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**Review of the Office of Risk Management's
Fiscal Year 2009 Performance Accountability Report**

April 14, 2011

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EXECUTIVE SUMMARY

PURPOSE

Pursuant to D.C. Official Code § 1-614.13(c)¹, and in accordance with section 455 of Pub. L. No. 93-198², the Office of the District of Columbia Auditor (Auditor) conducted an audit of the Office of Risk Management's (ORM) Fiscal Year (FY) 2009 Performance Accountability Report (PAR).

CONCLUSION

The Auditor's scope included a review and analysis of all 13 Initiatives and 12 Key Performance Indicators (KPI) contained in ORM's FY 2009 PAR. For each Initiative and KPI, the Auditor requested documentation and corroborating evidence to support statements and data contained in the PAR.

The Auditor agreed with the rating that the Office of the City Administrator (OCA) assigned to five of the 13 Initiatives. The Auditor disagreed with the OCA's rating for eight of the 13 Initiatives. The results of the KPI review were:

- 7 - Not Certified
- 3 - Certified
- 2 - Certified with Qualifications

The Auditor found that the documentation and corroborating evidence retained by ORM was often insufficient to adequately support the statements made in the PAR. Lack of accurate performance data may hinder management's decision-making ability and impede District stakeholders from monitoring ORM's actual performance.

¹ See the Government Managers Accountability Amendment Act of 1995, effective May 16, 1995 (D.C. Law 11-16; D.C. Code § 1-614.11 *et seq.* (2002)). Specifically, *see* D.C. Code § 1-614.14(c) which states that "the District of Columbia Auditor shall conduct an audit of selected performance measures each fiscal year presented in the performance reports of certain agencies each fiscal year."

² See section 455 (b) of the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198, 87 Stat. 803); D.C. Code § 1-204.55 (b) (2001) which states: "The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe." *See also*, section 455 (c) of the District of Columbia Home Rule Act, as amended, approved December 24, 1973, (87 Stat. 803, D.C. Code § 1-204.55 (c) (2001) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

RECOMMENDATIONS

1. The ORM Director should develop a record retention system which properly documents the performance data reported in the PAR.
2. The ORM Director and managers should conduct periodic reviews of documentation related to the Medical Liability Captive Insurance Company (MLCIC), Agency Risk Management Representatives (ARMR) spreadsheet, and Disability Compensation Program Return-to-Work program in order to properly verify that documents: (1) are accurate and complete; (2) properly reflect the current procedures within the programs; and (3) properly reflect the performance data reported within the PAR.
3. The ORM Director should develop written policies and procedures for ORM's comprehensive property insurance program. These written policies and procedures should detail a record retention system to properly record all data related to ORM's comprehensive property insurance program.
4. The ORM Director should develop written policies and procedures for ORM's MLCIC. These written policies and procedures should detail a record retention system to properly record all transactions related to the MLCIC.
5. ORM Director should develop written policies and procedures detailing ORM's monitoring of District contract compliance with OCP's minimum insurance requirements. These written policies and procedures should detail a record retention system to properly record all ORM contracting transactions.
6. ORM's management should review and approve inspection and re-inspection data prior to entry into the REMEDY database.
7. ORM's management should conduct periodic review of the inspection and re-inspection data saved within the REMEDY database in order to ensure reliability and completeness of the information stored.
8. ORM Director should develop written "How Am I Driving? Call 311" campaign policies and procedures. These written policies and procedures should detail ORM's monitoring procedures.
9. ORM's management should conduct periodic reconciliation of complaint and compliment information within their manual system with the data recorded by the OUC 311 Call Center to ensure accuracy and completeness.
10. The ORM Director should develop a comprehensive Return-to-Work Program. The program, at a minimum, must track agencies that provide alternative duty assignments.

PURPOSE

Pursuant to D.C. Official Code § 1-614.13(c)¹, and in accordance with section 455 of Pub. L. No. 93-198², the Office of the District of Columbia Auditor (Auditor) conducted an audit of the Office of Risk Management's (ORM) Fiscal Year (FY) 2009 Performance Accountability Report (PAR).

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to:

1. determine the accuracy, quality, and utility of performance results presented in ORM's FY 2009 performance report; and
2. evaluate the procedures and internal controls that were used in collecting, analyzing and reporting performance data.

The scope of the audit was ORM's FY 2009 PAR. The audit focused on accomplishments and measurable data elements contained in the PAR, specifically 13 Initiatives and 12 Key Performance Indicators (KPIs). Appendix A lists the Initiatives and KPIs from ORM's FY 2009 PAR.

In conducting the audit, the Auditor performed interviews with ORM officials in the Risk Identification Analysis and Control Division, Medical Liability Captive Insurance Company (MLCIC) Division, and Disability Compensation Program (DCP). Further, the Auditor examined and evaluated data that was used in the PAR ensuring that it could be reconciled or verified to source documentation.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

¹ See the Government Managers Accountability Amendment Act of 1995, effective May 16, 1995 (D.C. Law 11-16; D.C. Code § 1-614.11 *et seq.* (2002)). Specifically, see D.C. Code § 1-614.14(e) which states that "the District of Columbia Auditor shall conduct an audit of selected performance measures each fiscal year presented in the performance reports of certain agencies each fiscal year."

² See section 455 (b) of the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198, 87 Stat. 803); D.C. Code §1-204.55 (b) (2001) which states: "The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe." See also, section 455 (c) of the District of Columbia Home Rule Act, as amended, approved December 24, 1973, (87 Stat. 803, D.C. Code §1-204.55 (c) (2001) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

BACKGROUND

As noted, the Auditor is required to conduct an audit of selected performance measures presented in the performance report of certain agencies each fiscal year. By doing so, the Auditor hopes to assist the District government to operate more efficiently, effectively, and economically while providing a higher quality of service to its residents.

ORM's mission is to provide risk identification, analysis, control, and financing direction and support to District agencies so they can minimize the total cost of risk and improve safety in the workplace.³

ORM's services include identifying gaps in agencies' risk management practices, recommending and overseeing the implementation of appropriate responses, administering the District of Columbia Government Employees' Disability Compensation Program and Tort Liability Program, providing risk training to District employees and conducting risk management assessments of all District government facilities and operations.

Changes Within ORM Management During the Course of the Audit:

ORM's employees responsible for compiling the agency's data, statistics, and information used in the FY 2009 PAR were no longer employed by the District of Columbia at the time of our audit. On July 1, 2010, ORM's Director was placed on administrative leave with pay. On July 7, 2010, ORM's Chief of Staff was also placed on administrative leave with pay. These two officials were designated as key points of contact for this audit. According to ORM officials, the former Director was separated from the District government effective September 14, 2010 and the former Chief of Staff began working for another District government agency on October 19, 2010.

The former Mayor immediately appointed an Interim Director and Interim Chief of Staff. The former Mayor's General Counsel was appointed Interim Director and the Interim Chief of Staff, was filled by an employee from the Office of the City Administrator, who also served as ORM's General Counsel. Interim ORM officials were unable to provide the Auditor with documentation summarizing the issues that led to the decision(s) to place the former ORM Director and Chief of Staff on administrative leave.

³ ORM's FY 2009 PAR page 1.

RESULTS OF AUDIT

A. Initiatives

Overview

The District of Columbia's Office of the City Administrator (OCA) defines Initiatives as specific activities that are expected to occur over the next one to three fiscal years. Ideally, implementation of Initiatives would have quantifiable results reflected in performance measures. OCA believes that Initiatives also allow the department to be more productive by focusing on a common goal.

Details

As shown in Appendix A, ORM reported on 13 Initiatives. Four (4) Initiatives were reported as fully achieved, eight (8) were reported as partially achieved, and one (1) was reported as not achieved. As presented in Table I, the Auditor reviewed documentation for ORM's 13 Initiatives to determine the validity and accuracy of the information presented. For the Initiatives reviewed, the Auditor agreed with only 5 of the ratings OCA assigned. Table I presents a brief explanation regarding the Auditor's analysis of ORM's 13 Initiatives and the corresponding achievement level for each of the initiatives.

