

# Municipal Affairs — Disaster Recovery Program Transition

## SUMMARY

Alberta has a history of disasters, including storms, wildfires, tornados and floods. In June 2013, southern Alberta experienced one of the worst disasters in Canadian history. Such disasters create a strong demand for government financial assistance for people affected.

The *Disaster Recovery Regulation*<sup>1</sup> allows the Minister of Municipal Affairs to provide disaster recovery financial assistance to residents, small businesses, agriculture operations, First Nations, provincial departments and municipal governments for uninsurable losses and damage caused by disasters. The minister may approve a disaster recovery program (DRP) if the disaster has caused widespread damage to property and the cause of the disaster was extraordinary. The department has paid \$903 million under various DRPs since 2010.

Between 1995 and 2015, the Alberta government used a contracted service provider to provide evaluation, processing and administrative disaster recovery services. In March 2014, the minister<sup>2</sup> announced<sup>3</sup> that the department would not renew the service provider's contract. The contract expired in March 2014. The minister then signed a one-year transition contract with the service provider to complete open DRPs and transfer DRP administration to the department.

### What we examined

The Department of Municipal Affairs started to transfer the administration of DRPs from the contractor to itself in 2014. We assessed whether the department had adequate systems to transition services previously delivered by its service provider. Transition refers to the department's decision to end its relationship with the service provider and it directly providing DRP services.

### Overall conclusion

The department transitioned delivery of the disaster recovery program from the contracted service provider to itself. However, the department must further improve its program delivery systems to achieve the desired results. It has started making these improvements. We believe that once the department has completed implementing its transition work plan, Alberta will have in place a more effective and efficient disaster recovery program.

### What we found

#### Changing the service delivery model

In April 2013 the department analyzed whether it should change the program's service delivery model. It evaluated the existing service delivery model and identified alternatives. The department recommended to the minister<sup>4</sup> that it should continue to use a contracted service delivery model, and that an in-house service delivery model should be further examined.

<sup>1</sup> AR 51/1994 with amendments up to and including AR 196/2006.

<sup>2</sup> The Honourable Ken Hughes, Minister of Municipal Affairs, December 2013 to April 2014.

<sup>3</sup> Alberta Hansard, March 11, 2014, page 170.

<sup>4</sup> The Honourable Doug Griffiths, Minister of Municipal Affairs, October 2011 to December 2013.

In June 2013 the southern Alberta floods occurred. The program received over 10,000 applications, an amount that far exceeded any previous disaster events. Elected officials, the media and the public were concerned that the program was not effectively responding to the needs of those Albertans impacted by the floods.

In November 2013 the department recommended that the minister extend the service provider's contract for two years, until March 2016. The department identified the significant risks of changing the service delivery model at that time including the volume of claims from the 2013 southern Alberta floods and the number of incomplete disaster recovery programs from previous years.

In March 2014 the minister announced that the department would deliver the disaster recovery program. The minister then approved a transition contract with its contracted service provider to expire March 2015. The department was solely responsible for administering and delivering the program after March 2015.

### Managing the transition project

Although the minister did not follow the department's advice to continue using a contracted service delivery model, the department's responsibility is to implement the minister's decision. The department prepared a multi-phased transition plan in March 2014. The department was unsuccessful in implementing its March 2014 plan largely because it expected the contractor would complete the 2013 southern Alberta disaster recovery program. This expectation was not met for a number of reasons including the magnitude and complexity of the 2013 claims and a significant number of changes to program rules that occurred after the 2013 southern Alberta floods.

The department did not identify an adequate IT system early in its transition planning. This failure resulted in the department implementing an IT system that could not be integrated with its current financial system or generate payments. The system was subsequently replaced with the contracted service provider's IT system.

Late in 2014, the department began transitioning the IT system from the contracted service provider, over 17,000 files, and responsibility for the 2013 southern Alberta disaster recovery program and all legacy programs. This work was completed by March 2015.

The department's focus in early 2015 was on transitioning the IT system and files from the contracted service provider. It has not fully established the supporting processes to deliver the program. The department must upgrade the IT system it received from the contractor, finalize policies and procedures, develop staff training and obtain the technical resources required to deliver the program.

The department identified these improvements in its March 2015 transition work plan which it approved in July 2015. The department started implementing the work plan but has not yet obtained the skilled project managers, or established the project management practices and project oversight that will increase its chances of success.

### Lessons learned

- The scope of the department's March 2014 transition plan was much broader than transitioning the services from the contractor to the department. The scope also included a re-design of the program delivery model, implementation of a new IT system and the initiation of a process to re-design Alberta's disaster recovery program—all while dealing with one of the largest disasters in Canadian history. The department did not have the capacity to deal with this magnitude of change. Working to

achieve multiple priorities added complexity to the transition. It took away resources and focus from transitioning the services from the contractor to the department, the objective of the March 2015 transition work plan currently being implemented by the department.

