KING COUNTY

Signature Report

November 10, 2015

Motion 14453

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

King County

Proposed No. 2015-0362.1   **Sponsors** von Reichbauer

1   A MOTION approving a plan for implementation of the

2   recommendations included in the King County 2013

3   Performance Audit of the Office of Risk Management

4   submitted in compliance with Ordinance 17941, Section

5   122, Proviso P1.

6   WHEREAS, Ordinance 17941 contained proviso P1 in Section 122 stating that

7   $250,000 shall not be expended or encumbered until the executive transmits a plan and a

8   motion that approves the plan, and the motion is passed by the council, for

9   implementation of the recommendations included in the King County 2013 Performance

10 Audit of the Office of Risk Management, and

11   WHEREAS, the King County council has requested a plan that shall provide

12 information, with specific timelines, on how the office of risk management will fully

13 implement the recommendations in the King County 2013 Performance Audit of the

14 Office of Risk Management, and

15   WHEREAS, the executive has transmitted to the King County council the

16 requested plan and a motion;

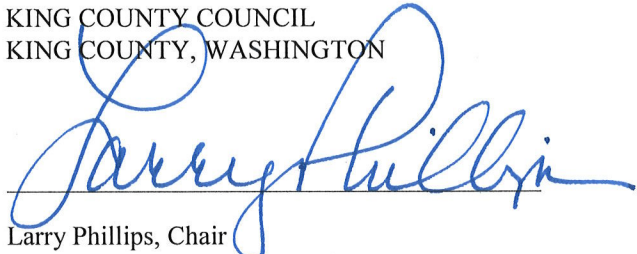17   NOW, THEREFORE, BE IT MOVED by the Council of King County:

18   The plan for implementation of the recommendations included in the King

19 County 2013 Performance Audit of the Office of Risk Management submitted in

20   compliance with Ordinance 17941, Section 122, Proviso P1, and which is Attachment A

21   to this motion, is hereby approved and the $250,000 appropriation is hereby released.

22

Motion 14453 was introduced on 9/8/2015 and passed by the Metropolitan King County Council on 11/9/2015, by the following vote:

      Yes: 7 - Mr. Phillips, Mr. von Reichbauer, Mr. Gossett, Mr. Dunn, Mr. McDermott, Mr. Dembowski and Mr. Upthegrove
      No: 0
      Excused: 2 - Ms. Hague and Ms. Lambert

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Phillips, Chair

ATTEST:

Anne Noris, Clerk of the Council

Attachments: A. 2015-2016 Biennial Budget Proviso Report - August 31, 2015

14453

King County

King County 2015/2016 Biennial Budget Proviso Report

Caroline Whalen - County Administrative Officer
Jennifer Hills - Director, Office of Risk Management

August 31, 2015

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Executive Summary

This report is King County's response to a budget proviso tied to Council Ordinance 17941, the 2015/2016 King County Budget Ordinance.

This proviso response explains the Office of Risk Management (ORM) plan, with specific timelines on how ORM will fully implement the recommendations in the King County 2013 Performance Audit as requested in Council Ordinance 17941, Section 122, Proviso P1. This report includes:

1. The language of Council Ordinance 17941, Section 122, Proviso P1 for reference.
2. Summary of completed recommendations from the King County 2013 Performance Audit of the Office of Risk Management.
3. The schedule for implementation of enterprise risk management in all County departments and agencies, regardless of risk priority, as called for in Audit Recommendation 2.
4. The annual performance targets for reducing nontransit vehicle accidents as called for in Audit Recommendation 3.
5. The annual safety retraining program and documented program criteria based on transit agencies best practices as called for in Audit Recommendation 5.

ORM has implemented all of the recommendations from the King County 2013 Performance Audit of the Office of Risk Management. Council will be updated on the progress of the Enterprise Risk Management Program as well as the performance measures related to these audit recommendations in all future Annual Reports to Council.

Proviso

For reference, the proviso in Council Ordinance 17941, Section 122, Proviso P1, is excerpted below.

