

# Crown Agencies and Corporations

# 10 EMERGENCY MEASURES ORGANIZATION OF NOVA SCOTIA

## BACKGROUND

- 10.1** The Nova Scotia Emergency Measures Organization (EMO) is an agency of the Province. Its mission is “to ensure the safety and security of Nova Scotians, their property and environment by providing for a prompt and coordinated response to an emergency.” The Organization’s emergency response authority is provided by the Emergency Measures Act and related Regulations. Major responsibilities of EMO in this area are the review and approval of Provincial and Municipal emergency plans, and the provision of emergency preparedness training.
- 10.2** EMO is also responsible for the operation of the Emergency 911 system (E911), in accordance with the Emergency “911” Act. As well, it administers Provincial participation in the Federal disaster financial assistance program, and administers the Provincial enhanced disaster financial assistance program.
- 10.3** The Nova Scotia E911 emergency response system is a telecommunications system designed and operated by the Province and a private-sector telecommunications provider. Telephone customers are charged a monthly fee to recover the cost of providing E911 and related services. A portion of the fee is retained by telecommunications companies to recover billing and collection costs. The remainder is remitted to the Province and credited to the E911 Cost Recovery Fund. There is an additional fee charged and retained by some telecommunication companies relating to E911, but it falls under Federal jurisdiction and is reviewed by Federal regulators.
- 10.4** The Federal disaster financial assistance program is a Federal government initiative to provide financial assistance to Provincial governments when the cost of dealing with a disaster will place an undue burden on a Provincial economy. Payments under the program are subject to Federal eligibility requirements.
- 10.5** The enhanced disaster financial assistance program is a Provincial program designed to meet the needs of certain individuals and businesses affected by Hurricane Juan in September 2003 who are not eligible for assistance under the Federal program. The enhanced program targets the fishing, farming and forestry sectors. Applicants must meet Provincial eligibility requirements to receive assistance under this program.
- 10.6** EMO has a total staff complement of 14. Its headquarters are in Dartmouth, Nova Scotia. There are also three regional offices, located in Kentville, Truro and Sydney.
- 10.7** Total operating costs budgeted for the year ended March 31, 2004 were \$2.7 million, with recoveries of \$2.0 million. Actual costs for the same period were \$46.5 million, with recoveries of \$33.5 million. Costs and recoveries were higher

than expected due to disaster financial assistance paid during the year and the accrual of recoveries from the Federal government.

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## RESULTS IN BRIEF

**10.8** The following are our principal observations from this audit.

- The Emergency Measures Organization has appropriate systems for assessing whether municipalities have emergency measures plans which comply with legislation. EMO also evaluates municipalities' general state of preparedness for emergencies and provides assistance to help municipalities improve plans.
- There is an emergency plan in place for the Province. EMO has a process in place to collect and review departmental emergency plans, but not all of the plans have yet been collected and no assessments have been completed by EMO to date.
- Provincial regulations require EMO to ensure important Provincial government services are continued in the event of a war-time emergency. No such requirement exists for a peace-time emergency and, based on our enquiries, there is no government organization ensuring that departments and agencies have up-to-date service continuity plans.
- A lack of clarity regarding documentation required to support Provincial claims under the Federal disaster financial assistance program has caused delays in the Provincial government recovering assistance paid to individuals and organizations affected by disasters.
- EMO has appropriate systems and controls to manage its capital assets. Various issues regarding EMO's command centre site have been raised by internal reviews and steps are being taken to address the more significant ones.
- The E911 Cost Recovery Fund has insufficient procedures to ensure that all fees due from telecommunication companies are received by the Fund. The agreements with the companies contain provisions under which the companies' records can be audited, but no such audits have been performed.

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## AUDIT SCOPE

**10.9** In April 2004, we completed a broad scope audit of the Nova Scotia Emergency Measures Organization. The audit was conducted in accordance with Section 8 of the Auditor General Act and auditing standards established by the Canadian Institute of Chartered Accountants, and included such tests and procedures we considered necessary in the circumstances.

