



CEO/Risk Management Audit Recommendations Follow-Up

Final Report (#141503)

September 30, 2014

Office of the Performance Audit Director
County of Orange, California

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Office of the Performance Audit Director

333 W. Santa Ana Blvd., Santa Ana, CA 92701

September 30, 2014

Honorable Board of Supervisors:

Transmitted herewith is the follow-up report of the January 2012 Performance Audit of CEO/Risk Management. Our follow-up review focused on Risk Management's progress in implementing the 26 audit recommendations.

Overall, CEO/Risk Management has made progress in addressing the audit issues. The audit team is able to close 23 of the 26 (89%) recommendations. The remaining three recommendations are expected to be fully implemented within six to twelve months.

We have discussed our findings with Tom Phillips, Risk Manager. We would like to acknowledge and thank the management and staff in CEO/Risk Management who assisted us in completing this follow-up audit.

Respectfully submitted,

A handwritten signature in blue ink that reads "Philip Cheng".

Philip Cheng
Performance Audit Director

cc: Mike B. Giancola, County Executive Officer
Mark Denny, Chief Operating Officer
Frank Kim, Chief Financial Officer
Tom Phillips, Risk Manager

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Executive Summary

In 2011, the Board of Supervisors directed the Office of the Performance Audit Director to conduct an audit of CEO/Risk Management (RM) to bring increased transparency to the operation and to provide County policy makers, executive management, and the public with a comprehensive assessment of RM's performance. Performance Audit completed a comprehensive review of RM operations in 2012 and provided a total of 26 recommendations in the final report. RM concurred or partially concurred with 25 (96%) of the audit recommendations.

As part of the audit process, a follow-up review was conducted to ensure adequate actions have been taken to address the recommendations. Overall, RM has made progress in implementing the audit's recommendations. As of the date of this report, Performance Audit closed 23 of the 26 recommendations (89%). RM plans on completing the remaining three recommendations (11%) over the next six to twelve months.

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I. Introduction

Public agencies are exposed to risks of financial loss from a variety of events such as theft, damage to physical assets, injuries to employees, natural disasters, employment lawsuits, and lawsuits stemming from the provision of public safety services. At the County of Orange, the management of these risks is the responsibility of the County Executive Office (CEO)/Office of Risk Management (RM).

In 2011, the Board of Supervisors directed the Office of the Performance Audit Director to conduct an audit of RM to bring increased transparency to the operation and to provide County policy makers, executive management, and the public with a comprehensive assessment of RM's performance. The 2012 audit report identified many key opportunities for RM to improve its operations, including the following:

- RM's Workers' Compensation and Liability activities are primarily focused on the processing of claims and do not assist agencies/departments in proactively managing the risks that cause these claims;
- RM does not collect data on total hours billed by contract attorneys nor does it track the costs of subcontractors used by the County's Legal Defense Panel firms;
- The Workers' Compensation program is a highly manual operation that leads to inefficiencies and hinders RM staff's ability to be consistently responsive to agency/department needs;
- The Return to Work program implemented in 2011 has several critical deficiencies that are sources of frustration to agencies/departments;
- The procedure for funding the long-term financial costs of Workers' Compensation and Liability claims does not incorporate Board input; and
- The County's Risk Management Policy has not been updated since 1974.

RM concurred or partially concurred with 25 of the 26 recommendations (96%) in the 2012 performance audit:

Audit Recommendation	Concur or Partially Concur	Do Not Concur	Total
Number	25	1	26
Percentage	96%	4%	100%

This follow-up review focuses on RM's progress in implementing the recommendations from the 2012 performance audit. As of the date of this report, 89% of the

recommendations have been completed or closed. Three recommendations are “In Progress” and are expected to be fully implemented within six to twelve months.