Of this appropriation, $250,000 shall not be expended or encumbered until the executive transmits a plan for implementation of the recommendations included in the King County 2013 Performance Audit of the Office of Risk Management and a motion that approves the plan and the motion is passed by the council. The motion shall reference the subject matter, the proviso's ordinance, ordinance section and proviso number in both the title and body of the motion.

The plan shall provide information, with specific timelines, on how the office of risk management will fully implement the recommendations in the King County 2013 Performance Audit of the Office of Risk Management including, but not limited to:

A. The schedule for implementation of enterprise risk management in all county departments and agencies, regardless of risk priority, as called for in Audit Recommendation 2;

B. The annual performance targets for reducing non-transit vehicle accidents as called for in Audit Recommendation 3; and

C. The annual safety retraining program and documented program criteria based on transit agencies best practices as called for in Audit Recommendation 5.

The executive must file the plan and motion required by this proviso by August 1, 2015, in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff, the policy staff director and the lead staff for the government accountability and oversight committee, or its successor.

Summary of completed recommendations from the King County 2013 Performance Audit of the Office of Risk Management

The Office of Risk Management has completed recommendations 1, 4, 6, and 7 as detailed in the King County 2013 Performance Audit and reported by the King County Auditor's Office in 2014. Recommendations 2, 3 and 5 have since been completed and are the subject of this report. Updates on the Enterprise Risk Management Program and performance measures related to these audit recommendations will be included in all future Annual Reports to Council.

Audit Recommendation 1:
We recommend that the Office of Risk Management, in consultation with the County Executive, develop a comprehensive framework to address the fundamental organizational management and performance components of ERM consistent with ISO 31000, including:

- *overall goals, and a review schedule for monitoring, review, and improvement of the ERM framework;*
- *creation of the Advisory Committee with a clear designation of its members, meeting schedule, deliverables, and deadlines, and the methodology the Committee will use in gathering, reviewing, and prioritizing risk prevention efforts;*
- *integration of the risk management process into departmental strategic and/or business planning; and,*
- *a performance and accountability system for ensuring that the risk assessment and treatment process is occurring and that treatment recommendations are implemented.*

Audit Recommendation 1 Status Detail:
The Office of Risk Management has developed a comprehensive plan that addresses all the elements of the Recommendation. The components are addressed across a series of documents:
- Risk Management Proviso Response Report (Ordinance 17696, Section 22, Proviso P1)
- Risk Management's proposed amendment of KCC 2.21.030 re: annual reporting and monitoring
- ERM Work Group Charter
- Supporting Work Group presentations and implementation tools

ORM provided a draft schedule that will be refined as the Work Group completes its first year of work (2015). Risk Management's annual report (each March) will provide an update to Council as to performance goals and progress.

Audit Recommendation 4:
The Office of Risk Management, in conjunction with the Office of Safety and Claims, should develop a countywide system that establishes and enforces a uniform driver safety training requirement for all non-transit county employees who drive routinely at work.

Audit Recommendation 4 Status Detail:
Risk Management and Safety and Claims have a routine program where drivers who need periodic training are identified and contacted for refresher training. The system is manual, but does track individual employees.

Audit Recommendation 6:
We recommend the Office of Risk Management include workers compensation costs as a component of King County's annual Cost of Risk Index.

Audit Recommendation 6 Status Detail:
The Cost of Risk index now includes a workers' compensation component within ORM's annual report.

Audit Recommendation 7:
We recommend that the Office of Risk Management should develop performance measures, and maintain the data to support them, on investigator open/closed claims caseloads, closure rates and by King County departments.

Audit Recommendation 6 Status Detail:
ORM has data that tracks time from customer contact to response, open to closed case ratio, and case closure rates for the office and by investigator. ORM has developed targeted quality and delivery measures for ongoing process review.

Plan for Implementation of Audit Recommendations 2, 3 and 5

The schedule for implementation of enterprise risk management in all County departments and agencies, regardless of risk priority, as called for in Audit Recommendation 2

The Enterprise Risk Management (ERM) Program's primary goal is to effectively address emerging opportunities and challenges in the areas of operational, reputational, strategic, compliance, and financial risk by integrating risk management systems into the County's culture and business processes. ORM has made significant progress on implementation of ERM throughout the County, reflected in the annual report (each March) which updates the Council on performance goals and progress.

