

Insurer, Accountant Settle Suit Over Botched Grant Oversight

By Dan Packel

Law360, New York (August 18, 2017, 1:34 PM EDT) -- The Hanover Insurance Co. has settled a suit accusing Morison Cogen LLP of coming up short in their oversight of \$23 million in government grants they oversaw on behalf of policyholder Big Brothers Big Sisters of America Inc., according to a Thursday filing in Pennsylvania state court.

Philadelphia County Court of Common Pleas Judge Gary Glazer noted that the parties had reached a settlement in late July to the dispute, in which Hanover said it was forced to pay out \$2.4 million under a non-profit management liability policy after the errors were detected.

Hanover said in a [2015 complaint](#) that both Morison Cogen and [PricewaterhouseCoopers LLP](#) failed to uncover problems with a trio of grants the [U.S. Department of Justice](#) had issued to policyholder Big Brothers Big Sisters between 2009 and 2011.

The grants obligated the organization to adhere to certain administrative, financial and auditing requirements. To assist in auditing and overseeing the grants, Hanover said that the charity turned to both PwC and Morison Cogen.

However, an audit initiated by the DOJ in August 2012 uncovered “an inadequate internal control environment, commingling of funds, and numerous other failures,” the complaint said.

The insurer reached a separate settlement with PwC in April 2016.

In January, Hanover filed an amended complaint against Morison Cogen, reflecting an agreement with Big Brothers Big Sisters to settle an outstanding \$1.6 million claim it had submitted to the insurer.

The accounting firm then asked Judge Glazer to throw out the lawsuit, arguing the claims were barred by the statute of limitations because the ultimate complaint came seven years after the actions in question.

But the judge declined to do so in a May ruling, noting in a footnote that since the cause of action was not changed, the statute of limitations defense did not hold up.

“Defendant is not prejudiced by plaintiff amending its status from subrogee to assignee of [Big Brothers Big Sisters],” he said. “Defendant’s theory of defense — presumably that its accounting services did not fall below the professional standard of care — is not altered by plaintiff’s amended complaint.”

Judge Glazer then declined to reconsider the ruling, leading to the settlement.

Attorneys for Hanover and Morison Cogen did not immediately respond to inquiries about the terms of the deal.

Hanover is represented by Susan Verbonitz of [Weir & Partners LLP](#) and Robert Ludwig of [Ludwig & Robinson PLLC](#).

Morison Cogen is represented by Jonathan Hollin, Mary Pedersen and Dylan Henry and Baldev Singh of [Powell Trachtman Logan Carrle & Lombardo PC](#).

The case is Hanover Insurance Co. v. PricewaterhouseCoopers LLP et al., case number 150201625, in the Philadelphia County Court of Common Pleas.

--Additional reporting by Matt Fair. Editing by Orlando Lorenzo.