Audit Recommendation	Completed	Closed ¹	In Progress	Total
Number	21	2	3	26
Percentage	81%	8%	11%	100%

II. Significant Improvements

CEO/Risk Management has made progress in implementing the audit’s recommendations to improve both RM operations and overall County risk management. Noteworthy progress made by RM includes, but is not limited to:

- The **development and revision of policies**, such as:
 - A formal funding policy that addresses both the preferred confidence level for long-term funding and procedure for the CFO to request Board approval for deviations, when necessary;
 - The delineation of authority and responsibility between RM and County Counsel on risk allocation issues;
 - The alignment of the County Safety and Loss Prevention Resource Manual with County policy; and
 - A Return To Work/Transitional Duty Program Desk Reference Guideline, as well as program improvements.
- The **implementation of two new information systems**: the Workers’ Compensation Information System and the Risk Management Information System (RMIS). These systems will increase process automation and paperless workflow for more effective and efficient program management and payroll processing, as well as provide improved risk analysis capability through collection, analysis, and reporting of risk data;
- **Increased contractor oversight and management** with a) the inclusion of performance incentives and penalties in third party administrator contracts, and b) the retention of a new County Legal Defense Panel with a 5-year term; and

¹ Two recommendations were closed either due to a lack of concurrence by RM (#22) or the recommendation was no longer relevant due to organizational changes (#15).

- **Increased County-wide coordination of information** through the provision of various training opportunities, reintroduction of a quarterly safety newsletter, and collection of American with Disability Acts (ADA) complaints and resolutions.

III. Continuing Improvement Opportunities

Despite the implementation of the RMIS, RM has yet to provide agencies/departments with risk metrics (recommendation #8). With RMIS going live in July, RM has to work on developing reports for departments with useful risk metrics. By providing useful risk metrics, RM can effectively inform agencies/departments of areas that warrant attention and better management.

Two additional recommendations are in progress and should be completed by the end of 2014:

- *Recommendation #1:* Due to RM’s efforts being focused on all other recommendations, the submission of an updated policy for Board approval was left for last.
- *Recommendation #7:* RM recently executed a contract with a full-service insurance certificate verification software (Ebix), which is in the beginning stages of implementation with the County Procurement Office as the test pilot.

IV. Follow-Up Summary

The following table summarizes the status of each of the 26 audit recommendations:

Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
1	RM should prepare, for Board approval, an update of the existing Countywide Risk Management Policy, considering the recommendations contained in this audit report, consulting with agencies/departments and Board staff, and conducting benchmarking research.	Concur. RM will update the existing Countywide Risk Management policy in FY 12-13.	In Progress	Focus was placed on all other recommendations leaving this one for last. Expect final draft to be submitted to the Board and CEO's Office for approval by December 2014.

CEO/Risk Management Audit Recommendations Follow-Up

Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
2	RM should develop, for Board consideration and approval, a formal policy that specifies to the CFO the preferred confidence level for the long-term funding of Workers' Compensation and Liability costs; the policy should include a procedure for the CFO to request Board approval for a deviation from the recommended funding approach, should other Countywide financial considerations support such an action.	Concur. RM will develop and submit for Board consideration and approval a formal policy which will specify to the Chief Financial Officer (CFO) the preferred confidence levels for funding the Workers' Compensation and Liability programs.	Completed	A formal funding policy, which addresses both the preferred confidence level for long-term funding and procedure for CFO to request Board approval for deviation, was approved by the Board of Supervisors on May 8, 2012.
3	RM should work with CEO/IT to identify opportunities for process automation and greater use of paperless technologies (including those identified in the Workers' Compensation section of this report) to reduce the number of manual tasks associated with hard copy files. In addition, RM leadership should work with nonsupport personnel to encourage a collaborative approach to handling administrative tasks throughout the office.	Concur. RM has already engaged a consultant to evaluate various Liability Claims Information Systems available on the market for possible implementation in the Liability program. RM will also explore the feasibility of technological improvements, such as automation and greater use of paperless technologies with CEO/Information Technology (CEO/IT) in the Workers' Compensation program.	Completed	RM has a new Risk Management Information System (RMIS), which went live on July 1, 2014, for increased process automation and paperless workflow. For example, invoices are now scanned into the system instead of paper files. RM similarly implemented a software application to address the Workers' Compensation Program, as noted in recommendation # 12 below. Additionally, RM leadership meets weekly to address any workload issues that require increased collaborative efforts.