- Enterprise Risk Register – The Enterprise Risk Register is the working inventory of priority risks facing *all* King County departments and agencies, the agency that owns the risk, and their specific ongoing efforts to control those risks. The Risk Register was developed using a management survey and historic loss data. The ERM Work Group further refined and prioritized these identified risks to complete the County's first Risk Register. The Enterprise Risk Register is continually updated by the Office of Risk Management with input from risk owners.

- ERM Work Group – The ERM Work Group has been established, developed a work group charter, and meets quarterly to organize the ERM efforts. It is comprised of risk owners from County agencies who identify, assess, prioritize, and evaluate risks. The ERM Work Group appropriately links ERM framework with major department participants.

- Integration of ERM in County agencies – ORM is collaborating with several agencies across all branches of government. Examples of this progress include:

    o ORM is working with the King County Auditor's Office to incorporate major risk areas into their audit planning. We have jointly reviewed and compared the Auditor's 2015-16 work program with the Enterprise Risk Register and identified alignment and areas of potential collaboration. ORM provided the Auditor's Office with the ERM Menu of Services so the auditors can suggest ORM as a resource when they are making risk-related recommendations to agencies.
    o ORM participated on a one-year judicial risk management committee to review the Juvenile Court Services Operations Policy Manual. The final judicial review meeting was held on July 14, 2015 and all policies have been reviewed and updated as needed.
    o ORM meets with the Transit Risk Manager on a bi-weekly basis, and with the Transit Division management team on a quarterly basis to address high priority risks, claims activity, and emerging issues using an enterprise risk management approach.

- ERM Maturity Scorecard – The ERM Maturity Scorecard is a consistent way to measure progress on implementation of the principles, framework, and process of ERM in County agencies. ORM has conducted sessions to assess implementation of enterprise risk management with the Executive management teams in Adult and Juvenile Detention, Metro Transit, and Public Health. Active planning discussions are underway with the Office of Emergency Management, Sheriff's Office, and Environmental Health Services.

Other county agencies are prioritized in the schedule below based on their ownership of high-priority risks in the Enterprise Risk Register and their responsiveness, expected availability due to operational peak seasons, and expressed interest in enterprise risk management. This plan is subject to change depending on agency responsiveness and changes in the risks facing the county.

| Department	ERM Implementation Status	ERM Maturity Scorecard Session	Management Review of Scorecard Results	Planned Follow-up
Adult and Juvenile Detention	Completed	Oct-14	Jan-15	Q1 2016
Metro Transit	Completed	Mar-15	Apr-15	Q2 2016
Public Health	Completed	Apr-15	Jun-15	Q2 2016
Emergency Management	Q4 2015	Sep-15	Oct-15	Q3 2016
Sheriff's Office	Q4 2015			Q4 2016
Environmental Health Services	Q4 2015			Q4 2016
Roads Services	Q1 2016			Q1 2017
Jail Health / Adult and Juvenile Detention (joint session)	Q1 2016			Q1 2017
Executive Services	Q1 2016			Q1 2017
Office of Civil Rights and Open Government	Q1 2016			Q1 2017
Human Resources	Q2 2016			Q2 2017
Information Technology	Q2 2016			Q2 2017
Wastewater Treatment	Q2 2016			Q2 2017
Community and Human Services	Q3 2016			Q3 2017
Marine	Q3 2016			Q3 2017
Records and Licensing	Q3 2016			Q3 2017
Solid Waste	Q4 2016			Q4 2017
Water & Land Resources	Q4 2016			Q4 2017
Parks & Recreation	Q4 2016			Q4 2017
Superior Court	Q4 2016			Q4 2017
Public Defense	Q1 2017			Q1 2018
Emergency Medical Services	Q1 2017			Q1 2018
Medical Examiner	Q1 2017			Q1 2018
Airport	Q2 2017			Q2 2018
Permitting & Environmental Review	Q2 2017			Q2 2018
Fleet Administration	Q2 2017			Q2 2018
Prevention	Q2 2017			Q2 2018

