PERFORMANCE AUDIT OF THE CITY'S PUBLIC LIABILITY MANAGEMENT

A More Proactive, Enterprise Risk Management Approach Is Needed to Effectively Reduce Public Liability Costs, and Will Also Help Mitigate Risks to the City's Major Strategic Initiatives

Office of the City Auditor

City of San Diego

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June 2020

Performance Audit of the City's Public Liability Management

A More Proactive, Enterprise Risk Management Approach Is Needed to Effectively Reduce Public Liability Costs, and Will Also Help Mitigate Risks to the City's Major Strategic Initiatives

Why OCA Did This Study

The City spends substantial financial and human resources to process, litigate, and settle public liability claims against the City, such as trip and falls, City vehicle accidents, and alleged police misconduct. During Fiscal Year 2010 to Fiscal Year 2018, the City closed approximately 20,000 public liability claims and incurred $220 million in public liability costs to settle or otherwise resolve these issues. In addition to financial costs to the City government and taxpayers, public liabilities also frequently cause physical or emotional harm to affected residents and visitors, reducing their quality of life and damaging the City's reputation in the eyes of the public. In this audit, we evaluated how the City is identifying and addressing the myriad of public liability risks it faces.

What OCA Found

The City of San Diego and its operational departments largely take a reactive approach to risk identification and mitigation, both for public liabilities as well as risks to broader strategic goals. As a result, the City is likely incurring higher costs than necessary and may be falling behind the strategic advances in managing risk made by other large public and private organizations that employ industry-standard best practices, such as Enterprise Risk Management (ERM).

Finding 1: We found that while some departments have taken an effective approach to proactively avoid the realization of risk events, the City's public liability risk mitigation efforts are largely decentralized and siloed within individual City departments, resulting in a lack of coordination and information-sharing and inconsistent and reactive risk mitigation processes for public liabilities. To determine whether the City's decentralized approach is effective at minimizing its public liabilities, we reviewed trip and fall and City vehicle accident claims in more detail. Specifically, we found:

- The City's does not sufficiently prioritize sidewalk defect repairs in high pedestrian usage areas where future trip and fall liabilities are most likely to occur; and
- The City's vehicle accident risk mitigation efforts could include additional proactive vehicle trainings tailored specifically to operational departments and provided to all City vehicle drivers on a consistent basis.

Finding 2: We found the City does not systematically and consistently identify, assess, and develop mitigations for risks to the City's strategic objectives. The absence of a robust and proactive risk management framework likely results in unnecessarily high-risk exposure, such as inefficiencies, failure to achieve strategic goals, and higher costs.

Source: City of San Diego

What OCA Recommends

We made 9 recommendations to address the issues outlined in the report and ensure the City is reducing its strategic and operational risk exposure as well as minimizing the number of public liability claims and costs.

Key recommendations include:

- Designating an executive position to serve as the City's ERM manager, and providing this official and the City's Risk Oversight Committee with sufficient authority and resources to implement and lead an enterprise-wide risk management framework;
- Requiring operational departments to complete risk assessments on an annual basis and regularly review and adjust risk mitigation plans as needed;
- Documenting and implementing a procedure to prioritize sidewalk repairs in high pedestrian usage areas;
- Expanding the availability of proactive driver training that is customized based on each department's most common causes of vehicle accidents, and the types of vehicles involved;
- Developing a dashboard to provide City departments with comprehensive and department-specific claims data on-demand; and
- Recording and tracking public liability-related corrective actions in a manner that is accessible to City departments and personnel.

For more information, contact Kyle Elser, Interim City Auditor at (619) 533-3165 or cityauditor@sandiego.gov.

THE CITY OF SAN DIEGO

June 11, 2020

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit report on the City's Public Liability Management. This report was conducted in accordance with the City Auditor's Fiscal Year 2019 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented after page 96 of this report.

We would like to thank staff from the Risk Management Department, the Transportation and Storm Water Department, the City Attorney's Office, the Department of Information Technology, the City's Executive team, and other departments. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Geoff Teal, Danielle Knighten, and Andy Hanau.