CEO/Risk Management Audit Recommendations Follow-Up

Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
4	RM and CEO should consider removing the X-Mod component of the proposed new methodologies, and, instead, utilize the more common 70%/30% split between loss history and exposure. However, if RM continues to pursue the X-Mod methodologies, it should consider obtaining a formal opinion from the State Controller regarding the compliance of the proposed X-Mod calculation with the State Controller Cost Allocation Handbook. In addition, consider utilizing a graded capping methodology whereby loss amounts are included in tiers (e.g., the first \$50K of loss is counted dollar-for-dollar, losses from \$50K to \$100K are counted at fifty-cents-on-the-dollar, etc.); such a modification would better account for agencies/departments that typically have higher severity claims.	Concur. RM reviewed and researched the proposed new methodology with its consultant and concluded that: 1) the methodology is in compliance with the State Controller's Handbook of Cost Plan Procedures for California Counties, 2) the new methodology better accounts for risk profile differences between County agencies/departments (e.g. Auditor-Controller vs. Sheriff), 3) the new methodology is common and widely used by other public entities clients (e.g., cities, Joint Power Authorities, etc.). RM will continue to discuss the benefits of the proposed new methodology with the Auditor-Controller's office.	Completed	RM took into consideration the audit recommendations to their proposed new methodologies. Subsequently, RM consulted with the Auditor-Controller's (A-C) office on the proposed new methodologies, which did not gain A-C's support. Cost allocation methodology across County agencies/departments will remain unchanged.
5	On a biannual basis, RM should submit a report to the Board of Supervisors on the consent agenda that details any new commercial insurance policy purchases or existing policy renewals that exceed \$50K. This report should also include a brief description of the purchasing procedure utilized (e.g. number of bids received by the County's insurance broker).	Concur. On a semi-annual basis, RM will submit a summary report to the Board of Supervisors detailing any new commercial insurance policy purchases or existing policy renewals that exceed \$50K.	Completed	RM submits a summary report to the Board of Supervisors, on a bi-annual basis, that details all commercial insurance policy purchases (including renewals) that exceed \$50K. The report also includes brief descriptions of the purchasing process including number of bids received.
6	In consultation with County Counsel, RM should send a memo to all agencies/departments delineating the authority and responsibility for different types of contracts insurance review.	Concur. RM will work with County Counsel and issue a Memo to all County agencies/departments explaining the delineation between RM and County Counsel on risk allocation issues in contracts.	Completed	RM revised the Contract Policy Manual to delineate the authority and responsibility between RM and County Counsel on risk allocation issues in contracts. A memo was issued to agencies/departments by the County Purchasing Agent highlighting various edits and updates to the CPM including the delineation of authority between RM and County Counsel.

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Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
7	RM should complete its efforts to implement insurance certificate software that would allow agency/department staff to verify proof of insurance from vendors with multiple contracts with the County.	Concur. An insurance certificate software program has been procured and a pilot program is currently being initiated.	In Progress	RM initially piloted a self-service program (Succeed Solutions), which was determined to be inefficient and ineffective. Recently, RM executed a contract with a full-service program (Ebix) and is in the beginning stages of implementation with County Procurement Office (CPO) as the test pilot.
8	RM should take the following actions to improve its ability to manage the risks that create Liability claims: a) With input from policy makers and agencies/departments, identify useful risk metrics for which data should be collected, analyzed and reported. b) Pursue the development of a new Liability claims information system that will facilitate the collection, analysis, and reporting of risk data for operational managers and policy makers. In the interim, utilize the templates developed by the audit team in this report to prepare and present useful analytics from the existing system. c) Develop a Liability risk analysis capability for the County.	Concur. RM does not currently have a system with the capability to extract information easily which complicates the task of compiling, quantifying and disseminating information to involved agencies. However, RM provides claims information on a monthly basis to OC Sheriff Department (OCS) as well as Social Services Agency (SSA) in a simple format that contains data about the types of claims filed, etc. a) RM will include key stakeholder departments in developing the Request for Proposal (RFP) specification for a new and more robust Liability Claims Information System. b) RM has already engaged a consultant in assisting in the development of specifications for a new Liability Claims Information System. An RFP is expected to be issued by early summer of 2012 with a final recommendation for a new system to be presented for Board approval in late 2012 or early 2013. c) The new system will have significantly enhanced Liability risk analysis capability.	In Progress	RM implemented a new Risk Management Information System, which went live on July 1, 2014. The system will facilitate the collection, analysis, and reporting of risk data for operational managers and policy makers and will provide liability risk analysis capability for the County. Currently, RM is working on developing reports for departments with useful risk metrics.
9	Maintain monthly statistics on the number of attorney hours billed by firm, level, and claim, as well as the use and cost of subcontractors. As an added level of oversight, the Risk Manager should conduct periodic reviews of random case files to ensure his/her satisfaction with the use of and fees charged by subcontractors.	Concur. It is not feasible for RM to maintain a separate database that would track the hours worked by each attorney from every law firm utilized by RM. There is not sufficient staff time available to input that information from every invoice processed for payment. However, this information should be available from each law firm as they are required to bill RM for the hours worked by each attorney and provide the hourly rate for that individual. RM will explore obtaining a breakdown on hours worked from each law firm on a quarterly basis and determine the value of tracking this information.	Completed	RM implemented a new Risk Management Information System, which went live on July 1, 2014. The new system tracks attorney hours billed by firm and claim number including contractor costs. All invoices are reviewed by RM staff to ensure satisfaction with the use of and fees charged by subcontractors.