> **The annual performance targets for reducing non-transit vehicle accidents as called for in Audit Recommendation 3.**

As addressed in the 2013 Risk Management Performance Audit, during the period 2002-2012, vehicle accidents accounted for almost one half of all paid claims against King County. Non-transit vehicle-related accidents represented 18% all vehicle related liability claims and 10% of the total vehicle-related liability costs. ORM has collected data in collaboration with Safety and Claims and Fleet Administration to evaluate the total cost of vehicle accidents, which includes liability claim costs, workers' compensation costs, and vehicle repair costs. This aggregated data now allows ORM, in conjunction with Safety and Claims, to set targets for reducing the frequency and cost of non-transit accidents. Because this is the first year ORM has collected all non-transit vehicle accident data, these targets are evolving and will be refined as we have additional experience tracking county-wide data.
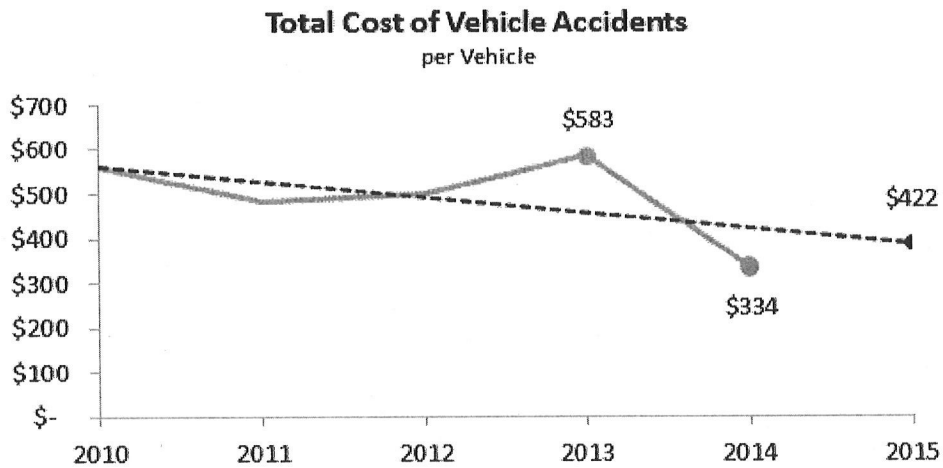
The frequency of non-transit vehicle liability claims is illustrated below. An appropriate target for 2015 is 0.5 claims per 100,000 miles driven or less. This target will continue to be refined as operations and risk exposures change or improve.

Non-Transit Vehicle Liability Claims
(per 100,000 miles driven)
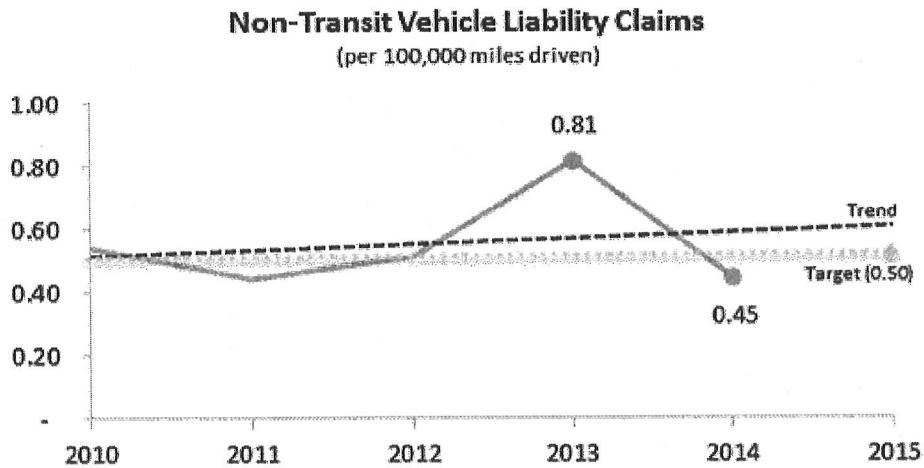
The total cost of non-transit vehicle accidents per 1,000 miles driven is illustrated below. An appropriate target for the total cost of vehicle accidents per 1,000 miles driven for 2015 is $47 or less, which reflects continued improvement consistent with the 5-year trend. This target will continue to be refined as operations and risk exposures change or improve.

