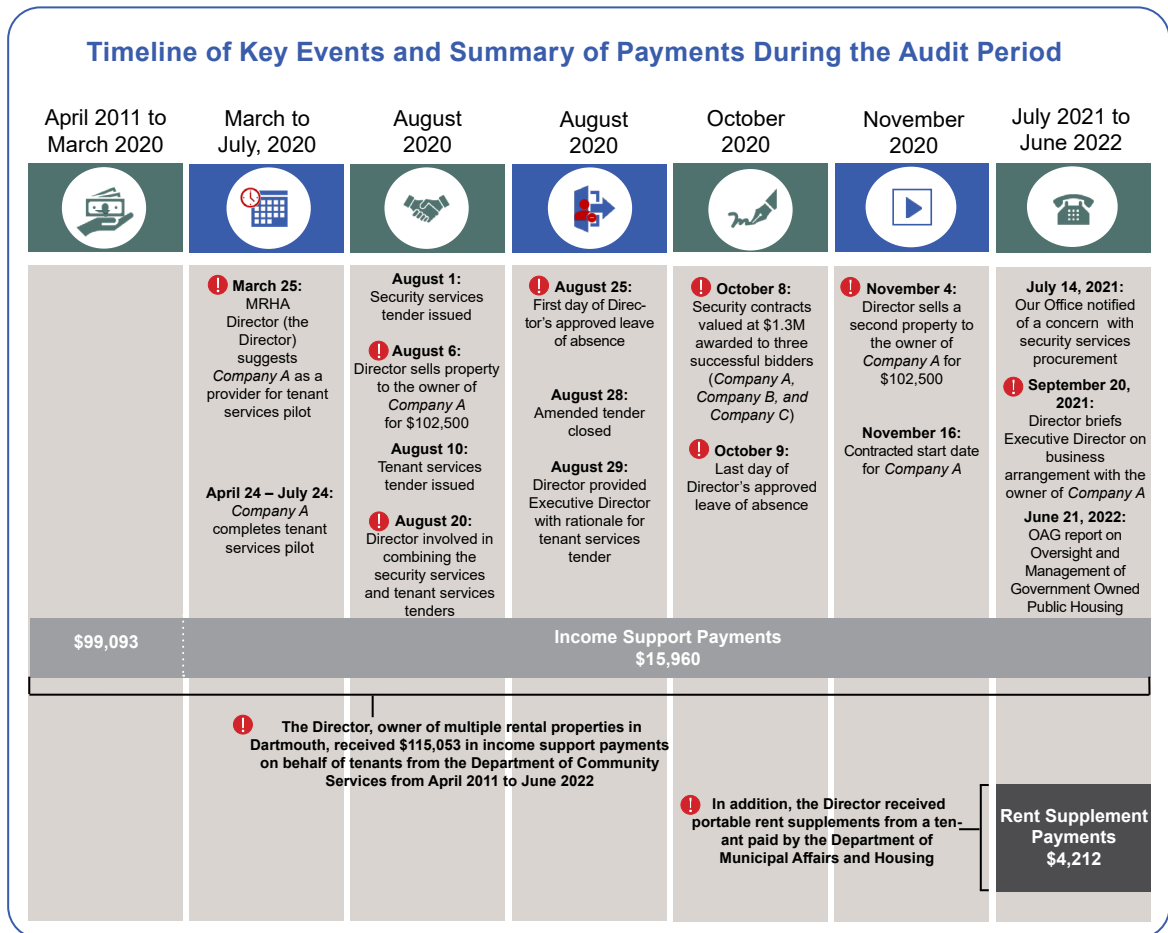


### Concerns raised with Office of the Auditor General related to the awarding of Metro security services contracts

- 1.3 Contracts totaling \$1.3 million were awarded by the Metropolitan Regional Housing Authority (Metro) to three companies in October 2020 for the provision of security services. The majority of the award, \$996,000, went to Company A. Additionally, \$233,671 was awarded to Company B and \$90,000 to Company C. While conducting our audit on [Oversight and Management of Government Owned Public Housing](#) (June 2022), our Office received a complaint relating to the process for awarding these security contracts. The complaint centered on concerns regarding a conflict of interest between the Director of Metro (the Director) and the owner of Company A (the Owner), and whether the process for awarding these contracts followed the Housing Authority procurement protocols.
- 1.4 Security services for Metro's publicly owned housing units are procured through a recurring tender, generally for a contracted term of two years. Metro is responsible for 90 properties consisting of over 4,000 individual units located throughout the Halifax Regional Municipality