Table I
ORM's Initiatives

Initiative Title	OCA's Rating	Auditor's Comments
1.1: Identify the District's insurable assets.	Partially Achieved	Agree. The Auditor reviewed ORM's D.C. Property Insurable Report which outlines the estimated insurable value of locations within the District.
1.2: Conduct property valuations on the District's insurable fixed assets.	Partially Achieved	Disagree. The Auditor reviewed and attempted to verify ORM's D.C. Property Valuation Project Plan of Action and found that ORM never executed a contract agreement with an insurance company to achieve this task. Therefore, the calculated property valuations could not be verified based on any documentation provided by an insurance company. As a result, instead of reporting this Initiative as "partially achieved," ORM should have reported it as "not achieved."
1.3: Select an Insurance Broker.	Partially Achieved	Disagree. The Auditor found that ORM never executed a contract agreement with an insurance company due to lack of funds in the ORM annual budget. As a result, instead of reporting this Initiative as "partially achieved," ORM should have reported it as "not achieved."

Initiative Title	OCA's Rating	Auditor's Comments
2.1: Solicit additional MLCIC ⁴ participants.	Fully Achieved	Disagree. ORM MLCIC officials were unable to provide documentation to support the achievement of this Initiative. Therefore, the Auditor was unable to verify that ORM recruited additional MLCIC participants. Instead of reporting this Initiative as "fully achieved," ORM should have reported it as "not achieved."
3.1: Develop minimum insurance requirements that can be shared across all District Agencies.	Fully Achieved	Disagree. Although ORM and the Office of Contracting and Procurement (OCP) developed a minimum insurance policy in calendar year 2009 (OCP Policy 3002.00), the policy was not effective until March 3, 2010. The Auditor also found that ORM did not have a MLCIC Coordinator until June 1, 2010. Instead of reporting this Initiative as "fully achieved," ORM should have reported it as "partially achieved."
4.1: Implement a District-wide public occupational safety and health awareness campaign.	Fully Achieved	Disagree. The Auditor reviewed ORM's on-line and instructor led training records for FY 2009. The Auditor's ability to verify that ORM delivered training to all District employees was impeded due to ORM's inadequate record keeping system. As a result, instead of reporting this Initiative as "fully achieved," ORM should have reported it as "partially achieved."
4.2: Conduct environmental and structural inspections at District Government buildings.	Partially Achieved	Agree. The Auditor reviewed and assessed the reliability of the information stored in ORM's inspection database (REMEDY). Although ORM conducted inspections and re-inspections in 2009, ORM's internal inspection summary report could not validate that ORM completed 60% of the inspections and 70% of the re-inspections that ORM reported in the PAR.
4.3: Compile and analyze inspection results in preparation to submit an environmental/building improvement proposal to OPM ⁵ and/or building "landlords" that focus on developing solutions to improve the safety and health environment for District employees.	Partially Achieved	Agree. The Auditor reviewed and assessed the reliability of the information stored in ORM's inspection database (REMEDY). ORM did implement the REMEDY system; however ORM did not create an environmental/building improvement proposal.

⁴ Pursuant to the Free Clinic Assistance Act of 1986, the District of Columbia Government assumed the medical liability exposures of designated non-profit health centers that serve the residents of the District of Columbia, regardless of their ability to pay. The District of Columbia Medical Liability Captive Insurance Company was created out of a need within the local medical community for relief from the prohibitive costs of Medical Malpractice insurance premiums. The District of Columbia Medical Liability Captive Insurance Company (MLCIC) was incorporated on May 29th, 2008 through the District of Columbia Department of Insurance, Securities, and Banking.

⁵ Effective August 1, 2009, the Office of Property Management (OPM) was changed to the District Department of Real Estate Services (DRES).

Initiative Title	OCA's Rating	Auditor's Comments
5.1: Affix "How am I Driving? Call 311" bumper stickers and insert Accident Reporting Procedures packets into glove compartments of 100% of District government vehicles that are identified after the District-wide fleet reduction initiative.	Fully Achieved	Disagree. The Auditor reviewed ORM's How Am I Driving? Call 311" bumper sticker standard operating procedures and attempted to verify the total number of bumper stickers affixed to and accident report packets inserted in District government vehicles. ORM was unable to validate the total number of 311 bumper stickers affixed to District government vehicles or the total number of accident report packets inserted in District government vehicles. As a result, instead of reporting this Initiative as "fully achieved," ORM should have reported it as "partially achieved."
5.2: Work closely with the 311 Call Center Manager and all Agency Risk Management Representatives (ARMR's) to track the calls from the 311 center by agency, by complaint versus compliment.	Partially Achieved	Agree. The Auditor reviewed, assessed and verified the reliability of the spreadsheet maintained by ORM which lists all of the complaints and compliments recorded in the Office of Unified Communications' (OUC) Premier database.
6.1: Effectively measure the outcome of our program with a goal of an overall cost reduction of 5 percent.	Not Achieved	Agree. The Auditor reviewed ORM's Disability Compensation Third Party Administrator report and confirmed that ORM only decreased the cost of the Disability Compensation Program by 1%, or \$172,601.76, compared to the prior year.
6.2: Implement a District Wide Intranet Light/Modified Duty Job Depository.	Partially Achieved	Disagree. The Auditor reviewed and assessed the reliability of ORM's Return-to-Work log. The Auditor found that ORM has not developed written policies and procedures detailing a comprehensive Return-to-Work program. ORM was unable to provide documentation to support the reported 118 injured workers involved in the program or provide a listing of the District agencies involved in the program. Instead of reporting this Initiative as "partially achieved," ORM should have reported it as "not achieved."
6.3: Reduce lost wage payments to injured workers as a result of their Return to Work Light/Modified Duty.	Partially Achieved	Disagree. The Auditor reviewed and assessed the reliability of ORM's Return-to-Work log. ORM was unable to provide documentation to support the reported 118 injured workers or provide a listing of the District agencies involved in the program. ORM was also unable to support the \$400,454 in savings indicated in the FY 2009 PAR. Instead of reporting this Initiative as "partially achieved," ORM should have reported it as "not achieved."

Summary

In 8 of the 13 initiatives reviewed, ORM's documentation was insufficient to adequately support the statements made in the PAR. This reflects a lack of monitoring, record keeping, and sharing of information within ORM. Inaccurate or insufficient performance data may hinder management's decision-making ability and prohibit District stakeholders from monitoring ORM's actual performance. ORM should take steps to develop a complete and reliable record retention system and ensure that important recordkeeping responsibilities are defined within the formal policies and procedures of each of ORM's programs.

Recommendations:

1. The ORM Director should develop a record retention system which properly documents the performance data reported in the PAR.
2. The ORM Director and managers should conduct periodic reviews of documentation related to the MLCIC, ARMR spreadsheet, and Disability Compensation Program Return-to-Work Program in order to properly verify that documents: (1) are accurate and complete; (2) properly reflect the current procedures within the programs; and (3) properly reflect the performance data reported within the PAR.

B. Key Performance Indicators (KPIs)**Overview**

KPIs are commonly associated with an agency's objectives. KPIs should include a mix of outcomes, effectiveness, productivity/efficiency, demand, and outputs. KPIs must not only reflect the organization's goals, but must also be the keys to its success and be quantifiable (measurable). These indicators are usually long-term considerations that will ultimately assist the organization in meeting and exceeding expectations for the future.

The Auditor utilized a model certification rating⁶ to report on the results of our testing and evaluation of the KPIs contained in ORM's FY 2009 PAR. (The Auditor made some minor changes to the "Not Certified" category.) Ratings were classified as follows:

⁶ The model is a replica of the rating process that is utilized by at least two municipal audit offices to report on audits that focus on performance measures. The Texas State Auditor's Office and the Maricopa County Auditor's Office use this reporting standard.