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Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
10	In the future, RM should refresh selection of a Liability Legal Defense Panel every five to seven years. Include in the contract a specific length of time for the term of the panel.	Concur. RM has already started the process of creating a new Liability Legal Defense Panel. Responses to the Request for Qualifications (RFQ) have been received and are currently undergoing the initial review by CEO Procurement before being submitted to the review panel. Included in the RFQ is the information this will be for a five year period of time.	Completed	RM submitted a new Liability Legal Defense Panel to the Board of Supervisors, which was approved on July 24, 2012. The contract stipulates a 5-year term for the panel.
11	Continue with the current model for Liability claims legal defense.	Concur.	Completed	RM continues with the current model for Liability claims legal defense.
12	Work with CEO/IT to develop a database to replace the current index card system and begin the scanning and electronic storage of forms/documents.	Concur. RM is developing a searchable Microsoft Access data base for the index cards and will also consult with CEO/IT for other solutions.	Completed	RM partnered with CEO/IT to replace the index cards with a software application. The Workers' Compensation Information System went live in February 2013. The system generates bi-weekly reports used for processing payroll as well as status forms used by payroll and HR. A process is in place for quarterly enhancements/upgrades to the system. The most current enhancement will (hopefully) pull wage statements directly from CAPS+, eliminating delays and manual work.
13	RM should develop a series of specific performance targets to include in the Workers' Compensation TPA contract. RM should also consult with other County agencies/departments that utilize service levels/performance targets (e.g., Employee Benefits, CEO/IT). In addition, some structure for assessing financial penalties should be developed to hold the TPA accountable for any lapses in performance. Lastly, performance against these targets should be reported more frequently (e.g., quarterly) to RM, where appropriate.	Concur. RM has obtained the performance standards used by Employee Benefits and the Los Angeles County Workers' Compensation program. RM will develop contract provisions to be included at the next contract award/amendment to the extent feasible.	Completed	RM included 6 performance incentives (and penalties) to the Workers' Compensation TPA contract which was approved by the Board in May 2013. Provisions are monitored monthly, quarterly and annually.

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Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
14	RM should develop training opportunities to educate agency/department staff on (a) the level of Workers' Compensation data that is available and (b) tools and techniques for analyzing this information. In addition, RM should collaborate with agencies/departments to develop additional reports and information that would be helpful to them in identifying and managing Workers' Compensation risks in their operations.	Concur. RM will reach out to agencies/departments to gather information on their data needs and determine if existing reports meet those needs, or if additional reports are required.	Completed	RM met with the executive team from each of the major agencies/departments to address WC data capturing needs, which led to the development of Dashboard Reports. RM met with the exec teams to explain the reports. RM produced and distributed reports to each agency/department.

