



County Executive Office
Memorandum

July 9, 2020

To: Michelle Aguirre
Chief Financial Officer

From: Michael Alio ^{MA}
Director of Risk Management

Subject: Response to the Final Report of the Orange County
Risk Management Services and Program Assessment

Following is CEO Risk Management's response to the recommendations contained in the Final Report of the Orange County Risk Management Services and Program Assessment dated June 2, 2020 and performed by CPS HR Consulting:

1. Policy and Procedure Effectiveness

Recommendation 1.1: Establish a schedule to routinely review and update policies, if needed, to ensure compliance with current regulation and current events, avoiding long periods between reviews.

CEO Risk Management Response: Concur and currently performing. Reviews occur but have not been structured to ensure compliance. We are currently updating our SharePoint intranet site to track review dates as well as revision dates of Safety and Loss Prevention Policies and Procedures. This site is being designed to automatically provide notification to the responsible party when a review is due.

Recommendation 1.2: Implement Recommended Policy Revisions – Review the recommended policy changes outlined within the report, focused on updating industry language, linking policies to performance measures, updating and re-issuing policies to staff to strengthen visibility, and ensuring roles are clearly defined at the appropriate level.

CEO Risk Management Response: Partially concur. Risk Management will make any necessary changes based on the recommendations; however, some recommended changes may not be necessary, may run counter to the accountability concept of safety established in Board of Supervisors Resolution #62-572, or requires initiation by others.

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Recommendation 1.3: Risk Transfer/Contract Management/Insurance Requirements – County should evaluate increasing insurance requirement limits to \$2 million for General Liability as the baseline standard to align with more proactive industry best practices. In the event that an across the board limits increase is not an option, it is highly recommended to review the types of agreements and increase the limits on contract types with the greatest risk, increasing limits for contracts exposures as needed.

CEO Risk Management Response: Partially concur. Raising insurance limits to \$2 million will unnecessarily raise costs to the County and create problems for vendors trying to obtain insurance for low risk contracts. CEO Risk Management currently reviews limits for specialized high-risk contracts and adjusts insurance requirements as necessary.

2. Americans with Disability Act (ADA) Compliance

Recommendation 2.1: The Transition Plan Binder should be updated annually with current names and contact information as it is noted as the “Public Review Copy” and should list appropriate parties for the public to contact.

CEO Risk Management Response: Concur. We will be placing a contact information sheet in the front of the “Public Review Copy” of the Transition Plan.

Recommendation 2.2: A more structured issues log should be developed and implemented with the initiating date, raised issue, and resulting disposition to build a more comprehensive record that would allow for trend analysis over time.

CEO Risk Management Response: Concur and recommendation completed. A log was created and is in current use through the County’s SharePoint site.

Recommendation 2.3: The draft Reasonable Accommodation and Request for Review forms currently under consideration should be implemented and used as precursor to an issue-tracking log (Recommendation 2.2 above).

CEO Risk Management Response: Concur and currently performing. The forms have been drafted and, upon finalizing after internal review, will be implemented.

3. Closing Project Analysis

Recommendation 3.1: County RM should initiate a schedule for reviewing claim pending volume and closing ratio every 4 to 5 years to determine whether a special closing project should be implemented utilizing the best practices criterion outlined above.

CEO Risk Management Response: Concur. CEO Risk Management will review every 4 to 5 years using the last three years of pending and closing ratios to determine if a closing project should be implemented.

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Recommendation 3.2: Future closing projects should establish written criteria, with input from the TPA, outlining the case selection methodology including the number, age, and specific types of claims to be included, in addition to a reasonable timeframe to guide those completing the project.

CEO Risk Management Response: Concur. All closing projects should be measured by industry standard metrics to measure the appropriateness of the project to include target closing numbers. If the results do not obtain the desired result, the project should be discontinued at the CEO Risk Management level to avoid unnecessary costs.

Recommendation 3.3: The determination to use an external vendor for closing projects should incorporate a review of current staff capability and availability, the potential for redundant efforts, and a comparison of the financial expense of utilizing internal or TPA staff compared to an external vendor.

