

RISK ASSESSMENTS FOR SMALL AGENCIES

SAFS RISK ASSESSMENT PRESENTATION

APRIL 4, 2017



TODAY WE WILL

- **Define risk**
- **Consider the role that risk awareness plays in the success of your agency**
- **Briefly discuss Executive Order 16-06**
- **Participate in risk brainstorming and risk prioritization exercises**

DEFINE RISK

“The effect of uncertainty on objectives.”

The effect could be positive (for example, an investment that turns out to be very lucrative) or negative (an investment in which all money is lost).



MOST AGENCIES HAVE

- **A mission statement**
- **A current strategic plan**

MISSION STATEMENTS



Help owners and operators meet financial responsibility and environmental cleanup requirements for underground storage tanks.

Promote equity and increase participation in public contracting and procurement for small businesses owned by minorities, women and disadvantaged persons



We independently resolve administrative disputes through accessible, fair, prompt processes and issue sound decisions.

Inclusion, Independence and Economic Vitality for People with Visual Disabilities.



Protect the past, shape the future.

IF YOUR MISSION STATEMENT AND STRATEGIC PLAN ARE YOUR GPS...

Your mission statement and strategic plan help set the course for the next few years. You have identified your mission and goals and are on the road to success.



... A RISK ASSESSMENT IS YOUR CAR'S COLLISION AVOIDANCE SYSTEM

You know where you want to go, but you need to identify and avoid hazards along the way or you might not get there.



WHAT ARE POTENTIAL RESULTS OF UNMITIGATED RISKS?

- **Your agency could fail to achieve its mission**

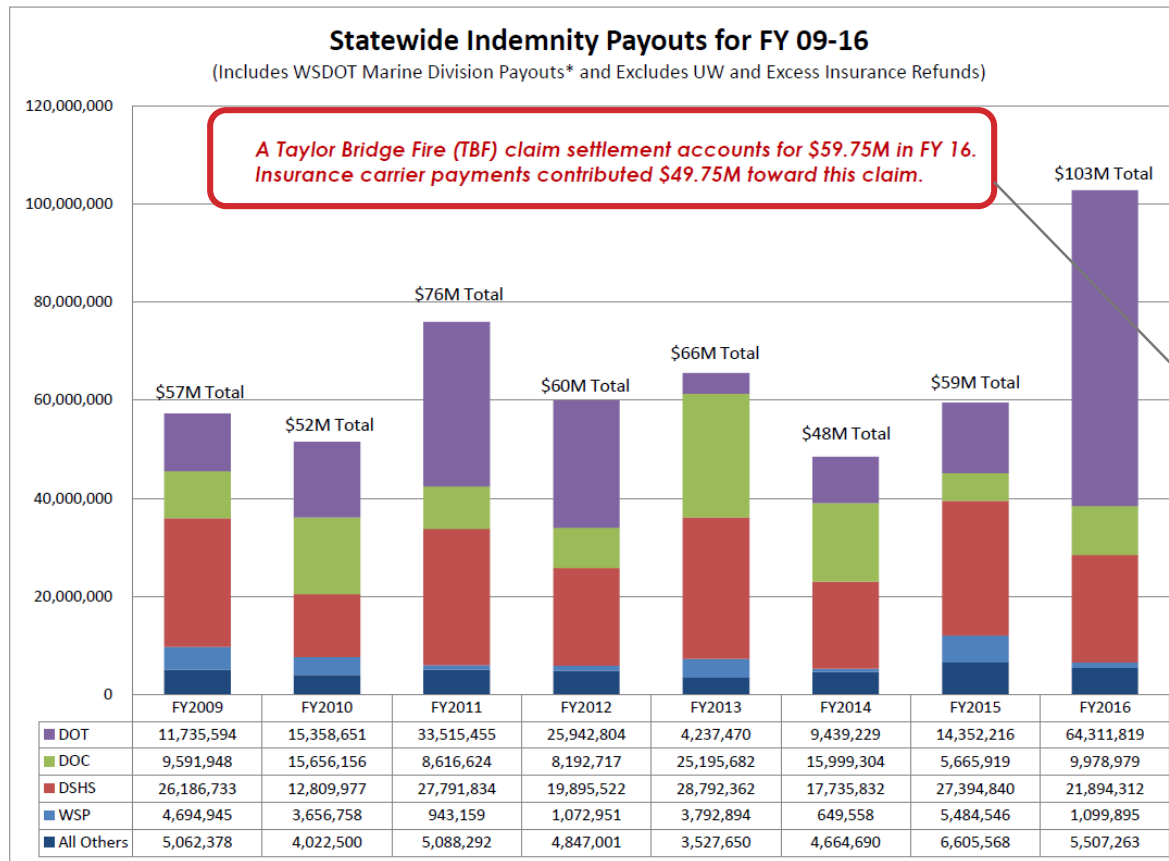
WHAT ARE POTENTIAL RESULTS OF UNMITIGATED RISKS?