CEO/Risk Management Audit Recommendations Follow-Up

Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
15	<p>RM should a) establish a regular meeting (e.g., on a quarterly basis) with the Human Resources Department (and County Counsel, if necessary) to examine the list of employees who are on Leave without Pay (LOP) status to minimize instances where employees remain on leave for long periods of time without resolution, and b) in conjunction with HRD, develop a reference manual to help manage employee leaves of absence.</p>	<p>Partially concur. The leave without pay status is for employees who, for medical reasons, cannot return to work which may be the result of a work related or non-work related injury and/or illness. Only one-third of the employees identified as being on long-term leave without pay were work related. The remaining two-thirds were on leave without pay for non-work related reasons. The reasons employees may be off for extended times will vary depending on the employee's medical status and the County's ability to accommodate the employee back into the workplace safely and effectively. The County must adhere to Federal and State leave, Workers' Compensation, disability, and retirement laws that overlap in this area which requires partnership with Human Resources Department (HRD) and County Counsel to assess cases on an individual basis. Included in the assessment process is an evaluation of appropriate action based on the liability risk to the County. In some cases the County's potential liability is reduced by not separating the employee and continuing their unpaid leave status.</p> <p>a) Over the last six (6) months RM has, in partnership with HRD and County Counsel, been reassessing employees on a leave without pay status. After this process has been completed, RM will continue on an "as needed" basis to partner with HRD and County Counsel regarding cases that involve Workers' Compensation or short term return to work opportunities.</p> <p>b) RM and HRD recognizes that a more immediate need is to provide updated training in this area which would include training material that staff could reference. Recently, HRD posted guidelines on their HR Portal that were established previously to guide departments with employees on a leave of absence. After conducting the training, the current guide can be updated but developing a reference manual is not necessary at this time.</p>	<p>Closed</p>	<p>Since the RM performance audit was conducted, HRS has been completely re-organized and an HR manager has been assigned to handle Return to Work. RM continues to partner with HRS and County Counsel on cases that involve workers' compensation as needed.</p>

CEO/Risk Management Audit Recommendations Follow-Up

Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
16	RM should either fulfill its compliance enforcement responsibilities or revise the County Safety and Loss Prevention Manual.	Concur. RM agrees that many of the County Safety and Loss Prevention Manual (CSLPM) policies need to be revised to more closely align with the industry best practice cooperative approach that is currently employed by RM. As the report notes in Item #4, page 67 of the "Program Strengths" section, the County Safety Office is currently in the process of revising the CSLPM to reflect this approach.	Completed	RM revised key County Safety and Loss Prevention Resource Manual policies to align with County policy.
17	RM should a) develop additional metrics to report safety-related Liability claims data, b) consider working with OC Public Works Fleet Division to develop a formal Countywide fleet safety program, and c) establish the practice of Root Cause Analysis, in conjunction with the Liability Claims and Workers' Compensation programs.	Concur. Although the underlying concept of Root Cause Analysis (RCA) has been incorporated into various workplace safety accident investigation policies/forms for some time, RM concurs that a more aggressive approach in this area is warranted. Towards that end, RM presented a training course in November 2011 to County Safety and Training Officers and Department Safety Representatives on the fundamentals of RCA. a) RM is already in the process of securing a state-of-the-art management information system for general liability data that will provide much more detailed metrics pertaining to general liability. b) RM concurs that developing a formal Countywide fleet safety should be considered. RM did wish to note that the County currently participates in the State DMV's "Pull Notice Program", a vehicle accident review procedure and, if warranted, remedial "defensive driving" classes for drivers involved in "preventable" accidents. Defensive driving classes are also available to County employees on a preventive/proactive basis. c) Going forward RM will continue to aggressively incorporate the concept of RCA into its various accident/incident investigation policies and training classes.	Completed	a) RM has developed additional metrics to comprehensively report safety-related liability claims data b) In addition to the County's DMV "Pull Notice" program, which reports pertinent driving records for County vehicle operators, there is a well-established vehicle accident review procedure that includes remedial action for drivers involved in "preventable accidents" (including mandatory attendance at the County Safety Office Defensive Driving class). The County Safety Office also offers the Defensive Driving class to County employees on a preventive/proactive basis. RM has also developed a draft County policy (under HRS review) for adoption. c) RM developed a basic Root Cause Analysis-based accident investigation training course to assist County managers and supervisors in their efforts to conduct meaningful investigations of workplace accidents involving employees. Additionally, RM has revised the County Safety and Loss Prevention Resource Manual Accident Investigation policy to reflect an emphasis on root cause analysis, and has updated its in-house "Supervisors Basic Risk Management and Safety Training" class to reflect an enhanced focus on root cause analysis investigation principles.

