Claims Management Audit

About the Audit

We reviewed City of Brampton's insurance and claims management program, specifically the following:

1. Claims administration

2. Annual insurance policy renewal process

3. Monitoring of third-party adjusters

4. Risk management practices and procedures relevant to the administration of the insurance program

5. Use of information system to efficiently and effectively manage the claims

The audit covered January 1st, 2017, to December 31st, 2021.

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Finding #1: Certificates of Insurance are not properly recorded and tracked to verify that the vendor has adequate insurance coverage to protect the City

The City of Brampton requires its vendors to provide a Certificate of Insurance (COI) as proof of insurance coverage to protect the City from potential claims arising from the vendor's actions when performing contract work.

Issue:

1. System reports show that as of April 12th, 2022, out of 674 active contracts in the bids and tender system, 377 (56%) had expired COIs on file.

2. We took additional 30 sample of active contracts to manually verify the status of COIs. We found that 60% (18 out of 20) of the sampled active contracts in the bids and tender system had expired COIs on file.

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Reasons behind the high % of expired COIs:

1. Vendors did not upload the renewed insurance certificates

2. Contract Administrators did not follow up to ensure that the COI was uploaded in the digital procurement system.

3. System design limitations caused many COIs to be incorrectly counted as expired.

4. Some completed contracts were not closed within the system, inflating the number of expired COIs.

5. No clearly defined roles and responsibilities among the City divisions to follow up on insurance renewals and ensuring that current and valid COIs are uploaded

Without a current COI on file, the City would not know if the vendor carries valid insurance. If the vendor does not have a valid insurance, the City may be exposed to the risk of potential liability claims or loss.

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Recommendation:

Insurance and Risk Management should work with Purchasing Department and CAO's Office to clearly define roles and responsibilities in ensuring Certificate of Insurance for vendors are reviewed periodically and always kept up-to-date.

Finding #2: Property insurance risk evaluations not completed since 2014

1. The insurance risk evaluations of City properties have not been done since 2014.

2. Although not mandatory, risk evaluations are considered a best practice.

3. Risk evaluations help identify building issues (e.g. issues with sprinkler systems, fire alarms, plumbing deficiencies, lighting, etc.) which could result in claims.

Risk evaluations seek to identify potential risks in the following areas:

- Fire protection and property loss prevention
- Safety and liability
- Crime prevention and security
- Facility and property maintenance
- Environmental hazards

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Finding #2: Property insurance risk evaluations not completed since 2014

Recommendation:

IRM should periodically obtain risk evaluations of City properties, specifically public-use properties, to identify any operational and risk management deficiencies that should be remediated to prevent, control, and contain various risks.

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Other observations and recommendations:

1. IRM has not submitted an annual report to the Committee of Council since 2018. IRM should resume preparing and submitting annual insurance reports to the Committee of Council.

2. IRM started tracking the performance information at the beginning of 2022. IRM should review the KPIs to ensure that KPIs are clearly defined and are tied to specific business objectives. Where possible, the KPIs should also include benchmarking with other municipal corporations.

3. Insurance and Risk Management currently has no formal quality assurance review process to ensure the accuracy and completeness of claims files. A formal quality review process will detect errors and omissions and improve the accuracy and completeness of claims files.

4. Staff don't periodically verify the trust fund expenditure details submitted by the external adjuster for accuracy and supporting evidence. IRM should ensure trust fund expense reimbursements are reviewed for accuracy against the supporting evidence and incorporate the review process into its Standard Operating Procedures.

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Thank you!

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