

Chapter 5

Department of Supply and Services

Management of Insurable Risks to Public Works Buildings

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Department of Supply and Services

Management of Insurable Risks to Public Works Buildings

Background

5.1 It is important that assets be well managed and protected to ensure they maintain their value. We, as auditors of the Province of New Brunswick, have, on occasion, picked audit projects to see how those charged with that responsibility are doing in achieving this objective. For example, in 1993 we examined how the Department of Transportation managed the provincial road system, including protecting the existing roads. And in 2002 we examined how the Vehicle Management Agency managed government vehicles, in particular the repair and maintenance services for these assets.

5.2 One of the most valuable classes of assets owned by the people of New Brunswick is our provincial buildings. Although government does not track the cost of its buildings, some personnel we spoke to during our audit estimated the value at \$4 billion or more. In order to manage and protect our provincial buildings, government should have a formalized and structured approach that identifies and assesses significant risk (i.e. fire and liability). The approach should ensure that appropriate strategies are designed for managing these risks.

5.3 In the late 1980s Board of Management considered a report on the insuring of provincial buildings. We were told that the report showed that for a period of over 10 years (1979 to 1989) the annual cost of insurance was significantly higher than the total insurance claims over the same period. As a result, government made the decision to no longer insure provincial buildings, making the taxpayers of New Brunswick liable for all claims arising from risks that had been previously covered through insurance.

5.4 The 2002 annual report of the Department of Supply and Services (DSS) states that “The Facilities Management Division (the Division) *is responsible for the operation of provincially owned buildings, ... risk management, building maintenance audits and roof inspection*” (*emphasis ours*). The Division manages approximately 500 provincial buildings. It is not responsible for schools and hospitals.

5.5 DSS has had to face a number of practical constraints in recent years. One of the most serious is the reduction in maintenance dollars DSS has been given by government to address, among other things, identified risk factors in its buildings. Generally speaking, these dollars come from two sources; one is the capital improvements budget and the other is the ordinary budget.

5.6 Over the last decade cuts to the ordinary budget have decreased the funding available for maintenance expenditures. In 1993-94 DSS spent over \$3.1 million, excluding salaries, but in 2002-03 it spent only \$2.1 million. This represents a drop of over 32%, not allowing for inflation. If inflation were taken into effect, the real decline would be over 38%.

5.7 Over the last five years, the capital improvements budget for DSS buildings has been reduced from nearly \$5.5 million in 1998-99 to only \$3 million in 2003-04. This represents a drop in funding of over 45%.

5.8 Both of these cuts impair DSS’s ability to address identified problems in a timely manner. At the same time as funding is decreasing, the age of many buildings is increasing. Older buildings, like older assets of any type, usually have more things go wrong and, consequently, more expenditures are required to keep things right. DSS management also noted that staff available to manage its buildings has declined over the last five to ten years. And while DSS is responsible for risk management of buildings, it has no full time risk manager.

5.9 However, it should be noted that despite the pressure on the Facilities Management Division, insurable risk losses have been minimal. Liability claims charged to DSS through the Province’s financial accounts for the last five years total less than \$71,000. In fact, the two most recent years (2001-02 and 2002-03) total less than \$1,000. The largest recent loss from fire was in 1996 at the Bouctouche Fisheries Building and cost the Province approximately \$525,000 to replace. This certainly appears to indicate that DSS has done a credible job of mitigating problems in the past, even in light of the challenges faced by it. Of course, this does not mean that problems are absent. In fact if resources are not adequate to identify and address problems it may be only a matter of time before these problems become significant and losses from insurable risks occur. We believe the members of the

Legislative Assembly need to know what process is in place to manage these risks.

Scope

5.10 Given the significant value of our buildings, the reduction in maintenance dollars, and because government no longer mitigates risks such as fire through insurance, we decided to do an audit in this area of risk management. The focus of our project was on how government manages risks previously managed through insurance. We decided, for reasons of practicality and time constraints, to limit our scope to only those buildings DSS is responsible for. But our findings may be applicable across government.

5.11 Our audit objective was:

To determine how the Department of Supply and Services manages significant insurable risks for the public works buildings it is responsible for.

5.12 We developed nine audit criteria to assist us in determining if DSS was meeting the audit objective. These criteria were focussed on procedures used to manage insurable risks, systems used for documenting building information and qualifications of personnel responsible for the buildings. This chapter is organized by these criteria.