**10.10** The objectives of the audit were to assess systems and controls in place to ensure:

- compliance with existing legislation, regulations, policies and agreements;
- disaster financial assistance is provided only to persons and organizations eligible to receive assistance, assistance is used only for purpose(s) allowed, and all eligible recoveries from the Federal government occur;
- capital assets are acquired based on assessed needs, in an economical manner and are protected and managed with due regard for economy and efficiency; and
- safeguarding of public funds and compliance with existing legislation, regulations, policies and agreements with respect to the E911 Cost Recovery Fund.

**10.11** Audit criteria were developed to assist in the planning and performance of the audit. The criteria were discussed with and accepted as appropriate by senior management of the Nova Scotia Emergency Measures Organization.

**10.12** Between the time that our Office selected this organization for audit and the start of audit fieldwork, Nova Scotia experienced Hurricane Juan. Despite the resulting increase in the workload of EMO, management did not request a postponement of the audit. During audit fieldwork, the Province experienced a major blizzard. Despite the additional efforts needed to respond to this weather event, management continued to respond to our audit enquiries in a reasonable and timely manner. We wish to commend the management and staff of EMO for the assistance and cooperation extended to us during a period which saw two states of emergency being declared.

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## PRINCIPAL FINDINGS

### Compliance

**10.13** [Emergency preparedness](#) - The Emergency Measures Organization is responsible for sections of the Emergency Measures Act and the Civil Emergency Planning Regulations which require the Province and municipalities to have emergency measures plans.

**10.14** EMO's Provincial Emergency Management Manual is the Province's emergency measures plan. We reviewed the manual and found that it clearly defines roles and responsibilities and has specific protocols for responding to emergencies. The manual is available to all individuals with emergency planning and response responsibilities. EMO has a process in place to review and update the manual on a regular basis.

- 10.15** The Civil Emergency Planning Regulations require all Provincial departments and agencies with assigned specific emergency planning responsibilities to “prepare a departmental disaster plan for inclusion in the overall Provincial Disaster Plan.” EMO’s 2004-05 business plan identifies this matter as a priority. A process has been put in place to collect and review departmental emergency plans, but not all of the plans have yet been collected and no assessments have been completed by EMO to date. Departmental plans are not included in the overall Provincial plan, but the Provincial plan contains an outline of the roles and responsibilities of Provincial entities and the appropriate process for responding to an emergency.
- 10.16** Our audit noted that there are appropriate systems in place at EMO to assess and monitor municipal plans for compliance with the Emergency Measures Act. Of the 53 municipalities evaluated by EMO in 2002, 92% were in compliance with the Act.
- 10.17** However, as is stated in EMO literature, “it is well understood by all parties that compliance does not necessarily mean that the municipality is prepared for an emergency.” Accordingly, EMO’s evaluation process also assesses the level of preparedness of municipalities. We observed that approximately 17% of the municipalities evaluated in 2002 had an overall rating of below fair. Municipalities generally ranked low in the area of telecommunications planning. EMO works with municipalities on a regular basis to help them improve their level of preparedness.
- 10.18** In addition to requiring the Province and municipalities to prepare emergency measures plans, the Emergency Measures Act allows the Minister to require other entities to develop emergency measures plans in conjunction with EMO or municipalities. Accordingly, municipalities are to integrate appropriate parts of the emergency plans of designated institutions (e.g., regional school boards, nursing homes, correctional facilities) into municipal plans. Such integration is considered in EMO’s evaluation of municipal plans.
- 10.19** EMO also has an agreement with the Departments of Health and Community Services in which EMO will conduct comprehensive annual reviews and evaluations of emergency plans and emergency exercises for special care homes. The agreement calls for a review of a minimum of six plans and six exercises for homes under the jurisdiction of each Department, totaling 24 such reviews annually. The agreement is effective for 2003-04 and subsequent fiscal years. However, EMO was unable to meet the terms of the agreement for 2003-04 due to the lists of homes not being provided until four to five months into the fiscal year.
- 10.20** [Testing, training and evaluation](#) - Key components of emergency preparedness are testing, training and evaluation. We observed that the Emergency Measures Organization has processes for the evaluation of training exercises and emergency plan testing. It also evaluates the performance of emergency plans subsequent to actual emergencies. As well, EMO provides annual basic emergency preparedness training to members of both the public and private sectors. However, in 2003-04 EMO was not able to perform as much training or evaluation of training exercises as management wished due to a need to respond to actual emergencies during the year.

