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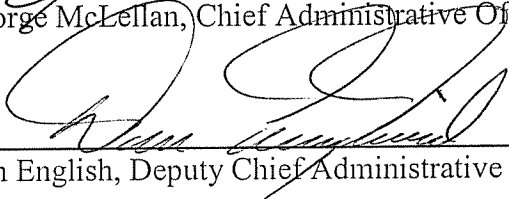
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Halifax Regional Council  
May 24, 2005

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
\_\_\_\_\_  
George McLellan, Chief Administrative Officer

  
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Dan English, Deputy Chief Administrative Officer

**DATE:** May 19, 2005

**SUBJECT:** Increase in Contract for Claims Management Services

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**ORIGIN**

This report originates from a need to increase the existing Contract to include work relative to claims management services for the 2004 blizzard claim as well as further work required on the Hurricane Juan claims management services.

**RECOMMENDATION**

It is recommended that Regional Council authorize an increase in the contract with Crawford Adjusters Canada, for an amount not to exceed \$237,472.70 including net HST, for additional project and claims management services required in connection with Hurricane Juan and the 2004 blizzard claims under the Disaster Financial Assistance Program with funding as per the Budget Implications section of this report.

## **BACKGROUND**

On January 27, 2004, Regional Council approved the award of Contract #03-346, Claims Management Services to Crawford Adjusters Canada for \$287,500.00 plus net HST for an estimated cost of \$305,983.38. Original estimates of number of hours of service required were included in the RFP in the magnitude of 1,500 to 5,000 hours over a 12 to 18 month period. The original award was based on 2,500 hours of service.

The first 2,500 hours were approved with the assumption that although services would be provided throughout HRM, the primary emphasis would be on the Real Property and Asset Management (RPAM) business unit. However, the bulk of the first 2,500 hours were related to claims processed for the Transportation and Public Works (TPW) business unit where the remediation work was more immediate. Therefore, on February 22, 2005 an increase in this award to the full 5,000 hours was approved by Regional Council, primarily to complete the RPAM - Parks claims submissions.

Claims submissions include invoices, purchase orders, etc. in support of all costs incurred, expert reports on the nature of the damage and need for restoration along with proof of ownership. In addition to the claims submission preparation, there is follow up required once the claims submitted are subjected to review by the Province and then audited by Consulting and Audit Canada (CAC). Interim audits of the first claims were being carried out in February 2005.

## **DISCUSSION**

The interim audit follow-up process was more time consuming than originally anticipated and resulted in further delays in getting new claims processed for submission. Follow-up was required by both Crawford and HRM staff to provide additional documentary evidence in support of the claims submitted. Therefore, additional hours are now being requested to manage this additional information gathering and to finalize the claims submissions.

While the follow-up work required as a result of the interim audit did detract from additional claims being submitted, it did add a degree of clarity to the information to be submitted with the claims. The documentary evidence required for these claims is quite unique and requires an additional level of accountability not normally a part of a financial audit or an insurance claim. There will continue to be follow-up required when subsequent audits are carried out, however, this first interim audit provided the necessary feedback to address areas of uncertainty as to what is satisfactory documentary evidence in support of a claim under the Disaster Financial Assistance program.

Results of the interim audit are included in the attachment to this report. There were some very small dollars related to ineligible overtime that were denied. In addition, although not denied, there were significant dollars that were deferred. This deferral allows additional time to get the necessary documentation in place for these claims. Plus the same type of documentation can then be added to support the claims already submitted and will be included in new claims to be submitted.

The resources required to complete the deferred items, revise the claims already submitted and ensure the next submissions meet this level of accountability, were reviewed by HRM and Crawford staff and an additional 2,000 hours is being requested for claims management services. The amount in the recommendation is based on the original hourly rate, however, this rate is being reviewed with the vendor to ensure it reflects the nature of the Crawford resources required.

A team of HRM staff has been assembled (D-FACT) to provide support for the overall claims process including assembling of source documents from within HRM, review and submission of the smaller claims relative to business units other than PWT and RPAM and management of the contract with Crawford Adjusters. It is staff's intention to continue to monitor the work being done by Crawford Adjusters to ensure that the appropriate mix of internal and external resources is achieved in the claims management process.

A summary of costs incurred to March 31, 2005 on Hurricane Juan is included as an attachment to this report - identifying the sample selected for the first interim audit. Claims submitted to date have been largely paid relative to the advance from the Province made in July 2004. However, future amounts will not be paid to HRM until the advance is fully off-set by the deferred items from the interim audit being finalized and/or new claims are submitted which have been satisfactorily reviewed by the Province and audited by CAC.