5.13 Our work consisted of interviews with DSS staff and risk management personnel in two other provinces, reviews of various building files, and a review of various publications covering risk management.

Results in brief

5.14 In the late 1980s government decided to no longer insure provincial buildings, making the taxpayers of New Brunswick liable for all claims arising from risks that had been previously covered through insurance. This increased the government's responsibility for identifying and managing these risks.

5.15 In 2001 the Department of Supply and Services was assigned responsibility for 400 buildings formerly the responsibility of the Departments of Transportation (DOT) and Natural Resources and Energy (DNRE). This responsibility includes the identification and management of risks associated with these buildings as well as those that were its responsibility at the time. DSS was given no additional resources to meet this added responsibility. DSS management noted that staff available to manage its buildings has declined significantly over the last five to ten years and, at the same time, maintenance funding available to address any problems identified by DSS has been reduced. The lack of resources could impact the ability of DSS to address many of our findings.

5.16 DSS does not have a documented risk management plan in place that identifies the major risks to each building, and the

corresponding procedures to identify any factors that could significantly affect these risks. As there are many different procedures, including inspections, that DSS could use to identify risk factors in the buildings, and since each building has different levels of risk associated with it, a risk management plan is necessary to ensure all buildings are adequately protected. A plan is also necessary to use limited resources to the best advantage.

5.17 There is a lack of documentation surrounding many of the procedures that DSS relies on to identify, and manage, risks. Because of this we found it challenging to determine if DSS was meeting many of our criteria. The lack of documentation also makes it difficult for DSS to determine if procedures it relies on are performed in a timely manner, or that problems are addressed in a timely manner.

5.18 When DSS was assigned responsibility for DNRE and DOT buildings in 2001 it agreed with the departments that DSS would perform various procedures related to risk management for these buildings. At the same time it was agreed that the departments would continue to manage the buildings on a day-to-day basis. DSS is not carrying out all of the procedures it agreed to, including the inspecting of these buildings to identify all significant risk factors.

DSS management of DNRE and DOT buildings

5.19 Government assigned DSS responsibility for DNRE and DOT buildings in 2001. As a consequence, DSS became responsible for identifying and managing risks for over 400 additional buildings, raising its total portfolio to over 500 buildings. However, DSS management noted that its staff complement was not increased.

5.20 When DSS was given responsibility for the DNRE and DOT buildings, it arranged for each department to continue to “operate and fund the day to day operational activities at each of its facilities”, including minor maintenance. However, DSS also agreed to accept many of the responsibilities for these buildings. These included:

- establishing an inventory of all buildings and facilities and integrating them into the Supply and Services Buildings Group Information System;
- carrying out building inspections on a regular basis;
- identifying maintenance and health and safety issues that need to be addressed;
- identifying and prioritizing capital project requirements in cooperation with DOT;

- implementing a fire safety program with all DOT facilities and ensuring ongoing compliance with the program requirements;
- providing technical/administrative assistance related to building operation/maintenance issues (provide advice, prepare specifications, tenders, etc.); and
- liaison with authorities having jurisdiction (e.g. Fire Marshal, boiler inspector) and coordinating follow-up activities.

5.21 We were pleased to see that DSS planned on putting these procedures in place, as they constitute the beginnings of a good risk management program for these buildings.

5.22 However, in performing our audit work we found that DSS was not meeting several of the responsibilities it agreed to with regards to these buildings. For example DSS is not carrying out building inspections on a regular basis. This subjects DNRE and DOT buildings to additional risk as many of DSS's responsibilities might identify risks which otherwise may go undetected.

5.23 We are aware that DSS faces resource issues. It is important that, if DSS is unable to meet these responsibilities, it should bring this to the attention of government so that government is aware of the added risk it is accepting in the wake of the building transfer. DSS management stated that they have brought the resource issue to the attention of government in the past.

Recommendation

5.24 We recommended that the Department of Supply and Services fulfil the obligations it agreed to with DNRE and DOT. If DSS does not have the resources to fulfil these obligations, it should communicate the implications of this to government.

Building information

5.25 Our first criterion was:

The Department of Supply and Services should be aware of each building under its responsibility including its location, purpose and value.