- 10.21** [Preparedness of other organizations](#) - The Emergency Measures Organization has documented command structures and protocols for contacting and communicating with other entities in the event of an emergency. These include government entities such as hospitals, fire departments, police agencies and emergency medical services, as well as neighbouring provinces and states because mutual aid agreements provide for the sharing of resources in the event of an emergency.
- 10.22** EMO maintains an emergency contact list for these other agencies. However, there is no information at EMO about whether or not all key government agencies are adequately prepared to respond to an emergency because other Provincial departments or levels of government are responsible for these organizations.
- 10.23** [Government service continuity](#) - In the case of an emergency, it is important that critical government services not be interrupted for an extended period of time. The Civil Emergency Planning Regulations require the “Emergency Measures Organization of Nova Scotia to develop ... a program to ensure the continuity of government in a war emergency...” Neither the Regulations nor legislation assign this responsibility during a peacetime disaster. In such cases, the responsibility for government service resumption is unclear.
- 10.24** The Security Services Section of Transportation and Public Works provides security guidelines to government. These guidelines are not part of government policy, but are available to government departments and agencies and include guidance for restoring government services following an interruption. However, based on our enquiries, no government organization ensures the existence and effectiveness of departmental continuity plans.

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### **Recommendation 10.1**

**We recommend that the Civil Emergency Planning Regulations be updated to include a process which ensures the continuity of government in both war and peacetime emergency situations. Responsibility for business continuity should be clearly and formally assigned.**

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## **Disaster Financial Assistance**

- 10.25** Disaster financial assistance is provided by both the Federal and Provincial government. The Federal initiative is designed to provide financial assistance to provincial governments when a province elects to participate in the program and the cost of dealing with a disaster would place an undue burden on a province’s economy. Availability of Federal assistance is determined by a funding formula whereby the level of assistance increases as the eligible costs increase. Under this program, provinces must pay financial assistance to victims of disasters based on Federal eligibility guidelines, and then file claims with the Federal government. Eligible costs are generally those which are not considered regular business or living costs, and which could not have been recovered by other means, such as through insurance, other government programs, or the courts.

- 10.26** The Provincial initiative is referred to as the enhanced disaster financial assistance program and was developed in response to Hurricane Juan. The enhanced program provides assistance to certain individuals and businesses ineligible under the Federal program. It targets the fishing, farming and forestry sectors.
- 10.27** [Federal disaster financial assistance](#) - The Province currently has four Federal disaster financial assistance claims at various stages of completion. All payments have been made to eligible applicants for Tropical Storm Harvey of 1999 and for the Cape Breton floods of 2000. The process of reviewing applications is ongoing for the March 2003 floods and Hurricane Juan in September 2003. An advance on disaster financial assistance has been requested from the Federal government for Hurricane Juan, based on preliminary estimates. Part of the requested advance has been received. EMO officials are also in the preliminary stages of initiating a claim for the February 2004 blizzard.
- 10.28** Submitting claims to the Federal government and receiving final payments under the Federal disaster financial assistance program can be a lengthy process. Federal claims can only be submitted if a Provincial government has paid out assistance based on final, eligible and fully supported claims from disaster victims. Restoration work can take a year or longer to complete in many cases, especially with respect to major infrastructure items such as buildings, bridges and roads. While there are no formal deadlines established for such work, EMO management indicated they will draw upon their experience to date to develop and recommend time standards for disaster victims to complete restoration work and submit final costs with supporting documentation to EMO.
- 10.29** In addition, claims will only be paid by the Federal government after they have been audited. As of the date of this Report, Nova Scotia has submitted claims for Tropical Storm Harvey and the Cape Breton floods to the Federal government. The Tropical Storm Harvey claim and supporting files were submitted for audit in October 2001, and subsequently returned in November 2002 with questions and documentation requests. The claim had not been re-submitted as of the date of this Report and no payments had been received from the Federal government.
- 10.30** As a result of Federal auditing to date, EMO management has expressed concern over the lack of clarity surrounding the documentation and support requirements for the Federal disaster financial assistance program. In January 2004, EMO contracted with a national accounting firm to conduct a review of recent claim files and to develop processes, procedures and checklists to be followed in the Provincial evaluation of future claims for disaster relief. As part of the assignment, the firm is required to work with all parties involved in the administration of Federal disaster financial assistance, both Federal and Provincial, to determine documentation standards for the Province.
- 10.31** [Provincial disaster financial assistance](#) -The enhanced disaster financial assistance program is a Provincially-funded initiative approved by Executive Council on October 31, 2003 in response to Hurricane Juan. Funding to a maximum of \$15 million was authorized. A committee consisting of Deputy Ministers and