Respectfully submitted,

Kyle Elser
Interim City Auditor

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Results in Brief

Public liability is one of many risks that the City of San Diego (City) faces. The City incurs liability for a wide variety of issues, such as when a resident trips on a damaged City sidewalk and falls, when a City vehicle driver is at fault in a collision, when flooding from a water main break causes damage to property, and for various types of alleged police misconduct. The City spends substantial financial and human resources to process, litigate, and settle public liability claims against the City. During fiscal year (FY) 2010 to FY2018, the City closed approximately 20,000 public liability claims and incurred $220 million in public liability costs to settle or otherwise resolve these issues. In addition to financial costs to the City government and taxpayers, public liabilities also frequently cause physical or emotional harm to affected residents and visitors, reducing their quality of life and damaging the City's reputation in the eyes of the public.

Finding 1: The City's Approach to Public Liability Mitigation is Largely Decentralized, Reactive, and Likely Results in Higher Liability Claims and Costs Than Necessary

The City of San Diego and its operational departments largely take a reactive approach to risk identification and mitigation. Overall, we found that the City is not systematically utilizing risk management best practices, such as Enterprise Risk Management (ERM), that can help determine what issues are resulting in public liabilities, and how the City can better allocate scarce resources to more effectively mitigate these risks. The ERM framework is a robust and proactive approach to setting organizational objectives and identifying and mitigating an agency's strategic and operational risks. The ERM framework seeks to break down organizational silos and ensures that risk-incurring areas are not just responding to strategic and operational risks but are actively anticipating and mitigating such events. As the City does not currently utilize an ERM-based framework to address its public liability risks, it may be falling behind the strategic advances in managing risk made by other large public and private organizations. Specifically, we found:

- The City has not implemented an entity-wide risk management strategy to manage its public liabilities;
- While some departments have taken an effective approach to proactively avoid the realization of risk events, the City's public liability risk mitigation efforts are largely decentralized and siloed within individual City departments, resulting in a lack of coordination and information-sharing and inconsistent and reactive risk mitigation processes for public liabilities; and
- The Risk Management Department (RMD) does not have the authority nor the resources to oversee and assist City departments in developing and implementing robust risk mitigation strategies.

To investigate whether the City's current decentralized approach is effective in identifying and minimizing public liability risks and costs, we reviewed the City's risk management approach for two specific types of claims in more detail—trip and falls and City vehicle accidents. We found that as a result of the City's decentralized and reactive risk management approach, the City's efforts to minimize the occurrence of trip and fall events are not as effective as possible, and the City could further enhance its efforts to reduce City vehicle accident events. Specifically, we found:

- The City's approach to trip and fall risk mitigation does not utilize data analytics to identify trends in the locations of trip and fall claims, and does not sufficiently prioritize sidewalk defect repairs in areas where future claims are most likely to occur. One likely result is that both the annual number of trip and fall closed claims and costs trended upward during FY2010 to FY2018. Overall, the City closed 875 trip and fall claims and incurred approximately $14.6 million in trip and fall claim costs during FY2010 to FY2018; and
- The City's approach to City vehicle accident risk mitigation is more robust, but could include additional proactive vehicle trainings tailored specifically to operational departments (e.g., most common cause of vehicle accidents, vehicle types that are involved in accidents, etc.) and provided to all City vehicle drivers

on a consistent basis. As a result, the number of City vehicle accident claims and claim costs remained relatively steady during FY2010 to FY2018, but did not decline overall.

We make several recommendations to improve the City's risk management efforts to address public liabilities. These include creating a Risk Oversight Committee, headed by a Citywide Risk Manager, with sufficient authority and resources to implement a City-wide ERM framework for public liabilities; requiring liability-incurring departments to develop annual risk assessments to identify and mitigate operational risks; and developing a public liability claims dashboard to enhance the collection and analysis of claim data and trends.