5.26 The Department of Supply and Services uses a computerized information system called the Supply and Services Buildings Group Information System (SBGS) to store information on all government buildings. To test the completeness of SBGS building data, we traced a few buildings on the provincial assessment system to those on the SBGS. We found no discrepancies. We also noted that DSS uses two key controls to ensure SBGS completeness. The first is that a building must have a SBGS building number before expenditures can be charged to it in the provincial Financial Information System. The second is that DSS annually obtains building listings from departments and compares them

to SBGS information. Any discrepancies are resolved. It appears then that DSS is certainly aware of each building it is responsible for.

5.27 SBGS contains such information as building number, address, property assessment number, description of building use (e.g. garage), and name. However, it does not track building cost or value.

5.28 We were surprised that cost was not tracked. Government policy requires departments to track “actual cost” for moveable capital assets “with a cost of \$200 or more”. Given this policy, it would seem logical that government should also be tracking the cost of buildings, which are much more valuable.

5.29 Value is an essential part of risk management. An insurer would not take on a building portfolio without knowing the value of what was being insured. Further, if value is not established, how can management determine whether to repair a particular asset? Or, how much effort is warranted to identify risks to that asset? And can management expect government to allocate funds to identifying and addressing risk factors in buildings if the value of the assets at risk is not known?

5.30 Value is also information that legislators need to know in order to make an informed decision as to what funds to allocate to manage the assets. Knowing value clearly shows legislators the significance of assets that are at risk.

Conclusion

5.31 The criterion is partially met. DSS is aware of each building under its responsibility and SBGS documents building location and purpose. However, SBGS does not contain information on building value.

Recommendation

5.32 We recommended that the Department of Supply and Services establish value for each building it is responsible for and update these values on SBGS on a regular basis.

Assignment of appropriate personnel

5.33 Our second criterion was:

The Department of Supply and Services should assign appropriate personnel the responsibility for managing insurable risks associated with the buildings it is responsible for.

5.34 Ultimately, responsibility for all of its buildings is assigned to the Director of the Division, including responsibility for managing risks. However in the past, the Division had staff dedicated to risk management, including a risk manager who, while primarily responsible for managing fleet insurance, was able to help manage building risks. This staff has now been reduced to less than 15% of one person’s time.

DSS-managed buildings

5.35 DSS has assigned responsibility for buildings in each region to a regional manager. In the Fredericton region the responsibility for some buildings has been further assigned to building superintendents. We found that superintendents have a variety of different qualifications, but all regional managers are either qualified engineers or technologists.

5.36 To help identify risk factors, central office supplements regional staff experience and expertise with specialized technologists or outside contractors for specific areas such as fire, elevators and air quality. These technologists do not participate in risk factor identification in each building on a regular basis. Instead they conduct a cursory review of a building when they are on the premises, usually only after regional staff request help with another problem.

5.37 Our audit tests showed that when DSS performed formal building audits or when special building reviews were performed, risk factors or problems affecting fire or liability risk were often found. For example, DSS audits identified instances where roofs needed to be replaced, a drainage system was inadequate, wiring needed to be upgraded and fire alarms and extinguishers had not been inspected in years. DSS reviews also identified factors such as ventilation problems and various fire code violations. This would support the conclusion that regional staff may need other qualified personnel to help them in identifying risks in their buildings.

5.38 One positive development in this regard is the creation of a new position known as the Emergency Risk Management Technologist (ERMT). This staff member is planning to inspect all DSS-managed buildings in the near future, identifying and documenting risk factors related to fire. These inspections should add a significant, and regular, level of experience and training to the process of identifying risk factors in these buildings.

DNRE/DOT managed buildings

5.39 When DSS was assigned overall responsibility for managing DNRE and DOT buildings, DSS staff decided that day-to-day operations should remain with DNRE and DOT personnel. They did this for two reasons. The first was that DSS received no added resources to manage the additional 400 buildings. The second was that DNRE/DOT personnel were already in place, on site and familiar with the buildings.

5.40 DSS did not determine the qualifications of DNRE/DOT staff assigned to manage these buildings. As DSS is responsible for these buildings it should ensure DNRE and DOT building management staff are appropriately qualified to identify and manage responsibilities DSS has assigned them, including the management of insurable risks.