representation from the Premier's Office was created to advise and assist the Ministers of the departments impacted by the enhanced program. There are no terms of reference for the committee, nor were minutes of meetings maintained. We advised that terms of reference and minutes should be maintained by government committees responsible for the expenditure of public money.

**10.32** In order to address the needs of the targeted sectors (farming, fishing and forestry), eligibility requirements for the enhanced program differed from those of the Federal disaster financial assistance program. The Memorandum to Cabinet approved by Executive Council for the enhanced program included the following notable differences from the Federal program.

- Farmers who leased fields, or fishers who leased or shared wharves would be eligible. Under the Federal program, only owners of damaged property could submit claims.
- Farmers who could only get partial insurance on barns would be eligible for assistance. Under the Federal program, only uninsurable losses could be claimed.
- The 51% of income criteria for woodlot owners was removed. Under the Federal program, claims could only be submitted for losses by small businesses if the majority of the business owner's total income came from the business.

**10.33** Subsequently, two other significant changes were made to the enhanced program. These differences were not included in the Memorandum approved by Executive Council, but were communicated to EMO verbally by its Minister.

- Under the Federal program, only uninsurable losses could be claimed. For the Province's enhanced program, farmers' losses could be claimed, whether insurable or not, as long as insurance was not purchased.
- The \$1,000 deductible present in the Federal program was eliminated for the enhanced program.

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### **Recommendation 10.2**

**We recommend that changes to Executive Council approvals for financial assistance programs be formally documented.**

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**10.34** **Audit testing** - A sample of files were selected from each of the disaster financial assistance claims undertaken to date, including the enhanced Provincial disaster assistance program. We examined claims from individuals, businesses and municipalities affected by a disaster. In total, we tested 60 disaster financial assistance files, including both denied and approved claims.

- 10.35** In our examination of files for denied claims, there was only one instance where the documents in the file did not clearly support the denial. In that instance, the decision was not appealed by the applicant.
- 10.36** For approved claims, the majority of the issues identified during our testing were related to files selected from the claims for the Cape Breton and the Tropical Storm Harvey floods. These were the first two Federal disaster financial assistance claims prepared by the Province and documentation standards were not well defined at the time. The most prevalent issue with the files was a lack of documentation of insurability. However, EMO management informed us that the Federal government's auditors have accepted overland flooding as an uninsurable loss and the insurance issue should not be an obstacle to the Province's recovery of the costs related to these claims.
- 10.37** Our audit noted improvement in more recent files - those related to the March 2003 floods and Hurricane Juan. However, our testing noted a couple of instances of inadequate documentation in these files as well.

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### **Recommendation 10.3**

**We recommend that all disaster financial assistance claim files include adequate support for the final decision on eligibility to ensure that assistance paid can be recovered on a timely basis from the Federal government.**

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## **Resource Management - Capital Assets**

- 10.38** **EMO facility** - The Emergency Measures Organization shares a head office facility in Dartmouth with emergency preparedness offices of the Federal government and the Halifax Regional Municipality. This facilitates improved communication and coordination among the various levels of government. The arrangement also allows for the sharing of facility and various other operational costs.
- 10.39** EMO has a well-equipped facility. It has multiple communication systems and a back-up power supply which is regularly serviced and tested. However, the facility is not adequately equipped to house and support personnel who would be required to remain there for an extended period of time in the event of a major disaster. The facilities are not well equipped with food, water, medical and other supplies which may be required in a disaster situation. Management has addressed some of these concerns, but more needs to be done.
- 10.40** Space allotments in EMO's facility were determined by government-wide policies related to office space. A debriefing subsequent to Hurricane Juan identified space limitations as a concern. In our view, space allotments should be based on operational needs and not general, government-wide policies.