- Large transition projects need skilled project managers, proper project oversight and dedicated resources to be successful. The few project managers and dedicated resources the department had working on the project were also dealing with the 2013 southern Alberta program.
- Now that the department is responsible for the program delivery, it should establish mechanisms to respond expeditiously when a disaster occurs. Its human resource, contracting and financial processes should be flexible to meet the expectations of program stakeholders.

### What needs to be done

The department should implement its March 2015 work plan to fix the existing process gaps by:

- obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan
- establishing the necessary project oversight to monitor the project's progress and ensure desired results are achieved within an acceptable timeframe

Good project management will not guarantee success. However, it will increase the likelihood that significant program or organizational changes achieve the desired results.

### Why this is important to Albertans

Disasters can happen anytime—it is just a matter of when. The department must have adequate systems and processes to respond expeditiously when disasters happen. It must ensure that those affected receive the financial assistance necessary via the disaster recovery program, efficiently and consistently.

By improving its systems to deliver the program, the department will be better able to:

- respond to Albertans when disasters occur
- manage the program to ensure applications are dealt with efficiently and consistently
- meet federal requirements and maximize the available reimbursement from the Government of Canada

## AUDIT OBJECTIVE AND SCOPE

Our objective was to determine whether the Department of Municipal Affairs had adequate systems to transition services to the department that were previously delivered by a service provider. Transition refers to the department's decision to end its relationship with the contracted service provider and the department's assumption of responsibility for program delivery.

We conducted our field work from June to September 2015. We substantially completed our audit on November 27, 2015. Our audit was conducted in accordance with the *Auditor General Act* and the standards for assurance engagements set out in the CPA Handbook—Assurance.

## BACKGROUND

### Disaster recovery programs

Alberta has a history of disasters that includes storms, wildfires, tornados and floods. In June 2013 southern Alberta experienced heavy rainfall that triggered flooding described as one of the worst disasters in Canadian history. These disasters create a strong demand for government financial assistance for people affected.

Under the *Disaster Recovery Regulation*,<sup>5</sup> the Minister of Municipal Affairs can provide disaster recovery assistance to residents, small businesses, agriculture operations, First Nations, provincial departments and municipal governments. The minister may approve a DRP if the disaster has caused widespread damage to property and the cause of the disaster was extraordinary.

The department has paid \$903 million under various DRPs since 2010. Municipalities and provincial government departments received 82 per cent of total payments while residential and other applicants received 18 per cent. However, residential homeowners make up the vast majority of the applications. This means the department spends a significant amount of its time managing a relatively large number of smaller dollar value files.

| Fiscal year  | Number of disasters | Number of applications | Total DRP amount paid |
|--------------|---------------------|------------------------|-----------------------|
| 2010/2011    | 12                  | 4,615                  | \$66,323,101          |
| 2011/2012    | 14                  | 1,547                  | \$84,724,840          |
| 2012/2013    | 15                  | 1,306                  | \$11,592,730          |
| 2013/2014    | 7                   | 10,920                 | \$736,692,011         |
| 2014/2015    | 2                   | 382                    | \$3,927,370           |
| <b>Total</b> | <b>50</b>           | <b>18,770</b>          | <b>\$903,260,052</b>  |

Source: Unaudited information obtained from department as at September 30, 2015.

An applicant is ineligible for DRP if the applicant's losses could reasonably have been prevented, if insurance for damages was available, if losses can be recovered through legal action or if damages are covered under other Government of Alberta programs.

Each applicant type has different eligibility requirements (see Appendix A—DRP applicant eligibility requirements). For example, a residential homeowner is eligible if the property is their principal residence where they were living on a daily basis at the time of the event.

The Government of Canada, through Public Safety Canada, provides cost sharing financial assistance to provincial governments through the Disaster Financial Assistance Arrangements (DFAA) Program. DFAA assists provinces in dealing with the costs of a disaster. Federal assistance is available when a province's eligible program costs exceed \$3 per capita of the provincial population.

To illustrate using the cost sharing formula as of February 2015, assume Alberta's population is four million and a disaster occurs with DRP costs of \$60 million. The first \$12 million would not be eligible for DFAA reimbursement. The next \$24 million would be eligible for cost recovery at 50 per cent, with the remaining \$24 million at 75 per cent. The federal government audits all disaster financial assistance programs eligible for federal cost sharing.