Finding 2: A More Proactive, Enterprise Risk Management Approach Will Enable the City to Better Anticipate and Mitigate Risks to the City's Major Strategic Goals

Public liabilities, such as trip and fall claims, are a major risk that costs the City millions of dollars per year and could be more effectively mitigated through an Enterprise Risk Management (ERM) approach. However, public liabilities are just one type of specific risk the City faces, and implementing a robust, proactive ERM-based risk identification and mitigation framework would also help the City carry out its broader and varied strategic and operational objectives. We found that the City is not currently following risk management best practices and is likely incurring higher risk costs, both financially and reputationally, by not currently utilizing an enterprise-wide risk management framework. Specifically, we found:

- The City does not systematically and consistently identify, assess, and develop mitigations for risks to the City's strategic objectives; and
- The City's risk mitigation efforts are largely decentralized and siloed within individual City departments, resulting in inconsistent and reactive risk mitigation processes for organizational risks.

The absence of a robust and proactive risk management framework likely results in unnecessarily high-risk exposure, such as inefficiencies, failure to achieve strategic goals, and higher costs. While some progress has been made, the City's current approach to risk management may not be effectively identifying and mitigating strategic risks. For example, the City

has taken a key first step in establishing an ERM framework by developing the City's Strategic Plan, which describes the City's top-priority strategic and operational objectives. However, the Strategic Plan should be subjected to regular and structured risk assessments to identify risks related to entity-wide strategic goals in order to develop risk mitigative steps. These steps should then be rolled up into a work plan which City leaders, managers, and employees seek to deploy in the course of their duties. This approach to entity-wide risk identification and mitigation would help the City advance its broad strategic objectives as effectively and efficiently as possible.

Recent Progress and Management Response

As we concluded this audit, we learned that the City's executive management had recently developed and begun implementing a proactive risk management framework, called an "Operational Framework," which incorporates several elements of the ERM framework—such as identifying and mitigating organizational risks through Chief Operating Officer Report Meetings and a Risk Oversight Committee. We make several recommendations, as mentioned above, to reinforce this new risk management framework to ensure it follows ERM best practices.

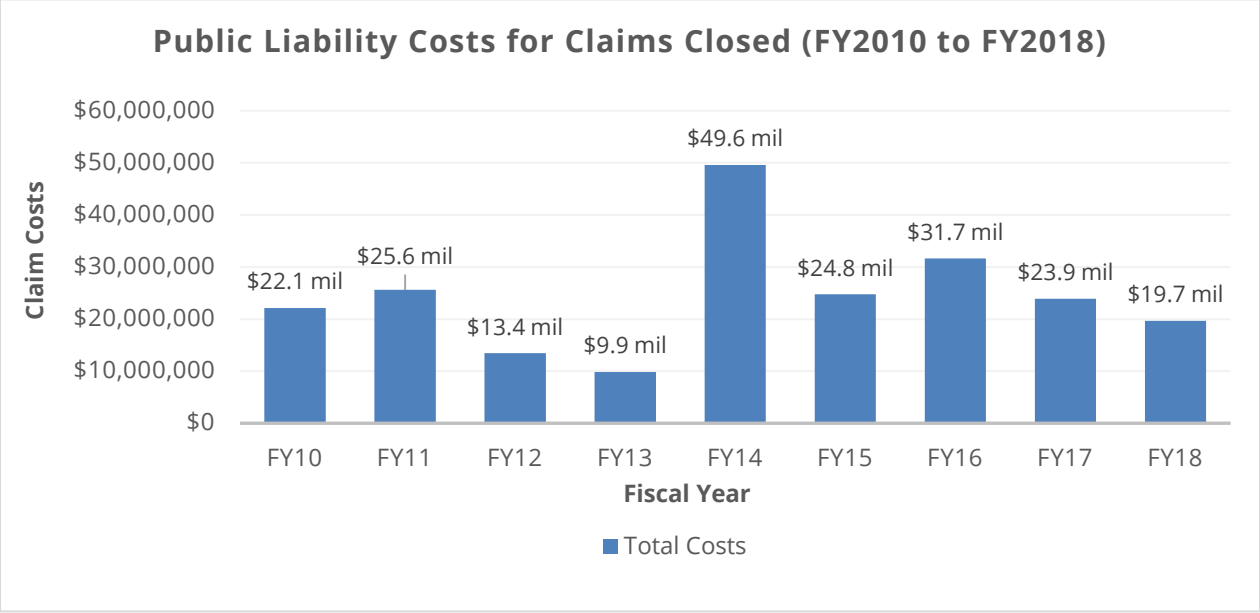
We made a total of 9 recommendations to address the issues described above. Management agreed to implement all 9 recommendations and noted that several of the recommendations have already been substantially implemented, including creating a Chief Compliance Officer position, convening work sessions with City departments to implement the City's Operational Framework (ERM-based framework), establishing a Risk Oversight Committee tasked with facilitating cross-departmental collaboration and executive-level focus on identifying, assessing, and mitigating risks to the City's strategic and operational objectives, and assessing ways in which the City can optimize the Risk Management Department's resources and functions to identify, mitigate, and respond to public liability and other risks that the City faces.