- **Your agency could have significant financial loss.**
 - Federal funding
 - Regulatory fines
 - Non-tort lawsuits
 - Tort claims and lawsuits

WHAT ARE POTENTIAL RESULTS OF UNMITIGATED RISKS?

State of Washington
Department of Enterprise Services

Office of Risk Management



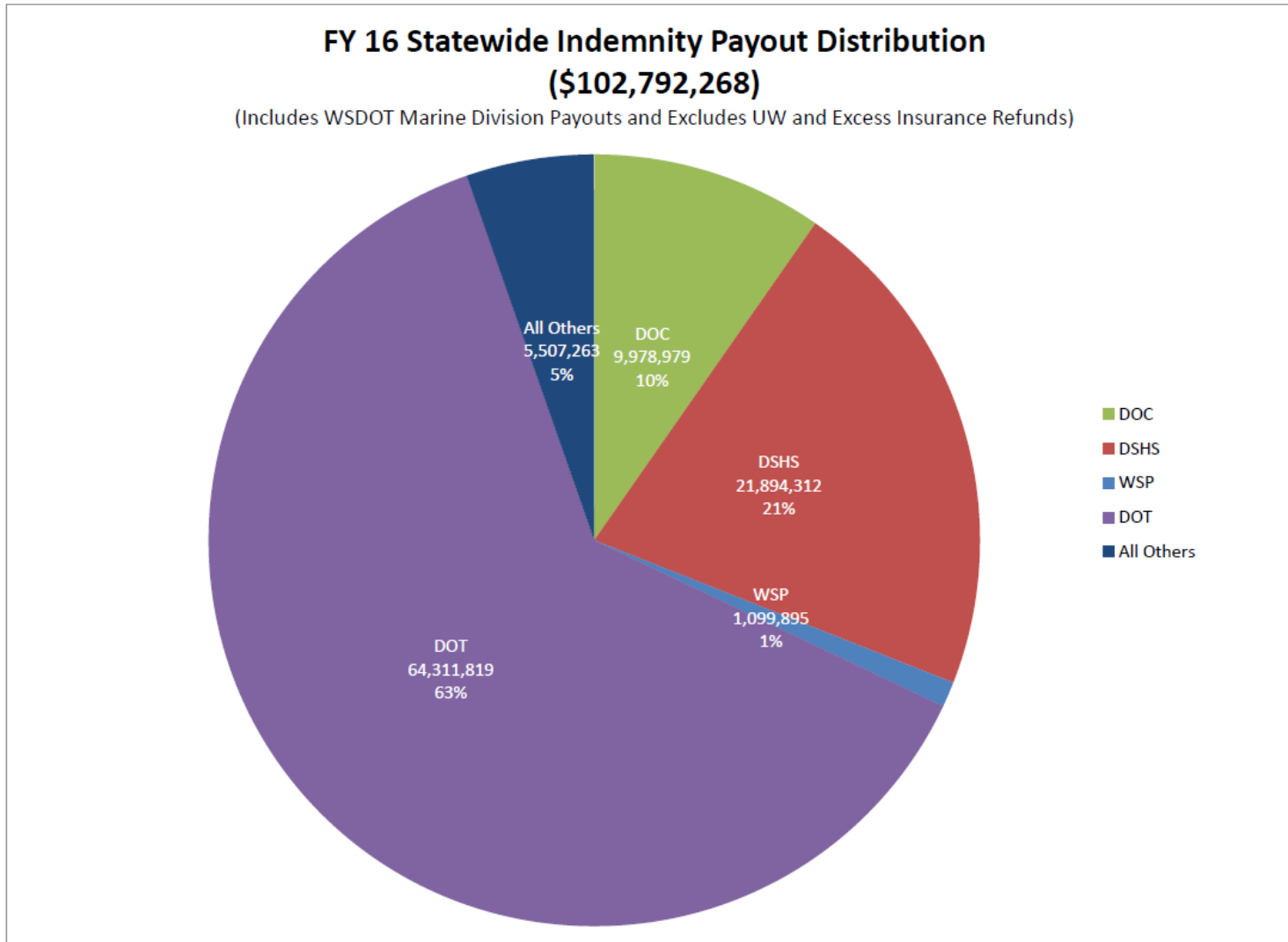
In 2016, the state of Washington paid out \$103 million in indemnity costs.

