

**TO:** Councillor Gloria McCluskey, Chair and Members of the Audit & Finance Standing Committee



**SUBMITTED BY:** \_\_\_\_\_  
Bruce Fisher, MPA, CMA, A/Director of Finance/CFO

**DATE:** July 25, 2011

**SUBJECT:** **Hurricane Juan and White Juan – Disaster Financial Assistance (DFA) Claims**

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**INFORMATION REPORT**

**ORIGIN**

Audit & Finance Standing Committee – June 27, 2011 – Presentation of Year-End Consolidated Financial Statements and a request for information on how much is outstanding in regard to the Hurricane Juan and White Juan.

**BACKGROUND**

While the Disaster Financial Administration Arrangement (DFAA) is a Federal Program, the program provides federal disaster relief through provincial and territorial governments. HRM's claims are submitted to the Province and paid by the Province but also form part of the Provincial Claim to Public Safety Canada. HRM's claims are subject to at least two levels of review, one by the Provincial Disaster Financial Assistance office and then Audit Services Canada audits the claims on behalf of Public Safety Canada. The Federal Audit provides communication challenges, as the auditors report to Public Safety Canada, who then advises the Province who then advises HRM. Therefore, sorting out any potential issues is very time-consuming. HRM submitted 413 location specific claim files for Hurricane Juan.

## DISCUSSION

### **Hurricane Juan**

An interim federal audit on the Hurricane Juan claim was carried out in 2009 and in September 2010 HRM received information on issues raised during this interim audit. The audit issues were primarily in four categories:

- Fire hazard mitigation
- Damage assessment reports
- Procurement documentation
- Vehicle rates for HRM equipment used in the clean-up

#### Fire Hazard Mitigation

There were 7 claim files where the federal auditors indicated that in their opinion the submitted amounts included mitigation expenditures related to potential fire hazard mitigation which is not an eligible expenditure under the DFAA program. Based on recent discussions with them, the Province is proposing an adjustment to HRM's claim in the amount of ~\$450k for work that could be considered fire mitigation. However, still under discussion is the clean-up work at Point Pleasant Park and Hemlock Ravine Park, where a total of \$3.2 million has been submitted for recovery under the program.

There were numerous conversations throughout the claim process around what was eligible work and the Federal Auditors and Federal Parks staff visited both Point Pleasant and Hemlock Ravine Parks during the clean-up period. With regard to Point Pleasant Park, this file was reviewed by the federal auditors in 2005 and extensive documentation provided to the Province and the federal auditors at that time. For HRM, the functionality of Point Pleasant Park was severely compromised and the damaged trees presented an unacceptable safety risk to park employees, visitors and to residential properties abutting the park. The Municipality had no choice but to close the park until functionality could be restored and the hazards and safety concerns were mitigated. Further discussion and explanation has been requested as to the ineligibility of this work under the program.

#### Damage Assessment Reports

There were audit qualifications on 11 files where the auditors indicated that they were not provided with enough documentation to verify that the repairs to the sites were reasonable for the damages sustained and that the work was to return the site to pre-disaster condition. Generally, there were already assessments of damages on file and a closing report that spoke to the repairs completed, however, the assessment of damages spoke to hours of work required and/or extent of damages in terms of #'s of trees down, square metres of sod destroyed or structural damages to amenities in the various parks, etc. These damage assessments were not always translated into estimates of dollar value of repairs required and a comparison of those estimated dollars to final

actual costs. After discussions with the Province, these dollar estimates were prepared and the variance analysis completed using the templates developed by the Province.

#### Procurement Documentation

There were about 14 audit comments indicating that tendering documents were not provided, amounts claimed were in excess of recorded amounts or other unsupported costs in the claim file. However, upon review, these had largely been addressed in the files and references to the file documentation provided. There remain some miscellaneous procurement adjustments being proposed by the auditors but there are not enough details on what/where/how their audit adjustments were calculated in order to respond to the audit comment - these total less than \$10,000. If details are provided by the auditors, these could be addressed.

#### Vehicle Rates

The costs in the claims include costs associated with using HRM vehicles and equipment in the clean-up work. Eligible costs are limited to incremental costs so a determination of what the incremental rates should be has been under review. Internal rates used by HRM had not been updated since prior to amalgamation so determining an appropriate incremental rate was not possible. As an alternative, it was identified that the Provincial rates could be used and then it was identified that Nova Scotia Road Builders Association (NSRBA) Rates could be used and there are two potential NSRBA rate calculations. This is still a subject of review between the Province and the Federal government as to a reasonable, verifiable rate that should be used for all claims. The vehicle portion of HRM's claim is \$373k using HRM's rates, \$456k using the Provincial rates, \$339k using the first NSRBA rate and \$1.5 million using the second NSRBA rate.

#### **White Juan**

The blizzard occurred February 18 and 19, 2004 and a DFA program was announced March 31, 2005 with an application for assistance deadline of May 31, 2005. HRM submitted a claim in accordance with the deadline and in the fall of 2006, the Provincial Disaster Recovery Centre audited the claim. A Federal Audit on this claim is still outstanding and the Province advised in July 2010 that the federal auditors and Public Safety Canada are concentrating their resources and efforts on completing their review of the disaster claims relative to the Hurricane Juan and Post Tropical Storm Noel disaster events. (HRM has no amounts outstanding relative to Post Tropical Storm Noel)

#### **BUDGET IMPLICATIONS**

**Hurricane Juan** - Overall, HRM spent \$23.8 million in initial response, infrastructure repair and clean-up costs of which \$17.2 million was submitted for recovery under DFA. As at March 31, 2011, the outstanding receivable on the financial statements relative to this claim was \$4.9

million. Based on recent discussions with the Province, they will be advancing a further \$1.3 million leaving \$3.6 million outstanding - \$3.2 million related to Point Pleasant Park and Hemlock Ravine and \$400k related to the vehicle issue. Any amount not received will have a financial impact in the year it is determined that the amount will not be recovered under the DFA program. At this point, however, while there is some issue resolution to be discussed, there does not appear to be anything of significance that should not be recovered under the program.

**White Juan** – HRM’s claim for the blizzard clean-up costs was \$2.7 million of which \$500k has been advanced by the Province. Originally, there was no receivable set up on the basis that, when received, the money would be deposited to the Snow and Ice Control Reserve. In March 31, 2007, there was an adjustment to record \$1.4 million as receivable in the operating fund with the balance of any amount received to be deposited to the Snow and Ice Control Reserve when received. As at March 31, 2011, the outstanding receivable on the financial statements remains at \$1.4 million. Based on the \$2.2 million still to be received, there is a potential of 800k to be deposited to the reserve.

### **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

### **COMMUNITY ENGAGEMENT**

N/A

### **ATTACHMENTS**

N/A

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A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance> then choose the appropriate Audit & Finance Standing Committee meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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