and Hants County. Several properties in the Halifax-Dartmouth area utilize security services to provide an official presence, resolve minor situations or dispatch authorities, and report incidents to management. The scope of the work tendered includes stationary security, mobile security, parking patrol, fire watch and tenant services.
- 1.5 Our Office evaluated the awarding of these contracts due to the significance of security services to public housing tenants, the importance of ensuring conflict-of-interest issues are appropriately addressed, and the need for procurement processes to be followed within government. The audit examined the tender documents, bidder evaluation and scoring process, and potential conflict-of-interest issues relating to the tender and an earlier pilot program.

**Numerous conflict-of-interest events identified**

1.6 The following diagram details key events and a summary of payments received by the Director of Metro during the audit period of March 2020 to June 2022. The red-circled exclamation marks signal events occurring during the time of the conflict-of-interest events.



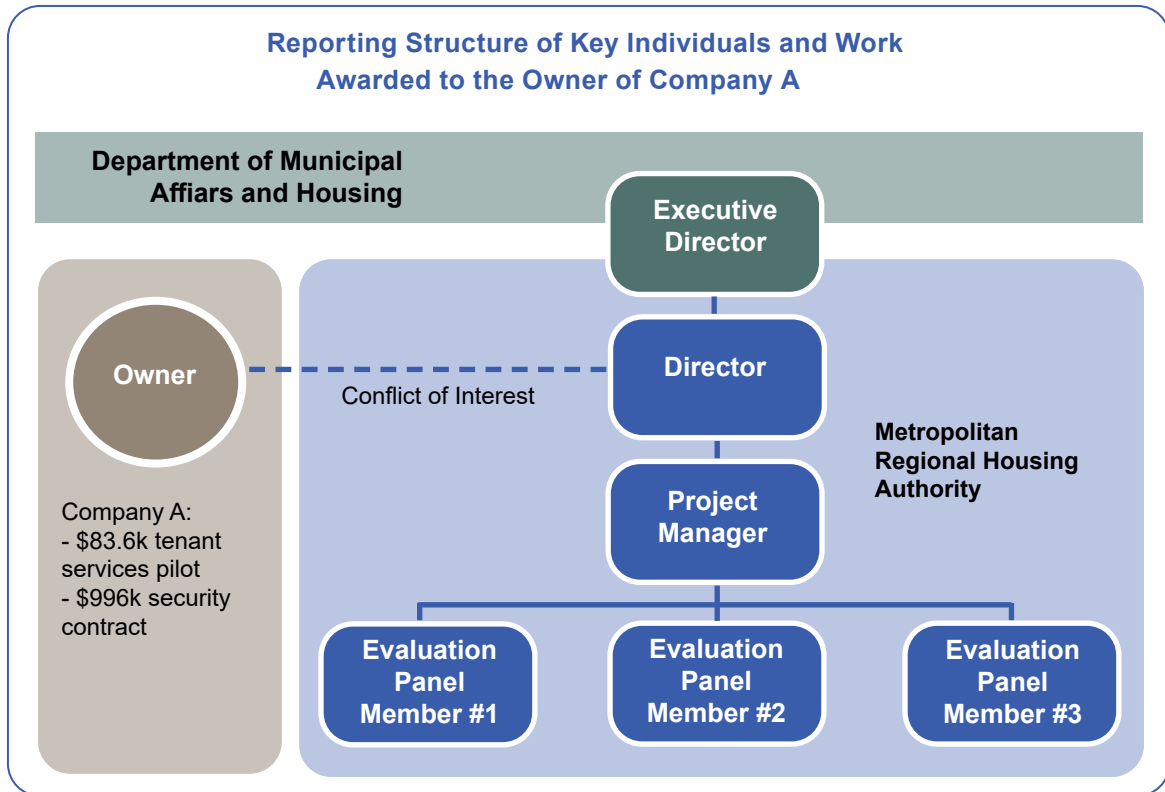
Source: Office of the Auditor General, Nova Scotia