Nearly half (\$59.75M) was for the Taylor Bridge Fire claim settlement.

2016 PAYOUTS

State of Washington
Department of Enterprise Services

Office of Risk Management



2016 PAYOUTS

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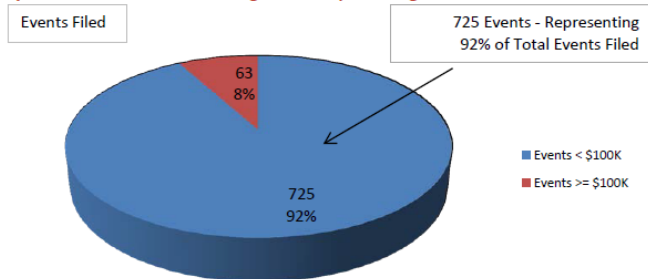
Office of Risk Management

Fiscal Year 2016 Frequency / Severity

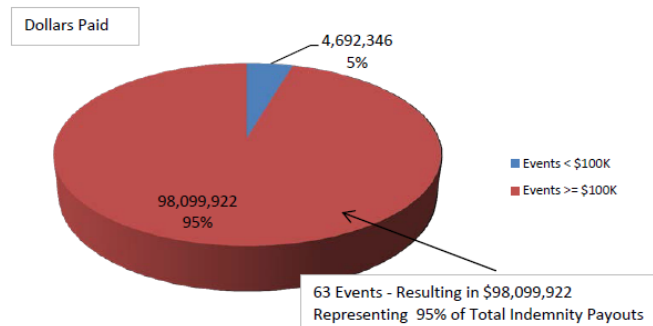
92% of event payouts are less than \$100,000 each and make up 5% of total dollars paid out for indemnities

The remaining 8% of event payouts make up 95% of total dollars paid out for indemnities

Only a few of the events resulting in claims paid are greater than \$100,000



Most of the events resulting in claims paid are for less than \$100,000



2017 PAYOUTS

nbcnews.com

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NEWS DEADLY MUDSLIDE OCT 10 2016, 12:18 AM ET

Washington Reaches \$50 Million Settlement in 2014 Oso Mudslide That Killed 43

by ALEX JOHNSON

Relatives of victims people killed in the March 2014 Oso mudslide reached a \$50 million settlement Sunday with the State of Washington just one day before their lawsuit is scheduled to go to trial, lawyers for the families said.

The settlement, which must be approved by the judge overseeing the case, would dismiss almost all claims only hours before the civil trial was to have begun Monday in King County Superior Court.

"We believe it is in the interests of the plaintiffs and the State to bring this matter to a full conclusion," the lawyers said, more than 2½ years after 43 people were killed when the mudslide covered a square mile of Washington's Stillaguamish River Valley, destroyed 49 buildings and closed a state highway for six months.

WHAT ARE POTENTIAL RESULTS OF UNMITIGATED RISKS?

- **Your agency could receive reputational damage, which can also cause financial damage, morale problems, etc.**

WHAT ARE POTENTIAL RESULTS OF UNMITIGATED RISKS?

- **Employees, or people you serve, can be injured or killed.**

WHAT ARE POTENTIAL RESULTS OF UNMITIGATED RISKS?

- **Audit findings**
- **Cyber breach**
- **Public records issues**

WHAT ARE POTENTIAL RESULTS OF UNMITIGATED RISKS?

Employment claims or lawsuits

- Sexual harassment
- Discrimination
- Whistleblower
- Failure to accommodate

WHAT IS A RISK ASSESSMENT?

**State Administrative & Accounting Manual (OFM) - SAAM
20.20**

“Risk assessment is an ongoing process that includes identifying risks to achieving agency objectives, analyzing the risks, and deciding how to respond to the risks.”