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Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
18	RM should reinstitute regular safety-related communications to employees Countywide and consider creating a Countywide safety campaign.	Concur. RM would like to note that it meets regularly with department-based Safety and Training Officers and Department Safety Representatives. RM has been in the process of revamping its Safety Newsletter to make it more relevant to County employees. RM also agrees with the concept of aggressively communicating safety issues to line employees and will be pursuing various options to achieve that goal in 2012.	Completed	RM reinstated the County Safety Newsletter on a quarterly basis. Consideration was given to a countywide safety campaign, but chose to utilize a "Strategic Safety Initiative" directly with agencies/departments and their respective safety officers.
19	RM should a) clarify its ADA Title II role to the Board and agencies/departments, and b) fulfill its recordkeeping role by contacting agencies/departments on a quarterly basis to obtain data on all complaints and resolutions and creating an electronic log of all complaints.	Concur. a) RM has a clear understanding of its role in Countywide oversight and will communicate with the Board and agencies/departments its areas of responsibilities. The County ADA Title II Coordinator oversees and insures the process of agencies/departments complying with external complaints relative to public access to county programs and services. The County ADA Title II Coordinator responds to complaints and ensures that effective resolution of the problems (barrier to public service access or request for accommodation) is achieved and works in close collaboration with the affected agency/department and County Counsel and OC Public Works (OCPW) as appropriate. In regards to conducting inspections, specific compliance designs and inspections were completed and documented in the July 2002 Accessibility Survey Report and Transition Plan of all County owned facilities. Since becoming compliant with Title II for all County owned and leased facilities, ADA Title II inspections are only required when new County owned facilities are constructed or facilities are modified. RM works with OCPW on inspections as required because of their technical expertise in building codes and facility repairs/modifications and upgrades. b) RM will contact agencies/departments on a quarterly basis and request they submit their complaints/accommodations that they have received and their responses/resolutions. RM will look into developing an electronic log of all complaints.	Completed	a) RM clarified its ADA Title II role in its policies posted on the RM intranet, as well as in a brief statement found on the same intranet site. b) RM contacts Agency/Department ADA Title II Coordinators quarterly and electronically logs all complaints/concerns. In addition, the County ADA Title II Coordinator maintains an electronic log of complaints and concerns received directly. RM provided a training session/presentation on September 19, 2013 for all ADA Title II Coordinators regarding Accessibility Compliance.

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Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
20	<p>In the short-term, RM should work with a subcommittee of agencies/departments (e.g., SSA, Probation, OCSO) apart from the full RTW Committee to develop/revise/create components of the program prior to presenting them at RTW Committee meetings, and then dissolve this subcommittee once key elements of the program have been developed; RM should continue to tap RTW Committee members to lead discussions at meetings in order to gain agency/department participation and buyin.</p>	<p>Concur. (creation of subcommittee) In 2009, RM began the process of developing a formal Return to Work (RTW) policy on a Countywide basis. The RTW policy provides the framework and guidance in assisting County departments in developing their individual programs. Policy development included a review of existing policies from neighboring Counties, HRD and County Counsel review internally, and a review with key departments. Key program components need to reflect best practices as well as legal and HR issues. While every County department was not solicited, the policy developed does not conflict with existing informal practices and incorporated a focus on non-occupational medical disabilities as well. The policy serves to provide a uniform organizational approach to RTW which is something requested to be developed by RM. Going from policy development to program implementation is a major organization undertaking, particularly so in a very decentralized environment. RM put together numerous materials to assist in this process. One would certainly expect administrative issues to come up during the implementation process where certain areas require additional refinement in terms of program administration. The RTW Committee has served an important role in identifying issues needing clarification and this will continue to occur until the RTW Program fully matures. RM will task the subcommittee with reviewing the proposed Reference Guide on RTW discussed in response to Recommendation #21. Data metrics to fully evaluate the RTW program in terms of efficiency and effectiveness is critical. RM has produced metric reports on a bi-annual basis for occupational injuries concerning RTW and provided them to the major County departments for the last three years. There is no current database to capture non-occupational data. RM will create a subcommittee to work on this very specific and important area in conjunction with CEO/IT and the Auditor-Controller's office to determine in-house system capabilities as well as potential off the shelf software applications.</p>	<p align="center">Completed</p>	<p>RM established a Return to Work (RTW) Subcommittee consisting of six members representing Child Support Services, OC Waste & Recycling, Probation, and Social Services. The RTW Subcommittee developed Absence Tracking Payroll Codes, Job Analysis Development Training, reviewed and revised the Draft RTW/Transitional Duty Program Desk Reference Guideline for submittal and approval by the RTW Committee.</p>