1.7 Metro, one of five regional housing authorities, is subject to the Housing Authority Conflict of Interest Policy (policy). This policy is an adaptation of the Government of Nova Scotia Conflict of Interest Policy, with several minor differences. Per policy, a conflict of interest exists when the duties and responsibilities of an employee are, or potentially could be, compromised by their personal and private interests. A conflict may be real, apparent or perceived. It is important to note a conflict does not necessarily indicate wrongful conduct. However, the policy requires employees avoid and disclose all conflicts of interest to ensure public confidence at the regional housing authorities.

1.8 Our audit confirmed a series of conflict-of-interest events, involving the Director and the Owner, who is one of three contractors that provide security services for Metro. *Company A's* security contract with Metro is valued at \$996,000. The following conflict-of-interest events are detailed below:

- The Director completes a private sale of personal property (Property 1) to the Owner;
- The Director completes a second private sale of personal property (Property 2) to the Owner; and
- A business arrangement between the Director and the Owner to build a full-service affordable housing development on three properties (Property 1 and Property 2 now owned by the Owner, and Property 3 owned by the Director).

1.9 These conflict-of-interest events are concerning because the Director is the most senior employee at Metro, and directly reports to the Executive Director at the Department of Municipal Affairs and Housing. The diagram below outlines both the reporting structure of the key individuals involved in the procurement of security services, as well as the conflict of interest between the Director and the owner of Company A.



Source: Office of the Auditor General, Nova Scotia

- 1.10 On March 25, 2020, the Director suggested Company A as a service provider for a tenant services pilot program at Metro. The Director indicated knowing the Owner from a previous private sector working relationship. The Director attended preliminary meetings; however, according to management, the Director was recused from the final decision on whether to proceed with the pilot due to a conflict of interest. According to the Director, the conflict was verbally disclosed; however, we were unable to verify whether the declaration took place because the Housing Authority Conflict of Interest Policy does not require a declaration to be documented.
- 1.11 On August 6, 2020, five days after the security services tender was published, the Director sold Property 1 to the Owner for \$102,500. We obtained a conditional sales agreement which indicated

the property had a closing date of August 21, 2020. We could not find any record that the Director publicly listed the property for sale during this period.

- 1.12 Although the Director informed our Office repeatedly of being on a leave of absence during the entire tendering period, we found evidence to conclude otherwise. Our investigation revealed the Director was working while the tender was open for bids until the leave of absence began on August 25, 2020. The Director confirmed direct involvement in approving the two initial tenders for publishing and by participating in discussions related to combining the two into one.
- 1.13 On November 4, 2020, one month after Metro signed a contract with Company A, the Director sold Property 2 to the Owner for \$102,500. The conditional sales agreement indicated the property had a closing date of November 30, 2020. We could not find any record that the Director publicly listed the property for sale during this period. By this point, \$996,000 had been awarded to Company A, with work scheduled to begin November 16, 2020.
- 1.14 These two property sales between the Director of Metro and the owner of a company contracted by Metro, were not disclosed. Under the Conflict of Interest Policy, the Director was in a conflict of interest and had a duty to disclose both transactions to the Executive Director. While the sale of personal property is not prohibited, the policy states that employees must avoid real, apparent or perceived conflicts of interest, and the failure to address real, apparent or perceived conflicts undermines the public's confidence in the regional housing authorities.