Background

Public liability is one of many risks that the City of San Diego (City) faces. The City incurs liability for a wide variety of issues, such as when a resident trips on a damaged City sidewalk and falls, when a City vehicle driver is at fault in a collision, when flooding from a water main break causes damage to property, and for various types of alleged police misconduct. The City spends substantial financial and human resources to process, litigate, and settle public liability claims against the City. As shown in **Exhibit 1** and **Exhibit 2**, during fiscal year (FY) 2010 to FY2018, the City closed approximately 20,000 public liability claims and incurred $220 million in public liability costs to settle or otherwise resolve these claims. In addition to financial costs to the City government and taxpayers, public liabilities also frequently cause physical or emotional harm to affected residents and visitors, reducing their quality of life and damaging the City's reputation in the eyes of the public.

Exhibit 1

The City Incurred Approximately $220 Million in Public Liability Costs for Claims Closed from FY2010 to FY2018

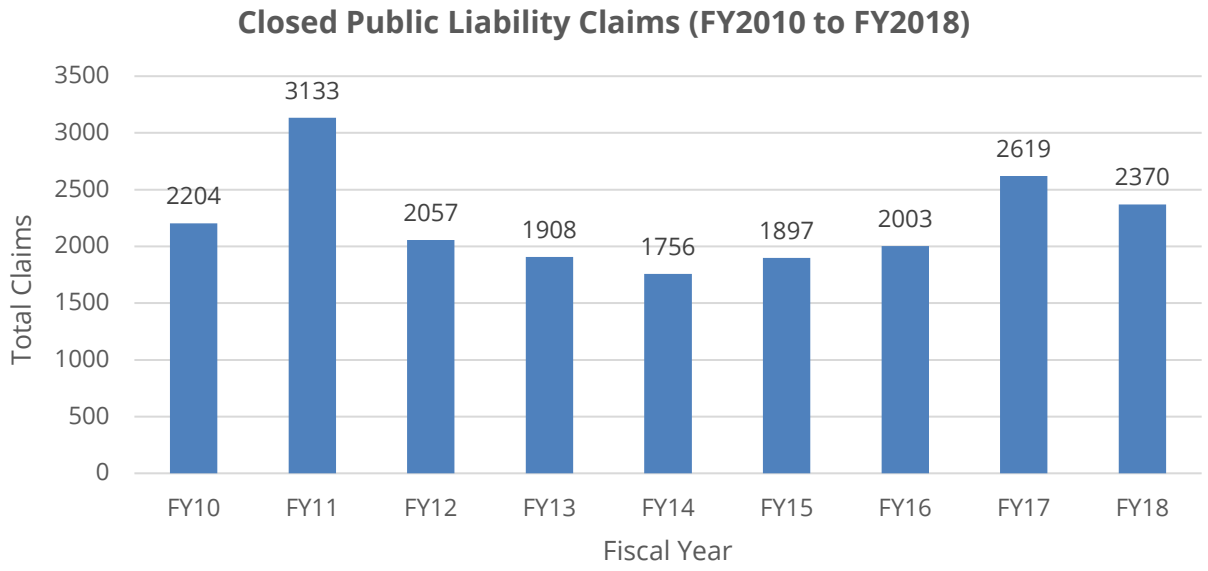


Note**:** Variations in public liability costs are due to large payouts on a small number of claims in certain years. Most claims result in small settlement payouts or no payouts at all.

Source: OCA generated based on data provided by the Risk Management Department.

