

Alternative Procurement and Management of Selected Health Contracts

MARCH 2026

REPORT OF THE AUDITOR GENERAL TO
THE NOVA SCOTIA HOUSE OF ASSEMBLY

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March 31, 2026

Honourable Danielle Barkhouse
Speaker
House of Assembly
Province of Nova Scotia

Dear Madam Speaker:

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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Alternative Procurement and Management of Selected Health Contracts

Nova Scotia Health



AUDIT FOCUS

We selected six vendors to determine whether Nova Scotia Health:

- Procured vendors in compliance with provincial procurement policies
- Signed contracts with vendors that included clear terms and conditions
- Identified and disclosed any real or perceived conflicts of interest
- Is effectively monitoring and managing vendor performance

WHY WE DID THIS AUDIT

- Nova Scotia Health (NSH) has awarded over \$3.7 billion in contracts through alternative procurement since 2020
- Alternative procurement can lead to higher costs, less favourable contract terms, and an overreliance on a single vendor
- Past Nova Scotia Auditor General performance audits and financial reports have identified NSH concerns with the use of alternative procurement by NSH



KEY AUDIT RESULTS

- Our testing of alternative procurements for six vendors found NSH is inappropriately using alternative procurement and not following provincial procurement policy
- Improvements needed to manage conflict of interest
- Contract weaknesses noted including one vendor with no contract, another contract signed after work started, and contracts missing important terms and conditions
- With regards to contract oversight and management, regular vendor monitoring noted for five of six contracts, but improvement needed



Thirteen recommendations to NSH which has agreed to implement all of them in the coming months

➤➤➤ Important to note Auditor General concerns are not with specific vendors but rather NSH's internal processes for procuring and managing vendor delivery of goods and services.

Reference Guide – Key Findings and Observations

Paragraph	Key Findings and Observations
Background	
1	<i>NSH operating in a challenging and complex environment</i>
6	<i>Alternative procurement practices are permitted for urgent, specialized, or exceptional circumstances</i>
9	<i>Alternative procurement can be used without the support of the Department of Service Nova Scotia</i>
10	<i>Over \$3.7 billion in high value alternative procurements awarded since 2020-21</i>
11	<i>Alternative procurement reduces competition and potentially discriminates against vendors</i>
13	<i>Auditor General concerns around the use of alternative procurement identified in past audits, reports</i>
Our Testing of Alternative Procurement for Six Vendors Found NSH is Inappropriately Using Alternative Procurement and Not Following Provincial Procurement Policy	
18	<i>Auditor General concerns are not related to any particular vendor or project selected for testing</i>
19	<i>Weak rationale to justify the use of alternative procurement for four of the six vendors examined</i>
20	<i>No evidence to support a lack of competition prior to hiring a consultant to assist with the integration of internationally educated nurses</i>
23	<i>Lack of competition justified for cancer care equipment and service</i>
24	<i>Canadian Free Trade Agreement inappropriately used as justification for alternative procurement</i>
27	<i>Auditor General strongly encourages public disclosure of alternative procurements under the health and social services exemption</i>
29	<i>Chat tool project procured through alternative procurement terminated early after another vendor hired</i>
35	<i>NSH completed an analysis to support the vendor taking on an expanded role in the delivery of transitional care</i>
42	<i>Alternative procurements not always posted to the provincial procurement portal</i>
43	<i>Contracts awarded, signed and work underway before alternative procurement approved</i>
47	<i>NSH significantly expanded the scope and value of work awarded to vendors through alternative procurement and contract amendments</i>
49	<i>Millions in multiple alternative procurements awarded to one vendor since 2020</i>
52	<i>Alternative procurements awarded when not supported by the Department of Service Nova Scotia</i>
56	<i>New supply arrangement of pre-qualified consulting services vendors being implemented</i>
57	<i>Virtual care services significantly expanded using alternative procurement and contract amendments</i>

61	<i>NSH publicly tendering for a virtual health care service provider</i>
62	<i>High dollar value alternative procurements do not require Board Administrator review</i>
Improvements Needed to Manage Conflict of Interest	
65	<i>Conflict of interest requirements weaker for alternative procurement versus procurements done through requests for proposal</i>
68	<i>Changes to alternative procurement forms to identify potential conflicts are an improvement, but more needed</i>
69	<i>Financial contributions by vendors to the Nova Scotia Health Innovation Hub could create a perceived conflict of interest</i>
71	<i>Strong conflict of interest controls needed at the Nova Scotia Health Innovation Hub</i>
Contract Weaknesses – No Contract, Contracts Signed After the Work Had Started, and Contracts Missing Important Terms and Conditions	
75	<i>Several contracts in place for the construction and operation of the West Bedford Transitional Care Facility</i>
77	<i>NSH did not sign a contract with one vendor</i>
78	<i>NSH signed contracts with a vendor after the work started</i>
80	<i>Important key terms and conditions missing from certain contracts</i>
82	<i>NSH standard services contract template not used</i>
Contract Oversight and Management – Regular Monitoring Noted, But Improvements Needed	
85	<i>NSH does not provide guidance for contract management</i>
87	<i>Regular monitoring and reporting evident for five of six vendors examined</i>
89	<i>Limited evidence to determine what one vendor was hired to do or what was accomplished</i>
93	<i>Comprehensive performance indicators to assess the performance of virtual care service provider not established</i>
95	<i>Contract for the West Bedford Transitional Care facility requires the development of key performance indicators by March 31, 2026</i>
98	<i>Important for NSH to continue oversight of the West Bedford Transitional Care Facility</i>
99	<i>NSH unable to provide a consistent and complete listing of payments made under contracts</i>
101	<i>Payments to vendors appropriately approved</i>

Recommendations and Responses

Recommendation	Department Response
<p>Recommendation 1: We recommend Nova Scotia Health provide clear justification to support the use of alternative procurement as described in the Alternative Procurement Circumstance Guide and include steps taken to obtain the best value possible.</p> <p style="text-align: right;"><i>See paragraph 41</i></p>	<p> Agree</p> <p> Target Date for Implementation: Template Q2 FY26; Training Q3 FY26</p> <p>Nova Scotia Health agrees. We will strengthen ALTP files to clearly document: (i) the specific circumstance cited from the Alternative Procurement Circumstance Guide; (ii) the steps taken to assess market awareness and vendor suitability, including whether the vendor has verifiable skills and experience in the required areas; and (iii) evidence supporting best value beyond price, including outcomes, risk, timeliness, and interoperability. To support consistent application, we will enhance an internal ALTP rationale template with a standardized best-value checklist and provide targeted training.</p>
<p>Recommendation 2: We recommend Nova Scotia Health follow provincial procurement policies and approve the use of alternative procurement before awarding contracts, commencing work with vendors, and/or paying vendors.</p> <p style="text-align: right;"><i>See paragraph 46</i></p>	<p> Agree</p> <p> Target Date for Implementation: Workflow control Q2 FY26; Playbook Q3 FY26</p> <p>Nova Scotia Health agrees. Across our broader ALTP activity, approvals generally occur before work begins. For all contracts reviewed except the lowest-value item, ALTP forms were signed by the Province's Chief Procurement Officer and the NSH Senior Director prior to award/effective dates. We will improve controls to gate contracts until ALTP documentation is complete and enhance compliance monitoring to ensure all approvals are documented in a timely manner.</p>

<p>Recommendation 3: We recommend Nova Scotia Health set criteria defining what is considered a significant change in the project scope and cost from that initially awarded through alternative procurement. Such criteria would define when a competitive procurement process should be carried out.</p> <p style="text-align: right;"><i>See paragraph 61</i></p>	<p> Agree</p> <p> Target Date for Implementation: Criteria and guidance Q3 FY26</p> <p>Nova Scotia Health agrees. We will define practical triggers (e.g., cumulative value change, duration, service criticality, technical scope, integration risk). When thresholds are met, Procurement will advise whether to initiate competition, extend via ALTP, or re-baseline via amendment—with documentation of rationale. This is aligned with current provincial guidance.</p>
<p>Recommendation 4: We recommend Nova Scotia Health develop and implement strategies to reduce reliance on vendors continually hired through alternative procurement such as conducting competitive procurement processes when new services are needed and contracts expire.</p> <p style="text-align: right;"><i>See paragraph 61</i></p>	<p> Agree</p> <p> Target Date for Implementation: First consulting/IT supply arrangements early FY26</p> <p>Nova Scotia Health agrees. Alongside compliance controls, we are establishing pre-qualified supply arrangements/standing offers to compete quickly and lower ALTP frequency. We will also schedule competitive re-procurements at natural contract endpoints and use category strategies to plan market engagement without disrupting patient services as evidenced by the competitive Virtual Care Request for Proposal that closed February 5th, 2026.</p>
<p>Recommendation 5: We recommend Nova Scotia Health establish and use clear criteria for identifying when high dollar value alternative procurements should be formally presented and reviewed by the Board Administrator prior to proceeding.</p> <p style="text-align: right;"><i>See paragraph 64</i></p>	<p> Agree</p> <p> Target Date for Implementation: Q3 2026</p> <p>Nova Scotia Health acknowledges the value of enhanced oversight for high-dollar-value alternative procurements and the role of the Board Administrator in providing strategic and risk-based review. NSH will establish clear criteria to identify when high-value or high-risk alternative procurements should be formally presented for review, considering factors such as dollar value, duration, strategic importance, risk exposure, and public interest. These criteria will complement existing signing authority and governance frameworks and are intended to strengthen transparency and oversight while avoiding unnecessary delays in decision-making where timely action is required to maintain patient services.</p>
<p>Recommendation 6: We recommend Nova Scotia Health require conflict of interest declarations for Nova Scotia Health and vendor staff involved in alternative procurements and have a process to address real and perceived conflicts when they are identified.</p> <p style="text-align: right;"><i>See paragraph 68</i></p>	<p> Agree</p> <p> Target Date for Implementation: Form Q2 FY26; training Q3 FY26</p> <p>Nova Scotia Health agrees. NSH has a Conflict of Interest (COI) Policy and procedure that define responsibilities, declaration steps, management actions, and an appeals process; ALTP forms require the requester to note conflicts; and vendors in this audit provided compliance letters confirming adherence during</p>

	<p>the audit. We will add standardized individual COI declaration forms for each procurement team and pertinent vendor roles, with a documented mitigation record.</p>
<p>Recommendation 7: We recommend Nova Scotia Health review its funding model for the Nova Scotia Health Innovation Hub to assess whether funding from private sector vendors can be managed in a manner that promotes transparency and minimizes conflict of interest risk.</p> <p style="text-align: right;"><i>See paragraph 71</i></p>	<p> Agree</p> <p> Target Date for Implementation: Review completed Q3 FY26</p> <p>Nova Scotia Health agrees. All Innovation Hub Partner Agreements state that member fees/contributions are not based on past/future referrals and are not inducements to purchase, recommend, or provide favourable treatment. We will review the funding model to further strengthen transparency, disclosure, and separation from procurement/contracting decisions, consistent with the NSH Conflict of Interest Policy.</p>
<p>Recommendation 8: We recommend Nova Scotia Health establish strong conflict of interest controls within the Nova Scotia Health Innovation Hub, including:</p> <ul style="list-style-type: none"> • annual conflict of interest declarations for staff; • conflict of interest training for staff; • public disclosure of vendor financial contributions and any contracts awarded to these vendors; • documentation of real or perceived conflicts of interest and how these have been addressed. <p style="text-align: right;"><i>See paragraph 71</i></p>	<p> Agree</p> <p> Target Date for Implementation: Declarations/process Q3 FY26</p> <p>Nova Scotia Health agrees. Current controls include the NSH Conflict of Interest Policy, procedures, and ad hoc training; Partner Agreements explicitly state membership does not influence procurement. We will formalize annual Conflict of Interest declarations for Hub staff, improve documentation of identified/managed conflicts, standardize training and enhance public disclosure of vendor contributions and contracts where appropriate—while continuing to leverage the Hub’s ecosystem of local, national, and global partners to deliver innovation for Nova Scotians.</p>
<p>Recommendation 9: We recommend Nova Scotia Health sign contracts with all vendors before vendors begin work.</p> <p style="text-align: right;"><i>See paragraph 84</i></p>	<p> Agree</p> <p> Target Date for Implementation: Guidance Q2 FY26</p> <p>Nova Scotia Health agrees with this recommendation. NSH manages tens of thousands of purchases each year using both purchase orders and formal contracts, each of which is a binding instrument depending on the value, risk, and nature of the service. In the audit sample, all but one engagement—the lowest-value, three-month service, which is now complete—had a signed contract in place. For the two highest-value contracts, NSH applied additional risk-mitigation measures by engaging external legal counsel to ensure robust contractual protections for Nova Scotians.</p>