5.41 The Division assigned some central office specialized technologists the responsibility of providing some consulting help in assessing risk or correcting identified risk factors in these buildings,

usually after a problem is identified. However, we found that DSS was not meeting several key responsibilities, including carrying out building inspections on a regular basis and identifying maintenance and health and safety issues that need to be addressed.

5.42 The more than 400 additional DNRE/DOT buildings have placed a significant burden on DSS's scarce technical resources, one that DSS has not been able to address.

Conclusion

5.43 The criterion is not met. While the Director of the Facilities Management Division has overall responsibility "for the operation of provincially owned buildings, ... risk management, building maintenance audits and roof inspection facilities", the Division has no resource person dedicated to oversee managing of insurable risks associated with all of its buildings.

5.44 Technical staff needs to supplement the work of the regions on a regular, periodic basis rather than on the current problem-based intervention basis. The new ERMT position is a positive addition in this regard.

5.45 The Department of Supply and Services should ensure that DNRE/DOT staff it relies on to manage risks are appropriately qualified. And it should ensure that DNRE and DOT devote enough qualified resources to managing these risks. DSS has not done this. Moreover DSS needs to determine the staff it needs to manage risks in these buildings and to fulfil the responsibilities it agreed to.

Recommendations

5.46 We recommended that the Department of Supply and Services determine the personnel it requires to manage risks in buildings it is responsible for. As part of this process, DSS should determine if it needs to establish a full-time position for a Risk Manager. If DSS establishes that existing resources are inadequate to protect provincial buildings it should present these personnel needs, and the implications of not having appropriate personnel, to government.

5.47 We recommended that the Department of Supply and Services ensure that all staff it relies on to help manage its buildings are appropriately qualified.

Procedures to identify risk factors

5.48 Our third criterion was:

The Department should have procedures in place to identify risk factors.

5.49 DSS identified fire and liability as significant risks to buildings it is directly responsible for and has many procedures in place to identify factors affecting these risks. These procedures include inspections, contracts for preventative maintenance, and reports from users.

However, DSS has not determined what, if any, procedures DNRE and/or DOT perform to identify problems in buildings they manage for DSS.

5.50 With respect to its buildings, inspections are the most pervasive procedure DSS uses to identify risk factors. There are two sources of inspections that DSS might rely on. The first source is external agency, or regulatory, inspections and these are normally performed by authorities to meet responsibilities established under legislation or policy. The parameters surrounding these inspections such as timing, procedures and staff qualifications are set by the authority responsible for the inspection and not DSS. For example, the Office of the Fire Marshal may, through inspection, identify factors that affect the risk of fire. Or Workplace Health and Safety may, through inspection, identify factors that can affect both fire and liability risk.

5.51 The second source is internal, or DSS-controlled, inspections. These are performed directly by DSS, by DNRE or DOT staff responsible for managing DSS buildings, or by companies or individuals contracted by DSS. These inspections are controlled by DSS and include roof inspections, fire risk inspections, fire alarm inspections, sprinkler inspections, informal building reviews by regional staff, and reviews by central office staff.

5.52 The question then becomes which procedures are “best” for DSS to identify all factors that would significantly affect risks. That is, to ensure all of its buildings are adequately protected, and protected using limited resources to the best advantage, DSS should have a documented risk management plan in place. Part of developing this plan would include a review of existing procedures and a determination of the specific procedures required for each building. As each building is different (e.g. constructed of brick, wood or metal, old or new), it may be necessary for DSS to establish different procedures to identify different risk factors in each building.

5.53 DSS does not have such a documented risk management plan. And many procedures that DSS relies on to identify risk factors are informal. It would be prudent for DSS to document the procedures to avoid any misunderstandings as to what is required. This would better assure DSS that staff understand the procedures and perform them consistently.

5.54 We were also disappointed to see that DSS no longer performs formal building condition audits on any buildings. Regularly scheduled building condition audits by qualified inspectors can be most effective in the timely identification of risk factors. And they complement the experience of regional staff in identifying these factors.

Conclusion

5.55 The criterion is partially met. The Department has many procedures in place that identify risk factors in its buildings. Examples are inspections done by external agencies such as the Office of the Fire Marshal or inspections done, or contracted, by DSS such as roof inspections, fire risk inspections, fire alarm inspections and sprinkler inspections.

5.56 At the same time DSS does not have a documented risk management plan. Nor are all procedures documented or known. As a result, it is not possible to determine if existing procedures are sufficient, or too many, to efficiently identify all significant risk factors in each building or whether existing procedures are the most effective way to do so.