The department must make a request for financial assistance under the DFAA within six months of the end of the event. The department must submit its final claim under the program within five years of the date of the approved Order in Council that establishes the DRP. Public Safety Canada subsequently audits the provincial submission for DFAA compliance. The DFAA guidelines state that contracted

<sup>5</sup> AR 51/1994 with amendments up to and including AR 196/2006.

private sector operators' wages are eligible. The cost of temporary staff positions to conduct disaster assistance surveys and assessments is also eligible for a six-month period after the disaster.

#### Department of Municipal Affairs and the Alberta Emergency Management Agency

In June 2001 the Government of Alberta created the Alberta Emergency Management Agency under the Emergency Management Act.<sup>6</sup> The AEMA is a division within the Department of Municipal Affairs. It leads the coordination, collaboration and co-operation of all organizations that prevent, prepare for and respond to disasters and emergencies.

## FINDINGS AND RECOMMENDATIONS

### Analysis to determine the DRP service delivery model

#### Background

The Government of Alberta solely handled program administration, management and service delivery of DRPs prior to 1995. It had approximately 200 administrative staff, building assessors and inspectors. It reduced this number to 13 in early 1995 in order to cut costs.

Shortly after the staff cut, a flood caused more than \$40 million in damages in southern Alberta. Because the government lacked capacity to conduct damage evaluations, assessments and administration, a former Municipal Affairs executive director put together a team to establish and administer the 1995 Southern Alberta DRP using government processes.<sup>7</sup> The temporary team of former government employees and outside resources created the company LandLink Consulting Ltd., to perform the services on behalf of the government.

LandLink provided services to the government before, during and after disaster events. Before a disaster, LandLink updated training resources and reference material, as well as refined software and hardware resources. During an event, LandLink established local administration offices and claim processing facilities, and hired and trained temporary and contract staff. LandLink used its database to record and track municipal and non-municipal applications. It managed the evaluation and processing of all claims submitted by individuals, small businesses and not-for-profit organizations up to and including the request for final payment by the department.

For municipal applications, LandLink provided engineers to evaluate the damage and assess the reasonableness of the cost of returning assets to their original condition, without enhancements. Engineers checked that municipalities completed the necessary work in accordance with original estimates. For non-municipal applications, LandLink provided a team of evaluators to assess the damage. After disasters, LandLink prepared the claim for submission to the Government of Canada under the DFAA and responded to all queries from federal audit authorities.

Because a contracted service provider was involved, these costs qualified for the federal government's DFAA program. The department estimated since 1995 that it had received \$30 million<sup>8</sup> in DFAA reimbursement for administrative costs.

<sup>6</sup> RSA 2000, Chapter E-6.8.

<sup>7</sup> This was a sole-sourced contract intended to be a one-time arrangement. The department did not anticipate that LandLink's services would be required after completion of the contract.

<sup>8</sup> This figure excludes the 2011 Slave Lake wildfires and the 2013 Southern Alberta floods.

The department entered into several contracts with LandLink since 1995.

- Between 1995 and 2003, the department extended the contract each year.
- In 2003 the department issued a request-for-information for contractors to deliver DRPs. Because LandLink provided the only compliant response, its contract was extended to March 2004.
- In 2004 the department signed a contract with LandLink ending March 2005.
- In 2005 the department issued another request-for-information. Once again LandLink provided the only compliant response. The department negotiated a multi-year contract which ended in May 2009.
- In 2008 the department issued a request-for-proposal for contractors. LandLink was the only bidder and the department signed a five-year contract in June 2009. This contract ended in March 2014. It was subsequently extended for one-year to March 2015 to allow for an orderly transition.

#### Analysis to determine the DRP service delivery model

We have not made a recommendation to the Department of Municipal Affairs because the department met our audit criteria. The minister made a decision contrary to the department's advice which was his prerogative.

#### Criteria: the standards for our audit

The department should analyze whether it should change the disaster recovery program service delivery model. The department's analysis should:

- evaluate the DRP service delivery model
- identify alternatives
- assess the costs, benefits and risks associated with each alternative
- make a recommendation

#### Our audit findings

##### KEY FINDINGS

- The department met our criteria.
- The department's analysis of its DRP service delivery model included an evaluation of the current state, identification of alternatives and assessment of benefits and risks. The department recommended to the Minister of Municipal Affairs that the program delivery should continue to be outsourced.
- The minister decided that the department would deliver the DRP program. In effect, this decision meant accepting identified risks.

#### The department's analysis and recommendation

The department prepared several analyses on whether to continue outsourcing the DRP service delivery model. The department's analyses included an evaluation of the current state, identification of alternatives and an assessment of benefits and risks. It also identified key risks in areas such as continuity of service, knowledge transfer and human resources.