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Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
21	<p>RM should a) have County Counsel join the RTW Committee and the smaller working group to ensure that the County does not expose itself to legal risks as it implements the Countywide RTW/Transitional Duty program, b) work with County Counsel to review legal issues related to the program that have been developed to-date, c) revise the Countywide RTW/Transitional Duty program policy to include guidance on when to involve County Counsel in RTW/Transitional Duty situations, and d) ask County Counsel to conduct training on the legal aspects of the RTW/Transitional Duty program (i.e., relevant labor and disability laws).</p>	<p>Partially concur.a) RM will notify County Counsel of meetings and provide them committee meeting minutes and will ensure they are present if legal issues are on the agenda.b) RM will work with County Counsel on any legal issues should they arise, however, current issues focus more on program administration.c) RM intends to develop an administrative Reference Guide on the RTW Program for use by County departments. Guidance information on when to involve County Counsel will be included.d) HRD and County departments already have regular training and legal updates concerning labor and disability laws. The implementation of a formal RTW Program does not require additional training to what is already provided.</p>	<p>Completed</p>	<p>a) County Counsel addressed the RTW Committee on October 27, 2011 and answered legal questions as they related to the RTW Program and accommodation issues. Since the release of this audit, RM kept County Counsel informed of RTW Committee meetings, but County Counsel did not participate unless a legal issued was on the agenda to be discussed.b) Agency/Department RTW members were advised that County Counsel is available any time to discuss legal issues on specific cases. c) The RTW/Transitional Duty Program Desk Reference Guidelines notes on Page 5 that County Counsel serves on the RTW Committee and upon request provides input and legal clarification to questions regarding employee absences and disability rights; and on Page 14, Legislation/Mandates, that should any legal concerns arise, each department is to seek County Counsel advice on how best to meet its obligations.</p>
22	<p>RM should a) revise the Countywide RTW/Transitional Duty policy by creating two distinct sections – one for employees with occupational (Workers' Compensation) injuries/illnesses and one for employees with non-occupational injuries/illnesses, and b) work with County Counsel to determine what elements of the policy should be required/mandated and make this distinction clear in a revised policy.</p>	<p>Do not concur. a) The County's approach to early RTW efforts should apply equally to both occupational and non-occupational injuries/illnesses. In either case, employees can choose to refuse the modified duty/alternative work assignment. The policy currently reflects the potential ability of the County to suspend disability benefits (i.e.-temporary disability benefits) if an employee were to refuse a RTW assignment. b) RM is not in support of trying to establish precise requirements for 90 day extensions of RTW. This was vetted carefully with County Counsel and the decision on granting extensions must be made on a "case by case basis." Many factors are in play including job performance, the ability of the agency/department to continue to provide a modified duty/alternative work assignment, and the employees' medical progress in terms of work restrictions. It is always important to document all RTW efforts in all situations.</p>	<p>Closed</p>	<p>RM Will Not Implement.</p>

CEO/Risk Management Audit Recommendations Follow-Up

Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
23	RM should consider requiring that work restrictions be obtained from employees' physicians only via agency/department RTW staff (or designated personnel) for occupational RTW cases, or through HCA/Employee Health Services for all non-occupational RTW cases.	Concur. RM does agree that whoever is assigned RTW responsibilities should have the responsibility for working with either HCA/Employee Health for non-occupational cases or RM on occupational cases. RM will either include this information in the existing policy or add it to the proposed Administrative Reference Guide.	Completed	RM clarified responsibility for verifying employee restrictions for Non-Occupational and Occupational Injuries and Illnesses lies with RTW staff in the RTW/Transitional Duty Program Desk Reference Guideline. A complete listing of Agency/Department representatives is noted in the reference guide's appendix.
24	RM should a) request that agencies/departments identify specific staff that will conduct job analyses for the development of job banks, b) provide training on how to conduct a job analysis, as needed, c) require that all jobs listed in job banks first undergo a job analysis, and d) modify appropriate policies and training materials to reflect these new requirements.	Concur. a) RM will work with agencies/departments to have them identify specific staff who will have the responsibility for developing job task banks or conducting job analysis. b) RM will arrange for training of County staff on developing job banks and conducting job analysis in addition to what has been provided in this area through the RTW Committee. c) RM believes it may not always be necessary to conduct a full blown job analysis on every single job task identified in the job bank. The training provided will enable agencies/departments to develop sufficient information on the identified job assignments listed in the job bank to conduct a level of analysis appropriate for the RTW Program. d) RM will the review the existing policy and the proposed Desk Reference Manual and determine where best to reflect this procedure.	Completed	a) RM provided a complete listing of Agency/Department RTW representatives in the reference guide's appendix, which will conduct job analyses for the development of job banks. b) RM provided a special training presentation on developing a job analysis. (A copy of the presentation is in the RTW/Transitional Duty Program Desk Reference Guideline appendix.) c-d) The RTW/Transitional Duty Program Desk Reference Guideline addresses RTW Training and Communication including key training elements for assigned Agency/Department RTW Representatives, and the need to review Job Analysis and Job Banks.