Recommendations

5.57 We recommended that the Department of Supply and Services develop and document a risk management plan. The plan should identify all significant risks to each of its buildings, including buildings managed by DNRE and DOT, and document what procedures are required to identify risk factors in each building.

5.58 We recommended that the Department of Supply and Services communicate the procedures in the risk management plan to those managing DSS buildings.

5.59 We recommended that the Department of Supply and Services reinstate the formalized, documented, building condition audits.

Inspections should be performed periodically

5.60 Our fourth criterion was:

The Department should ensure each building is periodically inspected for the purpose of identifying risk factors.

5.61 The performance of inspections is often not well documented. We reviewed various building files trying to find evidence as to when various inspections had been completed. Our audit work revealed that some DSS-controlled inspections, for example DSS roof inspections, were well documented. And guidelines had been established as to when these inspections were to be completed. However, other internal inspections, including those performed by staff in DNRE or DOT, or those done on an informal basis, had little or no information in place to show when, or if, they were performed or when they were supposed to be performed.

5.62 External inspections by regulatory authorities often have no report unless problems are found. Even then, the problem may be corrected while the inspector is on site so no report may have been filed. If these inspections are relied on by DSS to identify risk factors, DSS should ensure that these inspections are performed often enough for

timely identification of these factors. At this time DSS does not track this information.

5.63 We also found information on inspections difficult to come by as different regions had different practices as to the filing of inspection reports.

5.64 We were pleased to see that the new ERMT is planning on establishing timeframes for completing various inspections, including preventative maintenance audits and sprinkler system inspections. The ERMT also plans on having a log to ensure that these inspections are completed when expected. A log or checklist, similar to the one envisioned by the ERMT, could be part of DSS's overall solution.

Conclusion

5.65 The criterion is not met. Although DSS does ensure some inspections occur periodically, it has no system to ensure each building is periodically inspected for the purpose of identifying all significant risk factors. Nor does DSS have a risk management plan that establishes and documents when the inspections it relies on to identify risks are to be completed. And procedures are not in place to ensure these inspections are completed on a timely basis.

Recommendations

5.66 We recommended that the Department of Supply and Services ensure its risk management plan includes establishing and documenting when inspections are to be completed.

5.67 We recommended that the Department communicate requirements for internal inspections to responsible personnel.

5.68 We recommended that the Department document completion of required inspections for buildings it is responsible for. Facilities Management Division personnel should ensure that required procedures have been completed on a timely basis and document that the procedures were completed.

Inspection program review

5.69 Our fifth criterion was:

The Department should periodically review its own inspection programs to ensure they are adequate to identify risk factors.

5.70 DSS management noted they do review their own inspection programs on an ongoing basis. However, DSS has not established schedules for when the reviews are to be done and there is no documented information as to when, or if, they are carried out.

5.71 DSS staff does not review DNRE or DOT inspection programs. They rely on DOT and DNRE to ensure their inspection programs are adequate.

5.72 For inspections they contract by tender, DSS management stated they review these on a contracted period basis and changes to the conditions of the contract are made as required. Where contracted services are for small dollar amounts and not subject to tender, the contracts are reviewed informally in the regions. Unless a contract has changed though, there is no documented evidence that these reviews have been completed.

Conclusion

5.73 The criterion is partially met. DSS does review some of its inspection programs but these reviews are informal and not documented, making it difficult to determine what is done, or how often. DSS does not review DNRE/DOT building inspection programs.

Recommendations

5.74 We recommended that the Department of Supply and Services document its review of internal inspection programs to ensure the reviews are timely and sufficient.

5.75 We recommended that the Department establish and document a schedule for performance of inspection reviews and determine what the reviews should cover.

5.76 We recommended that the Department document the procedures necessary to ensure inspection programs performed by DNRE and DOT are timely and sufficient.

Qualifications of inspectors

5.77 Our sixth criterion was:

The Department should ensure qualified personnel or reputable and competent firms complete inspections.