In February 2013 department staff told the minister that the cost of using a contracted service provider to administer the program were shareable under the federal government's DFAA program. Department staff also advised that a private company could scale up its operations and hire additional resources quickly, depending upon the disaster. Whereas, the department would take longer to hire and train temporary staff and provide office space and equipment.

In March 2013 AEMA developed a strategy<sup>9</sup> and suggested that the department consider the following three DRP delivery models:

- use a contracted service provider to deliver the program
- establish an in-house structure to deliver the program
- make Disaster Recovery Operations a government agency offering financial assistance programs

The strategy included an assessment of the risks, benefits and impacts of each alternative. For example, while using a contracted service provider would allow DFAA cost sharing and reduce AEMA staffing requirements, only a limited number of qualified service providers are available. In contrast, although delivering the program in-house would allow control of its performance standards, it would take significant time to achieve the desired program effectiveness and productivity results. Forming an independent government agency would provide a sense of autonomy, but would increase management and administrative costs and reduce government funding.

The AEMA recommended to:

- continue with the contracted service provider model for the next five years
- further review the in-house model and decide if it is viable in the future and begin to implement the in-house model over five years

In April 2013 the department prepared a briefing note with a recommendation on the DRP service delivery model to be adopted. It reviewed similar programs in other jurisdictions and in private and non-profit organizations. The department proposed the same three alternatives as suggested by AEMA's Disaster Recovery Operation. It also added a fourth alternative—use multiple service providers under multiple contracts. Staff analyzed the risks, benefits and impacts of the four alternatives. They recommended that the department continue with the current contracted service delivery model. The deputy minister approved this recommendation.

In June 2013 southern Alberta experienced unprecedented flooding. The program received over 10,000 applications, an amount that far exceeded any previous disaster events. Elected officials, the media and the public were concerned that the program was not effectively responding to the needs of those Albertans impacted by the floods.

### **Risks of not extending the contract**

In November 2013 DRP staff asked the deputy minister to extend the contract from March 2014 to March 2016. This extension would let the department finish open DRPs with the federal government and finalize the 2013 program application files. The department identified several risks associated with not extending the contract to 2016, such as:

- continuity of file management could be lost in transferring files, given the scope of the 2013 southern Alberta flood DRP
- incomplete knowledge transfer could lead to unsuccessful federal audits of all DRP programs which could reduce the federal share under the DFAA
- under an in-house model, current government human resources practices lacked the agility to quickly hire and release staff in response to new disaster recovery programs
- insufficient time to implement an in-house option or any new contracting option

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<sup>9</sup> Organizational Model and Procurement Strategy, March 2013.

The department's analyses, prior to the minister's decision, did not include an assessment of the transition costs. Subsequently, the department estimated the cost of transition to be approximately \$13.4 million, which includes costs for accommodations, staffing, information technology solutions and program re-design.

### **The minister's decision**

Although the deputy minister approved the department's November 2013 recommendation to extend the contract with LandLink, the former Minister of Municipal Affairs (Hon. Doug Griffiths) did not approve the recommendation.

In March 2014 then Minister of Municipal Affairs (Hon. Ken Hughes) announced that the department would not renew LandLink's contract. Instead, the department would rebuild the capability it had eliminated in 1995 and administer all DRPs subsequent to March 2014. The existing contract, due to expire in March 2014, was extended to March 2015 to permit the orderly transition of disaster recovery programs and prepare for the coming disaster seasons.

The minister is not bound by the department's advice and it was the minister's prerogative as to how to proceed. The department's role is to provide the minister with practical advice. However, ignoring such advice means accepting the risks.

## **Implementing the transition**

### **Background**

The DRP recovery operations is structured based on applicant type. Some staff work on public applications which include municipalities and provincial department files. Other staff work on private applications which include residential, small businesses and agricultural operations. The key phases in administering a DRP are:

- establish the DRP—obtain the necessary approval to create the DRP
- register and facilitate DRP applications—assist affected applicants with applying for DRP
- assess applicant qualification—screen and assess applications for completeness and eligibility
- perform filed evaluation—evaluate and validate the damages reported by the applicant to determine the amount of financial assistance to be provided. This can be an iterative process involving numerous steps, including creating geographical information files, arranging for onsite visits, completing evaluations and reports, coordinating and reviewing industrial hygienist/structural engineering assessments as appropriate, completing in-depth assessments and reviews, and finalizing reports and inspections.
- provide payment and quality assurance—batch payments and perform a final financial quality assessment
- close the DRP—prepare a DRP closure package when all files are closed, the federal audit is complete and there is confirmation of DFAA payment

(See Appendix B—DRP Processes—for details on these phases)

### **RECOMMENDATION 7: IMPLEMENT TRANSITION PLAN**

We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery systems by:

- obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan
- improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable timeframe



**Criteria: the standards for our audit**

The department should adequately manage the transition of services from the contracted service provider to itself. The department should have systems to:

- determine the scope of the disaster recovery program transition project
- govern the disaster recovery program transition project
- obtain and manage the resources required to conduct the transition project
- implement, monitor and report on the progress of the transition project

**Our audit findings****KEY FINDINGS**

- The department was unsuccessful in implementing its March 2014 transition plan because the multi-phased plan was too broad. The department did not have the capacity or skilled project managers to implement the plan and deal with the 2013 southern Alberta floods. The plan was based on the department's expectations of its contractor, which were not met.
- The department did not identify an adequate IT system early in its transition planning. This resulted in the department implementing an IT system that could not be integrated with its current financial system or generate payments.
- The department has taken over program delivery from the contractor and is processing applications. However, it needs to improve its supporting processes to deliver the program more effectively and efficiently. For example, the department does not yet have adequate and complete policies and procedures, a staff training program or the technical resources required to deliver the program. The IT system it received did not meet the department's IT standards.
- The department identified these deficiencies in its March 2015 transition work plan. The department has not obtained the skilled project managers, nor fully established the project management practices and project oversight to implement the March 2015 work plan.

**March 2014 transition plan**

The department developed a DRP transformation plan in March 2014 to re-design and create an applicant-centred model and delivery system for future DRPs. The department's transformation plan would start in April 2014 and be conducted in three phases:

- Phase 1—administer 28 existing DRPs and close out the 2013 southern Alberta program. This was currently under way through LandLink.
- Phase 2—concurrently define, design and build an internal DRP delivery system capable of covering the 2014 disaster season
- Phase 3—re-design the disaster recovery program

*Phase 1*—The department entered into a one-year transition contract with LandLink in April 2014. The department expected LandLink to complete processing applications from the 2013 southern Alberta floods and legacy DRP application files, to perform forecasting and reconciliation, and provide support for the provincial and DFAA audits of the program.

The magnitude of the 2013 southern Alberta floods resulted in the department receiving over 10,000 applications. Also during that time, the Government of Alberta's Flood Recovery Task Force made numerous policy changes impacting the program that were implemented when announced and the new policies often experienced much iteration. This resulted in the contractor having to revisit and rework claims. The policy changes along with the magnitude and complexity of the applications impacted the scope of the transition contract. Because the department's transition contract with LandLink was a time and materials contract, the funding available within the contract was used before all of the department's expectations were met.

The department took over responsibility for the 2013 files when the contract ended. It had to redirect its resources from the transition project to processing 2013 applications.

*Phase 2*—The department planned to concurrently define, design and build an internal DRP delivery system to cover the 2014 disaster season. The department proposed building a team of approximately 44 permanent staff in roles such as program coordinators, evaluation analysts, re-design analysts, and payment analysts. It gradually staffed these positions using secondments from other government departments and temporary employees. However, the temporary nature of the positions, coupled with the pressures of recovery work, led to a high staff attrition rate.<sup>10</sup> The department's goal was to create a simplified application process where claimants would have a single point of contact. It implemented a case management claim processing model to eliminate multiple points of contact and minimize response times.

During this time, the department spent considerable resources implementing a case management IT system that could not be integrated with its current financial system or generate payments. In March 2014 the department contracted a vendor to provide a case management system that documented communications with applicants, managed workflow and stored supporting documents. The department wanted to use the system for 2014 and future DRPs. However, in July 2014 the department determined that the system had “significant deficiencies in the scalability and fit.” Specifically, it could not process payments due to an absence of audit, reporting and financial controls. At that time, the department recommended replacing it with the existing DRP database that was being used by the contracted service provider.<sup>11</sup>

The department could not obtain access to the existing DRP database used by LandLink at that time. Therefore, it needed a system to use for the 2014 DRPs. It subsequently prepared an analysis recommending the use of the case management system. The recommendation contradicted its earlier assessment, highlighting in the analysis the numerous benefits such as its scalability and capacity to meet future needs of DRP programs. The department did not mention the tool's shortcomings.

The department proceeded to enter the 2014 DRP application data into the system and trained its staff in the fall of 2014. However, in early 2015 the department decided it would no longer use the case management system and would instead use the existing DRP database. As a result, the department had to re-enter into the DRP database it obtained from LandLink the hundreds of application files and thousands of attachments related to the 2014 DRPs.

*Phase 3*—In August 2014 the department engaged a consulting firm to re-design the disaster recovery program. The consulting firm's responsibilities were to review the current approach to disaster recovery programs, clarify the program's vision, innovatively re-design the program and the approach to delivery, and gather input from stakeholders to co-create the program.