CEO/Risk Management Audit Recommendations Follow-Up

Rec. #	Recommendation	Management Response (as of January 13, 2012)	Follow-Up Status	Auditor's Comments
25	<p>RM should a) refine existing program efficiency metrics, b) add program effectiveness metrics, c) begin measuring qualitative performance, d) work with HCA/EHS to determine the feasibility of capturing data to aid in the tracking of employees with non-occupational injuries/illnesses in transitional duty assignments, and e) work with York to evaluate its ability to designate Workers' Compensation claims with transitional duty work assignments.</p>	<p>Partially concur.a) The development of metrics as previously mentioned is a huge undertaking that will be refined and developed over time. RM will be working with the subcommittee on additional metric refinements.b) RM will work with the subcommittee in the area of qualitative performance measurement.c) d) & e) RM will explore with HCA/Employee Health Services the feasibility and their capacity to assist in non-occupational data collection. While York may have the ability to capture more information in their claims system it is certainly not needed for the administration and provision of Workers' Compensation benefits. Additionally, this provides no solution for the non-occupational data collection efforts. As discussed under a different recommendation, RM will be evaluating this whole area in conjunction with the subcommittee, CEO/IT and Auditor-Controller's office.</p>	<p>Completed</p>	<p>a) RTW Subcommittee addressed and reviewed enhancing Absence Tracking Capabilities by modifying Absence Codes in the County's IntelliTime Payroll System (VTI), and improving performance metrics. b - c) RM has developed a set of metrics including a qualitative performance measurement tool in the form of an employee questionnaire that is collected on an annual basis. d) RM began dialogue with HCA Employee Health to determine the feasibility of modifying their data system to collect/report Non-Occupational Absences and Return to Work data. However, financial constraints to acquire a new system or make enhancements in HCA Employee Health prevented RM from collecting Non-Occupational RTW data. In the interim, RM relies on data captured by agencies/departments. e) RM receives statistics for Modified Duty Claims from York which RM uses to produce the metrics report and the fiscal year end Occupational Transitional Duty/Modified Duty Claims report for participating Agency/Departments in the Return to Work/Transitional Duty Program.</p>
26	<p>The County should consider instituting a limited ERM approach to augment its strategy discussions. An initial step would be to establish a Risk Committee that meets periodically and is composed of the following staff: two Board members, the CEO, the Risk Manager, and one Department Head from each of the following agency/department groupings: Community Services, Infrastructure, Public Protection, and General Government.</p>	<p>Partially concur. A program of this nature will require a sizable commitment of County resources to include County staff and outside consultants. The County should initiate this effort only after careful and thoughtful consideration. The governance structure and decentralized nature of the County will present significant challenges to the initiation of an integrated ERM program. RM is only aware of one other California County, the City/County of San Francisco who has implemented a limited approach to ERM in the areas of Crisis Management and Business Continuity should a major conflagration impact their community.</p>	<p>Completed</p>	<p>An ERM committee was established to consider instituting a limited ERM approach. The committee met twice and determined rather than an ERM approach, the County should concentrate on operational Risk Management.</p>

V. Conclusion

Overall, CEO/Risk Management has made progress in implementing the audit recommendations. Through this follow-up review process, the audit team was able to close 23 of the 26 (89%) recommendations. The remaining three recommendations are expected to be fully implemented within six to twelve months.