WOULD A RISK ASSESSMENT REALLY PREVENT EVERYTHING?

No.

But being aware of specific risks, prioritizing those risks and having plans for how to manage the risks helps.

HOW?

A thorough risk assessment is the best way to determine what might get in the way of accomplishing your goals on time.

GOVERNOR'S EXECUTIVE ORDER 16-06

All agencies shall, no later than September 1, 2016, prepare and update an agency Risk Management Policy consistent with these best practices. The agency policy shall include risk assessments or registers, with a mitigation plan for each identified risk, and provide such policies to the Office of Risk Management for review.

All agency Risk Management Policies shall be updated at least annually.

THE SUMMER OF 2016

The Governor issued the Executive Order at the beginning of the summer.

Last summer, DES ORM

- **Provided a 2-day intensive ERM training for risk managers,**
- **Provided an ERM policy template for use by agencies, and**
- **Conducted dozens of risk assessments at agencies.**

To date, about 60 agencies have submitted a full risk register and 20 have submitted a brief risk register as part of the budget submittal.

WHAT DOES A THOROUGH RISK ASSESSMENT LOOK LIKE?

- **Identify the risks – involve many in this process. No one person knows all of the risks of your agency.**
- **Prioritize the risks – usually done by managers.**
- **Develop a risk treatment plan (risk register).**

RISK IDENTIFICATION METHODS

Brainstorming workshops

Review of loss histories and near misses

Interviews

Self assessments

Risk survey or questionnaire

Managers only? All staff? Make sure all programs are involved in process.

The risk identification process needs to be safe.

WHAT DOES A DES-LED RISK
ASSESSMENT LOOK LIKE?