The contract was scheduled to expire in March 2015, but was put on hold in October 2014. Departments were told to stop all stakeholder consultations due to the upcoming provincial election. The department later terminated the contract and as a result did not obtain all the expected deliverables.

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<sup>10</sup> In 2014-15, the Recovery Branch's attrition rate was 24 per cent while that of the department was six per cent.

<sup>11</sup> July 18, 2014 unnumbered action request.

The department was unsuccessful implementing phases 1 to 3 of its March 2014 plan largely because:

- The department did not have the capacity or project management expertise to execute a plan with multiple objectives (re-design of the 2014 program delivery model and initiation of a process to re-design the program as a whole) while also responding to the largest DRP in Alberta's history.
- The plan was based on the department's expectation that the contracted service provider would close the 2013 program files and complete the legacy programs (i.e. the programs from 2007 through to 2012 that had not yet been closed). The department entered into a one-year transition contract based on time and materials. The transition contract did not contain performance incentives aligned with the department's expectations and the funding ran out before the work was complete.
- The department did not identify an adequate IT solution for the program when the decision was made in March 2014 to assume program delivery.

In November 2014 the department requested a re-negotiation of the one-year transition contract to allow LandLink to provide ongoing audit support services for the next two years. It stated that LandLink had the historical context and expertise to maximize the DFAA reimbursement recovery rate. The deputy minister did not approve the option to extended LandLink services for the next two years, but approved the option to reallocate the funding in their contract to allow them to complete the outstanding DRP files and transition the database to the department's servers.

#### **Transition of the contracted service provider's IT system**

In fall 2014 the department identified the need to obtain the contractor's IT system because it would be assuming responsibility for processing the 2013 southern Alberta flood files. However, the department's previous contracts with the contracted service provider were unclear as to who owned the IT system used by the contractor. Therefore, the department had to negotiate with the contractor to obtain the IT system.

In December 2014, prior to transitioning the information system from LandLink, the department performed a risk assessment of the existing DRP database.<sup>12</sup> The department's assessment identified 18 IT risks, which ranged from concerns about data integrity and confidentiality to lack of access and security controls.

In January 2015 the department started transitioning the IT system from the contractor to itself. The transition was completed by the end of March 2015. In July 2015 the department initiated a project to mitigate the identified risks, using secure and reliable enterprise-level database technology, and to develop a strategy to transition to the new database solution with minimal operational impact.<sup>13</sup>

#### **March 2015 transition work plan**

In March 2015 the department had a consultant prepare a work plan to identify the remaining process gaps that the department needed to fix in order to establish the service delivery capabilities, administration and management to the level of service delivery previously provided by LandLink. The plan identified 11 projects, such as the development of process manuals, staff training, records management, and tracking the development and approval of policies. The consultant created business cases to support these and other projects, including IT stabilization, information management, human resources, and the close out of the 2014, 2013 and legacy program files. The business cases provided justification for the projects, options, expected benefits, major risks and the projects' expected completion dates.

<sup>12</sup> DRP Database Threat Risk Assessment and Security Architecture Requirements, December 2014 and Business Impact Analysis DRP Database December 2014.

<sup>13</sup> SR-DRP Project 1—Technical Upgrade of DRP IT System.

In September 2015 the department approved the business cases for the 11 projects. It intends to develop project charters and project plans for each project. The department is also establishing a project management office and is looking for managers to oversee the projects.

### **DRP Steering Committee**

The department created a DRP Steering Committee in July 2014 to deal with cross-departmental concerns and risks related to the transition. Its role was to “provide strategic direction for the project and ensure the projects are aligned with the DRP vision”.<sup>14</sup> The committee created various working groups to focus on specific subject matters such as information technology, records management, training and work processes. We found that the committee’s work was more focused on operational rather than strategic matters. For example, the committee discussed the transfer and receipt of hard copy DRP application files, the ownership of the existing DRP database, how to move it to the department’s servers and the need to identify who within DRP requires training and for what.

The DRP Steering Committee’s purpose was to funnel decisions and important matters to the executive level of the department for resolution. We found that committee members often delegated their responsibilities to lower levels of management within the department, making it difficult for the committee to focus on strategic matters.

We reviewed action items and deliverables from the committee and its working groups and found instances where promised deliverables were not achieved. For example, the training working group was responsible for developing training material, but it did not.

In September 2015 the department created the DRP Executive Board which will be responsible for providing strategic advice, approving project charters and plans for the 11 projects identified in the transition plan, ensuring project constraints are identified, and resolving risks. The board also created three task groups to manage human resources, procurement and contracting, and DRP processes.