Certification Ratings	
Certified	The reported performance indicator is accurate (+/- 5%) and, adequate procedures are in place for collecting and reporting performance data.
Certified with Qualifications	The reported performance indicator is accurate (+/- 5%) but, adequate procedures are not in place for collecting and reporting performance data.
Not Certified	Actual performance is not within 5% of reported indicator or, Actual data for the performance indicator could not be verified due to inadequate procedures, insufficient documentation, or because no data was reported by the agency.

As shown in Appendix A, ORM reported on 12 KPIs. The Auditor reviewed all 12 KPIs to determine the accuracy and reliability of the data ORM reported. Thus, for each KPI, the Auditor attempted to reconcile the performance indicator as it was reported on the ORM FY 2009 PAR to the source documentation and records of original entry that ORM provided. Additionally, the Auditor reviewed the internal control environment for each KPI to ensure that controls and processes associated with procedures for gathering and reporting data for each KPI were reliable. When controls were lacking, the Auditor made recommendations to strengthen them. Unless otherwise noted, the recommendations to improve controls were all derived from model standards developed by the Government Accountability Office and identified in their publication, Standards for Internal Control in the Federal Government, (GAO/AIMD-00-21.3.1).

Details

1) KPI 1.1: Reduce the District's % of insurable financial risk with the implementation of a comprehensive Property Insurance Program

Certification Discussion: This KPI was **not certified** because ORM did not report any data for this KPI in the FY 2009 PAR. The Auditor found that ORM did not establish a comprehensive property insurance program nor did ORM select and award a contract with an insurance broker. As a result, ORM did not reduce the District's percent of insurable financial risk in 2009.

Internal Control Discussion: The Auditor was unable to test the internal control environment for this KPI because ORM did not establish a comprehensive insurance program.

2) KPI 2.1: Annual incremental growth in the Medical Liability Captive Insurance Company (MLCIC) Division

Certification Discussion: This KPI was **certified with qualifications** by the Auditor. The Auditor found that the \$8,929,736 reported in the PAR was within 5% of the MLCIC Fund balance certified by the Office of the Chief Financial Officer.⁷ The Auditor found, however, that ORM could not provide supporting documentation or records of original entry used in the reporting this KPI.

Internal Control Discussion: The Auditor found that ORM lacked adequate internal controls to ensure that records were maintained to support information reported in the PAR. The Auditor found that ORM did not identify a dedicated employee to oversee the MLCIC until June 2010. As a result, ORM maintained incomplete MLCIC records, such as program and financial reports. The Auditor also found that ORM did not develop written policies and procedures for the MLCIC Division. The lack of program management and written policies and procedures resulted in inadequate internal controls for the MLCIC.

3) KPI 3.1: Percentage of District Government vendors in compliance with ORM minimum insurance requirements

Certification Discussion: This KPI was **not certified** by the Auditor. ORM officials were unable to provide supporting documentation to validate that 100% of District government vendors were in compliance with minimum insurance requirements, as reported in the FY 2009 PAR.

Internal Control Discussion: The Auditor found that ORM did not establish internal controls for monitoring District contracts or vendors to ensure compliance with OCP's minimum insurance requirements.

4) KPI 4.1: Number of environmental and safety inspections/re-inspections at District Government buildings

Certification Discussion: This KPI was **certified with qualifications** by the Auditor. The Auditor found that ORM conducted a total of 430 inspections and re-inspections of District government buildings in FY 2009, however, the number of inspections versus re-inspections in ORM's inspection database (REMEDY) conflicted with the numbers ORM submitted to OCA for the FY 2009 PAR. The Auditor found that ORM's database listed 336 safety inspections, but ORM reported a total of 305 inspections in the PAR. Further, the database documentation listed 94 safety re-inspections, but ORM reported 125 re-inspections in the PAR.

⁷ The OCFO certified a FY 2009 MLCIC Fund balance of \$8,992,834.55.

Internal Control Discussion: The Auditor reviewed ORM's internal controls for the REMEDY database system. The Auditor found internal control weaknesses in the manner in which data input into the system was validated. The Auditor found that the ORM had no procedures to validate the accuracy of information on the inspection reports prior to manual entry into the REMEDY database system and the ORM Safety Officer did not conduct periodic reviews of the data input into REMEDY to ensure the accuracy of the reported data.

5) KPI 5.1: Percentage of District vehicles with affixed "How Am I Driving?" bumper sticker and Accident Reporting Procedure packets

Certification Discussion: This KPI was **not certified** because the Auditor could not test the data submitted to OCA to determine the accuracy of the data. Although ORM reported affixing 3,210 bumper stickers on District government vehicles, ORM could provide no supporting documentation to validate this assertion. According to ORM's "How Am I Driving? Call 311" bumper sticker deployment report, ORM sent a total of 7,914 bumper stickers to 59 District agencies. However, the Auditor found that ORM did not develop any monitoring procedures to properly ensure that all of the bumper stickers sent were affixed on District vehicles by each of the District agencies.

Internal Control Discussion: The Auditor found that ORM lacked adequate internal controls to ensure that records were maintained to support information reported in the PAR.

6) KPI 5.2: Call Center Complaint to Compliment ratio

Certification Discussion: This KPI was **not certified** by the Auditor because ORM did not report any data for this KPI. The Auditor found, through the Office of Unified Communications (OUC), that ORM received 1,175 complaints and 35 compliments for a complaint to compliment ratio of 33.6 to 1. ORM's FY 2009 PAR goal was to obtain a complaint to compliment ratio of 1.1.

Internal Control Discussion: The Auditor conducted a walkthrough of ORM's complaint and compliment record retention system. The Auditor found that ORM had limited access to the OUC Premier system where compliment and complaint data was recorded. ORM manually extracted the OUC 311 compliments and complaints data from the Premier system and entered the data into an internal spreadsheet. The Auditor found, however, that ORM management did not conduct periodic reviews or reconciliations of the data entered onto the ORM spreadsheet to the data contained in the Premier system. Lack of periodic review of ORM's spreadsheet could lead to potential errors in the data stored and presented in the PAR, if reported by ORM.

7) KPI 6.1: Total Cost of Disability Compensation Program (these amounts reflect settlements and adverse awards against the Disability Compensation Program)

Certification Discussion: This KPI was **certified** by the Auditor based on an annual report generated by the Third Party Administrator (TPA) responsible for administering the Disability Compensation Program (DCP). The TPA is responsible for recording, processing, and monitoring District employee disability compensation claims. The TPA's report indicated there were a total of 2,063 disability compensation claims in FY 2009 totaling \$22,063,692.

Internal Control Discussion: The Auditor found that the TPA managed all disability compensation program information stored in their database, JURIS. The Auditor found that internal controls for JURIS were sufficient in that the TPA maintained sufficient controls for access limited to specific DCP and TPA officials.

8) KPI 6.2: Total amount of lost time (days) in Disability Compensation Program

Certification Discussion: This KPI was **certified** by the Auditor based on an annual report generated by ORM's TPA. The report indicated the total amount of lost time for the DCP in FY 2009 was 327,700 days.

Internal Control Discussion: The Auditor found that the TPA managed all disability compensation program information stored in their database, JURIS. The Auditor found that internal controls for JURIS were sufficient in that the TPA maintained sufficient controls for access limited to specific DCP and TPA officials.

9) KPI 6.3: Average cost per injury per claim

Certification Discussion: This KPI was **certified** by the Auditor based on an annual report generated by ORM's TPA which indicated the average cost per injury per disability compensation claim in FY 2009 was \$10,694.96.

Internal Control Discussion: The Auditor found that the TPA managed all disability compensation program information stored in their database, JURIS. The Auditor found that internal controls to JURIS were sufficient in that the TPA maintained sufficient controls for access limited to specific DCP and TPA officials.

10) KPI 6.4: Percentage of agencies participating in the Return to Work and/or District wide Intranet Light/Modified Job Depository⁸

Certification Discussion: This KPI was **not certified** by the Auditor because ORM did not report any data for this KPI in the FY 2009 PAR. The Auditor found that ORM did not fully develop a comprehensive Return-to-Work Program. As a result, ORM officials could not provide any documentation to validate the total number of District agencies involved in a Return-to-Work Program and/or the Light/Modified Job Depository. The Auditor found that ORM's website listed only one District agency in the Light/Modified Job Depository.