In addition to the Hurricane Juan claims, claims relative to the March 2003 flood and the blizzard of February 2004 are being processed in the same manner, ie, submitted by the HRM D-FACT office to the Province for review and then audited by CAC. The guidelines for submitting blizzard claims were finalized March 30, 2005 with a May 31, 2005 deadline for submission. It is staff's intention that a portion of the 2,000 hours for claims management services of Crawford Adjusters be allocated to the blizzard claim to ensure a fully supportable claim is submitted by the May 31 deadline.

### **BUDGET IMPLICATIONS**

Original estimates of claims management service needs were in the range of 1,500 to 5,000 hours. As a result of the interim audit, the clarity added to the level of documentation required in the claims submission as well as additional work required relative to the blizzard claim, the estimate of required hours has increased to a total of 7,000:

- 2,500 approved by Regional Council January 27, 2004
- 2,500 approved by Regional Council February 22, 2005
- 2,000 recommended in this report.

As previously noted, staff will continue to monitor the work being done by Crawford Adjusters to ensure that the appropriate mix of internal and external resources is achieved in the claims management process.

This work is directly associated with the submission of an application to the Disaster Financial Relief Program. Based upon present information, the cost of this work is to be recoverable through this program but this cannot be confirmed until after the claim submission has been completed, filed and adjudicated. In addition, all resources devoted to supporting a claim are deemed recoverable, whether or not at the end of the process the claim itself is recoverable.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

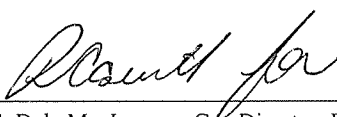
This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVES**

Council could choose not to award this additional 2,000 hours. This is not the recommended approach as these additional specialized services enhance HRM's likelihood of a successful claim with the DFA.

**ATTACHMENT**

- Summary, by business unit, of costs incurred to date - claims submitted, claims to be submitted and notes on the first interim audit by CAC

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.		
Report Prepared by:	Pam Caswill, CA, Manager of Accounting	490-6324
Report Approved by:	 S. Dale MacLennan, CA, Director, Financial Services	490-6308

	Total Expenditures	Expenditures not applicable to DFA	DFA Claims Eligible		Audit Sample #	*Note	DFA Claims Submitted	DFA Claims Pending	
			#	\$				#	\$
Emergency 911 Communications	\$ 5,690	711	1	4,979	1		4,979	0	-
Governance	\$ 3,566	329	1	3,237	1		3,237	0	-
Environmental Management Services	\$ 153,522	24	6	153,499	6	2	153,499	0	-
Fire and Emergency Services	\$ 32,443	2,255	1	30,188				1	30,188
Financial Services	\$ 811,412	50,000	2	761,412				2	761,412
Human Resources	\$ 1,553	1,553	0	-				0	-
Planning and Development Services	\$ 1,552	1,552	0	0				0	0
Public Works and Transportation	\$ 6,882,451	1,000,000	39	5,882,451	35	8	5,671,314	4	211,138
Recreation, Tourism, and Culture	\$ 29,866	10,000	1	19,866				1	19,866
Real Property and Asset Management	\$ 13,779,520	4,293,536	35	9,485,984	1	1	2,534,784	34	6,951,200
Regional Police	\$ 43,295	4,978	2	38,317	2	1	38,317	0	0
Shared Services	\$ 40,578	3,824	1	36,754				1	36,754
Library	\$ 4,150	4,150		-					-
<b>Total</b>	<b>21,789,597</b>	<b>5,372,911</b>	<b>89</b>	<b>16,416,685</b>	<b>46</b>	<b>12</b>	<b>8,406,128</b>	<b>43</b>	<b>8,010,557</b>
Water Commission	\$ 53,181	(See separate funding sources)		53,181	1		53,181		
Total, incl Water Commission	<b>\$ 21,842,778</b>			16,469,866			8,459,309		

**Funding Sources: (estimates)**

DFA claims	\$ 16,469,866
Donations - estimate	\$ 500,000
Insurance - estimate	\$ 1,800,000
HRM Operating (total)	\$ 3,072,911
total	<u>\$ 21,842,778</u>

**\*Note:**

**Overall results of Interim Audit by Federal Consulting & Audit Canada (CAC), February 2005**

Of the 47 claims submitted to the province of Nova Scotia, CAC selected a sample of 12 claims for the first Interim Audit. These 12 claims were audited extensively, requested additional information was provided as it was available. Several adjustments were made to the amounts, deferring approval until further documentation is provided to meet the audit requirements. The major reasons for the adjustments are as described below:

Presentation of 6 of the large immediate response claims in smaller "bites", where more detailed engineer/expert reports relating to the smaller grouping of the expenditures is required by CAC. These claims represent approx. \$4.5M of claimable expenditures.

The Point Pleasant Park interim claim was audited as part of the sample and many requests were answered during the audit with one outstanding issue at the end of the interim audit. This claim is approx \$2.4M.

The requirements for supporting documentation for Overtime, benefits and vehicle usage was clarified during the audit. The amounts were deferred until this documentation is provided in the next audit.