- 10.41** EMO's facility is not a "hardened" site, since it does not have a protected, self-contained environment to shield it from a disaster. It is located a short distance from Halifax Harbour, near a refinery and other industrial enterprises, and may be incapacitated if a disaster occurs in the immediate vicinity. However, EMO management indicated to us that a joint Federal-Provincial backup facility plan is currently being developed.
- 10.42** EMO has appropriate systems and practices in place to safeguard and manage the performance of its capital assets. Access to the facility is restricted and security measures are actively enforced. However, areas for improvement in security systems and processes were identified. We also noted that there were no formal policies and procedures related to security. EMO staff have started to address the identified weaknesses.
- 10.43** **Capital acquisitions** - The Emergency Measures Organization has an appropriate system in place to identify capital asset requirements. Requirements are identified through evaluation of asset performance in training exercises and after use in real emergencies. Capital asset needs are evaluated as part of the annual operational budgeting process and are funded from the Organization's operational budget. EMO does not prepare an annual capital budget request for inclusion in the Provincial capital budgeting process and we advised that it consider doing so.
- 10.44** EMO does not perform formal post-implementation evaluations for major systems to assess the financial and non-financial outcomes of projects against original plans. With respect to the E911 system, there has been no formal comparison or reporting of actual system costs incurred to costs estimated in the original plans.

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#### **Recommendation 10.4**

**We recommend that the capital acquisition process of the Emergency Measures Organization include a requirement for a formal post-implementation evaluation when significant new systems are acquired.**

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- 10.45** EMO has formal and informal processes to monitor and assess the adequacy and efficiency of capital assets. Formal systems are in place for the E911 emergency response system. The performance of the E911 system is regularly monitored and evaluated against contract specifications. System performance is guaranteed by the vendor of the system and this guarantee is supported by a contract performance bond. Less formal processes consist of regular meetings, performance reviews and debriefing sessions held subsequent to training exercises and disasters.
- 10.46** We also observed that EMO does not have a documented long-term capital plan, nor does the Province require preparation of one. We advised that a formal long-term capital plan for both owned and leased assets be prepared.

## Nova Scotia E911 Cost Recovery Fund

- 10.47** The E911 Cost Recovery Fund is managed by the E911 Fund Committee and administered out of the office of the Emergency Measures Organization. The Fund derives its revenue from the E911 Cost Recovery Fee charged to telephone customers in Nova Scotia and from income on invested funds. The purpose of the Fund is to finance core E911 operations; primarily the operation of a central reception service for all emergency phone calls throughout the Province. Funds which are not needed to support core E911 activities are available for various activities indirectly related to the provision or improvement of E911 service (e.g., poison control and highway signage programs). Such programs were previously funded by other government departments.
- 10.48** The Regulation which provides the authority to charge telephone customers the E911 Cost Recovery Fee took effect on April 1, 2001. Assessment of the fee to telephone customers began in September 2001. Telephone customers in Nova Scotia pay \$0.43 per month per telephone and cell phone account. Of this fee, \$0.36 (84%) is paid to the Fund and \$0.07 (16%) is retained by the telecommunications service provider to cover billing and collection costs. There is an additional fee charged and retained by some telecommunications companies relating to E911, but the fee falls under Federal jurisdiction and is reviewed by Federal regulators.
- 10.49** Monthly payments from telecommunications companies are made to an accounting firm acting as trustee. The firm is also provided with statistical information on the number and type of accounts charged the monthly fee. The firm deposits the payments in its own account, summarizes the information, and sends Fund management a monthly cheque for the total of all payments received and a summary financial report. This arrangement was negotiated with the telecommunications companies so that information which the companies regard as sensitive is not received by the Province. The contract with the accounting firm requires that companies' individual reporting be kept confidential.
- 10.50** For the year ended March 31, 2003, the Fund collected \$4.3 million in fees and had \$4.4 million in expenditures:
- \$2.3 million of the expenditures related to core E911 activities;
  - \$1.4 million was to support E911 emergency-related programs; and
  - \$0.7 million was paid to telecommunications companies for collection and administration costs.
- 10.51** We noted that not all revenues and expenses of the Fund are included under EMO in the annual Estimates of the Province. The Estimates only include expenses and associated recoveries directly related to core E911 activities (\$2.3 million for 2002-03). The financial statements of the Fund do not appear in the annual Public Accounts (Volume 2).