Internal Control Discussion: The Auditor found that the controls for this KPI are inadequate. ORM has not established written policies and procedures related to the District's limited Return-to-Work Program, or developed a system to adequately record the number of disability claimants returning to work or the District agencies participating in the program.

11) KPI 6.5: Number of agencies participating in the Return to Work and/or District wide Intranet Light/Modified Job Depository

Certification Discussion: This KPI was **not certified** by the Auditor. ORM officials could not provide any documentation to validate or support the 18 District agencies ORM reported as participating in the Return-to-Work Program and/or Light/Modified Job Depository. Further, although ORM reported 18 District agencies participating in the limited Return-to-Work Program in the FY 2009 PAR, the Auditor found ORM's Intranet Job Depository listed only one (1) agency as participating in the program.

Internal Control Discussion: The Auditor found that the controls for this KPI are inadequate. ORM has not established written policies and procedures related to the District's Return-to-Work Program, or developed a system to adequately record the disability claimants returning to work or the District agencies participating in the program.

12) KPI 6.6: Total cost savings for the Return to Work Program

Certification Discussion: This KPI was **not certified** by the Auditor. ORM officials could not provide any documentation to support the reported 118 injured workers placed in ORM's limited Return-to-Work Program resulting in a reported total of \$400,454 in cost savings.

⁸ ORM uses the terms Return to Work Program and Light or Modified duty interchangeably. According to ORM's website at the time of our review, ORM had developed a Return to Work Program. According to the website, "The program was designed to benefit both the employees and the District of Columbia by retaining our valued experienced employees that have been injured on the job. We are providing them with an opportunity to return to work in a Light or Modified duty capacity encompassing both the medical and physical limitations imposed by their Physician."

Internal Control Discussion: The Auditor found that the controls for this KPI are inadequate. ORM has not established written policies and procedures related to the District's limited Return-to-Work Program, or developed a system to adequately record the number of claimants placed in ORM's limited Return-to-Work Program or the District agencies participating in the program.

Summary

The following is a summary of the Auditor's certification rating for each KPI, as well as the adequacy of the internal control processes associated with each KPI.

KPI No.	Certified	Certified with Qualifications	Not Certified	Internal Controls Adequate?
1.1			X	NO
2.1		X		NO
3.1			X	NO
4.1		X		NO
5.1			X	NO
5.2			X	NO
6.1	X			YES
6.2	X			YES
6.3	X			YES
6.4			X	NO
6.5			X	NO
6.6			X	NO

ORM expressed appreciation for the review of the 12 KPIs and indicated a desire to improve their methodology for collecting, tracking, and analyzing performance data in the future.

Recommendations

1. The ORM Director should develop written policies and procedures for ORM's comprehensive property insurance program. These written policies and procedures should detail a record retention system to properly record all data related to ORM's comprehensive property insurance program.
2. The ORM Director should develop written policies and procedures for ORM's MLCIC. These written policies and procedures should detail a record retention system to properly record all transactions related to the MLCIC.
3. The ORM Director should develop written policies and procedures detailing ORM's monitoring of District contract compliance with OCP's minimum insurance requirements. These written policies and procedures should detail a record retention system to properly record all ORM contracting transactions.
4. ORM's management should review and approve inspection and re-inspection data prior to entry into the REMEDY database.
5. ORM's management should conduct periodic reviews of the inspection and re-inspection data saved within the REMEDY database in order to ensure reliability and completeness of the information stored.
6. ORM Director should develop written "How Am I Driving? Call 311" campaign policies and procedures. These written policies and procedures should detail ORM's monitoring and data collection procedures.
7. ORM's management should conduct periodic reconciliation of complaint and compliment information within their manual system with the data recorded by the OUC 311 Call Center to ensure accuracy and completeness.
8. The ORM Director should develop a comprehensive Return-to-Work Program. The program, at a minimum, must track agencies that provide alternative duty assignments.

CONCLUSION

The Auditor's scope included a review and analysis of all 13 Initiatives and 12 Key Performance Indicators (KPI) contained in ORM's FY 2009 PAR. For each Initiative and KPI, the Auditor requested documentation and corroborating evidence to support statements and data contained in the PAR.

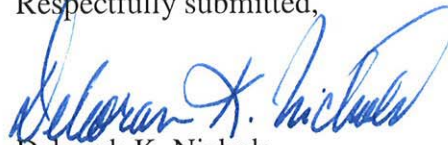
The Auditor agreed with the rating that the Office of the City Administrator (OCA) assigned to five of the 13 Initiatives. The Auditor disagreed with the OCA's rating for eight of the 13 Initiatives.

The results of the Auditor's KPI review of the 12 KPIs were:

- 7 - Not Certified
- 3 - Certified
- 2 - Certified with Qualifications

The Auditor often found that the documentation and corroborating evidence retained by ORM was insufficient to adequately support the statements made in the PAR due to ORM's lack of monitoring and poor recordkeeping. Lack of accurate performance data may hinder management's decision-making ability and impede District stakeholders from monitoring ORM's actual performance. These deficiencies should be promptly corrected to ensure a more accurate measure of ORM's performance.

Respectfully submitted,



Deborah K. Nichols
District of Columbia Auditor

APPENDIX



Office of Risk Management ORM (RK)

MISSION

The Office of Risk Management (ORM) provides risk identification, analyses, control and financing direction and support to District Agencies so they can minimize the total cost of risk and improve safety in the workplace.

SUMMARY OF SERVICES

The Office of Risk Management supports agencies' efforts to minimize the total cost of risk. ORM services include identifying gaps in agencies' risk management practices, recommending and overseeing the implementation of appropriate responses, administering the District of Columbia Government Employees' Disability Compensation Program and Tort Liability Program, providing risk management training to District employees and conducting risk management assessments of all District Government facilities and operations.

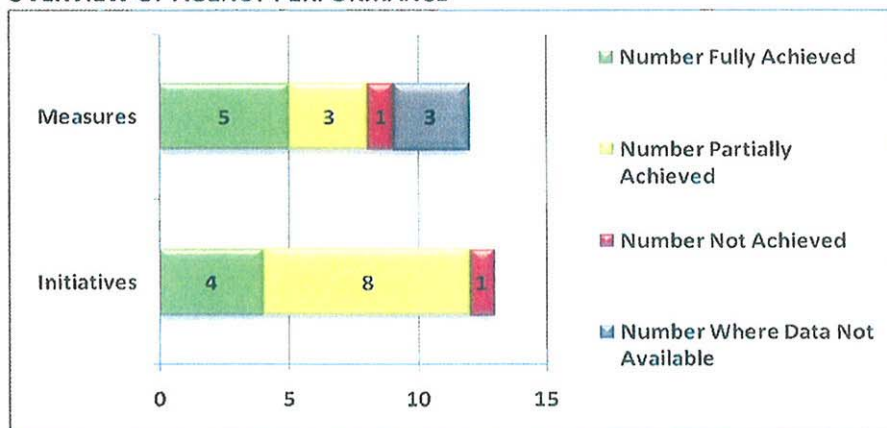
AGENCY OBJECTIVES

1. Reduce the District Government's financial risk by \$200M or more with the implementation of a comprehensive Property Insurance Program.
2. Enhance growth in the Medical Liability Captive Insurance Company (MLCIC) of 5% by soliciting participation from certain qualified Healthcare providers
3. Establish ORM as an insurance consultant for Contracting and Procurement through the authorizing agency of OCP to reduce risk assumed by the District.
4. Increase Public Occupational Safety and Health Awareness District-wide.
5. Implement a "How Am I Driving? Call 311" Program for District of Columbia Government Vehicles.
6. Implement various cost saving measures within the Disability Compensation Program (DCP) to help reduce DCP costs by 5 percent.