CEO Risk Management Response: Concur. If CEO Risk Management and/or the TPA chooses to use an external vendor an independent audit may be needed to evaluate the external vendor effectiveness and adherence to industry best practices.

4. Workers' Compensation (WC) and General Liability (GL) Claims Processing

Recommendation 4.1: County RM should consider budgeting a designated support position to assist with file scanning, in addition to other support functions like conducting document and subpoena requests, drafting department notices, filing support, tracking OCERS information requests, and death certificate notifications.

CEO Risk Management Response: Concur. However, CEO Risk Management continuously looks for ways of leaning out the paper processes involved in the daily work.

Recommendation 4.2: Obtain greater RM autonomy from Board to expedite WC settlement process in granting authority to defense Counsel. It is noted that during the course of this project, RM addressed this situation and received an increase in authority from the Board of Supervisors from \$75,000 to \$150,000.

CEO Risk Management Response: Concur. CEO Risk Management obtained authority up to \$150,000 from the Board of Supervisors on 04-28-20.

Recommendation 4.3: Develop a quality control checklist or process to minimize missing information on submitted 5020s with the claim application.

CEO Risk Management Response: Concur. This will be integrated with the new online reporting procedure being rolled out in third quarter of Fiscal Year 20-21.

Recommendation 4.4: Review and adjust reserves to reflect indicated general liability settlements within RMIS on a timely basis based on current information.

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CEO Risk Management Response: Concur and currently performing.

5. Evaluation of Workers' Compensation Time Requirements

Recommendation 5.1: The Risk Manager should consider a dedicated or shared support position to free up Staff Specialist and Program Manager time for more technical work (e.g., claims, settlements, subject matter guidance).

CEO Risk Management Response: Concur. CEO Risk Management continues to look at opportunities to realign work and specific job tasks.

Recommendation 5.2: Assess if any of the WC Program Manager responsibilities can shift to Staff Specialists to free the WC Program Manager time for resolution specialist tasks, as discussed in the Closing Project Analysis.

CEO Risk Management Response: Concur. CEO Risk Management continues to look at opportunities to realign work and specific job tasks.

Recommendation 5.3: Implement a proactive schedule of routine training refresher courses reaching out directly to each department to address the departmental liaison feedback that refresher courses to ensure familiarity with all current regulations and processes would be beneficial.

CEO Risk Management Response: Concur. CEO Risk Management is currently looking at training opportunities through our enhanced training module Eureka. This will ensure more regular training modules regarding updated rules and regulations available to all agencies.

Recommendation 5.4: Facilitate training among HR, RM, and the departmental liaisons to address the departmental liaison feedback requesting training on the appropriate workers' compensation codes and payroll issues, such as restoration of benefits is also being requested.

CEO Risk Management Response: Concur. CEO Risk Management is currently working on training to address the nuances on departmental coding and payroll coordination.

6. Cost Allocation Methodology Assessment

Recommendation 6.1: RM should continue using the current annual cost allocation methodology as it aligns with best practices to monitor the results and ensure the continued stability required by the County.

CEO Risk Management Response: Concur and currently utilizing. CEO Risk management will continue to use the current annual cost allocation methodology to ensure continued stability required by the County in the program participants' rates.

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7. Adequacy of Policy Limitations

Recommendation 7.1: The County should continue the current practice of reviewing policy levels to ensure adequate coverage with consideration to updated internal loss documentation as it aligns with industry best practices.

CEO Risk Management Response: Concur and currently performing. CEO Risk Management will continue its current practice of reviewing its policies for adequacy, including insurance limits, changes in terms and conditions (if any), policy enhancements, trends in commercial insurance, and exploring additional coverage options available in the marketplace. As the County's exposures change and evolve over time, regular discussions are being held with the independent broker and with the Public Risk Innovations, Solutions and Management's (PRISM – formerly known as CSAC-EIA Excess Insurance Authority) broker to explore and evaluate commercial insurance options.

Recommendation 7.2: County brokers should continue the current practices of periodically reviewing available policies for purchase or through self-insurance to ensure the policy scope and coverage aligns with the most cost-effective option in a continually changing market. This periodic review, including a review of the private market, the California State Association of Counties – Excess Insurance Authority (CSAC-EIA), and potentially other JPA pools, reflects current use of industry best practices.