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### Recommendation 10.5

**We recommend that EMO management consult with officials of the Department of Finance and Treasury and Policy Board about including more information on the financial position and operations of the E911 Cost Recovery Fund in the public financial reporting of the Province.**

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- 10.52** The \$0.43 monthly rate is prescribed in the E911 Cost Recovery Fee Regulations. The original analysis upon setting the fee was limited to one year and the documentation supporting the setting of the fee was insufficient for us to determine whether fee revenues are appropriate to meet the long-term costs of the Fund. The fee rate has not been reviewed since it took effect in 2001. We noted the need for regular review and assessment of the E911 Cost Recovery Fee to determine whether it is an appropriate amount in relation to current and future costs of providing E911 and related services.
- 10.53** The E911 Cost Recovery Fund has insufficient procedures to ensure that all amounts due from the telecommunications companies are remitted to the trustee of the Fund, and that all amounts due from the trustee are remitted to the Fund. The annual financial statements of the Fund are audited, but the audit does not address whether or not all amounts owing to the Fund have been received. The agreements with the various companies contain a provision under which the Province can audit the companies' records, but no such audits have been performed.

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### Recommendation 10.6

**We recommend the establishment of adequate controls to ensure all amounts due to the E911 Cost Recovery Fund are collected.**

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- 10.54** The Emergency 911 Cost Recovery Regulations define the costs which may be paid from of the E911 Cost Recovery Fund. We noted that some costs, such as management salaries and office supplies, are shared between EMO and the Fund. Cost allocations are based on management decisions on an account-by-account basis. The cost-sharing ratios chosen are rough estimates, and thus are not fully supported by documentation. We advised that cost allocations be performed more formally because eligibility of costs charged to the E911 Cost Recovery Fund is a matter of Provincial regulation.
- 10.55** Plans and budgets are prepared, reviewed and approved for the Fund on an annual basis. The plan and budget for the 2003-04 fiscal year were submitted to the Minister on August 20, 2003, almost five months into the fiscal year.

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### Recommendation 10.7

**We recommend that the annual plans and budgets of the E911 Cost Recovery Fund be approved prior to the start of the fiscal year to which they relate.**

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- 10.56** We noted that there are no terms of reference for the E911 Fund Committee. The purpose and mandate of the Committee were discussed in the minutes of the first Committee meeting, but we advised that they be formalized to provide a foundation for future operations of the Committee.
- 10.57** The E911 Fund Committee has not met since June 2003 and regular monthly reporting has not taken place since October 2003. The Manager of the Nova Scotia E911 Emergency Reporting System is also the Deputy Director of EMO. When disasters occur, the time available for E911 duties is significantly diminished. EMO has received approval from government to hire an additional staff member to address this shortcoming.

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### CONCLUDING REMARKS

- 10.58** In our opinion, the Nova Scotia Emergency Measures Organization has appropriate systems and controls for ensuring compliance with legislation, regulations, policies and agreements. We made a recommendation for the modernizing of certain Provincial regulations.
- 10.59** We concluded that there needs to be improved understanding of the documentation required to support eligibility for claims under the Federal disaster financial assistance program. We observed that management has undertaken a major initiative to clarify documentation requirements.
- 10.60** EMO has appropriate systems and controls for the management of its capital assets. We recommended the performance of post-implementation reviews after major new systems or assets are acquired.
- 10.61** We believe there is insufficient control to ensure that all fees collected by telecommunications companies and owed to the E911 Cost Recovery Fund are received.
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