ACCOMPLISHMENTS

- ✓ 52% Vendor Compliance of Insurance Requirements
- ✓ Significant cost savings for DCP RTW Program

OVERVIEW OF AGENCY PERFORMANCE



Performance Initiatives – Assessment Details

Performance Assessment Key:

 Fully achieved
  Partially achieved
  Not achieved
  Data not reported

OBJECTIVE 1: REDUCE THE DISTRICT GOVERNMENT'S FINANCIAL RISK BY \$200M OR MORE WITH THE IMPLEMENTATION OF A COMPREHENSIVE PROPERTY INSURANCE PROGRAM.

INITIATIVE 1.1: Identify the District's insurable assets.

 With the assistance of OCTO's GIS division, DCORM obtained a top down report of all the EOM DC Owned properties. Using the GIS list of over 4600 properties with a combined value of \$3.4B DCORM obtained quotes for property insurance premium and we have all pertinent information required to conduct property appraisals. For very basic insurance coverage, including Terrorism and Boiler/Machinery, the premium was over \$1.3M. If we obtain the funds to perform property insurance appraisals on all of the properties above 5M in value, the premium cost could change up to 15-25%. The property premium is calculated by multiplying the rate times the property value; therefore if the property is appraised higher than the documented value in the GIS database, the premium will increase. The properties will also have to be reconciled with DRES portfolio on record for accuracy. The completion of the project is pending obtaining the necessary funding to conduct the appraisals.

INITIATIVE 1.2: Conduct property valuations on the District's insurable fixed assets.

 With the assistance of OCTO's GIS division, DCORM obtained a top down report of all the EOM DC Owned properties. Using the GIS list of over 4600 properties with a combined value of \$3.4B DCORM obtained quotes for property insurance premium and we have all pertinent information required to conduct property appraisals. For very basic insurance coverage, including Terrorism and Boiler/Machinery, the premium was over \$1.3M. If we obtain the funds to perform property insurance appraisals on all of the properties above 5M in value, the premium cost could change up to 15-25%. The property premium is calculated by multiplying the rate times the property value; therefore if the property is appraised higher than the documented value in the GIS database, the premium will increase. The properties will also have to be reconciled with DRES portfolio on record for accuracy. The completion of the project is pending obtaining the necessary funding to conduct the appraisals.

INITIATIVE 1.3: Select an Insurance Broker.

 With the assistance of OCTO's GIS division, DCORM obtained a top down report of all the EOM DC Owned properties. Using the GIS list of over 4600 properties with a combined value of \$3.4B DCORM obtained quotes for property insurance premium and we have all pertinent information required to conduct property appraisals. For very basic insurance coverage, including Terrorism and Boiler/Machinery, the premium was over \$1.3M. If we obtain the funds to perform property insurance appraisals on all of the properties above 5M in value, the premium cost could change up to 15-25%. The property premium is calculated by multiplying



the rate times the property value; therefore if the property is appraised higher than the documented value in the GIS database, the premium will increase. The properties will also have to be reconciled with DRES portfolio on record for accuracy. The completion of the project is pending obtaining the necessary funding to conduct the appraisals.

OBJECTIVE 2: ENHANCE GROWTH IN THE MEDICAL LIABILITY CAPTIVE INSURANCE COMPANY (MLCIC) OF 5% BY SOLICITING PARTICIPATION FROM CERTAIN QUALIFIED HEALTHCARE PROVIDERS

INITIATIVE 2.1: Solicit additional MLCIC participants.

Medical providers and organizations can purchase three types of insurance through the Medical Liability Captive Insurance Company, "Captive". As the Captive continues to evolve, DCORM will pursue additional ways to enable growth of revenue. In FY09, we enrolled two doctors who currently work for one of our free medical health centers: both purchased 24Hr coverage for the services they provide at other local health centers for a combined annual premium of \$14,100.

OBJECTIVE 3: ESTABLISH ORM AS AN INSURANCE CONSULTANT FOR CONTRACTING AND PROCUREMENT THROUGH THE AUTHORIZING AGENCY OF OCP TO REDUCE RISK ASSUMED BY THE DISTRICT.

INITIATIVE 3.1: Develop minimum insurance requirements that can be shared across all District Agencies.

DCORM established a comprehensive COI program in conjunction with OCP to ensure full contractual compliance with insurance requirements. Certificates of Insurance (COIs) were loaded into the new online tracking system COITS providing confirmation of compliance by 29 out of 55 agencies under OCP procurement authority, who submitted 195 COIs relating to 387 contracts. The COI tracking website has proven to be very useful for contracting officers who consult with DCORM for adequate insurance contract language and then submit the COI to DCORM for web-posting approval. COITS has been a key enforcement driver for the insurance contract compliance effort.

OBJECTIVE 4: INCREASE PUBLIC OCCUPATIONAL SAFETY AND HEALTH AWARENESS DISTRICT-WIDE.

INITIATIVE 4.1: Implement a District-wide public occupational safety and health awareness campaign.

DCORM successfully implemented a District-wide public occupational safety and health awareness campaign by training 13% of the District Government's employees exceeding the 10% goal.

INITIATIVE 4.2: Conduct environmental and structural inspections at District Government buildings.

Completed 60% of the occupational safety and health initial inspections of the DC Government property and/or owned/leased buildings 70% follow-up inspections of the locations from the initial inspections. This number was 5% short of the projection due to unanticipated staffing shortage.

INITIATIVE 4.3: Compile and analyze inspection results in preparation to submit an environmental/building improvement proposal to OPM and/or building "landlords" that focus on developing solutions to improve the safety and health environment for District



employees.

DCORM assisted with providing the requirements for the creation of a new database to compile and analyze inspection results. Implementation of the new system went live November 2009. This goal will continue into FY10. Recommendations to mitigate violations within 30 to 60 days were handled manually. Environmental proposal was not submitted, although individual agency inspections with recommendations were submitted to DRES and District agencies effected.

OBJECTIVE 5: IMPLEMENT A "HOW AM I DRIVING? CALL 311" PROGRAM FOR DISTRICT OF COLUMBIA GOVERNMENT VEHICLES.

INITIATIVE 5.1: Affix "How am I Driving? Call 311" bumper stickers and insert Accident Reporting Procedures packets into glove compartments of 100% of District government vehicles that are identified after the District-wide fleet reduction initiative.

DCORM's "How Am I Driving?" Campaign promotes a safe driving culture for District government employees through reporting instances of safe and unsafe driving practices and mitigating exposures of risk while ensuring the safety of motorists and District government employees. In FY09, DCORM affixed 3210 bumper stickers and inserted Accident Reporting Procedure packets into District Government vehicles identified after the District-wide fleet reduction.

INITIATIVE 5.2: Work closely with the 311 Call Center Manager and all Agency Risk Management Representatives (ARMR's) to track the calls from the 311 center by agency, by complaint versus compliment.

This measure was partially achieved. DCORM tracked the 1210 calls with the Call Center Manager and Agency Risk Management representatives. DCORM establish a standard operating procedure to include the following Responsibilities of DC Office of Risk Management (DCORM):

- On a daily basis, DCORM's Analysts will monitor, extract and review the compliment/complaint information that is in the Motorola Premier One CSR System, which is entered by OUC's Customer Service Representatives. At that point, the Analyst will extract the data and insert it into the monthly "How Am I Driving?" Tracking Log.
- Submit all complaints/compliments received to the Agency Risk Management Representatives (ARMR) and/or Certifying Fleet Officials at District Government Agencies within three (3) business days of the date of the incident.
- Once submitted to the agency official, the response to the complaint should be submitted back to DCORM within fifteen (15) business days of receipt of report.
- If a resolution is not received after the fifteen (15) business days, the ARMR and/or the FCO will receive an email reminder from DCORM Chief of Staff.

Submit a monthly "How Am I Driving?" summary to each agency that received compliments/complaints for employees in their agency. The reports are due to each ARMR by the 1st of each month. All monthly compliments/complaints from October 2008 to August 2009 are posted on the agency's Google Applications page. As a result of OUC's upgrade to a new Motorola database, complaints/compliments will no longer be posted on Google Applications starting September 2009 and thereafter.