### **DRP policies**

After the 2013 southern Alberta floods, the Flood Recovery Task Force and the department made a number of policy decisions that impacted the program. For example, it changed its policies for well-maintained homes with pre-existing conditions, applicants with insurance holds and applicants who received partial insurance payments.

The department developed these policy changes outside of its normal policy development process. This resulted in many of these policies being revisited numerous times and applied inconsistently. The department has not finalized all of these policy decisions or consolidated them into one place. When it finalizes these policy decisions, the department will have to revisit all of the DRP applications that it approved and paid in order to ensure it has applied its policies consistently.

In August 2014 the department established a policy branch to consolidate and formalize all policies. This work is underway. Once complete, the department plans to complete a policy review of all applications to ensure policies are applied fairly and consistently to all applications.

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<sup>14</sup> Disaster Recovery Program Steering Committee Terms of Reference, April 17, 2015, page 1.

**Resources**

The department operated without the necessary resources to support the transition. In March 2014 the department had one director for operations and another for strategic planning and design. The position responsible for strategic planning and design was more focused on daily operations rather than transition. By the time the department created a dedicated transition team in September 2014, several months had been lost.

The department obtained seconded staff from other government departments and has also recruited staff on a temporary basis because the costs of temporary employees are partially reimbursable under DFAA. However, the temporary nature of the positions coupled with the pressures of recovery work led to a staff attrition rate at the Recovery Branch which was four times higher than that of the rest of the department.

The department did not have engineers, a key resource to assess eligibility of DRP projects and reasonableness of project costs. The department sought engineers in March 2014 but didn't obtain an engineer until September 2015. Engineers are required at the initial onsite evaluation to determine the extent of damage based on the pre-disaster condition, and to determine reasonableness of project costs and work required to bring damaged sites to their pre-disaster condition. Engineers also conduct the final onsite evaluations to confirm whether approved projects were completed at the approved costs.

For the 2013 DRP files, the department relied on the contracted service provider's engineering work. In April 2015 the department developed an interim process to approve some municipal projects without the assurances of its own qualified engineers. This process was developed because the City of Calgary was eager to proceed with some of its projects. Department staff, who are not qualified engineers, relied on the applicant's submission and applied their judgment in approving applications. The process was initially applied to Calgary, but was subsequently expanded to other municipalities. The department's appeals group also dealt with appeals by relying on the work of the applicant's engineers because it lacked its own.

The department should have its own engineers to verify the applicant's claim information and should not rely on the applicant's information which may not be eligible or may have unreasonable costs. In August 2015, the department began developing statements of work for civil and structural engineers to assess municipal and residential projects. It also requested proposals for other technical resources such as industrial hygienists, mold specialists, adjustors and evaluators.

**Strategy to scale operations**

The department has a strategy to meet the challenges associated with the peaks and valleys in DRP work volume. However, it has not fully established the mechanisms required to execute the strategy. For example, the department identified that university students are a resource available to scale up its resources quickly in response to a disaster. However it does not have the processes established to recruit, train and onboard a large temporary workforce within the department's existing human resource processes.

The department acknowledged that one of the advantages of a contractor was that it could scale its operations up or down. LandLink would operate with a skeleton crew of a dozen staff during the winter and spring. When disasters occurred mainly during summer and fall, LandLink would estimate the number of claims expected based on best available information. Then it would determine how many evaluators, engineers and administrative people it would need. As it had a long history of working with these types of workers, it would contact them and engage them on short notice.

**DRP procedures manual**

The department has not finished its procedure manual for the program. Procedure manuals provide guidance to staff on receiving, evaluating, entering and processing applications. Although the department completed significant work on a pilot document, certain topics such as clarifying policy decisions, quality assurance and reporting are still incomplete.

As a result, staff created their own procedure documents. For example, the municipal group redrafted the procedure manual because they use different processes for municipal applications. In June 2015 department staff in Calgary developed their own operating procedures for processing payments. They continue to use these manuals even though the pilot procedure manual is available. The department plans to update its procedure manuals by March 2016.

**DRP training**

Although the department provided general orientation training, it has not provided consistent technical DRP training to staff. For technical training, all new staff are asked to read the procedures manual. Staff are then assigned to managers who are expected to train and mentor them. As there is no formal training plan or training material on DRP administration, managers train staff based on their personal preference and styles. Some staff shadowed their managers while others had to train themselves. Given the department's high staff turnover and the technical nature of the program, the department should have formalized training so staff can learn program rules and departmental processes.

The contracted service provider delivered formal training on DRP administration and its IT system to certain department staff. The department expected these staff to train those who did not attend. However, many staff who attended the training are no longer with the department.