Exhibit 2

The City Resolved Approximately 20,000 Public Liability Claims During FY2010 to FY2018



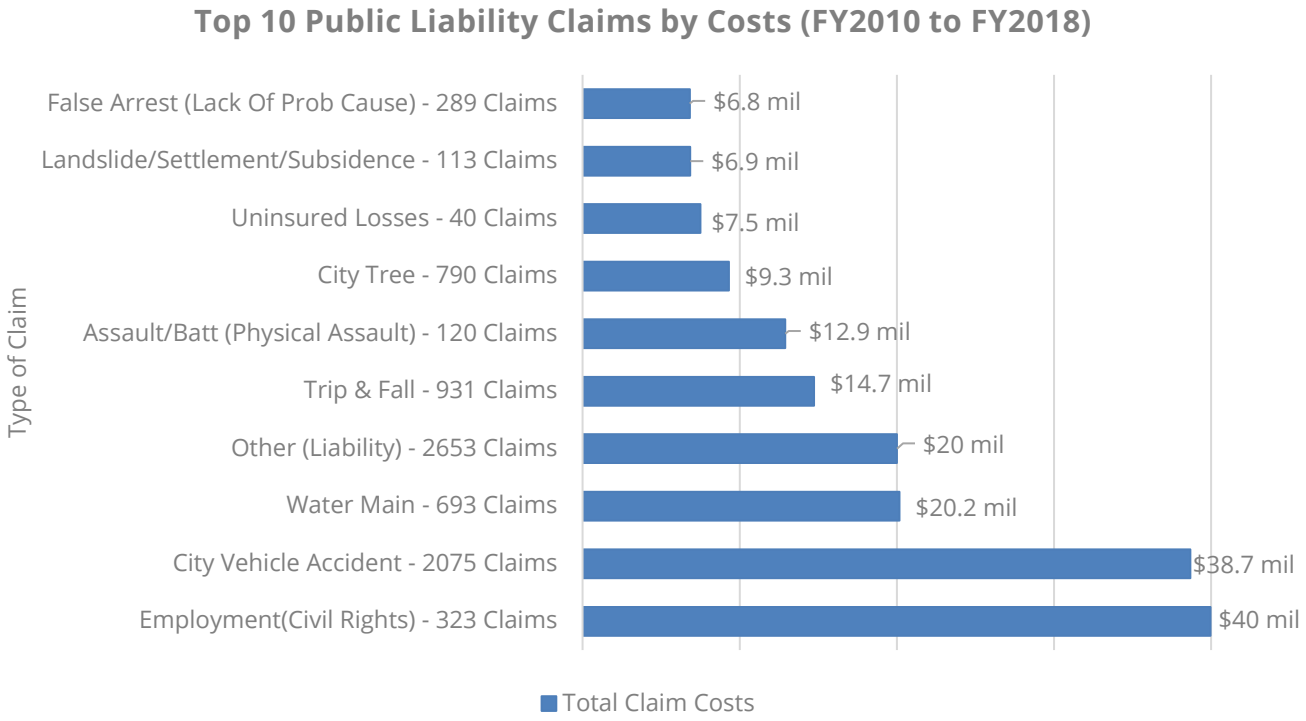
Source**:** OCA generated based on data provided by the Risk Management Department.

As shown in **Exhibit 3**, the City incurred various types of public liability claims during this time period, such as:

- Employment Claims (civil rights violations);
- City Vehicle Accidents (City vehicle driver found to be at fault for vehicle accident);
- Other Liability (catch-all for various infrequent and/or unique liability claims);
- Water Main (property damage caused by water main breaks); and
- Trip and Fall (typically physical injury caused by tripping on damaged City infrastructure).

Exhibit 3

Most Frequent Public Liability Claim Categories for Claims Incurred by the City During FY2010 to FY2018



Note: We combined Trip & Fall and Maintenance of Sidewalk liability claims and claim costs as both categories include trip and fall-related incidents caused by City infrastructure (e.g., sidewalk) and resulting in bodily injuries.

Source: OCA generated based on data provided by the Risk Management Department.