<i>Month</i>	<i>Complaints</i>	<i>Compliments</i>
October 2008	123	4
November	93	2
December	91	2
January 2009	92	4
February	119	4
March	106	7
April	105	3
May	102	4
June	95	1
July	98	0
August	72	3
September	79	1

For Fiscal Year 2009, 1210 calls were received with 1175 being complaints and 35 being compliments. Thus, tracking the ratio was not as relevant as the types of complaints and the appropriate training to provide to offenders.

There is value in examining the types of calls that were

received and categorizing them by a designated code for tracking purposes. As a result, the nature of the

Complaints and compliments by agency and volume can be best examined, which will allow safety professionals to recommend tailored training, where needed. The categories for call types are as follows:

- *CM- Compliment
- *SP- Speeding
- *CUT-Cutoff/Almost Hit Driver/Pedestrian
- *ART- Aggressive/Reckless Driving/Tailgating
- *RUN-Ran a stop light/sign(s)
- *BLOC-Blocking Traffic
- *CELL-Driver on Cell Phone
- *NS-Driver did not use signals
- *DRINK-Driver was drinking alcohol/beer/wine
- *PARK-Parking Violation (fire hydrant, handicap, assigned parking, double-parked, etc.)
- *IB-Inappropriate Behavior (cursing, profanity, loud music, littering, etc.)
- *TORT-Accident

OBJECTIVE 6: IMPLEMENT VARIOUS COST SAVING MEASURES WITHIN THE DISABILITY COMPENSATION PROGRAM (DCP) TO HELP REDUCE DCP COSTS BY 5 PERCENT.

INITIATIVE 6.1: Effectively measure the outcome of our program with a goal of an overall cost reduction of 5 percent.

In FY09 total paid was \$22,063,692.89. This represents a slight decrease of \$172,601.76 to FY08's figure of \$22,236,294.65. Average paid per claim in FY09 was \$10,694.96 which is an increase from the FY08 average of \$10,664.89. However, it is noted there were fewer claims paid in FY09. There were 2,063 claims with payments in FY09. This represents a decrease of 22 claims as compared to FY08. It is noted there were reductions in permanent total cases by (8) from 246 in FY08 with total payout of \$5,015,545 to 238 in FY09 with total payout of \$4,716,478. A review of settlements and large payments of \$10,000 or greater reveals a total payout of \$2,158,966.98. Payments include settlements, Temporary Total Disability payments due to order, back COLA adjustments.



INITIATIVE 6.2: Implement a District Wide Intranet Light/Modified Duty Job Depository.

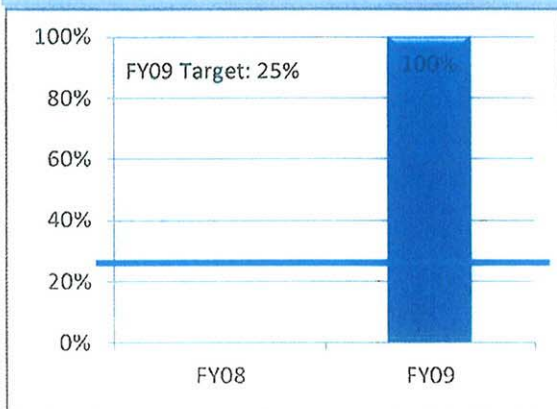
There were a total of 118 injured workers. Seventy-four injured workers were provided light duty work and 44 referred to other agencies via District of Columbia's Return To Work Program. Eighteen Agencies made accommodations for light duty work. In reviewing the Return to Work/ light duty or modified duty Cost Savings there was a total of 3281 days with payments of \$84,131 and total savings of \$400,454. Savings are calculated based on what the injured Workers would have been paid in temporary total disability if the District was not able to provide temporary work modifications.

INITIATIVE 6.3: Reduce Lost Wage Payments to Injured Workers as a result of their Return to Work Light/Modified Duty.

There were a total of 118 injured workers. Seventy-four injured workers were provided light duty work and 44 referred to other agencies via District of Columbia's Return To Work Program. Eighteen Agencies made accommodations for light duty work. In reviewing the Return to Work/ light duty or modified duty Cost Savings there was a total of 3281 days with payments of \$84,131 and total savings of \$400,454. Savings are calculated based on what the injured Workers would have been paid in temporary total disability if the District was not able to provide temporary work modifications.

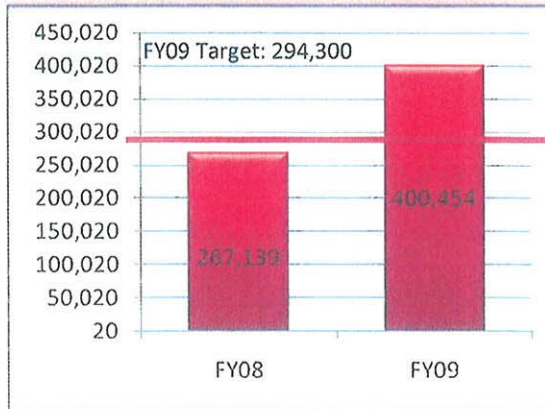
Key Performance Indicators – Highlights

From Objective 3: % of District agencies engaged by ORM (% of District Government vendors in compliance with ORM minimum Insurance requirements)



FULLY ACHIEVED

From Objective 5: Total cost savings for the Return to Work Program



FULLY ACHIEVED

More About These Indicators:

How did the agency's actions affect this indicator?

DCORM established a comprehensive Certificate of Insurance (COIs) program with OCP to ensure that District vendors fully comply with insurance requirements. COIs were loaded into a new online tracking system (COITS) providing confirmation of compliance by 29 out of 55 agencies under OCP procurement authority. The COI tracking website is useful for contracting officers who consult with ORM for adequate insurance contract language before submitting the COI to ORM for web-posting approval. COITS has been a key enforcement driver for insurance contract compliance.

What external factors influenced this indicator?

The COI tracking website has proven to be very useful for contracting officers who consult with ORM for adequate insurance contract language and then submit the COI to ORM for web-posting approval. COITS has been a key enforcement driver for the insurance contract compliance effort.

How did the agency's actions affect this indicator?

- DCORM initiated an aggressive RTW Campaign as a cost savings and containment strategy for the DCP Program.
- Savings are calculated based on the temporary disability payments injured workers would have received if the District did not provide temporary work modifications. This measure includes staff who returned to modified duty at their regular salary or in a temporary partial status and injured workers who missed no time from work because their temporary work restrictions were accommodated.

What external factors influenced this indicator?

None.



Key Performance Indicators – Details

Performance Assessment Key:

● Fully achieved
 ● Partially achieved
 ● Not achieved
 ○ Data not reported

	Measure Name	FY2008 YE Actual	FY2009 YE Target	FY2009 YE Actual	FY2009 YE Rating	Budget Program
1.1	Reduce the District's % of insurable financial risk with the implementation of a comprehensive Property Insurance Program ¹	N/A	0%			
2.1	Annual incremental growth in the Medical Liability Captive Insurance Company (MLCIC)	0	8757902	\$8,929,736	101.96%	RISK FINANCING DIVISION
3.1	Percentage of District Government vendors in compliance with ORM minimum Insurance requirements ²	0	25	100%	400%	RISK FINANCING DIVISION
4.1	Number of environmental and safety inspections/ re-inspections at District Government buildings ³	0	470	430	91.49%	RISK IDENTIFICATION & ANALYSIS
5.1	Percentage of District vehicles with affixed "How's My Driving?" bumper sticker and Accident Reporting Procedure packets ⁴	0	100	100%	100%	RISK IDENTIFICATION & ANALYSIS

¹ No measure was established internally.

² Formerly referred to as "% of District agencies engaged by ORM" This goal was attained. This measure was exceeded by 24.5 % DCORM estimated that we would enlist 25% of the agencies under OCP authority (currently 55). We enlisted 52% of agencies under OCP authority (currently 29).

³ In FY 09 in 305 safety inspections and 125 re-inspections were conducted for a total of 430. Staffing changes contributed to the reduction of inspections

⁴ This goal was attained 100%. The FY 09 government vehicle total was based on the government vehicle reduction initiative. ORM is working to affix stickers on DCPS vehicles in FY2010.