	<p>NSH will clarify and reinforce internal guidance so that the appropriate agreement—purchase order or contract—is established prior to work commencing, with recognizing there may be emergency exceptions. These steps will strengthen consistency and oversight while ensuring NSH can continue to act quickly when urgent healthcare needs require timely vendor engagement.</p>
<p>Recommendation 10: We recommend Nova Scotia Health use all applicable terms and conditions outlined in its standard services contract template when preparing contracts with vendors. If terms and conditions from the contract template are not used, there should be clear justification for why these have not been included in vendor contracts.</p> <p style="text-align: right;"><i>See paragraph 84</i></p>	<p> Agree</p> <p> Target Date for Implementation: Updated guidance: Q2 FY 2025–26. Communication and implementation: Q3 FY 2025–26</p> <p>Nova Scotia Health agrees with this recommendation and notes it has an established standard services contract template used as the baseline for vendor agreements. We recognize that the goods and services we procure vary in value, risk, complexity, and duration, so a single contractual approach is not appropriate in all circumstances. Accordingly, we will continue to use the standard template as the starting point and apply a risk-based approach to tailoring terms where warranted, while achieving the intent of the standard provisions. This will support consistent application and ensure contracts remain fit-for-purpose, protect the public interest, and enable timely, effective service delivery for Nova Scotians.</p>
<p>Recommendation 11: We recommend Nova Scotia Health amend the contracts included in the audit to include terms and conditions related to cybersecurity, conflict of interest, performance indicators and audit access, or where not possible, take appropriate action to mitigate the impact of these missing terms and conditions.</p> <p style="text-align: right;"><i>See paragraph 84</i></p>	<p> Agree</p> <p> Target Date for Implementation: Template refresh Q2 FY26</p> <p>Nova Scotia Health agrees. We start with our standard services template and tailor based on risk/complexity. In the audit, ~20 standard terms were assessed and 15 were already present; the sole unsigned engagement was the lowest-value, three-month service and is complete. All audited vendors submitted compliance letters reinforcing adherence to COI policy, record-keeping, and security standards (e.g., SOC 2/ISO 27001). We will continue to use the standard as baseline, address gaps prospectively, and apply risk-based amendments where feasible.</p>

<p>Recommendation 12: We recommend Nova Scotia Health create contract management guidance outlining roles, responsibilities and expectations for contract management, and use the framework to manage all projects.</p> <p style="text-align: right;"><i>See paragraph 94</i></p>	<p> Agree</p> <p> Target Date for Implementation: Framework Q3 FY26</p> <p>Nova Scotia Health agrees. We will publish a system-wide contract management framework integrated with category management and supplier performance with regular reviews of value being realized.</p>
<p>Recommendation 13: We recommend Nova Scotia Health regularly prepare a listing of payments under vendor contracts. These lists should be regularly reviewed to assess completeness, accuracy, and compliance with amounts outlined in vendor contracts.</p> <p style="text-align: right;"><i>See paragraph 101</i></p>	<p> Agree</p> <p> Target Date for Implementation: Reporting spec Q2 FY26; first reports Q3 FY26</p> <p>Nova Scotia Health agrees. We will standardize periodic contract-level payment listings and embed them in the contract-management cadence. NSH notes that all payment approvals in this audit were found to be appropriate; this step improves completeness and visibility.</p>

Background

NSH operating in a challenging and complex environment

1. Nova Scotia Health (NSH) must deliver health care to Nova Scotians in a challenging and complex environment. Faced with an aging population, physician and nurse shortages, aging infrastructure, and the management of approximately 30,000 employees, NSH is under significant pressure to quickly find new solutions to better deliver health care, while managing the financial costs to the Province. Healthcare spending accounts for nearly half of all provincial government expenses. The procurement of goods and services must be done in a manner intended to improve the delivery of health care while also recognizing the financial constraints facing the Province.
2. Procurement activities by the Province of Nova Scotia and public sector entities, including NSH, are guided by the *Public Procurement Act* and the Sustainable Procurement Policy. In accordance with the Act, goods, services and construction must be procured in a manner that results in best value, encourages competition and innovation, and promotes sustainable procurement. These objectives are supported by the Province's Sustainable Procurement Policy which outlines requirements for maximizing competition, adopting commercially reasonable business practices and conducting open, fair and transparent procurement processes. The Minister of the Department of Service Nova Scotia is responsible for promoting and implementing the Sustainable Procurement Policy. The Sustainable Procurement Policy was revised in November 2024 and is now called the Public Procurement Policy. The alternative procurements examined as part of the audit were completed prior to these revisions.
3. NSH has its own procurement policy that is consistent with the standards established by the Province. The monetary threshold to determine the method of procurement is outlined in the table below. These thresholds align with the requirements of the Canada Free Trade Agreement. Thresholds under the Canada Free Trade Agreement are adjusted for inflation every two years.

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Nova Scotia Health Procurement Thresholds

		Low Value		High Value
		No Quotes Required Note 1	Invitational Competition	Open Competition
	Goods	<\$25,000	\$25,000- \$133,799	\$133,800+ above
	Services	<\$25,000	\$25,000- \$133,799	\$133,800 + above
	Construction	<\$25,000	\$25,000- \$334,399	\$334,400 + above

Source: Department of Service Nova Scotia

Note 1: Quotes not required, but encouraged

Note 2: The above thresholds are effective January 1, 2024. From January to December 2023 high value thresholds were \$121,200 and above for goods and services, and \$302,900 and above for construction.

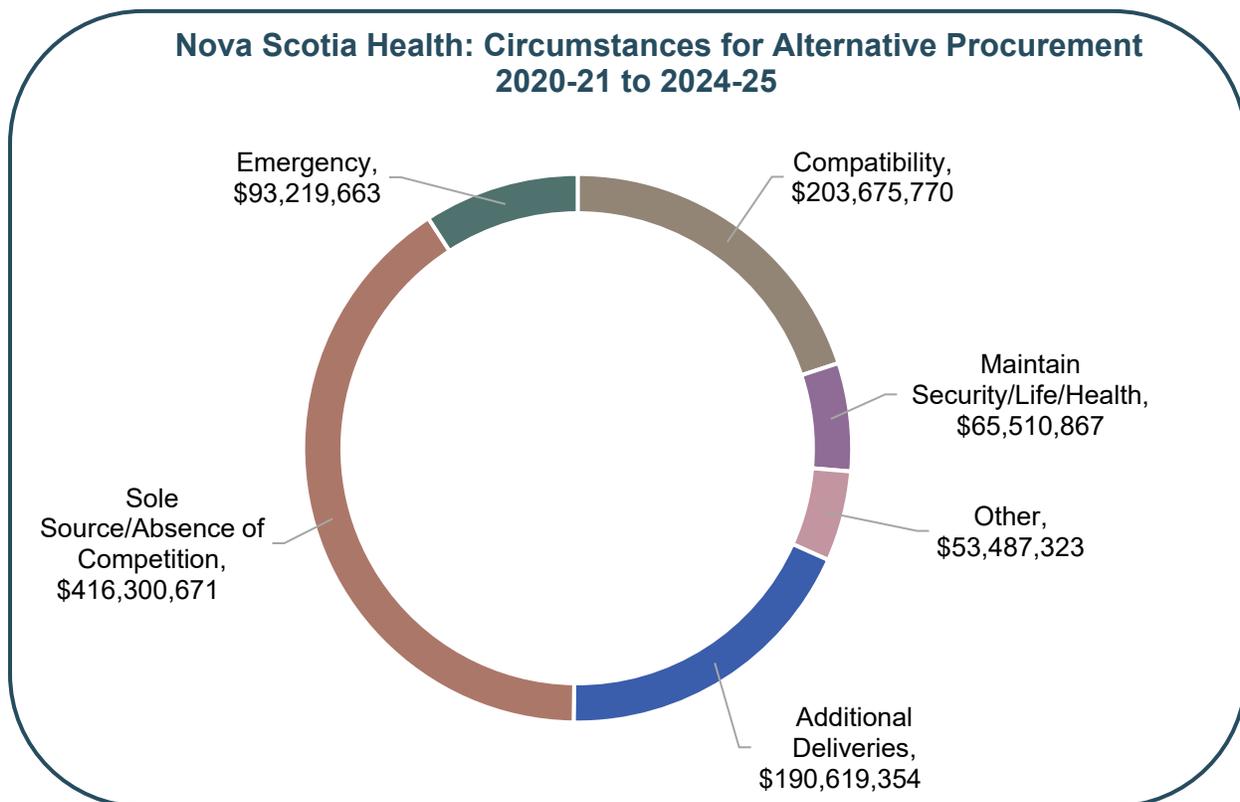
- Quotes are not required for low value procurements under \$25,000. However, NSH is encouraged to obtain quotes from potential vendors. For goods, services and construction costing more than \$25,000 but below the open competition thresholds, an invitational competition is required, with invitations for submissions sent to at least three suppliers.
- If the value of goods, services and construction exceeds the invitational competition threshold, NSH must work with the procurement group in the Department of Service Nova Scotia to conduct a competitive process through a request for proposal, which involves the solicitation of bids through a publicly posted solicitation document.

Alternative procurement practices are permitted for urgent, specialized, or exceptional circumstances

- While the Sustainable Procurement Policy promotes full and open competition, it also allows for the use of alternative procurement which recognizes open and competitive procurement practices may not always be practical in urgent, specialized or exceptional circumstances. Specifically, alternative procurement allows exceptions to the standard procurement process as it enables the selection of vendors without a competitive bidding process. However, alternative procurement must not be used to avoid competition between suppliers or discriminate against specific vendors.
- Alternative procurement must only be used when specific circumstances are met, such as, only one vendor can provide what is required; in emergencies; or to maintain compatibility with existing products. Refer to Appendix II for a list of all 23 circumstances which allow for the use of alternative procurement during our audit period (April 1, 2023 to December 31, 2024). In October 2025, the list of circumstances in which alternative procurement can be

used was reduced to nine. Refer to Appendix III for the revised list of alternative procurement circumstances.

8. Between 2020-21 and 2024-25, the two alternative procurement circumstances that accounted for the highest dollar value of alternative procurements by NSH were absence of competition and compatibility. Guidance provided by the Department of Service Nova Scotia indicates the absence of competition circumstance applies when there is an absence of competition for a good, service, or construction due to technical reasons and only one vendor is capable of providing what is required. Compatibility refers to the need to maintain compatibility with existing products, or when specialized products must be maintained by the manufacturer or its representative.



Source: Compiled by the Office of the Auditor General of Nova Scotia using data provided by the Department of Service Nova Scotia; unaudited

Note: Above graphic does not include the alternative procurement awarded in June 2024 to the operator of the West Bedford Transitional Care Facility. As noted later in the report, this alternative procurement was not posted to procurement portal.

Alternative procurement can be used without the support of the Department of Service Nova Scotia

9. To trigger alternative procurement for a high value procurement, NSH must complete a High Value Alternative Procurement Form for submission to the procurement group in the Department of Service Nova Scotia. The form must document the rationale for the alternative procurement. The procurement group will review the form and indicate whether they support the rationale for alternative procurement. The final approval resides with the Senior Administrative Officer, which is a deputy minister in a government department or equivalent

equivalent in a public sector entity. Within NSH, approval of high value alternative procurements is assigned to the Vice President, Corporate Services, Infrastructure, and Chief Financial Officer. If an alternative procurement is not supported by the procurement group, the Vice President, Corporate Services, Infrastructure, and Chief Financial Officer of NSH may still approve the procurement. While this is permitted under the provincial procurement policy, proceeding with alternative procurements without the support of the Department of Service Nova Scotia reduces the standardization of procurement activities across the provincial public sector and can potentially lead to the inappropriate use of alternative procurement.

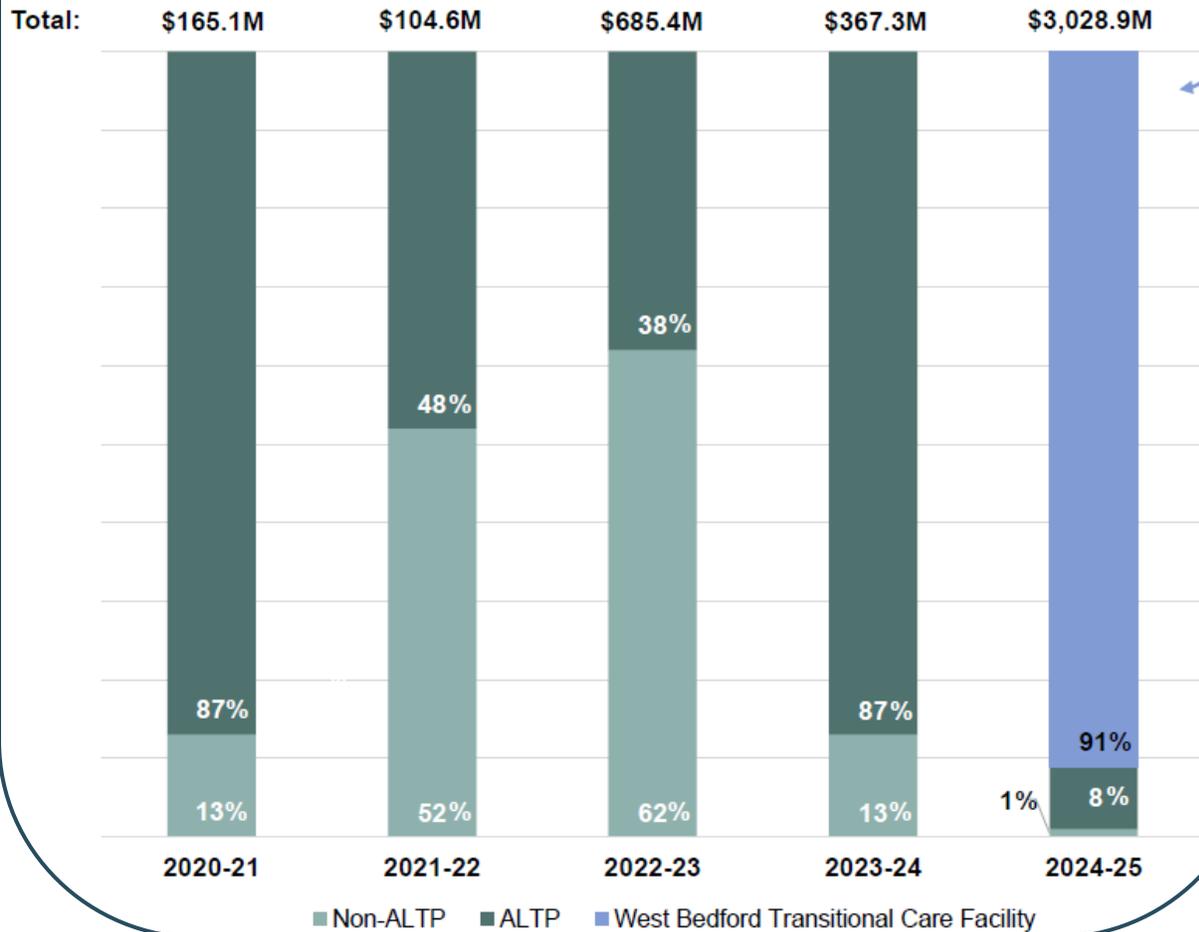
Over \$3.7 billion in high value alternative procurements awarded since 2020-21

10. Between 2020-21 and 2024-25, NSH used alternative procurement processes for a significant portion of high value procurements. Over the five-year period, there was over \$3.7 billion in high value alternative procurements awarded, with almost \$3.0 billion in 2024-25 alone. The following chart outlines the total value of high value procurements awarded by NSH in the past five years along with the total amount awarded through alternative procurement for comparison. Over this period, between 38 and 99 per cent of high value procurements were completed using alternative procurement. It is important to note that some of these procurement awards relate to large multi-year contracts, but the total value is included in the year the contract is awarded. Actual spending under these contracts remains to be determined and contracts may include options for early termination by NSH. Additionally, the information is only related to high value procurements conducted through the procurement group of the Department of Service Nova Scotia and does not include low value procurements (less than \$25,000).