#### **Concerns relating to an additional conflict-of-interest event involving the Director and the owner of Company A**

- 1.15 On September 20, 2021, the Director wrote to the Executive Director declaring a conflict of interest involving a business arrangement with the Owner to build a full-service affordable housing development on three connected properties (Property 1 and Property 2 now owned by the Owner; and Property 3 owned by the Director). Per policy, when a conflict or potential conflict exists, the supervisor must take steps to ensure the employee is removed from the conflict or potential conflict. We found no procedures were put in place to address the conflict.
- 1.16 Our audit work confirms the Director and the Owner sought government funding for the business arrangement from the Department of Municipal Affairs and Housing, the department responsible for housing supports and public housing. Senior management within the department confirmed to us that they were approached by the Director regarding the proposed full-service affordable housing development.

#### **Director receiving government subsidies relating to personally owned rental properties**

- 1.17 The Director informed our Office of owning multiple rental properties in Dartmouth in addition to Property 3 identified above. The Director confirmed being a recipient of government subsidies (through income support payments and rent supplements) relating to two personally owned rental units. The Director indicated informing the Executive Director of being a private landlord and receiving income support payments and rent supplements, and this was confirmed with the Executive Director. However, this declaration was unable to be verified as it was not documented in writing.
- 1.18 The income assistance program is administered by the Department of Community Services for individuals requiring support to cover necessities, including shelter. Income assistance clients are entitled to monthly support payments. Under certain circumstances, the Department will

directly pay a portion of the monthly support payment to the client's landlord or property manager. We learned that a tenant at a rental property owned by the Director authorized \$570 of their monthly support payment be paid to the Director for rent.

- 1.19 We then reviewed the previous twelve years of Department payments and noted over \$115,000 paid to the Director on behalf of income assistance clients for monthly rent. The clients all lived at properties owned by the Director. We found that \$99,093 was paid to the Director from April 2011 to March 2020, and \$15,960 during our audit period, March 2020 to June 2022.
- 1.20 Additionally, the Director explained that another tenant at a Director-owned rental property receives a portable rent supplement of \$324 monthly from the Department of Municipal Affairs and Housing, for a total of \$4,212 paid during our audit period. Portable rent supplements are a form of government subsidy which is paid directly to tenants to cover basic housing costs, including rent. The subsidy is calculated based on income and need, and the Director receives these payments from the tenant.
- 1.21 The Housing Authority Conflict of Interest Policy requires employees to avoid and disclose all conflicts of interest to ensure public confidence. This includes ownership interest in any rental property which could potentially receive government subsidies, as well as any income derived from government subsidies.
- 1.22 The process for reporting conflicts of interest at Metro needs to be improved to ensure conflicts are appropriately declared.

#### **Recommendation 1.1**

We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to adhere to the Housing Authority Conflict of Interest Policy and address the following:

- taking the appropriate action to address the conflicts identified in this report;
- ensuring employees are informed of the conflict of interest policy;
- determining whether a conflict of interest exists and what actions are to be taken;
- establishing procedures for employees to report and document a conflict of interest to their supervisor; and
- establishing procedures for supervisors to mitigate the conflict.

**Department of Municipal Affairs and Housing Response:** The Nova Scotia Provincial Housing Agency (the "NSPHA") has taken immediate action to address the conflicts identified in this report.