CEO Risk Management Response: Concur and currently performing. Refer to 7.1 above. In addition, our independent broker will perform a self-insured retention analysis as part of the Excess Liability renewal process.

8. Loss Exposure Policy Effectiveness

Recommendation 8.1: RM should work with the departments to identify the resources and information that would be useful to assist them in achieving a positive impact in reducing their losses.

CEO Risk Management Response: Concur and currently performing. OC Sheriff's Department (OCSD), Health Care Agency/Correctional Medical Services (HCA/CMS) and Social Services Agency (SSA) all receive monthly claims and litigation reports set up specifically for those departments with the information they requested to be in the reports.

Recommendation 8.2: Data in the Informational Metric Reports needs to be set in context within each department, including a section for overall industry trends, comparison to similar Orange County departments, or other county departments. Departmental liaison feedback identified a need for training to explain the impact of the provided data and how it could be utilized to improve their department specific loss reduction efforts.

CEO Risk Management Response: Partially Concur. While the metrics and provision of information could be improved, CEO Risk Management currently does not have a Risk Analyst, who would typically do advanced analysis of this type. CEO Risk Management currently offers

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Departmental meetings to discuss the metrics and how we can assist, and will keep this recommendation in mind as it moves forward with improvements in the future.

Recommendation 8.3: Large program reports providing examples of specific risk exposures, in addition to the County Risk Management Annual Report providing the high-level broad analysis, should be available as references to smaller departments to assist in the development of preventative programs based on County trends where small departments do not have sufficient data for individualized reports.

CEO Risk Management Response: Partially concur. Please see answer to 8.2 above.

Recommendation 8.4: RM should evaluate the current distribution of the informational metric reports and evaluate alternative sources of data and an expansion of the data provided. It is noted that during the course of this project, the IT division was implementing department specific data dashboards. This is an appropriate course of action to provide an additional source of data and RM should finalize the dashboards and then assess the efficiency of them once departments have started utilizing them.

CEO Risk Management Response: Concur. CEO Risk Management has been working with OCIT to develop Departmental dashboards for the past year.

Recommendation 8.5: RM should establish a training program to provide managers and executives with an understanding of current trends, historical summaries, and the financial impact to both departments and the County overall. This should be provided every two to three years, or when significant changes occur in liability trends.

CEO Risk Management Response: Partially concur. We do meet with departments and explain their results to them. CEO Risk Management provides training to Departments on specific issues, but does not have the current staffing to develop an extensive training program. This recommendation will be kept in mind as we move forward with improvements in the future.

Recommendation 8.6: RM should address the reported inconsistency in the level of department executive communication across the litigation process through the establishment of a standardized schedule of communications, proactively identifying when and what information will be provided, and to whom, during the litigation process to ensure clear expectations of shared information and consistently provided communication.

CEO Risk Management Response: Partially concur and currently performing. All departments in the County of Orange have a Risk Management Liability Contact Person with whom Risk Management communicates regarding litigation. Instead of a schedule of communication, CEO Risk Management provides Department Heads with lawsuit status any time this information is requested based on their needs.

Recommendation 8.7: RM should develop a training program for those persons participating in the litigation process explaining the details and issues surrounding investigation, claim analysis,

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testimony requirements and the process for determining settlement posture versus awaiting a verdict.

CEO Risk Management Response: Concur and currently performing.

9. Safety Training Effectiveness

Recommendation 9.1: Departmental management and supervisory staff should build a defined “safety culture”, elevating the recognition of safety and importance to the County and enhancing the current perception of safety.

CEO Risk Management Response: Partially concur. Although departmental management and supervisory staff are key in helping progress an improved safety culture, the primary driver of the importance of safety to the County resides with the County Executive Office Risk Management. We are currently focusing on the accountability aspect of the safety culture through organizational changes, providing tools to departments to help them fulfill their responsibilities, and development of an audit process to monitor effectiveness.

Recommendation 9.2: County RM should revisit and align delivery methods with preferred providers per course type, utilizing the survey data as a guide.