5.78 DSS has assigned responsibility for inspections to both regional and central office staff. DSS staff that perform these inspections range from building superintendents to specialized technologists, with each of these having a mixture of experience and training. DSS managers stated that they make sure that those performing inspections have the relevant skill sets; in other words, they ensure qualified personnel complete inspections. From an audit perspective, however, we were unable to conclude as to whether all persons completing inspections were adequately qualified. This was due in large part to the varied mix of qualifications that DSS staff has. For example, one employee performing informal building inspections may have many years of experience. Another may have more formal training. To say that one is qualified and another is not because of either less experience or less formal training would be subjective. Further, as noted earlier, a large number of inspections are not well documented. This causes difficulty in determining who performed it. And not knowing who performed it makes it impossible to determine whether the person was qualified.

5.79 DSS appears to do a thorough job in ensuring contracted service providers it hires are reputable and qualified. For tendered inspection

contracts, DSS requires that contractors performing the inspections have appropriately “qualified” staff. This means that staff performing the work has the specific training and education required to complete the work. For smaller contracts, DSS regional staff ensure the persons hired are appropriately qualified.

Conclusion

5.80 We were unable to conclude on this criterion. We were unable to determine whether DSS personnel performing inspections are appropriately qualified.

**Documenting
inspection results in a
timely manner**

5.81 Our seventh criterion was:

Inspection results should be documented and forwarded to appropriate personnel in a timely manner.

5.82 When an regulatory authority, such as the Office of the Fire Marshal, conducts an inspection, it has the responsibility to ensure risk factors are identified, required changes are communicated to appropriate “client” staff, and that required changes are made in a timely manner. As such, these inspections and their results are the responsibility of authorities other than DSS and therefore outside of the scope of our audit. However, results from these inspections could help DSS determine what problems may be in, or developing in, other DSS buildings.

5.83 For inspections performed by DSS, documentation varies. For example, we found DSS roof inspection results were well documented, filed in the appropriate central office building files and delivered to appropriate departmental personnel on a timely basis. However, other results, such as those from informal building reviews, were not documented or filed and it is difficult to determine if these results were communicated to appropriate personnel in a timely manner.

5.84 DSS has no policy as to what to do with reports received from inspectors.

Conclusion

5.85 The criterion is partially met. DSS has no documented policy regarding the filing of inspection reports or results. As a result some internal inspection results are documented and communicated in a timely manner, but others are not documented or are informal in nature.

Recommendation

5.86 We recommended that the Department of Supply and Services establish a policy that ensures inspection reports are documented. Inspection results should be forwarded to appropriate personnel in a timely manner.

**Address problems
identified in a timely
manner**

5.87 Our eighth criterion was:

The Department should address risks identified in inspections in a timely manner.

5.88 The present system makes it difficult to determine if all significant problems identified in inspections were corrected in a timely manner. To begin, many inspections are not documented. Further, if repairs are funded out of the ordinary maintenance budget, determining when, or if, a repair was actually made is difficult as these repairs are not recorded by project and may not even be documented if made by departmental staff.

5.89 However, when risk factors such as damaged roofs or obsolete electrical wiring are identified and require capital funding to fix, they are communicated annually to Division management (or earlier if emergency or regulatory in nature). They then become projects and are added to the previous year's capital project listing of incomplete and/or unfunded projects. The Director of the Division reviews the updated listing of projects and re-prioritizes them. Projects in progress, and health and safety related projects, are given highest priority.

5.90 We conducted a test on inspection results documented and filed in the building files at central office to determine if factors identified as having a significant effect on buildings were addressed in a timely manner. As we have noted, these, of course, represent only a few of the internal inspections performed on buildings. However, this test gave us an indication of the speed at which major problems are addressed. Test results showed that DSS addressed most "high priority" problems, such as damaged roofs or poor electrical wiring, within one to three years. A few, such as grouting to fill mortared joints and foundation repairs, took five years or longer.

5.91 DSS inspections, principally roof inspections or building maintenance audits, on buildings managed by DOT or DNRE, also identified significant risk factors. Our building file test indicated these were addressed, but slower than on DSS-managed buildings. And we could not see where several "medium priority" projects, such as stairwell improvements or new concrete floors, which could affect liability, were addressed. Additionally, several years ago DSS made the decision to stop inspecting DOT building roofs because identified problems were not being corrected. Although roof inspections have just started again, there may be a backlog of uncompleted repairs.

5.92 "High priority" capital maintenance building projects identified on DSS's 2003-04 capital project listing total over \$12 million. But government has given DSS less than \$3 million to address the risks attached to these projects. Obviously, DSS is not able to meet these "high priority" risks on a timely basis.