Continued on next page

Percentage of High Value ALTP and Non-ALTP: 2020-21 to 2024-25

2024-25 alternative procurements provided by the Department of Service Nova Scotia did not include the alternative procurement awarded in June 2024 to the operator of the West Bedford Transitional Care Facility. As noted later in the report, this alternative procurement was not posted to the procurement portal.



Source: Compiled by the Office of the Auditor General of Nova Scotia using data provided by the Department of Service Nova Scotia; unaudited

Alternative procurement reduces competition and potentially discriminates against vendors

11. NSH management indicated alternative procurement is needed because competitive procurement takes too long and can impact the delivery of health care. The Department of Service Nova Scotia indicated a request for proposal process can take on average approximately between six to 18 months. While an alternative procurement approach may be faster and appropriate in some situations it can result in additional risks including:

- Reduced competition makes it difficult to determine whether the best price was obtained
- Reduced bargaining power may lead to higher costs and less favourable contract terms

- Overreliance on single vendors can leave organizations vulnerable to service disruptions
- Potential discrimination or unfair treatment of other vendors
- Lack of transparency around how vendors are selected

12. While there may be valid reasons for using alternative procurement, there needs to be adequate vendor due diligence to select the best possible vendor and strong controls put in place to mitigate the risks that come with alternative procurement. This may include explaining why a public procurement process cannot be completed, determining why other vendors are not suitable, and thoroughly assessing whether the vendor can meet the needs of NSH at a fair and reasonable price. Once a vendor is selected, contracts must clearly outline the roles and responsibilities of each party; clearly establish outcomes and deliverables; include measures to assess vendor performance; and include regular monitoring to appraise whether vendors are fulfilling their duties.

Auditor General concerns around the use of alternative procurement identified in past audits, reports

13. Recent reports from our Office have highlighted some of our concerns with the use of alternative procurement. In our February 2024 **Value for Money: Development of Transitional Care Facilities** performance audit, we found there was inappropriate use of alternative procurement to accelerate development of transitional care facilities. Specifically, we found approximately \$81 million in contracts awarded through alternative procurement for the development of transitional care facilities were not in compliance with provincial procurement policies. Furthermore, we identified instances during that audit where contracts with vendors selected through alternative procurement were not signed until well after the work had started. Our **2024 Financial Report** released in February 2025 also highlighted the growing use of alternative procurement by NSH and the risks associated with it.



14. To build on that past work, this audit focuses on a select sample of vendors hired by NSH through alternative procurement to determine if the procurement route followed provincial policies and if contracts were properly established and managed. The samples were determined through a variety of factors, including dollar value of the procurement, past audit work, and public interest. The audit did not examine whether value for money was achieved through the projects. More specifically, for a sample of alternative procurements, the audit examined whether NSH:

- Procured vendors in compliance with provincial procurement policies
- Signed contracts with vendors that included clear terms and conditions
- Identified and disclosed any real or perceived conflicts of interest
- Is effectively monitoring and managing the performance of vendors.

15. An overview of the alternative procurements assessed as part of this audit is included below.

The audit focuses on alternative procurements with these six vendors hired by NSH

Vendor	Vendor 1	Vendor 2	Vendor 3	Vendor 4	Vendor 5	Vendor 6
Dollar Value	\$2.7B	\$152M	\$49.6M	\$23.4M	\$8.4M	\$150K
Reason on ALTP Form	#5 Absence of competition	#5 Absence of competition	#5 Absence of competition	#22 To maintain security, life, health	#15 Additional deliveries	#5 Absence of competition
Unsolicited vendor proposal	Yes	Yes	Yes	No	No	No
Contract Term	25-35 year contract	10-year contract	5-year contract	1-year contract	Two contracts 1) 3.5 months 2) 8.5 months	No contract/term not defined
Contract Overview	To take over construction and renovation of the initial 68-bed Hogan Court Transitional Care Facility, construct a second 110-bed facility on the site, and operate both facilities.	For the purchase of cancer care equipment and software under a Multi-Disciplinary Oncology Partnership (MDOP).	For the development of a chat tool for the <i>YourHealthNS</i> app and navigator services and the provision of virtual urgent care which provides Nova Scotians at emergency rooms with the option to be seen virtually by a doctor.	For virtual care (basic care) for Nova Scotians with and without family doctors.	For advisory services related to the development of <i>YourHealthNS</i> app (Digital Front Door).	For the integration of internationally educated nurses.
Year Awarded	2024-25	2023-24	2022-23	2023-24	2024-25	2023-24

Source: Office of the Auditor General of Nova Scotia

Our Testing of Alternative Procurement for Six Vendors Found NSH is Inappropriately Using Alternative Procurement and Not Following Provincial Procurement Policy

16. We have significant concerns with NSH's use of alternative procurement for the six vendors examined. We found instances where there was insufficient justification for the use of alternative procurement and non-compliance with procurement policy. We also identified gaps in areas we would have expected to see as part of the alternative procurement process. Specifically, our concerns include:

- Weak rationale to justify the use of alternative procurement and the vendor selected
- Selecting or receiving services from vendors before the alternative procurement is approved
- Expanding the scope and value of work awarded to vendors through alternative procurement with contract amendments and additional alternative procurement
- Alternative procurements not supported by the Department of Service Nova Scotia
- Significant alternative procurements not presented to the NSH Board Administrator for review
- Conflict of interest declarations not completed for alternative procurements

17. An overview of the results for each vendor from our sample is outlined in the table below. Each of these concerns will be discussed in more detail in the paragraphs that follow.

Results of Office of the Auditor General Testing of Alternative Procurements

Criteria evaluated	Vendor 1	Vendor 2	Vendor 3	Vendor 4	Vendor 5	Vendor 6
Adequate rationale to support ALTP	✓	✓	✗	✗	✗	✗
ALTP form approved before ALTP awarded to vendor	✓	✗	✗	✗	✗	✗
Project scope/value not expanded using ALTP	✓	✓	✓	✗	✗	✓
ALTP supported by SNS procurement	✓	✓	✓	✓	✗	✓
ALTP reviewed by Board Administrator	✗	✗	✗	✗	✗	n/a *See Note 1
ALTP conflict of interest declarations completed	✗	✗	✗	✗	✗	✗

Source: Office of the Auditor General of Nova Scotia

*Note 1: Due to dollar value (\$150,000) we would not expect the procurement to be reviewed by the Board Administrator

Auditor General concerns are not related to any particular vendor or project selected for testing

18. It's important to note that our concerns are not with the specific vendors selected or the projects pursued by NSH, but rather how NSH is using alternative procurements to select vendors without competition. As part of our work, vendors included in the audit were given the opportunity to review the relevant sections of the report prior to the public release. While we acknowledge NSH's need to act quickly to address the challenges facing the Province's healthcare system, expediency should not take priority over appropriate due diligence, nor does it justify non-compliance with procurement policy. Any expenditure of public funds must be made in a transparent manner that maximizes value. The lack of competitive bidding makes it challenging to objectively determine the most qualified vendor and most reasonable cost. Appropriate due diligence must be completed to mitigate these risks.

Weak rationale to justify the use of alternative procurement for four of the six vendors examined

19. We reviewed alternative procurements for the six vendors and found only two examples with adequate rationale to justify the use of alternative procurement. The Department of Service Nova Scotia has an Alternative Procurement Circumstances Guide that outlines criteria that must be met to demonstrate a procurement meets one of the approved alternative procurement circumstances. However, for four of our six vendors examined we found the rationale provided was weak which undermines the integrity of the procurement process and whether the use of alternative procurement complies with procurement policies.

No evidence to support a lack of competition prior to hiring a consultant to assist with the integration of internationally educated nurses

20. NSH indicated an alternative procurement was needed for Vendor 6 due to a lack of competition for the services to be provided. Vendor 6 was hired to assist with the integration of internationally educated nurses, but we saw no evidence to support why this was the only vendor able to provide these services. Based on the guidance provided by the Department of Service Nova Scotia, a lack of competition should be supported by:

- Reasons why competitive procurement cannot be completed
- Measures taken to ensure there are no other vendors capable of providing the services
- Results of market research identifying other potential vendors

21. We found none of this information was prepared before hiring Vendor 6 through alternative procurement. We saw no explanation of the steps taken by NSH to determine whether other vendors could be used. The Sustainable Procurement Policy clearly indicates alternative procurement must not be used to avoid competition between suppliers or to discriminate against specific individuals or groups of suppliers. When a vendor is selected through alternative procurement due to a lack of competition, procurement protocol requires a detailed explanation of why other vendors cannot provide the services required. Without this explanation, the transparency of the procurement process is weakened, and specific vendors are potentially receiving preferential treatment.

22. The use of alternative procurement to hire Vendor 6 is even more concerning because NSH did not sign a contract with the vendor, could only provide limited evidence outlining the work produced by vendor, and paid Vendor 6 for most of the work before the alternative procurement was even approved. These issues are discussed later in the chapter.

Lack of competition justified for cancer care equipment and service

23. Alternative procurement due to a lack of competition was also used to justify the hiring of Vendor 2. However, unlike the alternative procurement for Vendor 6, we found explanations of why other vendors could not be used. Specifically, the support for Vendor 2 included the identification of other possible vendors as well as explanations outlining their unsuitability for NSH due to incompatibility with existing infrastructure. This level of detail is what we would expect when justifying why alternative procurement is needed.

Canadian Free Trade Agreement inappropriately used as justification for alternative procurement

24. A health and social services exemption in the Canadian Free Trade Agreement (CFTA) allows for the purchase of services without the need for a competitive process. Despite citing a lack of competition as the circumstances for both the Vendor 1 and Vendor 3 alternative procurements, NSH indicated both procurements were made under the health and social services exemption and therefore did not require a competitive process.

25. During our audit period (April 1, 2023 to December 31, 2024) the health and social services exemption was not included in the list of permissible circumstances for alternative procurement. In October 2025, the Department of Service Nova Scotia revised the list of circumstances where alternative procurement can be used to include the health and social services exemption, along with implemented guidance to help in determining when the exemption can be used.

26. The Province's *Public Procurement Act* requires procurement be conducted in a manner that results in best value. Prior to using the CFTA health and social services exemption, we would still expect steps to be taken to promote the best use of public funds, including support for why the selected vendor is the best choice, and an evaluation of the costs presented by the vendor. Prior to the application of the health and social services exemption for the alternative procurement of Vendor 1, NSH completed an assessment to support why the vendor should be selected. However, we did not see a similar analysis prior to the alternative procurement for Vendor 3.

