

***ELECTIVE (PERFORMANCE MANAGEMENT):***

*Elective examinations are 4 hours in length but are designed so there is minimal time constraint. The Elective examinations are made up of a mix of objective-format questions and cases. The split and length may vary somewhat across the Electives to adapt to learning outcomes required.*

*Elective examinations use larger and more complex cases than those used for Core 1 and Core 2, requiring a minimum of 60 and a maximum of 120 minutes to complete. The assessment of professional skill continues in a multi-competency environment, building on prior learnings, however, greater than 50% of assessment opportunities will relate to the Elective area being examined.*

*Elective cases require candidates to simulate the “roles” they will play in real life, and therefore access is provided to the reference tools they would use, where practical to do so.*

**Canadian Clean-Up Crews**

**Suggested time: 100 minutes (represents the time judged necessary to complete the simulation)**

Canadian Clean-Up Crews (CCC) is a small private firm located in southern Ontario. It is a disaster restoration business offering cleanup and restoration services 24 hours a day, 7 days a week, and 365 days a year. It specializes in restoring commercial and residential locations after disasters such as fires and floods.

Recently, CCC was accepted as a preferred supplier by a large insurance company, Big Insurance Group (BIG). When an insured client (commercial or residential) makes an insurance claim following a disaster, BIG provides the client with its Preferred Supplier List (PSL), a list of three local disaster restoration suppliers able to complete repair and restoration work. Being approved for this list gives CCC the potential to at least double its current revenue.

To remain on the PSL, suppliers must provide BIG with a number of monthly reports. Information on BIG's requirements are provided in Appendix I. Catherine Babinec, the owner of CCC, has hired you, CPA, as her new controller to assist in transitioning CCC to meet BIG's requirements and prepare for this new venture. In a meeting, Catherine expressed the following concerns:

- Catherine had previously hired a consultant to prepare a strategy map (Appendix II), which she commissioned to reflect CCC's new focus on BIG's requirements.
- She is not clear what the strategy map is, what cause-and-effect outcome the map will have on CCC, and how the map relates to the new strategy. She hopes that you can explain this to her.

- CCC has recently shifted its strategy from focusing on individual clients without insurance coverage to exclusively dealing with insurance companies directly.
- She attempted to use the strategy map to prepare a Balanced Scorecard (Appendix III). However, she did not finish it, realizing that she did not have the knowledge or time to do so. She would like you to critique what she did and then revise the scorecard appropriately.
- Catherine has concerns with CCC's current reporting processes (Appendix IV) since they will be important in reporting to BIG. She acknowledges that this new opportunity with BIG may require changes to CCC's current processes and controls and is interested in your recommendations on how to improve them.
- As CCC has grown, some clients have complained about receiving the same invoice twice, while some suppliers have complained that they have not received payment. Catherine has spent a lot of time investigating these issues and going through related invoices and receipts on her desk since everything is a mess. In the end, she usually assumes the client or supplier is right and either stops sending invoice reminders to the client or pays the supplier the amount they say they are owed. In one case, she received a call from a business she had never heard of, that insisted it had supplied CCC with materials and had not been paid, so Catherine issued the cheque but forgot to ask her employees about it.
- Currently, CCC allocates overhead based on labour hours to complete each job. This has worked really well for them over the last number of years, but Catherine is concerned that her average fire claim amounts appear to exceed BIG's benchmarks. She provided information on CCC's current jobs (Appendix V).
- Over the years, CCC has invested a lot into new equipment to help improve efficiency for both fire and flood jobs. The company is now using the equipment to a much greater extent, and this has helped lower the direct labour used on each job. Since purchasing the equipment, CCC has also purchased a number of generators to operate the equipment on site. The generators are charged at head office, and this has caused a dramatic increase in electricity costs, which is part of overhead. Catherine told you, "We make a lot of revenue on flood jobs and they take fewer labour hours to complete, so when we are stretched thin with resources I always choose the flood jobs to ensure we preserve our bottom line. I think that's the right decision, but I'm not 100% sure. Since we're going to be very busy with BIG clients, I need to know the profitability breakdown for each job type and how each job type ranks in order of profitability."