CEO Risk Management Response: Partially concur and currently performing. Over the last 6-9 months, we have been utilizing a variety of tools and methods to improve the effectiveness of training. These include the development of a Training Quality Specification that is a living document that addresses not only training course objectives, but delivery method, technical and peer review, etc. The survey data provided in this report is very limited; we currently rely on direct feedback through Eureka and effectiveness through knowledge checks. We have also been overhauling several curricula and delivery methods to accommodate more directly what the department needs are.

Recommendation 9.3: County RM should review the effectiveness ratings for each course, initially targeting those courses that were perceived as less than somewhat effective including courses on Intruder/Active Shooter Safety, Lock-out/Tag-out, Confined Space Entry, Job Safety Analysis, Welding Safety, and Portable Extinguisher Training.

CEO Risk Management Response: Partially concur. Although we agree the effectiveness ratings should be reviewed on an on-going basis and continue to do so, the results presented in the report do not indicate what specific class the respondent was reviewing and appear contrary to the course feedback provided through Eureka which is more real-time feedback (i.e., many of the respondents may have been responding to their experience with training that was taken more than 6-months ago, even though many of the training modules such as HazCom, Ergonomics, Portable Ladder Safety, Heat Illness Prevention, etc. have been significantly revised).

Recommendation 9.4: Recommend the County Office of Risk Management evaluate options for and implement a County Wide electronic training record keeping system to allow RM to review and identify departments not meeting acceptable standards. A mandate by the Board of

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Supervisors to require all departments that are subject to County funding be required to comply with the reporting tracking system.

CEO Risk Management Response: Partially concur. Although a centralized, roll-up training tracking system is ideal, there are many barriers today that make such a system more difficult to implement. We have recently been moving towards the use of HRS' Learning Management System, Eureka, to facilitate training assignment, recordkeeping, content, and management. Additionally, there are some safety training requirements obligated by the County for contract employees who are not on our payroll and Eureka is structured to track only those employees in our CAPS+ system (on payroll). Thus, a mandate to comply with a particular tracking system right now will not capture what is required.

Recommendation 9.5: Develop a county-wide training schedule, posting it in a common area and following up with departments to ensure all are aware of the available trainings.

CEO Risk Management Response: Do not concur. Safety training is not generic – each department will have different training needs. To accommodate that, over the last year we have been structuring a two-tiered training approach. Tier I refers to general awareness type of training of a particular safety topic. Tier II training complements Tier I by providing training specific to a particular unit's details. Much of the offerings, scheduling and on-demand training is conducted through the use of Eureka. There is a philosophical move away from paper forms of training schedules, and posting of paper forms; everything is online.

Recommendation 9.6: Follow up with each department on a quarterly basis to assess if there are any additional trainings needed to meet departmental requirements.

CEO Risk Management Response: Concur and currently performing. CEO Risk Management agrees that there is always a need to evaluate a department's needs, including as it relates to training. Our management schedules meetings with department management on a more frequent basis than quarterly already, in most cases.

Recommendation 9.7: Incorporate cross-departmental trainings on shared concepts (e.g., Job Safety Analyses, Emergency Action Plans, public accidents) to allow better understanding of cross- departmental operations. This shared understanding of exposures increases perception and awareness, impacting other departments and can influence a pro-active culture committed to safety and risk reduction.

CEO Risk Management Response: Concur and currently performing. Our current restructuring of the Safety and Loss Prevention staff moves staff who have been historically assigned to a given singular department in a more siloed fashion, to a more pooled resource that can be used across departments more readily. This will provide greater opportunities for shared knowledge (including training).

Recommendation 9.8: The alignment of key indicators, service delivery, and expectations between County RM and the serviced departments should be assessed every three years through

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customer satisfaction surveys to identify areas that are doing well and areas that could be improved.

CEO Risk Management Response: Partially concur. Key indicators, service delivery and expectations between CEO Risk Management and the departments is important. However, customer satisfaction surveys should not be the primary way to determining the success of these elements – that should be more of a collaborative effort. We have conducted “roadshows” and provided some documentation that helps departments understand roles and expectations for safety as we make some structural changes to the program. These expectations also include training responsibilities.