Auditor General strongly encourages public disclosure of alternative procurements under the health and social services exemption

27. The alternative procurement with Vendor 1 was estimated to be approximately \$2.7 billion over the 25-year term of the agreement, with an option for NSH to extend the agreement for another 10 years. Yet, only \$20 million for the initial construction at the site was disclosed on the Procurement Web Portal while the contracts between NSH and Vendor 1 for the project were finalized. This does not include the full cost of construction or the ongoing costs to

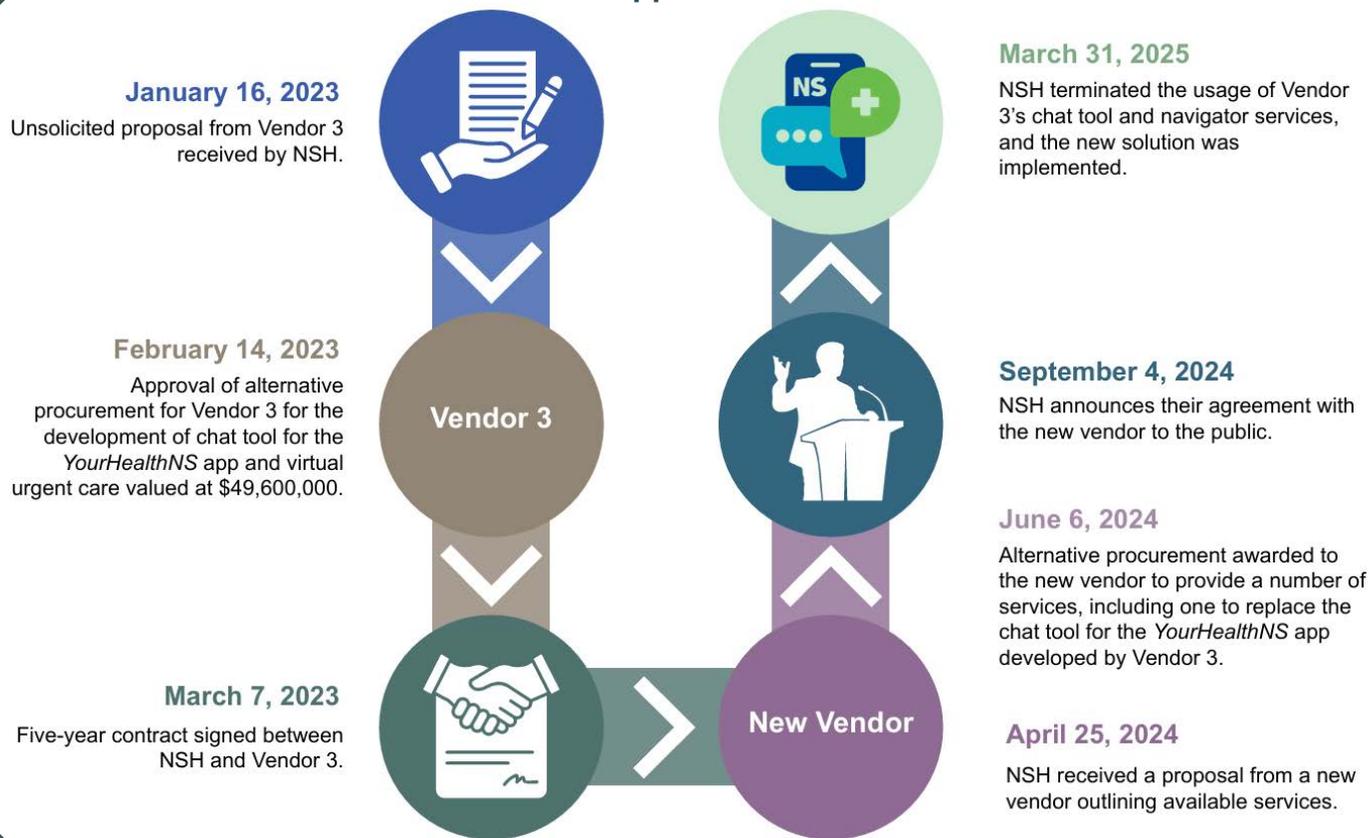
operate the facility. The publicly disclosed amount was not updated to reflect the full cost of the alternative procurement once final contracts with the vendor were signed. This is a significant underreporting of the true value of the contract awarded to Vendor 1 through alternative procurement and could be misinterpreted by Nova Scotians as representing the full cost of the project. The full \$2.7 billion estimated cost of the project was disclosed by NSH at the January 21, 2026 Public Accounts Committee meeting. While we were pleased to see the full cost made public, it was still approximately 19 months after the alternative procurement was approved and to date, the portal has not been updated.

28. As previously noted, the health and social services exemption under the CFTA is now a circumstance in which alternative procurement can be used. Alternative procurements awarded under this circumstance are not required to be publicly posted on the Procurement Web Portal. Management at the Department of Service Nova Scotia indicated this is consistent with the CFTA which does not require the public disclosure of procurements awarded under the health and social services exemption. We are concerned with the potential use of the health and social services exemption to award future alternative procurements that could be valued in millions or even billions of dollars without public disclosure. This will reduce the transparency and accountability around these alternative procurements. We strongly encourage the Department of Service Nova Scotia to publicly disclose alternative procurements under the health and social services exemption as it remains the best approach.

Chat tool project procured through alternative procurement terminated early after another vendor hired

29. Vendor 3 was selected through an alternative procurement in February 2023 on a five-year contract to develop a chat tool and provide live agents for the *YourHealthNS* app to respond to citizen questions and help direct them to where they can find care. The project also included the delivery of virtual urgent care services. NSH indicated alternative procurement was justified under the health and social services exemption of the Canada Free Trade Agreement, but we found limited explanation to justify why Vendor 3 was selected as the proponent to deliver the service. NSH management indicated that there were no other vendors that could provide this package of services but there was no evidence to support how this was determined.
30. In April 2024, approximately 13 months after Vendor 3 was hired, NSH received a proposal from another vendor to provide a number of artificial intelligence products, one of which to replace the chat tool and navigator features of *YourHealthNS* app. In June 2024, NSH cited an absence of competition to award another alternative procurement to the other vendor, with Vendor 3's chat tool ultimately replaced March 31, 2025.

Timeline of *YourHealthNS* App: From Vendor 3 to New Vendor



Source: Office of the Auditor General of Nova Scotia

31. NSH management reported the Vendor 3 chat tool and navigator services were used over 54,000 and 7,000 times respectively by Nova Scotians which helped divert people away from emergency rooms. While these services were used by many Nova Scotians, it also highlights a risk that when alternative procurement is used, other vendors that can meet the needs of NSH may not be considered.
32. We acknowledge that the new vendor is providing services beyond what was provided by Vendor 3, but when NSH starts looking at replacing a vendor selected through alternative procurement only 13 months after they were initially hired it does call into question whether enough due diligence was completed.
33. The contract between NSH and Vendor 3 for the development and implementation of the chat tool and navigator services for the *YourHealthNS* app was valued at approximately \$23 million over five years, with an option to terminate the contract after three years. Management indicated Vendor 3 had been paid approximately \$7 million up to the time the chat tool was replaced, however, this does not include the total costs. While the contract with Vendor 3 clearly outlined costs related to the chat tool and navigator services portion of the contract and the virtual urgent care service, NSH did not initially record the costs related to the different components of the contract separately. As a result, NSH indicated some costs related to the chat tool and navigator services could not be identified. Later in the report we discuss our

concerns with the difficulty NSH has in determining total payments made under specific contracts.

34. While the chat tool and navigator services portion of the contract with Vendor 3 has been replaced, the virtual urgent care services that were also included in the alternative procurement continues to be in place.

NSH completed an analysis to support the vendor taking on an expanded role in the delivery of transitional care

35. In May 2023, Vendor 1 was hired through alternative procurement as the third-party operator of a 68-bed transitional care facility at an estimated cost of \$67.5 million for five years. The five-year term of the agreement between NSH and Vendor 1 will automatically renew for consecutive five-year periods unless terminated by either party. Although the 68-bed facility was not publicly tendered, a total of seven vendors were considered across two rounds of submissions and vendor evaluations. Vendor 1 was ultimately selected as the successful vendor. However, our February 2024 **Value for Money: Development of Transitional Care Facilities** did identify concerns with the initial procurement process to hire Vendor 1.

36. NSH was planning to construct a second transitional care facility in another location, but in January 2024, Vendor 1 presented NSH with an unsolicited proposal to:

- Take over the construction and renovation of the initial 68-bed facility (phase 1);
- Construct a second 110-bed facility on the site, creating a 178-bed transitional care facility (phase 2);
- Construct facilities to higher building specifications than initially planned to allow for services and support to a wider group of patients;
- Buy the land and the 68-bed facility; and
- Own the property and operate both facilities.

37. In June 2024, NSH awarded another alternative procurement to Vendor 1 to take on the project outlined in its unsolicited proposal instead of pursuing a second transitional care facility at another location. The alternative procurement for this project was for an estimated maximum cost of \$2.7 billion.



38. The estimated cost is based on Vendor 1 operating the facility for 25 years with an option for NSH to extend the agreement for an additional 10 years as well as considering inflationary adjustments outlined in the contract. The costs also include payments to Vendor 1 related to building ownership. In the original agreement Vendor 1 was the operator of the facility, while ownership of the property remained with the Province. However, under the expanded project, Vendor 1 will have ownership of the properties once phase 2 is completed. We recognize Vendor 1 is taking on a very different project from their original role as operator of the initial

68-bed transitional care facility. However, this still represents a significant increase in the scope and value of work from what was initially awarded to the vendor.

39. NSH, in consultation with the Departments of Health and Wellness and Public Works, completed an analysis of the unsolicited proposal submitted by Vendor 1 before awarding the alternative procurement. We reviewed the analysis, and noted it included components we would have expected to see, such as assessments of:
- Proposed construction costs and timelines relative to initial cost estimates for a stand-alone transitional care facility at another site
 - Proposed operating costs compared to other healthcare facilities in the province
 - Vendor's ability to staff the facilities
 - the expected future demand for transitional care beds.
40. While a competitive process was not used to assess whether other vendors could take on the expanded project, the alternative procurement was supported by the Department of Service Nova Scotia's procurement group, and the analysis completed by NSH to assess the unsolicited proposal helps mitigate the risks of using alternative procurement for the project and helps support why Vendor 1 was selected.
41. Competitive procurement promotes a fair and transparent procurement process because vendors' bids can be compared for price and quality to help achieve the best value for public funds. When the health and social exemption under the Canada Free Trade Agreement is used to justify alternative procurement, there still needs to be sufficient vendor due diligence to identify and mitigate the risks of not using a competitive process.

Recommendation 1: We recommend Nova Scotia Health provide clear justification to support the use of alternative procurement as described in the Alternative Procurement Circumstance Guide and include steps taken to obtain the best value possible.

Nova Scotia Health Response

Nova Scotia Health agrees. We will strengthen ALTP files to clearly document: (i) the specific circumstance cited from the Alternative Procurement Circumstance Guide; (ii) the steps taken to assess market awareness and vendor suitability, including whether the vendor has verifiable skills and experience in the required areas; and (iii) evidence supporting best value beyond price, including outcomes, risk, timeliness, and interoperability. To support consistent application, we will enhance an internal ALTP rationale template with a standardized best-value checklist and provide targeted training.

Alternative procurements not always posted to the provincial procurement portal

42. Under provincial procurement policies, the Department of Service Nova Scotia is responsible for publicly posting the names of vendors awarded contracts and the value of the contract for high value alternative procurements to the Nova Scotia Procurement Web Portal, with some

exceptions. For example, when an alternative procurement is to maintain security/life/health, procurement policy does not require the vendor and the value of the award to be posted to the Nova Scotia Procurement Web Portal.

Contracts awarded, signed and work underway before alternative procurement approved

43. The Sustainable Procurement Policy states a contract must not be entered into unless all procurement approvals have been obtained. Specifically, the use of alternative procurement should be approved before NSH awards work and signs a contract with a vendor.



Source: Office of the Auditor General of Nova Scotia

44. However, our audit found NSH had awarded the work to the vendor, and in some cases had already signed contracts with the vendor hired through alternative procurement before the use of alternative procurement was even approved. For five of the vendors in our samples, the vendor was awarded the work before the use of alternative procurement was approved by the Vice President, Corporate Services, Infrastructure, and Chief Financial Officer of NSH, as required by policy. Specifically, we found the use of alternative procurement was approved between one and 189 days after the work was awarded to the vendor. For four of the vendors, the contract between NSH and the vendor was effective between two and 73 days prior to the approval of the alternative procurement. For example,

- For one sample the use of the alternative procurement was approved seven days after the contract with the vendor started.
- For one sample item the use of alternative procurement was approved 189 days after the vendor was awarded the work.

45. We also found two instances of vendors completing work and invoicing for services before the alternative procurement process began.

- Vendor 3 was paid \$2.3 million on February 14, 2023, the same day the alternative procurement was approved, and approximately three weeks before its contract with NSH was signed on March 7, 2023.
- The first invoice for Vendor 6 was dated November 27, 2023, for approximately \$30,000, for work completed between October 31st and November 16th, 2023. NSH never did sign a contract with Vendor 6, even though it awarded an alternative procurement to the vendor on January 9, 2024.

46. Awarding contracts and working with and paying vendors before the alternative procurement has been completed shows a lack of compliance with the Sustainable Procurement Policy. It indicates vendors have already been selected by NSH before the required process has started. This does not represent the open, fair and transparent procurement practice required under the Sustainable Procurement Policy. Not only can this approach lead to preferential

treatment for certain vendors but also means alternative procurement could be used when the required criteria are not met.