## **APPENDIX I**

### *BIG INSURANCE GROUP'S REQUIREMENTS OF ITS PREFERRED SUPPLIERS*

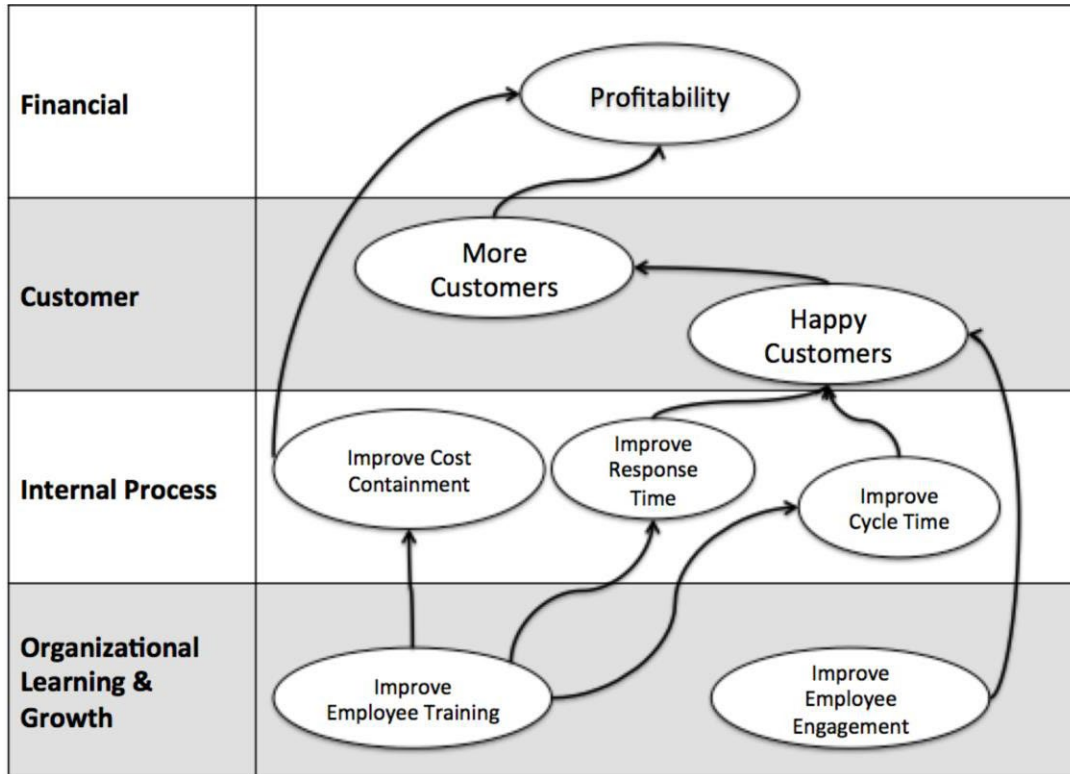
BIG requires its preferred suppliers to prepare a number of monthly reports, including reports on a variety of performance metrics such as customer satisfaction, response time to assess damage after the initial call, cost containment (the difference between the original estimate and the final bill), and cycle time for completion of the work (the time elapsed between the first phone call and the final bill to the insurance company). By far, the most important metric to BIG is customer satisfaction, since the main reason clients leave an insurance company is a poor experience with a supplier. Response time and cycle time are also important, since clients expect the restoration company to arrive on site quickly and complete the work efficiently.

Cost containment is important to both BIG and CCC. BIG receives the original estimate from CCC and bases its approval of the claim on this figure, but it may allow some minor additional charges should more costs arise during the restoration work. However, these deviations are tracked closely to ensure that costs remain reasonable. BIG is under no obligation to cover these additional costs beyond the original quote but generally will pay for them in reasonable scenarios. For example, if after commencement of work CCC discovers plumbing problems behind a wall that it could not have foreseen when the original quote was prepared, BIG would deem the associated costs reasonable. Accurate quotes are important to CCC because they meet BIG's cost containment requirements and reduce the risk that CCC will have to cover additional charges

The performance metrics BIG requires reports on represent key success factors that would help lead CCC to long-term success.

**APPENDIX II**

STRATEGY MAP



**APPENDIX III***BALANCED SCORECARD*

<b>Area</b>	<b>What To Do</b>	<b>Tracking</b>
Financial	Profitability	Net income
	Profitability	Revenue
	More customers	Increase in customers (#)
	Improve cost containment	Labour hours used on jobs (#)
Internal Process	Improve response time	Time from first phone call to arrival on site (# of minutes)
	Improve employee training	Hours of training (#)
	Improve employee engagement	Weekly meetings
Organizational Learning & Growth	Improve cycle time	
	Training?	
Customer	Happy customers	Repeat customers (#)

**APPENDIX IV***CCC'S CURRENT REPORTING PROCESS*

1. Upon arriving at a client's home, the employee enters all of the client's information into a shared spreadsheet accessible over an unsecure connection.
2. Employees add job information as the job progresses, noting their names beside the information they enter. (Sharing the spreadsheets with all employees has facilitated easy access and limited the cost of the software.)
3. At the end of the job, the employees assigned to the job compile and prepare a summary of job expenses. They also finalize the hours they put into the job, correcting any errors they made in recording their hours along the way.
4. The supervisor on site is required to review just the portion of the job that he or she worked on, and requests that each employee check his or her own work.
5. Catherine takes the figures as submitted and prepares an invoice for the client.

Catherine uses the number of hours to complete each job supplied on the spreadsheet to determine the bonus for each employee.

**APPENDIX V***CURRENT JOB INFORMATION*

	Fire Restoration		Flood Restoration		Other		Totals	
	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.
Revenue	\$224,640	\$44,096	\$237,005	\$46,515	\$45,650	\$9,047	\$507,295	\$99,658
Overhead cost allocated	\$ 45,000	\$ 9,000	\$ 33,000	\$ 6,600	\$ 4,000	\$ 800	\$ 82,000	\$16,400
Direct labour cost	\$ 80,000	\$16,000	\$ 76,000	\$15,200	\$ 8,000	\$1,600	\$164,000	\$32,800
Number of labour hours	2,250	450	1,650	330	200	40	4,100	820
Direct materials	\$100,000	\$20,000	\$ 97,500	\$19,500	\$27,500	\$5,500	\$225,000	\$45,000
Equipment hours used	350	70	600	120	75	15	1,025	205
Total cost	\$225,000	\$45,000	\$206,500	\$41,300	\$39,500	\$7,900	\$471,000	\$94,200
<b>BIG benchmark total cost</b>	<b>\$220,000</b>	<b>\$44,000</b>	<b>\$210,000</b>	<b>\$42,000</b>	<b>\$42,500</b>	<b>\$8,500</b>		

Note: All figures are per job.

Comm. = Commercial

Res. = Residential