A new Conflict of Interest Policy, processes and guidelines have been developed to align with government's Conflict of Interest Policy and Code of Conduct for Public Servants and ensure consistent implementation and monitoring across the province. The guidelines include standard procedures employees can follow to report and document a conflict of interest to their supervisors and for supervisors to mitigate the conflict. Target Date: Complete

## Compliance and Transparency Concerns Relating to the Awarding of Security Services Contracts

### Bidders not required to declare conflicts of interest

- 1.23 Our review of the security services procurement process noted a deviation from the Nova Scotia Sustainable Procurement Policy, specifically that bidders were not required to declare any conflicts. The tender documents did not include conflict-of-interest language or declaration requirements. This meant the Owner was not required to disclose, and did not disclose personally knowing and purchasing the property from the Director weeks before the tender closing date.
- 1.24 In addition, we reviewed a random sample of ten other publicly available tenders from across all five regional housing authorities and found none of the ten included conflict-of-interest language or disclosure requirements.
- 1.25 Conflict of interest disclosures are necessary to ensure fairness to all bidders in the procurement process. Disclosing a conflict of interest allows management to ensure any potential conflict of interest can be considered, and outline steps to address the conflict. For example, removing someone from the evaluation panel or decision-making process who has an external relationship with a bidder.

#### **Recommendation 1.2**

We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to add conflict-of-interest language and disclosure requirements in all public tenders.

**Department of Municipal Affairs and Housing Response:** The NSPHA has achieved this recommendation by adding conflict of interest language and disclosure requirements in all public tenders. Target Date: Completed

### Security services contracts primarily followed the tendering practices but scoring guidance requires improvement

- 1.26 The Metro procurement process is outlined in the Housing Authority Tendering Practices documents. These documents were adapted from the current Government of Nova Scotia Procurement Protocols, which is permitted under the Public Procurement Act.
- 1.27 We found the procurement of security services received appropriate approvals from management to initiate the process. As this was a high value procurement of \$1.3 million, Metro completed an open competition in compliance with the Tendering Practices. The tender documents included a well-defined scope of work and eligibility criteria; therefore, submission requirements would have been clear to all potential bidders.
- 1.28 Originally, two separate tenders were issued for services required by Metro. The initial security services tender was issued on August 1, 2020, while the second, issued on August 10, 2020 for tenant services, related to services piloted at Metro in Spring 2020 by Company A. After a concern was raised by a member of the public to the Department of Justice, the department having legislative responsibility for security services, the two tenders were combined on August 20, 2020. This concern related to specific qualifications necessary for bidders to meet for the tenant services tender. The decision to combine the two tenders followed the Tendering Practices and resulted in an extension to the original submission deadline.



- 1.29 The Project Manager responsible for overseeing the procurement selected three Metro property managers for an internal evaluation panel to score the bidder submissions. The evaluators possessed experience with previous procurements, knowledge of Metro's security needs and completed conflict-of-interest attestations. Panel members were provided scoring guidance that was consistent with the tender documents and were instructed to score submissions free from any consultation with management, including the Director. This was confirmed by all three panel members.
- 1.30 Contracts were awarded for the eight schedules contained in the tender. The eight schedules were separately scored by the evaluation panel. Each schedule represented a different scope of work within the overall security services tender.
- 1.31 We re-evaluated all ten submissions for this procurement using the scoring guidance provided to the evaluation panel. Although we concluded the submissions were scored consistently, we question the appropriateness of the scoring because in the end, the top scorer was not awarded the majority of the work.
- 1.32 For example, Company B scored highest on six of the eight schedules but was only awarded four schedules of work, amounting to \$233,671 or 18 per cent of the total contract value. Company A scored highest on only one of eight schedules but was awarded three schedules of work, amounting to \$996,000 or 75 per cent of the total contract value. Company C received one schedule for \$90,000 or 7 per cent of the total contract value.
- 1.33 When we addressed this outcome with the Project Manager, we were informed subsequent to the scoring, the Project Manager reached out to Company B and concluded the company was not equipped to deliver on all of the schedules of work where it scored highest. We note that the security tender included a clause that permitted Metro to limit the number of schedules awarded to any one bidder. This flexibility is necessary to ensure the most suitable bidder is awarded work.
- 1.34 The contracts awarded to the successful bidders were consistent with the scope of work outlined in the tender documents and amendments. However, the scoring guidance used by the evaluation panel did not assess bidder operational capability or capacity and led to a significant disconnect between the scoring results and the contracts awarded. We noted the contracts were approved by the Acting Director given the Director was on leave at the time of signing.