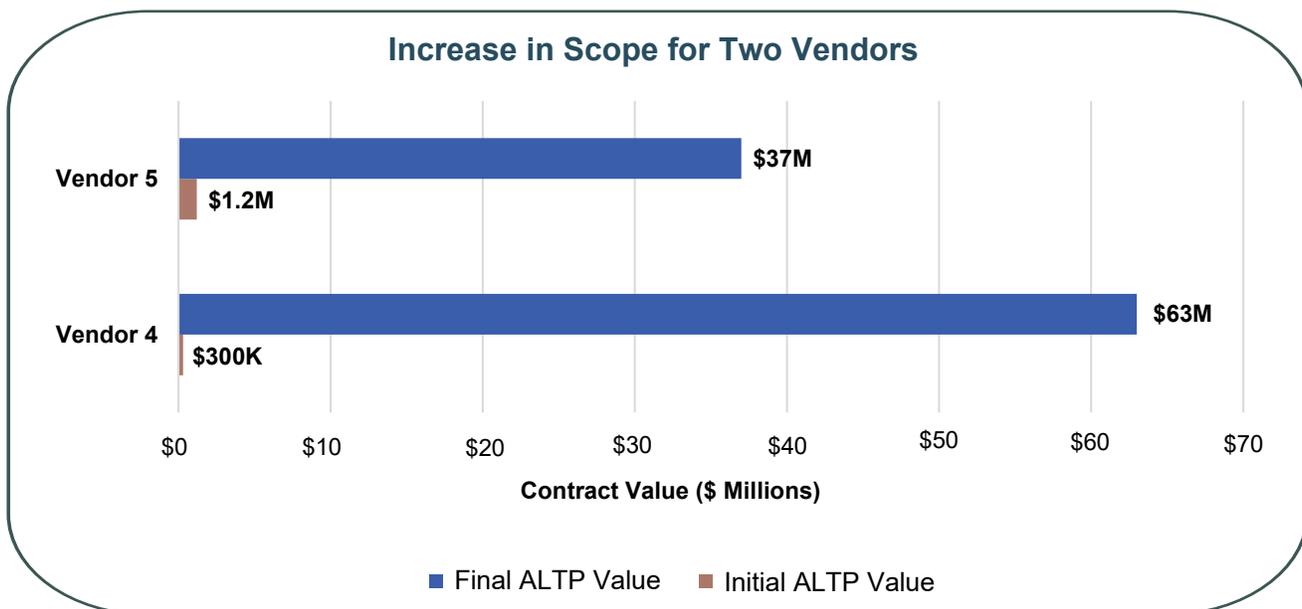
Recommendation 2: We recommend Nova Scotia Health follow provincial procurement policies and approve the use of alternative procurement before awarding contracts, commencing work with vendors, and/or paying vendors.

Nova Scotia Health Response

Nova Scotia Health agrees. Across our broader ALTP activity, approvals generally occur before work begins. For all contracts reviewed except the lowest-value item, ALTP forms were signed by the Province’s Chief Procurement Officer and the NSH Senior Director prior to award/effective dates. We will improve controls to gate contracts until ALTP documentation is complete and enhance compliance monitoring to ensure all approvals are documented in a timely manner.

NSH significantly expanded the scope and value of work awarded to vendors through alternative procurement and contract amendments

47. Our work identified examples of NSH hiring vendors through alternative procurement for a lower valued project only to significantly expand the scope and value of work awarded to vendors through subsequent alternative procurements or contract amendments. Vendor 5 and Vendor 4 were each hired using alternative procurement for lower valued contracts and in each case, the scope and value of their work was significantly increased without a competitive process.



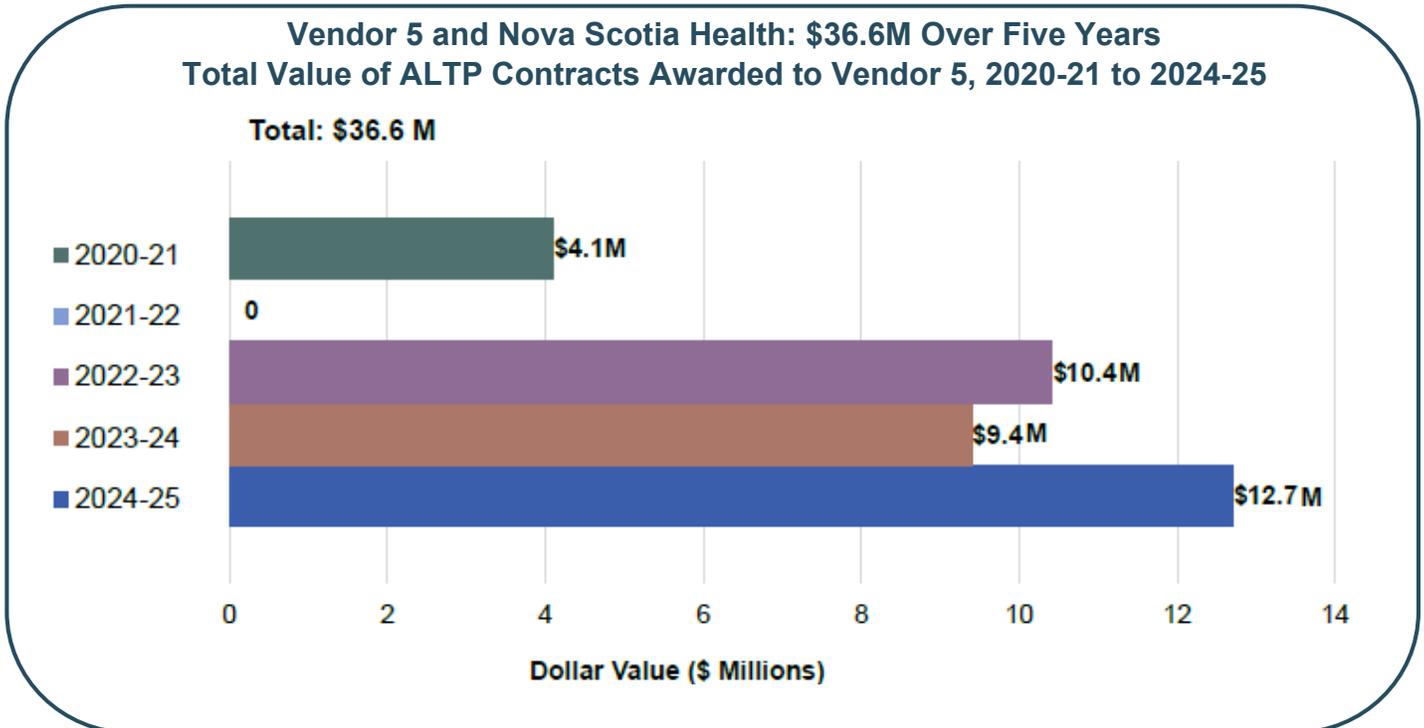
Source: Compiled by the Office of the Auditor General of Nova Scotia based on a review of alternative procurements awarded to vendors

48. When the project scope and value of the original procurement significantly changes, it is important to assess whether the rationale for using alternative procurement continues to apply and whether the selected vendor remains the best option to deliver the project. Otherwise, there is a risk the initial awarding of smaller contracts can be used as a gateway for subsequent work to vendors without going through a competitive procurement process.

Millions in multiple alternative procurements awarded to one vendor since 2020

49. In July 2020, NSH awarded a contract to Vendor 5 valued at approximately \$1.2 million to assist with the delivery of a Reset and Transformation project, which included several items such as revenue optimization, real estate strategy, and change management. This procurement was awarded directly to Vendor 5 during the COVID-19 pandemic and did not follow a competitive or an alternative procurement process. During the state of emergency, this was permitted if the purchase related to the state of emergency.

50. Since that initial contract in 2020, NSH has made significant changes in the value and scope of work given to Vendor 5 including projects related to recruiting and onboarding, supporting transitional care facilities, and developing the *YourHealthNS* app. Since the original \$1.2 million contract in 2020, we have identified approximately \$37 million in contracts awarded to Vendor 5 with over \$12 million awarded in 2024-25 alone. Some of this work was new projects initiated by NSH, while others were extensions of work already being undertaken by the vendor.



Source: Office of the Auditor General of Nova Scotia

51. When contracts are continually awarded to vendors through alternative procurement, it reduces the transparency in the procurement process. Not only can this impact public trust in government procurement but reduced competition can impact fairness to other potential vendors and the value obtained for public funds.

Alternative procurements awarded when not supported by the Department of Service Nova Scotia

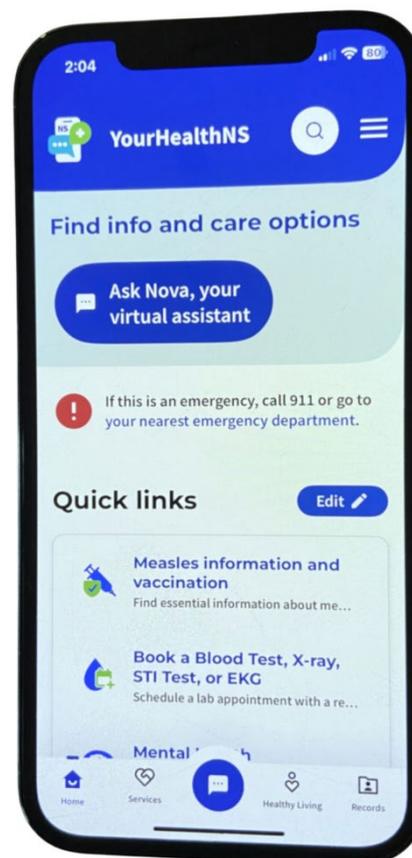
52. Vendor 5 was initially hired through alternative procurement in January 2023 to develop the *YourHealthNS* app. NSH indicated alternative procurement was justified as the development of app represented additional deliveries of the work already being completed by the vendor. However, this was a new project unrelated to the work already being completed by the vendor. Furthermore, the alternative procurement form was not completed until approximately three months after Vendor 5 was hired for the work and included no explanation of why Vendor 5 was suitable for this work. The Department of Service Nova Scotia's procurement group did not support the use of alternative procurement, yet NSH decided to proceed.

53. As part of our audit, we examined two additional alternative procurements totaling approximately \$8.4 million awarded to Vendor 5 for the continued development of the *YourHealthNS* app, *at right*, including:

- Statement of work dated April 25, 2024 - \$2,281,125
- Statement of work dated August 21, 2024 - \$6,142,000

54. In both cases, the Department of Service Nova Scotia's procurement group did not support the use of alternative procurement, yet NSH proceeded with the alternative procurement on the grounds that changing to another vendor would increase the cost and the time required to complete the project.

55. While provincial procurement policies allow NSH to continue with alternative procurement without the support of the Department of Service Nova Scotia's procurement group, this continued practice could create an overreliance on specific vendors.



New supply arrangement of pre-qualified consulting services vendors being implemented

56. NSH is working with the procurement group in the Department of Service Nova Scotia to implement a supply arrangement which will establish a pool of pre-qualified vendors for consulting services. Once the supply arrangement is in place, when NSH requires consulting services that exceeds the threshold for competitive procurement, suppliers from the pool of pre-qualified vendors will be invited to compete for the contract. NSH will create statements of work to define deliverables, requirements and evaluation criteria, and proposals, including pricing, will be requested from the vendors. Proposals will be evaluated against the evaluation criteria with the vendor scoring the highest awarded the contract. If the value of the contract is below the threshold requiring competitive procurement, the work can be awarded directly to a vendor from the pre-approved list. The intention of a supply arrangement is to promote the expedited hiring of vendors through a competitive process and reduce the use of alternative procurement. The supply arrangement was posted to the Nova Scotia Procurement Web Portal in late 2025. We are encouraged that NSH is planning to implement strategies to reduce the need for alternative procurement.

Continued on next page

Virtual care services significantly expanded using alternative procurement and contract amendments

57. Vendor 4 provides two services to NSH: Full Care and Basic Care. An overview of each of these services is outlined below.

Difference between Virtual Full Care and Basic Care Health Services

Full Care

Care is provided by Nova Scotia licensed doctors and nurse practitioners with Vendor 4 providing the technology platform

Only available to Nova Scotians who are on the Need a Family Practice Registry

Doctors and nurse practitioners can provide healthcare advice, prescribe medications, order tests, and refer patients to specialists and in-person primary care

Hours of operation vary throughout the week



Basic Care

Care is provided by Vendor 4's Canadian licensed doctors and nurse practitioners

Nova Scotians without a primary care provider have unlimited access

Nova Scotians with a primary care provider have two free basic care visits per calendar year, and do not have access to full care

Basic care offers basic healthcare advice or prescription renewals (except controlled substances)

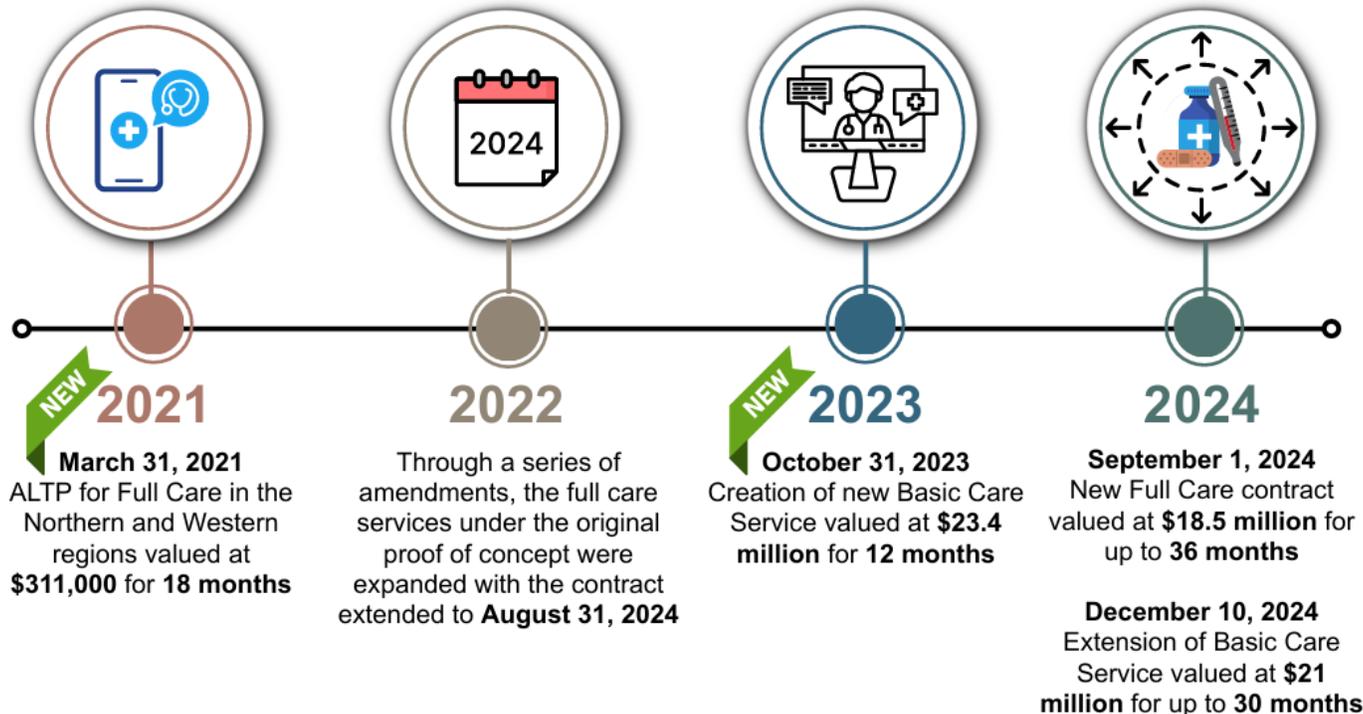
Basic care cannot order tests or refer a patient to a specialist or in-person primary care