Total Cost of Vehicle Accidents

per 1,000 Miles Driven
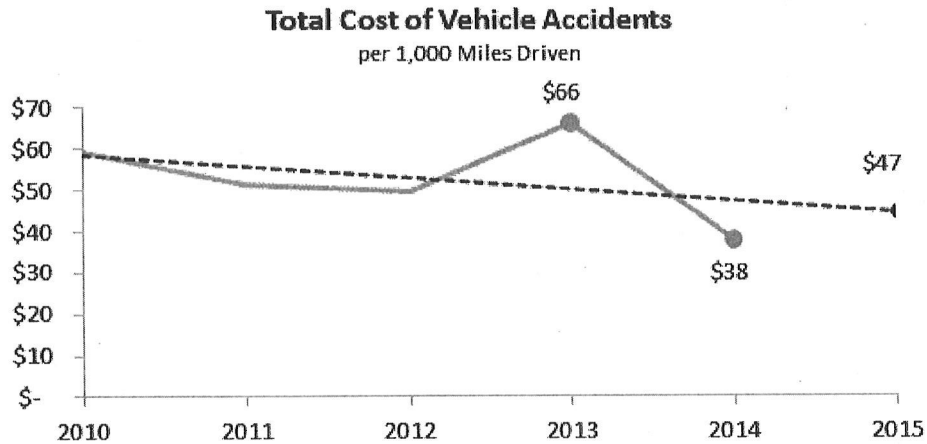
The total cost of non-transit vehicle accidents per vehicle is illustrated below. An appropriate target for 2015 is $422 or less, which reflects continued improvement consistent with the 5-year trend. This target will continue to be refined as operations and risk exposures change or improve.

Total Cost of Vehicle Accidents

per Vehicle

Beginning in 2016, ORM will add a new section to the Annual Report to Council describing the frequency, severity, and total cost of non-transit vehicle accidents with targets for improving performance. ORM's partnership with Safety and Claims is important to ensure that County drivers who need periodic driver safety training are identified and contacted for refresher training.

> **The annual safety retraining program and documented program criteria based on transit agencies best practices as called for in Audit Recommendation 5.**

ORM has assisted Metro Transit with funding a Comprehensive Safety System Review. Earlier this year, ORM worked with Metro Transit to develop the scope of work for the Comprehensive Safety System Review which includes a safety training element. Requests for Proposals were solicited in May and ORM participated in interviews of safety consultants which were completed on August 12, 2015. The scope of work asked the consultant to evaluate the following safety training components:

- Appropriateness, quality, timeliness, and delivery of safety-related training to employees at all levels of the organization,
- Evaluation of the topics of training to determine if they encompass an appropriate range of possible risks and safety issues,
- Evaluation of the safety training content to determine if it is appropriate for the risks considered,
- Evaluation of the overall training effectiveness in communicating content, engaging employees in changing behavior, and promoting safe work practices and a positive safety culture.

The selected consultant will provide a report to the Transit Division and ORM in December, 2015. The consultant's recommendation will guide Transit in developing annual bus driver safety retraining consistent with transit agency best practices and available funding. By facilitating this comprehensive safety review, ORM has fulfilled the extent of its authority in directing and encouraging Metro Transit to control this risk. As the risk owner, Metro Transit will continue to work on an annual safety retraining program, and ORM will continue to provide support.

In conclusion, ORM has implemented all of the recommendations from the King County 2013 Performance Audit of the Office of Risk Management. Council will be updated on the progress of the Enterprise Risk Management Program as well as the performance measures related to these audit recommendations in all future Annual Reports to Council.