5.2	Call Center Complaint to Compliment ratio ⁵	N/A	1.1			
6.1	Total Cost of Disability Compensation Program (these amounts reflect settlements and adverse awards against DCP). ⁶	21904135	20808929	\$22,063,692	94.31%	RISK FINANCING DIVISION
6.2	Total amount of lost time (days) in Disability Compensation Program	0	393843	327700	120.18%	RISK FINANCING DIVISION
6.3	Average cost per injury per claim	0	4317	10694.96	40.36%	RISK FINANCING DIVISION
6.4	Percentage of agencies participating in the Return to Work and/or District wide Intranet Light/Modified Job Depository ⁷	0	50			RISK FINANCING DIVISION
6.5	Number of agencies participating in the Return to Work and/or District wide Intranet Light/Modified Job Depository	0	19	18	94.74%	RISK FINANCING DIVISION
6.6	Total cost savings for the Return to Work ⁸ Program	267,139	294,300	400,454	111.48%	RISK FINANCING DIVISION

⁵ The Percentage of agencies participating in the RTW and/or District wide Intranet Light/Modified Job Depository is unattainable to capture because there are more District Agencies with injured workers participating or receiving benefits from the DCP program than the RTW Return to Work and/or District wide Intranet Light/Modified Job Depository. Many agencies do not have light duty positions available to their injured employees with work restrictions. In FY09, there were 118 injured workers – 74 who were provided light duty work in their respective agencies and 44 referred to other District agencies via the RTW Program. We currently have 18 District Agencies enrolled in the RTW Program.

⁶ Formerly referred to as “Total Cost of Disability Compensation Program (These amounts reflect settlements and adverse awards against the program.”

⁷ As the number of agencies eligible for light duty changes so frequently, ORM opted to collect KPI 6.5, the number of agencies participating in the Return to Work program rather than the percent participating.

⁸ In FY09 the Return to Work modified duty Cost Savings for Lost time and No Lost Time cases there was a total of 3281 days with payments of \$84,131 and total savings of \$400,454. Savings are calculated based on what the injured Workers would have been paid in temporary total disability if the District was not able to provide temporary work modifications. The first category tracks those who returned to modified duty either at their regular salary thereby eliminating a disability payment or returned in a temporary partial status there by reducing their benefits based on time worked. The other category consists of injured workers who missed no time from work because their temporary work restrictions were accommodated.

AGENCY COMMENTS

AGENCY COMMENTS

On March 28, 2011, the Office of the District of Columbia Auditor submitted this report in draft for review and comments to the Office of Risk Management (ORM).

On April 7, 2011, the Auditor received written comments along with various attachments from the ORM Director. Where appropriate, changes were made to the final report based upon the comments received. ORM's written comments are appended, in their entirety, to the final report. ORM's attachments were too voluminous to append to the final report, however, this information, as deemed appropriate, may be reviewed, in the Office of the District of Columbia Auditor upon request.

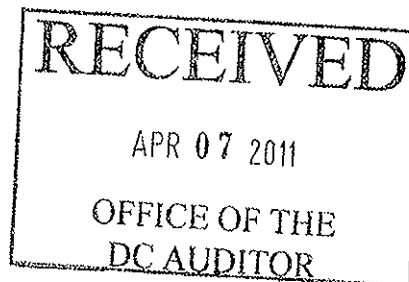
At the time of the audit, Medical Liability Captive Insurance Company and Return-to-Work Program documents attached to ORM's written comments were not made available to the audit team for review.



DISTRICT OF COLUMBIA GOVERNMENT DC OFFICE OF RISK MANAGEMENT

Phillip A. Lattimore, III
Acting Chief Risk Officer
April 6, 2011

Deborah K. Nichols
District of Columbia Auditor
717 14th Street, NW
Suite 900
Washington, DC 20005



Dear Auditor Nichols:

This is to provide comments on the draft report of the "Auditor's Examination of the Office of Risk Management's Fiscal Year 2009 Performance Accountability Report" (the "draft report"), which I received on March 29, 2011. As you know, I was appointed Acting Chief Risk Officer by Mayor Gray on January 24, 2011. The ORM employees who compiled the information and data contained in the FY 09 Performance Accountability Report (PAR) have left the agency. I am providing these comments based on the information that is in the custody, possession and control of this agency and its employees. I appreciate your taking these comments into consideration as you complete your final report.

BACKGROUND

For your information, the Office of Risk Management's (ORM) mission statement and summary of services have changed since the FY 2009 PAR was published. The current statement and summary are as follows:

MISSION

The mission of the Office of Risk Management (ORM) is to reduce the probability, occurrence and cost of risk to the District of Columbia government through the provision of risk identification and insurance analysis and support to District agencies, and by efficiently and fairly administering the District's public workers' compensation and tort liability programs.

SUMMARY OF SERVICES

ORM's Risk Identification, Analysis and Control Division conducts risk management assessments of District agencies' facilities and operations by identifying gaps in risk management practices and conducting building inspections, making related recommendations and overseeing their implementation, providing risk management training to District employees, and overseeing the formulation of agency emergency response plans. The Public Sector Workers' Compensation Program receives workers' compensation claims from injured District government employees, adjusts and manages those claims through its Third Party Administrator, and provides compensation and services to claimants, including medical and return-to-work services. The Tort Liability Program receives and investigates claims against the District government with the goal of negotiating and preparing claims for fair and timely settlement. The Insurance Program oversees the District's Medical Liability Captive Insurance Agency, which
441 4th Street NW, Suite 800S, Washington DC 20001

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DISTRICT OF COLUMBIA GOVERNMENT DC OFFICE OF RISK MANAGEMENT

Phillip A. Lattimore, III
Acting Chief Risk Officer

provides medical malpractice insurance to non-profit community health centers, and also provides advice to District agencies on risk and insurance policies and practices. Regarding footnote 4 of the draft report, please note that the purpose behind the creation of the DC Captive was to limit the District of Columbia's exposure to potential medical malpractice losses of health centers under the DC Free Clinic Assistance Act of 1986, and to issue affordable medical malpractice insurance policies to participating health centers.

RESULTS OF AUDIT

A. Initiatives

Initiative 2.1: Solicit additional MLCIC participants. The FY 09 PAR states that in FY 09, ORM provided medical malpractice policies for two doctors, increasing the overall membership of the Captive. The draft report states that ORM officials "were unable to provide documentation to support the achievement of this Initiative." Attached are copies of the policy endorsements for the two doctors (see Attachment A). This initiative should be rated as "fully achieved."

Initiative 3.1: Develop minimum insurance requirements that can be shared across all District agencies. The draft report disagrees that this initiative was fully achieved because the current Office of Contracting and Procurement (OCP) policy, which was provided to your office, was effective on March 3, 2010, in FY 2010. ORM subsequently found documentation of an earlier policy that includes the same minimum requirements as the current policy and that has an effective date of November 12, 2008 (see Attachment B). Also attached is documentation of training provided by former ORM and OCP officials on the policy (see Attachment B).

Initiative 4.1: Implement a District-wide public occupational safety and health awareness campaign. The draft report disputes that this initiative was achieved because the Auditor was unable to "verify that ORM delivered training to all District employees." The purpose of the initiative, however, was to develop and implement a training program that would be available District-wide, not to train all District employees. ORM provided the Auditor with records of this training, including a spreadsheet used to track attendance and a copy of all of the attendance rosters for instructor-led classes, which supported the statement on the FY 09 PAR that 13 percent of District employees were trained under this program. This initiative should be rated as "fully achieved."

Initiative 5.1: Affix "How am I Driving? Call 311" bumper stickers and insert Accident Reporting Procedures packets into glove compartments of 100% of District government vehicles that are identified after the District-wide fleet reduction initiative. We agree that there is no way to confirm that this was completed for 100% of District government vehicles because ORM relied on agency Fleet Certifying Officials to actually affix the stickers and insert the packages. However, it should be noted that ORM used a log to document its distribution of 3,210 bumper



DISTRICT OF COLUMBIA GOVERNMENT DC OFFICE OF RISK MANAGEMENT

Phillip A. Lattimore, III
Acting Chief Risk Officer

stickers to District agencies and that it conducted quarterly spot checks on District vehicles to ensure bumper sticker compliance (see Attachment C). The 3,210 number was arrived at using the Department of Public Works' fleet database information, which confirmed that there were 3,210 total vehicles in the District at that time.