Available 24 hours a day, seven days a week, 365 days a year

Source: Office of the Auditor General of Nova Scotia using data from Nova Scotia Health

58. In March 2021, Vendor 4 was hired by NSH through an alternative procurement following an assessment of several virtual healthcare providers to deliver the initial version of the Full Care service. Specifically, Vendor 4 was hired to deliver a pilot project to provide virtual doctor access to help diagnose issues, prescribe medications and provide referrals for Nova Scotians without a family doctor in the Northern and Western regions of the province. The pilot project was valued at approximately \$300,000 for a period of 18 months. Despite its preliminary start as a pilot project, the contract was amended five times between May 2021 and March 2023 to offer the service to individuals without a family doctor throughout the province and expand the services provided by Vendor 4. What started as a \$300,000 two-region service in March 2021, resulted in approximately \$9.5 million in payments to Vendor 4 between March 2021 and August 2024 for the Full Care service. In September 2024, NSH then awarded Vendor 4 a new Full Care contract through alternative procurement valued at \$18.5 million for up to three years.

Evolution of Vendor 4 Contract, Project Scope and Cost: 2021 to 2024



Source: Office of the Auditor General of Nova Scotia

59. In October 2023 NSH awarded another alternative procurement to Vendor 4 valued at approximately \$23 million to provide the Basic Care service, which is separate from Full Care. The initial term of this contract was 12 months but in December 2024 it was extended for up to approximately another two and half years at an expected cost of approximately \$21 million.

60. Additional deliveries of goods or services that were not included in an initial procurement from a vendor may be a valid reason for the use of alternative procurement. However, when the scope or cost of the work significantly changes from the initial procurement, we would expect to see a thorough assessment of whether a competitive procurement process should be used to select a vendor for the expanded work. The procurements for Vendor 5 and Vendor 4 discussed above are examples of significant changes and expansions and cost increases to projects which could have benefitted from a more thorough assessment of whether alternative procurement remained the best procurement approach for the projects to achieve value for money.

NSH publicly tendering for a virtual health care service provider

61. At the September 10, 2025 meeting of the Public Accounts Committee, representatives from the Departments of Health and Wellness and Service Nova Scotia, as well as NSH were questioned on the Province's use of alternative procurement. When answering a question on whether alternative procurements will continue to be used, the CEO of NSH indicated when the current contract with Vendor 4 ends, a public procurement process will be used to select

the next vendor. A request for proposal was publicly posted on December 18, 2025, to begin the search for a virtual care service provider. It is promising that Nova Scotia Health is pursuing a competitive process rather than continuing to expand and extend the contract with Vendor 4.

Recommendation 3: We recommend Nova Scotia Health set criteria defining what is considered a significant change in the project scope and cost from that initially awarded through alternative procurement. Such criteria would define when a competitive procurement process should be carried out.

Nova Scotia Health Response

Nova Scotia Health agrees. We will define practical triggers (e.g., cumulative value change, duration, service criticality, technical scope, integration risk). When thresholds are met, Procurement will advise whether to initiate competition, extend via ALTP, or re-baseline via amendment—with documentation of rationale. This is aligned with current provincial guidance.

Recommendation 4: We recommend Nova Scotia Health develop and implement strategies to reduce reliance on vendors continually hired through alternative procurement such as conducting competitive procurement processes when new services are needed and contracts expire.

Nova Scotia Health Response

Nova Scotia Health agrees. Alongside compliance controls, we are establishing pre-qualified supply arrangements/standing offers to compete quickly and lower ALTP frequency. We will also schedule competitive re-procurements at natural contract endpoints and use category strategies to plan market engagement without disrupting patient services as evidenced by the competitive Virtual Care Request for Proposal that closed February 5, 2026.

High dollar value alternative procurements do not require Board Administrator review

62. The procurements for Vendors 1 through 5 all involved the selection of vendors through an alternative procurement for the delivery of high dollar value projects. For these projects, we expected to see discussions between NSH management and the Board Administrator around the use of alternative procurement for these projects and the vendors selected to identify and mitigate any risks. However, we found none of these procurements were presented or reviewed at Board Administrator meetings.
63. NSH's signing authority policy does not require high dollar value alternative procurements to be reviewed by the Board Administrator. However, Administrator review would provide another level of scrutiny and transparency around these procurements to help assess whether the rationale for using alternative procurement is justified and any associated risks have been mitigated to an acceptable level.
64. The role of a board of directors is to provide oversight of an organization by providing guidance in areas such as strategy, policy setting, risk management and financial oversight. The composition of a board of directors requires members to have a diverse set of skills, knowledge, and experience with each member contributing their unique skills including industry knowledge, legal knowledge, financial literacy, and digital literacy to help guide the organization and provide direction to management. Currently NSH has one individual in the role of Board Administrator performing all the functions and duties that would normally be performed by a full board of directors.

Recommendation 5: We recommend Nova Scotia Health establish and use clear criteria for identifying when high dollar value alternative procurements should be formally presented and reviewed by the Board Administrator prior to proceeding.

Nova Scotia Health Response

Nova Scotia Health acknowledges the value of enhanced oversight for high-dollar-value alternative procurements and the role of the Board Administrator in providing strategic and risk-based review. NSH will establish clear criteria to identify when high-value or high-risk alternative procurements should be formally presented for review, considering factors such as dollar value, duration, strategic importance, risk exposure, and public interest. These criteria will complement existing signing authority and governance frameworks and are intended to strengthen transparency and oversight while avoiding unnecessary delays in decision-making where timely action is required to maintain patient services.

Improvements Needed to Manage Conflict of Interest

Conflict of interest requirements weaker for alternative procurement versus procurements done through requests for proposal

65. A conflict of interest can happen when parties involved have a personal interest, such as financial, in the outcome of the procurement process. This personal interest may influence their decisions and actions or result in preferential treatment for certain vendors. Conflicts of interest in procurement need to be identified and properly addressed to support the public's trust that government procurements are conducted responsibly and impartially.
66. One method of identifying and preventing conflicts of interest is to have both NSH and vendor staff involved in a procurement complete conflict of interest declarations. A conflict of interest declaration is a document in which individuals have the opportunity to disclose any personal interests that could influence the procurement decision both in reality and perception. While NSH has a general conflict of interest policy in place, it only sets the expectations for staff to disclose any real or perceived conflicts of interest. Specific conflict of interest declarations go further and serve as an application of the policy. It forces individuals to actively consider and document whether any real or perceived conflicts exist that could influence decisions. By signing a conflict of interest declaration, an individual takes ownership of any potential conflicts that would allow NSH to develop specific plans to address the conflict.
67. While NSH and vendor staff involved in a request for proposal must complete individual conflict of interest declarations, they are not required to do so for alternative procurements. This is concerning since alternative procurement does not provide the same level of transparency around vendor selection available through a competitive procurement process. Conflict of interest declarations for all parties involved in the procurement process are necessary to identify and disclose any real and perceived conflicts of interest that could influence the selection of a vendor. When appropriate conflict of interest practices are not in place, it can erode public confidence in the procurement process, discriminate against vendors, and potentially result in the selection of a lesser qualified vendor.

Changes to alternative procurement forms to identify potential conflicts are an improvement, but more needed

68. In 2024, alternative procurement forms were updated to include a checkbox to indicate if conflicts of interest were identified. While this development is an improvement, it is not as strong as specific conflict of interest declarations where individuals from NSH and vendor staff involved in the procurement process are required to individually disclose if they have any real or perceived conflicts of interest.

Recommendation 6: We recommend Nova Scotia Health require conflict of interest declarations for Nova Scotia Health and vendor staff involved in alternative procurements and have a process to address real and perceived conflicts when they are identified.

Nova Scotia Health Response

Nova Scotia Health agrees. NSH has a Conflict of Interest (COI) Policy and procedure that define responsibilities, declaration steps, management actions, and an appeals process; ALTP forms require the requester to note conflicts; and vendors in this audit provided compliance letters confirming adherence during the audit. We will add standardized individual COI declaration forms for each procurement team and pertinent vendor roles, with a documented mitigation record.

Financial contributions by vendors to the Nova Scotia Health Innovation Hub could create a perceived conflict of interest

69. The Nova Scotia Health Innovation Hub was established in 2022 to bring together healthcare practitioners, government and industry partners to transform health care. Some vendors



joined as funding partners of the Health Innovation Hub and may pay an annual fee to contribute to operating costs. In return, funding partners receive access to workspace and have their logos displayed within the Innovation Hub, as well as potential opportunities to collaborate with NSH, and other Innovation Hub partners on initiatives. The annual fee can vary by member. While some members do not pay an annual fee, others may pay up to \$150,000 per year. Not all the vendors included in this audit were funding partners of the Nova Scotia Health Innovation Hub and in some cases the vendors included in the audit have a long history of working with Province of Nova Scotia or Nova Scotia Health prior to the establishment of the Innovation Hub.

70. While the NSH Innovation Hub funding agreements signed by vendors include a clause stating any funding provided does not guarantee future contracts with NSH, there is potential for perceived conflicts of interest if funding partners are awarded contracts by NSH, particularly if alternative procurement is used. Three of the alternative procurements examined as part of the audit originated from within the Nova Scotia Health Innovation Hub and as previously noted, conflict of interest declarations by the NSH and vendor staff are not completed for alternative procurements. It is important to note that in the course of our work, we did not identify any real or perceived conflicts of interests. However, a reasonable observer, without knowing the details of the procurement, the vendor, or the terms of the funding agreements, could potentially perceive a vendor being awarded a contract due to their financial support of the Nova Scotia Health Innovation Hub. This could impact public trust in the procurement process.

Strong conflict of interest controls needed at the Nova Scotia Health Innovation Hub

71. Management indicated NSH's conflict of interest policy applies to the staff of the Innovation Hub. Also, any potential conflicts of interest between vendors and the Innovation Hub are regularly discussed but they could not provide evidence to support this or show how potential

conflicts are disclosed and managed. While we recognize that innovation in the healthcare system can benefit Nova Scotians, it needs to be done in a transparent manner with controls in place to identify, disclose, and address any real and perceived conflicts of interest. Examples of these controls include:

- Annual conflict of interest declarations by staff to reinforce awareness of policy requirements and confirm no real or perceived conflicts of interest exist.
- Training to help staff recognize conflicts of interest and how to eliminate or address them.
- Public disclosure of the financial contributions of vendors and any contracts awarded to these vendors.
- Clear documentation of any real or perceived conflicts of interest and how these have been addressed.

Recommendation 7: We recommend Nova Scotia Health review its funding model for the Nova Scotia Health Innovation Hub to assess whether funding from private sector vendors can be managed in a manner that promotes transparency and minimizes conflict of interest risk.

Nova Scotia Health Response

Nova Scotia Health agrees. All Innovation Hub Partner Agreements state that member fees/contributions are not based on past/future referrals and are not inducements to purchase, recommend, or provide favourable treatment. We will review the funding model to further strengthen transparency, disclosure, and separation from procurement/contracting decisions, consistent with the NSH Conflict of Interest Policy.

Recommendation 8: We recommend Nova Scotia Health establish strong conflict of interest controls within the Nova Scotia Health Innovation Hub, including:

- annual conflict of interest declarations for staff;
- conflict of interest training for staff;
- public disclosure of vendor financial contributions and any contracts awarded to these vendors;
- documentation of real or perceived conflicts of interest and how these have been addressed.

Nova Scotia Health Response

Nova Scotia Health agrees. Current controls include the NSH Conflict of Interest Policy, procedures, and ad hoc training; Partner Agreements explicitly state membership does not influence procurement. We will formalize annual Conflict of Interest declarations for Hub staff, improve documentation of identified/managed conflicts, standardize training and enhance public disclosure of vendor contributions and contracts where appropriate—while continuing to leverage the Hub’s ecosystem of local, national, and global partners to deliver innovation for Nova Scotians.