Conclusion

5.93 The criterion is not met. DSS does not ensure risk factors, in buildings managed for it by DNRE or DOT, are addressed in a timely manner. For its own buildings DSS does ensure that most identified and documented "high priority" risk factors are addressed, but the present

system makes it difficult to determine if significant problems identified are corrected in a timely manner.

Recommendation

5.94 We recommended that the Department of Supply and Services have a documented process ensuring that all factors identified in DSS-controlled inspections that could significantly affect building risks are corrected on a timely basis. If resources are not sufficient to do this, DSS should communicate that fact to government.

Tracking insurable losses

5.95 Our ninth criterion was:

The Department should track and report losses related to insurable risks and use this information to identify opportunities for mitigating risks.

5.96 The Department of Supply and Services tracks liability losses arising from insurable claims on buildings it manages through the financial accounting system of the Province. We reviewed liability claims charged to DSS through the Province's financial accounts for the last two years (2001-02 and 2002-03) and, combined, they were less than \$1,000. And there was less than \$71,000 in liability claims charged to DSS's claims account over the last five years. The largest was a claim (2000-01) for approximately \$45,000. However, liability claims originating from buildings managed by DNRE and DOT may not result in DSS being involved. As DSS is now responsible for these buildings it should ensure it obtains information on all liability claims to help it manage risks for these buildings.

5.97 DSS informally tracks fire claims information for buildings that it or DNRE and DOT manage. Any significant fire loss would likely be known to DSS, as it would result in the substantial loss of use of the building or repairs to it, both of which DSS would be involved in. DSS staff noted the largest recent loss from fire was in 1996 at the Bouctouche Fisheries Building. It cost the Province approximately \$525,000 to rebuild the facility.

5.98 DSS noted that there is an informal, non-documented system that takes into account problems found in some locations and communicates these problems amongst staff. Staff stated that this is to ensure that if these problems exist in other locations, the causes are addressed in other locations before they become significant.

Conclusion

5.99 The criterion was partially met. DSS management stated that they are aware of major fire losses, as these result in considerable damage to a building. This results in the loss of use of the building or repairs to the building, both of which impact DSS directly.

5.100 The Department of Supply and Services does track liability losses for buildings it manages through the financial accounting system of the Province. However, it does not track liability claims for DNRE or DOT managed buildings.

5.101 DSS staff stated that they use this information to identify opportunities for mitigating risks, but only informally. However, because of the informal nature of the process we were unable to confirm this.

Recommendation

5.102 We recommended that the Department of Supply and Services ensure that it tracks information on losses from insurable liability risks on buildings managed by DNRE and DOT.

Departmental response

5.103 The Deputy Minister of Supply and Services provided the following comments on our report:

I agree with your overall premise that to manage and protect our provincial buildings from risk, Government should have a formalized structured approach that:

- *identifies the significant risks related to the buildings;*
- *analyzes and assesses the risks;*
- *designs strategies for managing the risks;*
- *implements and integrates risk management; and*
- *measures, monitors and reports.*

I believe these functions are generally carried out in a responsible manner by the staff of the Department of Supply and Services.

You have, however, identified that documentation around the areas of the actual risk management plan, the procedures, and reports is not as complete as you would like to see. The Department, at the present time, is emphasizing the need for improvements in documentation efforts.

I also note that you report on the budgetary pressures which have impacted upon the Department of Supply and Services over the last number of years. This has an impact on the initiatives we undertake and focuses the Department on the high priority items to ensure that the immediate risks are mitigated and the building stock is managed effectively within those resources available.

The new emergency risk management technologist will address a number of your issues.

In your report you emphasize the approach taken with respect to the management of the Department of Natural Resources and the Department of Transportation buildings, and whether the Department of Supply and Services is fully meeting its responsibilities. I would like to point out that the division of the responsibilities between the operational aspects and the capital aspects was approved by the Board of Management.

The Department will be following up with respect to your recommendations, on the issues of documentation, and also identifying resources required to address the resource deficiencies which you believe exist. However, I believe that the Department is effectively managing the risks within the resources available and that, as I indicated earlier, the principal issues are around the level of documentation, not the level of service.

I believe our loss ratios demonstrate that risks are being managed.