Initiative 6.2: Implement a District Wide Intranet Light/Modified Duty Job Depository. The draft report states that ORM was unable to provide supporting documentation for this initiative. Sedgwick was able to provide its FY 09 Return to Work report after the Auditor's field work was completed, which substantiates some of the numbers in the FY 09 PAR's initiative summary. We will send that report to [REDACTED] under separate cover as it includes claimants' identifying information and should not be attached to the final published report.

Initiative 6.3: Reduce lost wage payments to injured workers as a result of their Return to Work Light/Modified Duty. The draft report states that ORM was unable to provide supporting documentation for this initiative. Sedgwick was able to provide its FY 09 Return to Work report after the Auditor's field work was completed, which substantiates some of the numbers in the FY 09 PAR's initiative summary. We will send that report to [REDACTED] under separate cover as it includes claimants' identifying information in it and should not be attached to the final published report.

Recommendations (p.6)

1. The ORM Director should develop a record retention system which properly documents the performance data reported in the PAR.

ORM Response: Agree. Since the time of the audit, ORM has already created a centralized system of storing documentation of performance information and data. The agency will also develop a more formalized record retention system. In the meantime, records retention within ORM is governed by the District government's General Records Retention Schedule.

2. The ORM Director and managers should conduct periodic reviews of documentation related to the MLCIC, ARMIR spreadsheet, and Disability Compensation Return to Work program in order to properly verify that documents: (1) are accurate and complete; (2) properly reflect the current procedures within the programs; and (3) properly reflect the performance data reported within the PAR.

ORM Response: Agree. ORM is working to improve its regular documentation of performance data.

B. Key Performance Indicators (KPIs)

KPI 2.1: Annual incremental growth in the Medical Liability Captive Insurance Company (MLCIC) Division. The draft report states "[the] Auditor found that ORM did not



DISTRICT OF COLUMBIA GOVERNMENT DC OFFICE OF RISK MANAGEMENT

Phillip A. Lattimore, III
Acting Chief Risk Officer

identify a dedicated employee to oversee the MLCIC until June 2010.” This is not accurate. Documentation of ORM’s hiring of a Program Analyst for the Captive in 2009 will be provided to [REDACTED] under separate cover as it includes confidential personnel information and should not be attached to the final published report.

KPI 5.1: Percentage of District vehicles affixed with “How Am I Driving” bumper sticker and Accidental Reporting Procedure packets. The draft report states that “[a]though ORM reported affixing 3210 bumper stickers on District government vehicles, ORM could provide no supporting documentation to validate this assertion.” As noted above, ORM used a log to document its distribution of 3,210 bumper stickers to District agencies and conducted quarterly spot checks on District vehicles to ensure bumper sticker compliance.

KPI 6.4: Percentage of agencies participating in the Return to Work and/or District wide Intranet Light/Modified Job Depository. The draft report states that “ORM officials could not provide any documentation to validate the total number of District agencies involved in a Return to Work Program and/or Light/Modified Job Depository.” Sedgwick was able to provide its FY 09 Return to Work report after the Auditor’s field work was completed, which substantiates some of the numbers in the FY 09 PAR’s initiative summary. We will send that report to [REDACTED] under separate cover as it includes claimants’ identifying information and should not be attached to the final published report.

KPI 6.5: Number of agencies participating in the Return to Work and/or District wide Intranet Light/Modified Job Depository. The draft report states that “ORM officials could not provide any documentation to validate or support the 18 District agencies ORM reported as participating in the Return to Work Program and/or Light/Modified Job Depository.” Sedgwick was able to provide its FY 09 Return to Work report after the Auditor’s field work was completed, which substantiates some of the numbers in the FY 09 PAR’s initiative summary. We will send that report to [REDACTED] under separate cover as it includes claimants’ identifying information in it and should not be attached to the final published report.

KPI 6.6: Total cost savings for the Return to Work Program. The draft report states that “ORM officials could not provide any documentation to support the reported 118 injured workers placed in ORM’s limited Return to Work Program resulting in a reported total of \$400,454 in cost savings.” Sedgwick was able to provide its FY 09 Return to Work report after the Auditor’s field work was completed, which substantiates some of the numbers in the FY 09 PAR’s initiative summary. We will send that report to [REDACTED] under separate cover as it includes claimants’ identifying information in it and should not be attached to the final published report.

Recommendations (p.13)



DISTRICT OF COLUMBIA GOVERNMENT DC OFFICE OF RISK MANAGEMENT

Phillip A. Lattimore, III
Acting Chief Risk Officer

1. ORM Director should develop written policies and procedures for ORM's comprehensive property insurance program. These written policies and procedures should detail a record retention system to properly record all data related to ORM's comprehensive property insurance program.

ORM Response: Disagree. ORM is no longer pursuing this initiative.

2. ORM Director should develop written policies and procedures for ORM's MLCIC. These written policies and procedures should detail a record retention system to properly record all transactions related to the MLCIC.

ORM Response: Partially agree. In fact, in March 2011 the Department of Insurance, Securities and Banking (DISB) approved the Captive's plan of operation, which was recently drafted and submitted to DISB pursuant to DC Code §§ 1-307.86 and -.87. The plan does not include policies on records retention, however. Since the Captive is administered by the Chief Risk Officer pursuant to DC Code § 1-307.84, the Captive will be subject to ORM's formal record retention system.

3. ORM Director should develop written policies and procedures detailing ORM's monitoring of District contract compliance with OCP's minimum insurance requirements. These written policies and procedures should detail a record retention system to properly record all ORM contracting transactions.

ORM Response: Partially agree. Because OCP Policy 3002.00, which already governs ORM's role in enforcing OCP's minimum insurance requirements, is in effect, we disagree that additional policies in this area are necessary. ORM is also working with OCP to incorporate ORM's review into the PASS system, which would create an electronic record of the review process. However, we agree that ORM should maintain records of its performance reviewing contracts (see response to Recommendation 1 on page 6).

4. ORM's management should review and approve inspection and re-inspection data prior to entry into the REMEDY database.

ORM Response: Disagree. ORM conducts over 500 inspections of DC government buildings per year. Given resource constraints, it is not practical to require ORM management to review and approve the record of every inspection and re-inspection before it is entered into the REMEDY database. We agree, however, with Recommendation 5 below, that management should conduct periodic reviews of inspection and re-inspection data in order to ensure reliability and completeness.



DISTRICT OF COLUMBIA GOVERNMENT DC OFFICE OF RISK MANAGEMENT

Phillip A. Lattimore, III
Acting Chief Risk Officer

5. ORM's management should conduct periodic reviews of the inspection and re-inspection data saved within the REMEDY database in order to ensure reliability and completeness of the information stored.

ORM Response: Agree.

6. ORM Director should develop written "How Am I Driving? Call 311" campaign policies and procedures. These written policies and procedures should detail ORM's monitoring and data collection process.

ORM Response: Disagree. ORM already has written policies and procedures for the "How Am I Driving? Call 311" (HAID) program. These policies and procedures were provided to the Auditor during the audit and are attached (see Attachment D). The HAID program will be subject to ORM's formal record retention system.

7. ORM's management should conduct periodic reconciliation of complaint and compliment information within their manual system with the data recorded by the OUC 311 Call Center to ensure accuracy and completeness.

ORM Response: Agree.

8. ORM Director should develop a comprehensive Return to Work Program. The program, at a minimum, must track agencies that provide alternative duty assignments.

ORM Response: Agree.

I hope this information is helpful. If you or your staff have any questions, please do not hesitate to contact me or Mrs. Amy Mauro at 727-8600.

Sincerely,

Phillip A. Lattimore III
Acting Chief Risk Officer

Enclosure