Contract Weaknesses – No Contract, Contracts Signed After the Work Had Started, and Contracts Missing Important Terms and Conditions

72. It is essential for NSH to have strong contracts with vendors that clearly outline the work to be completed, the consequences for failing to meet contractual obligations, and the terms and conditions that protect NSH and public interest. The contracts should be finalized before the vendor starts working on the project.
73. While the contracts we reviewed included many of the terms and conditions we would have expected to see, there were instances where some key terms and conditions were missing. We found for one sample, NSH did not sign a contract with the vendor and for another vendor, the contracts were signed after the work had started. Each of these deficiencies may impact NSH's ability to hold the vendor accountable to contract deliverables and cost.
74. A summary of our results related to each contract is outlined in the table below. Each of these concerns will be discussed in more detail in the following paragraphs.

Continued on next page

Contract Terms and Conditions Results Summary

Criteria evaluated	Vendor 1	Vendor 2	Vendor 3	Vendor 4	Vendor 5	Vendor 6
Signed contract	✓	✓	✓	✓	✓	✗
Value of Procurement	\$2.7B	\$152M	\$49.6M	\$23.6M	\$8.4M	\$150K
Deliverables and timeline in contract	✓	✓	✓	✓	✓	✗
Invoicing requirements in contract	✓	✓	✓	✓	✓	✗
Key performance indicators in contract	✓	✓	✓	?	✓	✗
Cybersecurity requirements in contract	✓	✓	?	✓	✗	✗
Protection of personal data	✓	✓	✓	✓	✓	✗
Audit access	✓	✓	✗	✓	✓	✗
Conflict of interest	✓	✗	✗	✓	✓	✗
Change requests-amendments	✓	✓	✓	✓	✓	✗ <i>*NSH did not sign a contract with Vendor 6</i>
						

Source: Office of the Auditor General of Nova Scotia

Several contracts in place for the construction and operation of the West Bedford Transitional Care Facility

75. The alternative procurement awarded to Vendor 1 for the West Bedford Transitional Care Facility resulted in numerous contracts related to the construction of the facilities, the sale of the land, building, and equipment from phase 1; NSH's access to the facilities while establishing Vendor 1 as the legal owner of the properties; and the service agreements outlining the services to be provided by the vendor, including costs. Contracts related to the construction and the sale of the properties were signed by Vendor 1 along with NSH and the Department of Health and Wellness, while contracts that provided access to the properties and services to be provided were signed by NSH and the Vendor. Our audit work focused on the service agreement between NSH and Vendor 1.
76. As previously noted, Vendor 1 was initially hired as the operator of the 68-bed transitional care facility. At the time, a service agreement was established between NSH and Vendor 1 that outlined requirements for the operation of the facility and costs. An amended version of this agreement was used when phase 1 of the project opened in December 2024 and was the focus of the work included in the audit. A second services agreement was signed by NSH and Vendor 1 in February 2025 that covers both phases of the project, but it does not become effective until phase 2 opens, which is scheduled for April 2026.

NSH did not sign a contract with one vendor

77. There was no signed contract for Vendor 6. Vendor 6 was hired by NSH to complete work on the integration of internationally educated nurses but there was no contract outlining the work to be completed, including expectations, timelines and deliverables. Hiring a vendor without a contract introduces considerable risks for NSH. When vendor requirements are not clearly established it is difficult to hold vendors accountable for the work they are hired to perform and could result in NSH not receiving the services they are paying for.

NSH signed contracts with a vendor after the work started

78. While contracts were signed with Vendor 5 related to the two alternative procurements included in our sample, they were signed well after the effective dates of the contracts.
- Vendor 5's statement of work dated April 25, 2024, had an effective date of April 1, 2024, but was not signed by NSH until May 1, 2024; 30 days after the contract start date.
 - Vendor 5's statement of work dated August 21, 2024, had an effective date of July 13, 2024, but was not signed by NSH until September 5, 2024; 54 days after the contract start date.
79. NSH commencing work before contracts are signed is a poor business practice. The absence of a contract prior to the start of work introduces the risk of misunderstandings between both parties about work expectations and could lead to project delays and additional costs.

Important key terms and conditions missing from certain contracts

80. While the contracts between NSH and vendors that we reviewed as part of our audit included many of the terms and conditions we expected to see, we did identify gaps. Specifically for vendors where contracts were in place:
- one of the five vendors did not include cybersecurity requirements (Vendor 5). For another vendor (Vendor 3), while there were some cybersecurity provisions in the contract, it was not to the level we would expect to see.
 - two of the five vendors did not include conflict of interest clauses (Vendor 2 and Vendor 3).
 - one of five vendors did not include comprehensive performance targets for the vendor (Vendor 4).
 - one of the five vendors did not include an audit clause giving NSH access to the records of the vendor (Vendor 3).
81. Each of the terms and conditions cited above is important for setting expectations and overseeing the work of vendors. Conflict of interest clauses outline the obligations for NSH and vendors to disclose any situations where their interests may conflict with their duties under the agreement. Audit clauses enhance transparency and accountability by giving NSH the right to examine vendor records relevant to the contract to assess compliance with contractual obligations. Performance targets are needed to outline clear expectations and measure vendor performance.

NSH standard services contract template not used

82. NSH has a standard services contract template that includes conflict of interest, audit, and cybersecurity requirements, yet these clauses were still absent from the contracts noted above. NSH management indicated the template may not always be used as the final terms in a contract are determined through negotiations with vendors.
83. Management indicated that previously, cybersecurity terms would only be included in contracts with vendors if the IT group within NSH felt it was necessary. More recently this approach has changed to include the cybersecurity terms with all contracts as a default. It will only be removed if it is determined the services provided by the vendor do not have any IT or network impact. In response to our work, NSH confirmed with vendors that some cybersecurity standards have been met, but contracts were not amended to include all the cybersecurity standards outlined in the standard services contract.
84. Our October 2024 audit of **Cybersecurity Readiness in Healthcare** highlighted that NSH, along with Departments of Health and Wellness and Cyber Security and Digital Solutions are not effectively providing cybersecurity for Nova Scotia's digital health network. As technology continues to advance and NSH relies on vendors to develop and implement these technologies, it is important their contracts outline the expectations for cybersecurity to protect sensitive health information and mitigate the risks of cyberattacks that could disrupt health networks. Robust cybersecurity terms and conditions are needed to set minimum standards for vendors to meet. While contracts will vary depending on the nature of services being provided, terms and conditions outlined in the standard contract template can serve as a starting point for the development of contracts.

Recommendation 9: We recommend Nova Scotia Health sign contracts with all vendors before vendors begin work.

Nova Scotia Health Response

Nova Scotia Health agrees with this recommendation. NSH manages tens of thousands of purchases each year using both purchase orders and formal contracts, each of which is a binding instrument depending on the value, risk, and nature of the service. In the audit sample, all but one engagement—the lowest-value, three-month service, which is now complete—had a signed contract in place. For the two highest-value contracts, NSH applied additional risk-mitigation measures by engaging external legal counsel to ensure robust contractual protections for Nova Scotians.

NSH will clarify and reinforce internal guidance so that the appropriate agreement—purchase order or contract—is established prior to work commencing, with recognizing there may be emergency exceptions. These steps will strengthen consistency and oversight while ensuring NSH can continue to act quickly when urgent healthcare needs require timely vendor engagement.

Recommendation 10: We recommend Nova Scotia Health use all applicable terms and conditions outlined in its standard services contract template when preparing contracts with vendors. If terms and conditions are not used, there should be clear justification for why these have not been included in vendor contracts.

Nova Scotia Health Response

Nova Scotia Health agrees with this recommendation and notes it has an established standard services contract template used as the baseline for vendor agreements. We recognize that the goods and services we procure vary in value, risk, complexity, and duration, so a single contractual approach is not appropriate in all circumstances. Accordingly, we will continue to use the standard template as the starting point and apply a risk-based approach to tailoring terms where warranted, while achieving the intent of the standard provisions. This will support consistent application and ensure contracts remain fit-for-purpose, protect the public interest, and enable timely, effective service delivery for Nova Scotians.

Recommendation 11: We recommend Nova Scotia Health amend the contracts included in the audit to include terms and conditions related to cybersecurity, conflict of interest, performance indicators and audit access, or where not possible, take appropriate action to mitigate the impact of these missing terms and conditions.

Nova Scotia Health Response

Nova Scotia Health agrees. We start with our standard services template and tailor based on risk/complexity. In the audit, ~20 standard terms were assessed and 15 were already present; the sole unsigned engagement was the lowest-value, three-month service and is complete. All audited vendors submitted compliance letters reinforcing adherence to COI policy, record-keeping, and security standards (e.g., SOC 2/ISO 27001). We will continue to use the standard as baseline, address gaps prospectively, and apply risk-based amendments where feasible.

Contract Oversight and Management – Regular Monitoring Noted, But Improvements Needed

NSH does not provide guidance for contract management

85. Once contracts are signed, regular oversight of vendors is required to assess compliance with contract terms and conditions and evaluate whether deliverables and performance expectations are being met. Without this oversight, it would be difficult for NSH to determine if contract objectives are achieved and value generated from the money spent on the project.
86. NSH does not provide written guidance to staff on the expectations and responsibilities for vendor oversight and contract management. Instead, this responsibility lies with the team working with the vendor. While these staff members are best acquainted with the work being completed by the vendor, the lack of documentation can create inconsistencies in how vendors are overseen. And, while five of the six vendors included in our audit illustrated routine oversight by NSH, one vendor had minimal oversight of the work being completed.

Regular monitoring and reporting evident for five of six vendors examined

87. We found NSH has processes in place to oversee the contracts with Vendors 1 through 5. For example:
- Quarterly meetings between NSH and Vendor 1 to oversee the West Bedford Transitional Care Facility as well as monthly spending reports from the vendor.
 - Committees with representatives from both NSH and Vendor 2 were established and are meeting regularly to oversee the contract, including the tracking of spending and contract deliverables.
 - Weekly meetings between NSH and Vendor 3 to review ongoing and completed work and to review statistics on chat tool feature usage of the *YourHealthNS* app.
 - Committee established to oversee Vendor 4 as well as tracking a variety of statistics on use of the Vendor's services by Nova Scotians.

- Bi-weekly meetings between NSH and Vendor 5 to review work completed and set objectives for the next two weeks.

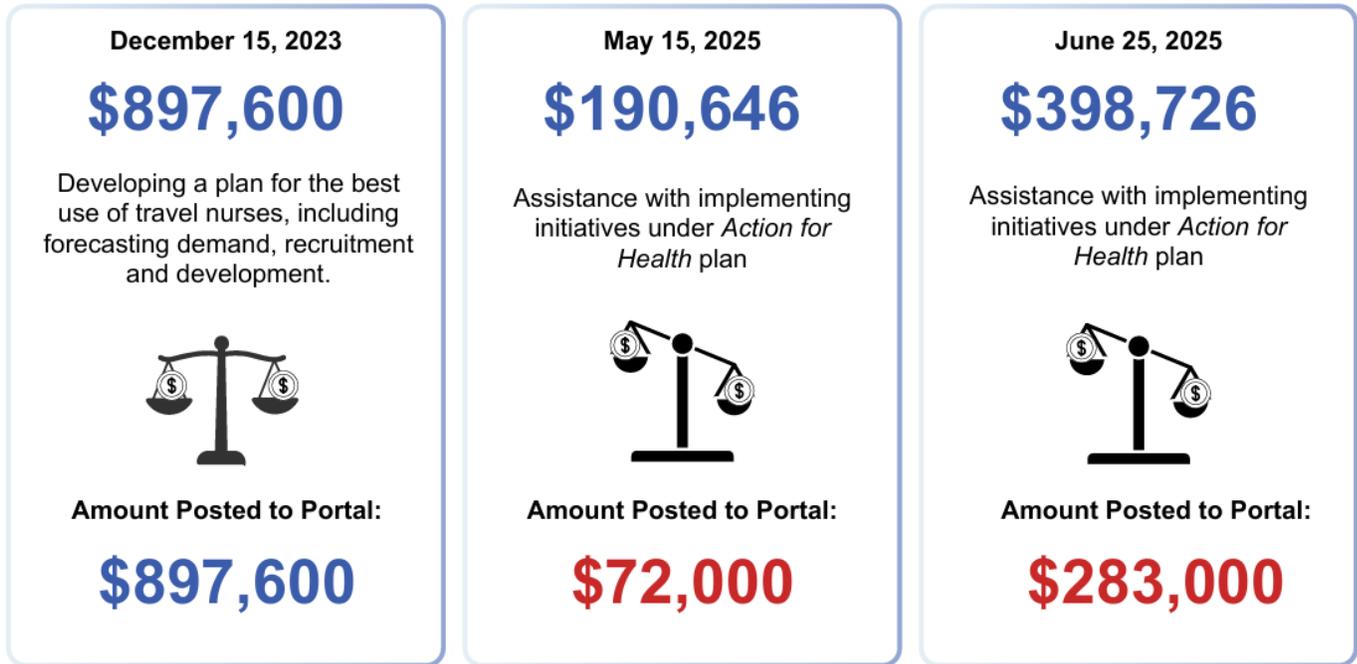
88. In contrast to the oversight practices outlined above, we found a lack of oversight of the work completed by Vendor 6.