**Implications and risks if recommendation not implemented**

The department is at risk of ineffectively responding to disasters should they occur, inefficiently using resources, not properly verifying or consistently administering claims, and losing federal funding.

## DRP APPLICANT ELIGIBILITY REQUIREMENTS

| DRP applicant type  | Eligibility requirements   |
|---|--|
| <b>Residential homeowners and tenants</b><br>(Owners and tenants whose principal residences and belongings have been damaged)   | <ul style="list-style-type: none"> <li>• Damages and losses must have been caused by the disaster and are uninsurable</li> <li>• Principle residence where the applicant was living on a day-to-day basis at the time of the event</li> </ul>  |
| <b>Small business owners and landlords</b><br>(Property owners and small businesses who have experienced damages)   | <ul style="list-style-type: none"> <li>• Annual gross revenues between \$6,000 and \$15 million</li> <li>• Employ fewer than 20 full-time employees or equivalent</li> <li>• Owners act as the day-to-day managers</li> <li>• Provides at least 50 per cent of the owners with 20 per cent of their gross personal income</li> </ul>   |
| <b>Condominium organizations, institutions and not-for-profits</b><br>(Charities, service clubs, schools, colleges and co-operatives with damage to essential property) | <ul style="list-style-type: none"> <li>• Registered not-for-profit organization</li> <li>• Co-operative that operates according to the <i>Alberta Co-operatives Act</i></li> <li>• Religious organization that provides a facility essential to the needs of the community</li> <li>• Provides a basic or essential services in the interest of the community as a whole</li> <li>• Allows members of the local community reasonable access to the facility</li> </ul> |
| <b>Agricultural operations</b><br>(Farms, ranches and other agricultural operations that have lost essential agricultural assets)                                       | <ul style="list-style-type: none"> <li>• Generate revenue from the sale of agricultural goods</li> <li>• Annual gross revenues between \$6,000 and \$15 million</li> <li>• Owners act as the day-to-day managers</li> </ul>  |
| <b>Provincial operations</b><br>(Government of Alberta departments that support disaster response and recovery efforts)   | <ul style="list-style-type: none"> <li>• Emergency services</li> <li>• Response and recovery programs</li> </ul>   |
| <b>Municipalities</b><br>(Municipalities whose infrastructure was damaged)  | <ul style="list-style-type: none"> <li>• Must be widespread and an extraordinary disaster</li> <li>• All infrastructure</li> <li>• Emergency services</li> <li>• Nation owned housing</li> </ul>   |

Source: Department of Municipal Affairs

## DRP PROCESSES

| Process                                  | Description of process  |
|--|---|
| Establish DRP                            | <p>Gather the necessary approval to create the DRP:</p> <ul style="list-style-type: none"> <li>• conduct a community and environmental impact assessment</li> <li>• determine DFAA eligibility</li> <li>• recommend DRP to the Disaster Recovery Committee and Minister of Municipal Affairs</li> <li>• obtain funding and DRP approval from Treasury Board and Finance, Cabinet and the Lieutenant Governor</li> </ul>                       |
| Register and facilitate DRP applications | <p>Assist affected applicants in applying for DRP to restore property back to basic, pre-disaster functional condition. This includes:</p> <ul style="list-style-type: none"> <li>• set up the application intake centre and train staff</li> <li>• disseminate DRP information to potential applicants</li> <li>• assist the affected applicant in completing the application</li> <li>• enter applications into the DRP database</li> </ul> |
| Assess applicant qualifications          | <p>Screen and assess application eligibility</p> <ul style="list-style-type: none"> <li>• review application to determine eligibility</li> <li>• discuss eligibility with the applicant</li> <li>• notify the applicant on eligibility decision</li> <li>• request an onsite evaluation if needed</li> </ul>  |
| Perform field evaluation                 | <p>Evaluate the extent of and validate the damages reported by the applicant to determine the amount of financial assistance:</p> <ul style="list-style-type: none"> <li>• evaluators will perform an onsite evaluation</li> <li>• engineers or hygienists may be needed to perform an initial and final onsite evaluation of damages</li> </ul>  |
| Review application                       | <p>Review application to verify it complies with regulations, policies and guidelines:</p> <ul style="list-style-type: none"> <li>• verify all documents are in the file</li> <li>• conduct an eligibility review of the application</li> </ul>   |
| Provide payment and quality assurance    | <p>Payments are processed. This includes a final financial quality assessment by DRP Finance, which will review 15 per cent of all files.</p>   |
| Close the DRP                            | <p>Prepare claim for submission to the Government of Canada under the DFAA and respond to queries from federal auditors. Prepare and approve a DRP closure package when all files are closed, the federal audit is complete and there is written confirmation of a final DFAA payment.</p>  |