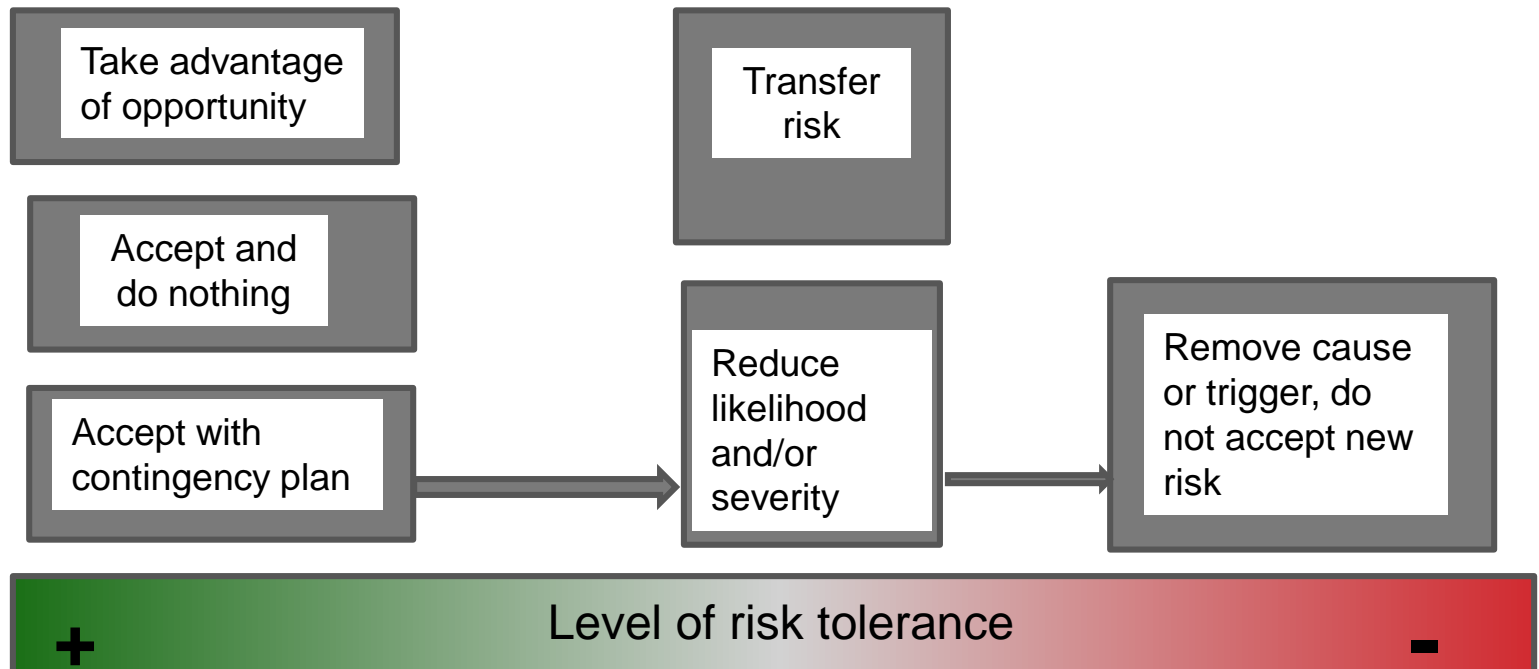
RISK REGISTER

A risk register should (at the minimum):

- List the risks
- Define a mitigation plan for each risk
- Assign each risk to an individual or group that has the authority and responsibility to manage the risk
- Describe the desired outcome (metrics) of each risk treatment

RISK TREATMENT DECISION STRATEGY

How the agency chooses to mitigate risk or accept opportunities will depend on its level of risk tolerance



RISK TREATMENT STRATEGIES

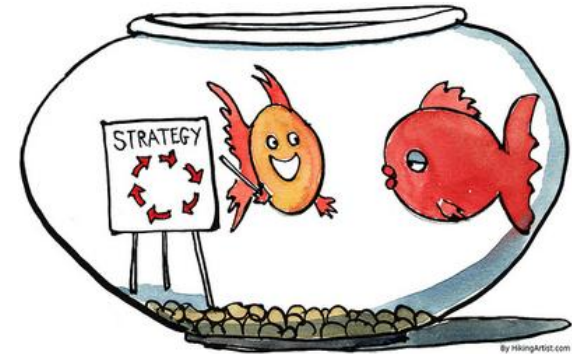
Avoid the risk – Implement actions to avoid the risk, e.g., not take on a new line of work

Transfer or share the risk – Shift the risk to another party (e.g. insurance policy or contract)

Reduce the risk – Implement controls or take actions to reduce the probability the risk will occur and/or reduce the impact should the event occur