### Recommendation 1.3

We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to incorporate bidder operational capability and capacity into the scoring guidance when evaluating tender submissions.

**Department of Municipal Affairs and Housing Response:** The NSPHA has incorporated evaluation of bidder operational capability and capacity into its scoring guidance for evaluating tender submissions. Target Date: Completed



### Tenant services program trialed in Spring 2020 and later incorporated into the security services tender

- 1.35 During our audit, we learned more about a tenant services pilot program procured using the allowable alternative procurement protocols in Spring 2020. The pilot program ran for three months from April 24, 2020 to July 24, 2020 at a cost of \$83,643.

- 1.36 The pilot program focused on addressing tenancy issues through documentation and interaction with tenants to complement the existing security services. Management explained the pilot was necessary to address increasing security expenses and a rise in complaints from tenants. Since the pilot program helped to inform Metro's security needs moving forward, we included the pilot in our audit.
- 1.37 Metro did not use a formal contract or service agreement with Company A for the pilot program. Instead, the Director approved a purchase order for this work, but we noted the purchase order was prepared after Company A had already started to provide tenant services. Approximately one third of the total \$1.3 million in security services contracts awarded in October 2020 (\$425,000), related to services trialed during the pilot program and these contracts were ultimately awarded to Company A.

### **Alternative procurement approach for pilot program not properly supported**

- 1.38 Management explained the pilot program was a specialized service that at the time was only offered by one qualified supplier. Due to these circumstances, Metro decided to use an alternative procurement approach for the program. Our audit confirmed it was the Director who identified Company A as the qualified supplier, and initiated conversations on behalf of Metro. We also confirmed the alternative procurement was facilitated by management, rather than the Purchasing Department.
- 1.39 The use of alternative procurement to deviate from the standard public tender procurement process is permitted under the Government of Nova Scotia Procurement Protocols if the proper justification is met. For example, in emergency situations or to fix work done by a contractor under warranty. Alternative procurement cannot be used to avoid competition between bidders or to discriminate against a specific individual or group of suppliers. Management stated they contacted a few other suppliers; however, we were unable to confirm, as this was not documented. Therefore, the justification for alternative procurement was not properly supported.
- 1.40 The absence of a clear business case and lack of documentation justifying the alternative procurement decision does not necessarily indicate the decision was inappropriate. However, the requirements are in place to reduce the risk of unfair procurement practices and allow management to adequately support their decisions. For contractors, winning a government contract can be significant. Therefore, it is especially prudent that Metro follows all procurement protocols and clearly documents procurement decisions.

### **Pilot program not adequately planned or assessed by management**

- 1.41 The need and goals of the pilot program were not established by management prior to Company A being awarded the work. Furthermore, management did not conduct a formal evaluation of the program at the completion of the three-month pilot. However, management indicated it was seen as a success based on feedback from property managers. Without goals or an evaluation by management, we were unable to confirm project success.
- 1.42 Performance measures are metrics that help determine if an overall goal is met; they are an important step in the creation of any program and help define whether a pilot program is considered a success.

**Recommendation 1.4**

We recommend the Department of Municipal Affairs and Housing direct the Metropolitan Regional Housing Authority to follow government procurement policy for alternative procurements that are not publicly tendered. Projects using the alternative procurement process should be led by the Purchasing Department and include the following:

- a documented business case; and
- clearly developed objectives, goals, and key performance indicators.

**Department of Municipal Affairs and Housing Response:** Work is underway to develop a new Procurement Policy and accompanying processes and tools that establish and standardize procedures for purchasing goods and services within the NSPHA. Training and orientation on the new Procurement Policy will be provided to staff and mechanisms developed to monitor and evaluate implementation.