Limited evidence to determine what one vendor was hired to do or what was accomplished

89. As discussed earlier in the report, we found no justification to support why an alternative procurement was needed for Vendor 6, and NSH did not sign a contract with the vendor outlining the work to be completed. Even more concerning is NSH paid approximately \$150,000 to the vendor but could only provide limited documentation outlining the outcome of the work. Management indicated the vendor's work led to revised criteria for recruiting internationally educated nurses. While documentation could be provided that outlined some of the work completed, NSH did not have a final report or recommendations from the vendor or evidence of how the work was overseen by NSH, and whether it met expectations.
90. The hiring of Vendor 6 represents a complete breakdown in the procurement and contract management processes. When a vendor is selected without adequate explanation or contract, and limited evidence outlining what was accomplished, it calls into question the value of the arrangement. While we recognized this is relatively low value procurement when compared to other alternative procurements included in the audit, it highlights the risks that can also occur in high dollar value projects and could set a precedent for future alternative procurements.
91. It is also important to note that we identified three other alternative procurements awarded to Vendor 6 between December 2023 and June 2025 totaling almost \$1.5 million. While we did not examine these procurements in the same level of detail as the alternative procurement for the integration of internationally educated nurses included in our audit sample, some of the issues we identified in the use of alternative procurement in this report are also present in these other alternative procurements for Vendor 6. Specifically, weak rationale to justify the use of alternative procurement and contracts awarded before the use of alternative procurement is approved.

Other Alternative Procurements Awarded to Vendor 6, Total \$1,486,972

TOTAL: \$1,486,972



Source: Office of the Auditor General of Nova Scotia

92. NSH indicated the May and June 2025 alternative procurements were necessary because the work involved additional deliveries from Vendor 6 where switching suppliers would not be practical or economical. The procurement group of the Department of Service Nova Scotia did not support either of these on the grounds that the services being procured were not related to previous work completed by Vendor 6 and the fact that NSH had already hired the vendor before starting the alternative procurement process. Furthermore, the use of alternative procurement for the December 2023 award to Vendor 6 was not approved by NSH until March 2024. Each of these procurements further highlights NSH not complying with the provincial procurement policy and reinforcing our concerns with how NSH is using alternative procurement. We also found for the May and June 2025 alternative procurements the values posted to the provincial procurement portal understated the values of the work awarded to the vendor.

Comprehensive performance indicators to assess the performance of virtual care service provider not established

93. While NSH did sign a contract with Vendor 4 for the Basic Care service, it did not include comprehensive performance targets for the vendor to meet. Despite capturing numerous statistics on the use of Vendor 4’s services by Nova Scotians such as average wait time and patient reviews of the service, no performance indicators have been established. In comparison, the contract between NSH and Vendor 4 for Full Care does include performance indicators in areas such as time limits for providing lab results and specialist referrals. While the services available under Basic Care differ from those offered under Full Care, we still

expected to see performance indicators to set performance expectations and assist in the oversight of the vendor.

94. When contracts lack performance targets, it can be challenging to oversee the performance of a vendor, take corrective action when expectations are not met, and determine if the services paid for are being received.

Recommendation 12: We recommend Nova Scotia Health create contract management guidance outlining roles, responsibilities and expectations for contract management, and use the framework to manage all projects.

Nova Scotia Health Response

Nova Scotia Health agrees. We will publish a system-wide contract management framework integrated with category management and supplier performance with regular reviews of value being realized.

Contract for the West Bedford Transitional Care facility requires the development of key performance indicators by March 31, 2026

95. The contract between NSH and Vendor 1 requires key performance indicators to be established by March 31, 2026, and assessed on a quarterly and annual basis going forward. While NSH and Vendor 1 work towards the development of performance indicators, we were pleased to see NSH is currently tracking a variety of data for the West Bedford Transitional Care facility such as:

- Number of admission and discharges
- Origin facility of patient (i.e. Halifax Infirmery, Nova Scotia Rehabilitation Centre)
- Patient destination after leaving transitional care (i.e. home, nursing home/long-term care home, hospital)
- Average length of stay for patients.

96. As of March 4, 2026, NSH has reported 469 admissions to the West Bedford Transitional Care Facility since opening in December 2024, with 424 discharges. Of these discharges, 304 people returned home while many of the remainder were moved to other healthcare facilities such as long-term care or nursing homes. One of NSH's current goals for transitional care was for patients to only remain at the facility for up to 28 days. However, as of March 4, 2026, the reported average length of stay was approximately 46 days. NSH has identified numerous reasons contributing to the longer than expected length of stay including:

- Patients with complex medical needs
- Patients that do not have access to primary care in their community
- Patients receiving chemotherapy that cannot manage the effects of treatment at home
- Patients experiencing challenges securing adequate housing that delays their discharge

97. We were encouraged to see NSH taking steps to understand patient length of stay data. NSH management indicated the data currently being collected will be used to help determine the key performance indicators for the facility. It is important for NSH to continue this work and

complete the implementation of these indicators as it will allow strong oversight of Vendor 1 and provide quantifiable information to assess progress towards NSH's expectations and goals for the facility.

Important for NSH to continue oversight of the West Bedford Transitional Care Facility

98. While we saw positive signs that NSH is overseeing the contract with Vendor 1 to operate the West Bedford Transitional Care Facility, it is important to remember the facility has been open for just over a year and the contract has a term of up to 35 years. Payments over this period are expected to exceed \$2 billion, meaning strong oversight over the entire life of the contract is needed to make sure Vendor 1 is in compliance with the terms and conditions outlined in the contract and value for money is obtained.



NSH unable to provide a consistent and complete listing of payments made under contracts

99. Strong contract oversight practices involve awareness of the total payments to vendors so they can be regularly compared to the amounts authorized under the contract.
100. While NSH can provide a record of payments made to each vendor, they did not have a readily available record of payments made under each contract included in our audit. When we requested this information, NSH had to manually compile the information. Upon review of the listing of payments provided we identified errors such as missing payments. Errors such as this impact completeness of the records and highlight a risk that NSH may not have an accurate idea of how much is being paid under each contract.

Payments to vendors appropriately approved

101. We reviewed a sample of 15 payments to vendors included in our audit. In each case we found the payments were approved by the appropriate individual within NSH. However, only 12 of the payments examined could be linked to contracts between NSH and the vendors. For one of the three remaining payments, NSH prepaid Vendor 3 prior to the completion of the contract, as highlighted earlier in the report. Another two payments were made to Vendor 6 and, as previously stated, a contract was not signed with the vendor. The company prepared a statement of work outlining the cost for their services. However, this was only signed by Vendor 6 management and not signed by anyone from NSH to indicate acceptance

of the work to proceed. The amounts invoiced to NSH were consistent with the amounts indicated in the statement of work.

Recommendation 13: We recommend Nova Scotia Health regularly prepare a listing of payments under vendor contracts. These lists should be regularly reviewed to assess completeness, accuracy, and compliance with amounts outlined in vendor contracts.

Nova Scotia Health Response

Nova Scotia Health agrees. We will standardize periodic contract-level payment listings and embed them in the contract-management cadence. NSH notes that all payment approvals in this audit were found to be appropriate; this step improves completeness and visibility.

Appendix I

Reasonable Assurance Engagement Description and Conclusions

We completed an independent assurance report of Alternative Procurement and Management of Selected Health Contracts at Nova Scotia Health. The purpose of this performance audit was to determine if Nova Scotia Health is effectively procuring and managing selected health contracts.

It is our role to independently express a conclusion whether alternative procurement and management of selected health contracts complies in all significant respects with the applicable criteria. Management at Nova Scotia Health have acknowledged its responsibility for the alternative procurement and contract management.

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

We apply the Canadian Standard on Quality Management 1 (CSQM1), and we have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Nova Scotia.

The objectives and criteria used in the audit are below:

Objective:

To determine if Nova Scotia Health is effectively procuring and managing selected health contracts.

Criteria:

1. Nova Scotia Health procured selected health contracts in compliance with provincial procurement policies, legislation, and regulations.
2. Contracts signed with vendors include clear terms and conditions, including the qualifications required of the vendors, specific deliverables and timelines, detailed invoicing requirements, performance targets, cybersecurity requirements to identify and mitigate risks, practices to ensure the protection of personal data, processes for change requests or amendments, and conflict-of-interest provisions.
3. Real or perceived conflicts of interest were identified and disclosed, with appropriate action taken to mitigate the risk to an acceptable level.
4. Nova Scotia Health is engaged in effective and ongoing monitoring and management of the performance of vendors.

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 Nova Scotia Health.

Our audit approach included a review of relevant legislation, policies and procedures, procurement documentation, contractual agreements, invoices, along with interviewing members of management and staff. Our audit period was from April 1, 2023, to December 31, 2024. We examined information outside of that period as necessary.

We believe the evidence we have obtained is sufficient and appropriate to provide the basis for our conclusions. Our report is dated March 25, 2026 in Halifax, Nova Scotia.

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

- For our sample of alternative procurements for six vendors we found Nova Scotia Health did not effectively procure the selected health contracts. Once procured, we found Nova Scotia Health is managing the contracts but improvements are needed.
 - Our testing of alternative procurements for six vendors found NSH is inappropriately using alternative procurement and not following provincial procurement policy
 - Improvements needed to manage conflict of interest
 - Contract weaknesses noted including one vendor with no contract, another contract signed after work started, and contracts missing important terms and conditions
 - With regards to contract oversight and management, regular vendor monitoring noted for five of six contracts, but improvement needed

Appendix II

Alternative Procurement Circumstances

	Circumstance	Examples of Applicability
1.	Emergency	Bridge collapse, fuel spill, security breach, infrastructure malfunction, or to protect human lives
2.	Confidentiality	Advice or goods of a privileged nature relative to sensitive information that could put the Province at risk
3.	Compatibility	Original equipment manufacturer with no substitute or only this vendor can provide maintenance
4.	Patents, Copyrights and Other Exclusive Rights	Original design work or one-of-a-kind goods/services
5.	Sole Source (Absence of Competition)	Total absence of market competition of the product or service
6.	Monopoly	Nova Scotia Power, Canada Post, Heritage Gas
7.	Commodity Market	Metals, Livestock, Agriculture
8.	Leased Building	Renovation or maintenance provided by the landlord
9.	Warranty	Equipment maintenance, repairs, or upgrades
10.	Research	Fish analysis in river to determine if a new highway project can proceed based on results of local habitat analysis
11.	Advantageous Circumstances	Car auction, land sale
12.	Original Art	Art Gallery purchasing Maude Lewis's house and paintings
13.	Design Content	NS Tourism - promotes campaign to bring visitors to NS by way of design contest to spark awareness about NS abroad and promote local talent
14.	Subscriptions to Periodicals	Chronicle Herald, New York Times
15.	Additional Deliveries	Additional service provided by current vendor to allow smooth transition time to a new RFP award
16.	No Suppliers Satisfied the Conditions	No bids received or noncompliant, documented by Procurement
17.	Financial Management Services	Bankruptcy, foreclosure, receivership
18.	Goods for Resale	Clothing, promotional pins
19.	Procurements Financed by Donations	QEII Foundation provides funds to NSH for the purchase of a new piece of equipment
20.	Payments to other levels of/other Governments	Joint procurements, policing services
21.	Equal Opportunities	Services from a social enterprise, community interest group
22.	Ability to Maintain Security/Life/Health	Court ordered assessment, pandemic
23.	Minority Business	Direct purchase of goods and services from Indigenous vendors

Appendix III

Alternative Procurement Circumstances - Revised October 2025

	Circumstance	Examples of Applicability
1.	Emergency	Bridge collapse, fuel spill, security breach, infrastructure malfunction, response to a natural disaster, or to protect human lives
2.	Ability to Maintain Security/Life/Health	Pandemic containment, response to a natural disaster, sanitary/phytosanitary measures, disease prevention
3.	a. Absence of Competition – Technical	Total absence of market competition – with justification, manufacturer of custom parts for specialized equipment, educational material focused on specific content unavailable elsewhere
	b. Absence of Competition – Monopoly	Nova Scotia Power, Halifax Water Commission, Canada Post – general mail, Heritage Gas, technology other suppliers haven't developed yet
	c. Absence of Competition – Prototype	Fish analysis in river to determine if new highway project can proceed based on results of local habitat analysis, quality control process; centre of excellence
	d. Absence of Competition – Advantageous Circumstances	Car auction, land sale
	e. Absence of Competition – Additional Deliveries	Additional service provided by current vendor to allow transition to new RFP, add-ons to existing equipment that can only be provided by the same supplier, requirement realized at the same time that a current vendor may deliver
4.	Compatibility	Original design work, one-of-a-kind goods or services, further work on a prior project that needs to be protected and completed by the originator, or only one vendor can provide maintenance due to proprietary circumstances
5.	Confidentiality	Privileged advice relating to sensitive information that could put the Province at risk, confidential IT software, public posting would jeopardize the ability to conduct research work for the purpose of possibly altering policy, policy review of employee compensation, cybersecurity compromising
6.	No Suppliers Satisfied the Conditions	No bids received, or the bids received were not compliant
7.	Sustainability	Artistic productions (art, design, theatre, music, dance and film, which are integral to the expression of cultural identity), publishing and broadcasting that promotes cultural diversity, Indigenous/diverse cultural goods, services from social enterprises and non-profit organizations, validation for procurements that are part of the Sustainable Procurement Strategy and Action

		Plan that will be released in 2026, purchases from philanthropic institutions and non-profit organizations
8.	Health and Social Services	Public health services (hospital services, vaccination programs), social assistance Programs (social welfare, vulnerable population shelters or senior facilities), emergency health responses (public health crises to rapidly procure health services, medical supplies, or support services)
9.	Procurement Financed by Donations	QE2 Foundation provides funds to NSH for the purchase of a new piece of equipment

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