Retain the risk by informed decision, continue to monitor

Take the risk in order to pursue an opportunity

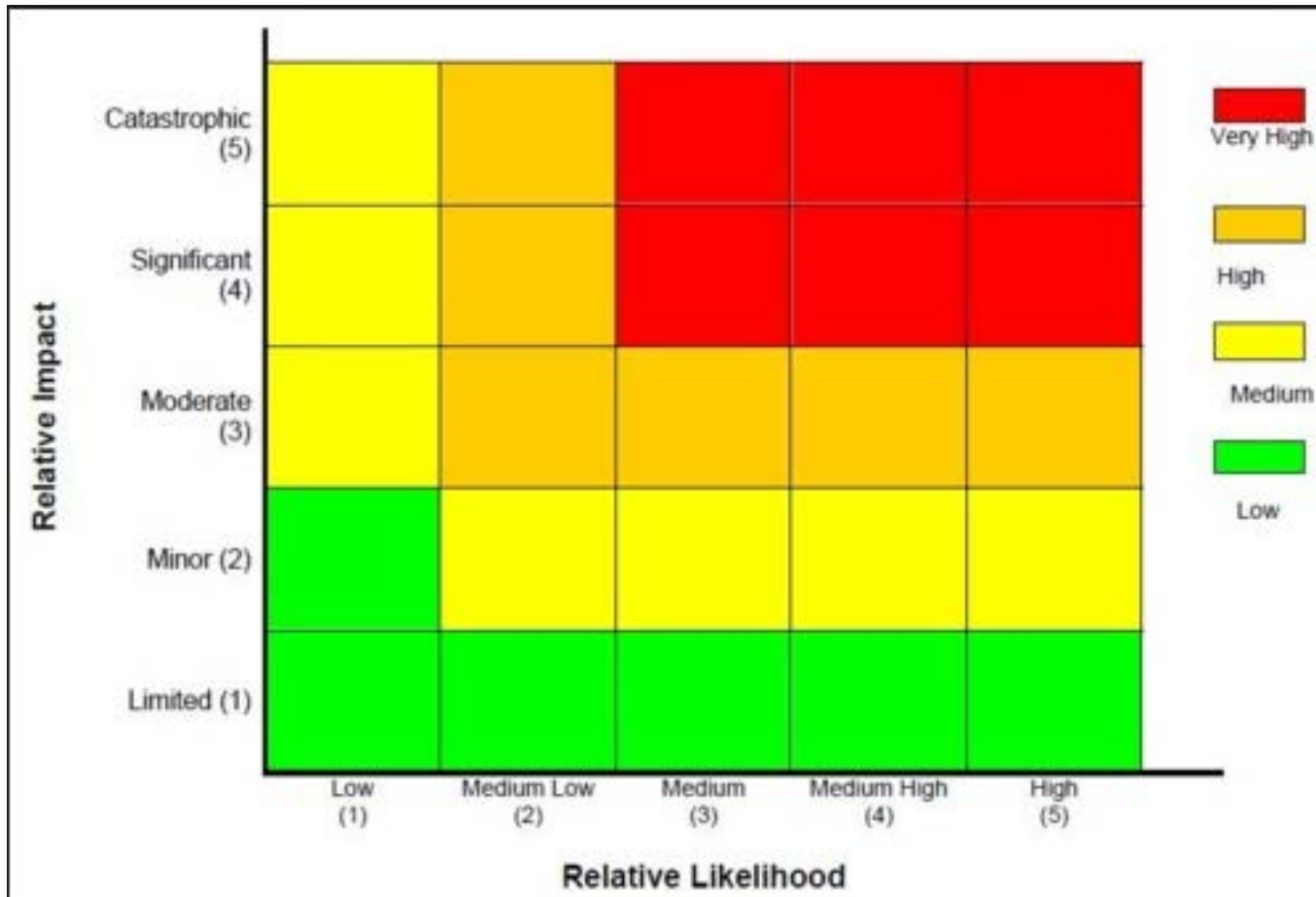


RISK REGISTER EXAMPLE

Goal or Objective	Priority Risk or Opportunity	Root Cause(s)	Risk Treatment		How will we know risk or opportunity was successfully addressed?	Target Response Date	Person Responsible
Maintain grounds to promote health and safety of staff and visitors	Inadequate parking lot maintenance could cause injury to staff or visitors	- Staff turnover	<input type="checkbox"/> Avoid <input type="checkbox"/> Accept & Monitor <input type="checkbox"/> Reduce frequency <input type="checkbox"/> Reduce impact <input type="checkbox"/> Transfer	-Cross train -Make recruitment / retention a priority	-Maintenance plan is documented and followed -Reduction in injuries Staffing levels at/above 90%	August 2016	Dan Jones
			<input type="checkbox"/> Avoid <input type="checkbox"/> Accept & Monitor <input type="checkbox"/> Reduce frequency <input type="checkbox"/> Reduce impact <input type="checkbox"/> Transfer				
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HEAT MAP

The risks can be plotted on a heat map, a powerful visual display of risks



MONITORING & COMMUNICATION

1. Monitor and Adjust: Make risk register review part of your monthly or quarterly meetings

- Risks don't go away once they are written down. Keep monitoring to determine if progress is being made to treat the risk.
- If the initial mitigation leaves the agency with unacceptable residual risk, try another risk treatment.

2. Communicate: Regularly communicate about the progress of the risk treatments

- One of the best ways to create a risk aware culture in your agency is to publicize successes. Let people know how the risk they reported was handled and what happened (or didn't happen) as a result.

RISK ASSESSMENT CYCLE BEGINS AGAIN

Start the risk assessment process again every year or sooner if context has changed

- Changes in organization structure or leadership
- New mandates
- Different strategic plan

IF YOU COMPLETED YOUR RISK REGISTER IN 2016

- **Quarterly reviews**
- **Root cause analysis**
- **Add metrics so that you know if you are moving the needle from unacceptable risk to acceptable risk.**

RISK ASSESSMENT AND PRIORITIZATION EXERCISE

HOW CAN I HELP?

- **DES ORM can conduct a risk assessment at your agency and provide you with a draft risk register of your prioritized risks.**
- **Executive Order 16-06 – lists best practices**
- **ERM for Dummies - a brief overview of enterprise risk management**
- **ERM Policy Template – adapt for your agency**
- **Risk Register Template – fill in for your agency**
- **Quarterly Risk Managers Meetings – hosted at DES**
- **PRIMA Webinars – hosted at DES**
- **Risk Manager Orientation**

THANK YOU

For further information or assistance, contact:

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