The new Procurement Policy will follow government policy for alternative procurements that are not publicly tendered. Projects using the alternative procurement process will be led by the Finance Division and include documented business cases as well as clearly developed objectives, goals and key performance indicators. Target Date: June 30, 2023

1.43 In December 2022, the Housing Supply and Services Act came into effect, replacing the Housing Act and Housing Nova Scotia Act. This resulted in significant change to how public housing is managed in Nova Scotia. The five regional housing authorities were amalgamated into a new Crown corporation called the Nova Scotia Provincial Housing Agency and programs and functions not related to public housing were transferred from Housing Nova Scotia to the Department of Municipal Affairs and Housing. Since this time the five regional housing authorities have been dissolved and redistributed as four districts (Cape Breton Island, Metropolitan, Northern, and Western).

## Reasonable Assurance Engagement Description and Conclusions

In December 2022, we completed an independent assurance report of the Metropolitan Regional Housing Authority at the Department of Municipal Affairs and Housing. The purpose of this performance audit was to determine whether the Department of Municipal Affairs and Housing procured security services in a fair and transparent manner, in compliance with internal and provincial policies.

It is our role to independently express a conclusion about whether the Metropolitan Regional Housing Authority complies in all significant respects with the applicable criteria. Management at the Department of Municipal Affairs and Housing has acknowledged its responsibility for management of the regional housing authorities.

This audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada; and sections 18, 21 and 25 of the Auditor General Act.

We apply the Canadian Standard on Quality Management 1, which requires the 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 Code of Professional Conduct of Chartered Professional Accountants of Nova Scotia as well as those outlined in Nova Scotia's Code of Conduct for public servants.

The objectives and criteria used in the audit are below:

**Objective:**

To determine if Metropolitan Regional Housing Authority tendered security services in a fair and transparent manner, in compliance with internal and provincial policies.

**Criteria:**

1. Metropolitan Regional Housing Authority should have established policies and procedures that comply with provincial procurement and conflict of interest policies.
2. Metropolitan Regional Housing Authority should have conducted the procurement of professional services outlined in tender documents in compliance with established procurement and conflict of interest policies.
3. Metropolitan Regional Housing Authority should have ensured the tender documents included a well-defined scope of work, eligibility and evaluation criteria that are reasonable and consistent with deliverables.
4. Metropolitan Regional Housing Authority should have followed the eligibility and evaluation criteria defined in the tender documents when evaluating proposals.
5. Agreements with successful proponents should be consistent with the scope of work outlined in the tender documents.

Generally accepted criteria consistent with the objectives of the audit did not exist. Audit criteria were developed specifically for this engagement. Criteria were accepted as appropriate by senior management at the Department of Municipal Affairs and Housing.

Our audit approach consisted of interviews with management of the Department of Municipal Affairs and Housing as well as staff from the Metropolitan Regional Housing Authority. It also included reviewing policies, reviewing and testing procurement work, and a variety of other documentation. Our audit period covered March 1, 2020 to June 30, 2022. We examined documentation outside of that period as necessary.

We obtained sufficient and appropriate audit evidence on which to base our conclusions on December 16, 2022, in Halifax, Nova Scotia.



Based on the reasonable assurance procedures performed and evidence obtained, we have formed the following conclusions:

- The Metropolitan Regional Housing Authority's conflict of interest processes require improvement. The Director was in conflict prior to and after the awarding of the security services contracts and failed to disclose conflicts in accordance with internal and provincial conflict of interest policies.
- The Metropolitan Regional Housing Authority primarily followed internal and provincial procurement policies for the procurement of security services, with the following compliance and transparency concerns noted:
  - bidders were not required to disclose conflicts of interest; and
  - the recommendation by the evaluation panel was not followed because the scoring guidance used by the evaluation panel did not incorporate bidder operational capability and capacity.

• • • Office of the Auditor General • • •

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