Public Liability Costs Are Funded by a Variety of Sources

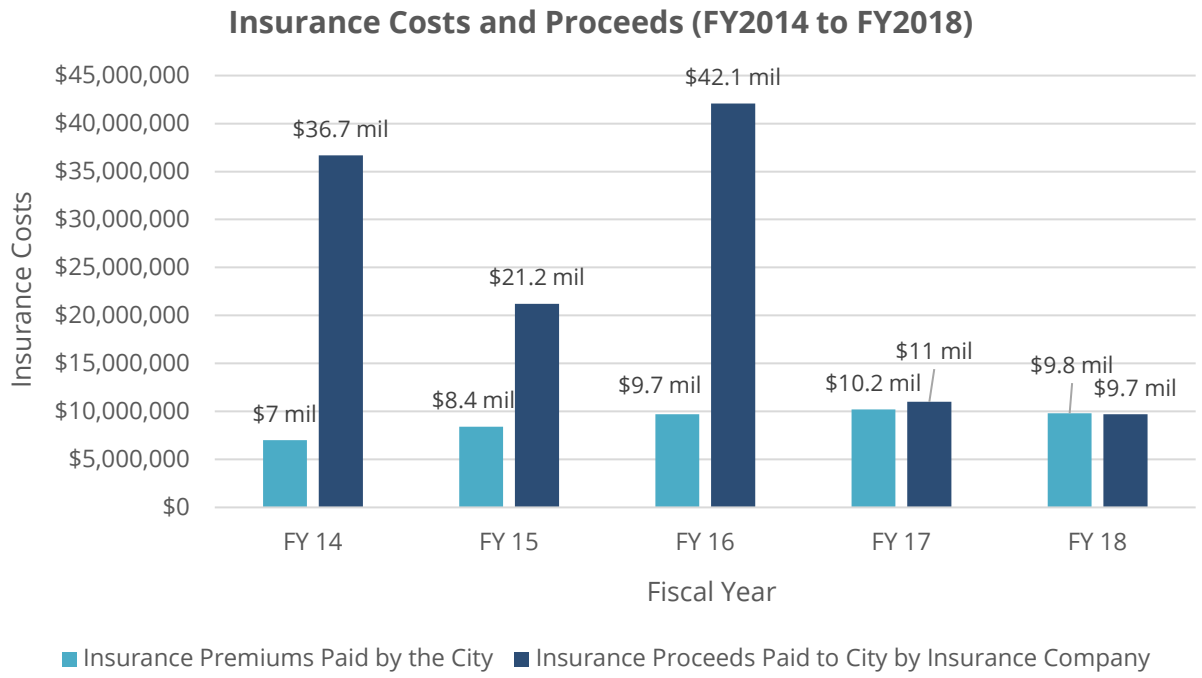
Public liability claim costs are paid from multiple funding sources including the General Fund, Enterprise Funds, and insurance proceeds. For example, the Transportation and Storm Water Department is generally responsible for maintaining the City's streets and sidewalks and thus the costs of a trip and fall claim against the department are paid out from the City's General Fund. Conversely, the costs of a trip and fall claim involving a box lid owned by the Public Utilities Department would be paid from the department's Enterprise Fund.

The City has a Self-Insured Retention (SIR) of $3 million and carries a one-time Individual Member Corridor Deductible of

$2.5 million above that.[1] Excess Insurance Coverage for limits above the SIR and IMCD are purchased through participation in CSAC-Excess Insurance Authority (CSAC-EIA), a joint powers authority. According to the Risk Management Department's annual reports, the City paid approximately $45 million for public liability insurance and received over $120 million in insurance proceeds during the FY2014 to FY2018.[2] As shown in **Exhibit 4** below, insurance proceeds generally outpaced insurance premiums during this period as the City's insurance was utilized to defray the cost of several large liability payouts.[3]

Exhibit 4

Insurance Proceeds Generally Outpaced Insurance Premiums During FY2014 to FY2018



Source: OCA generated based on data provided by the Risk Management Department.

[1] The City purchases general liability insurance to cover claim payouts greater than $3 million.

[2] The Risk Management Department's Annual Reports do not include insurance proceeds or premium data prior to FY14.

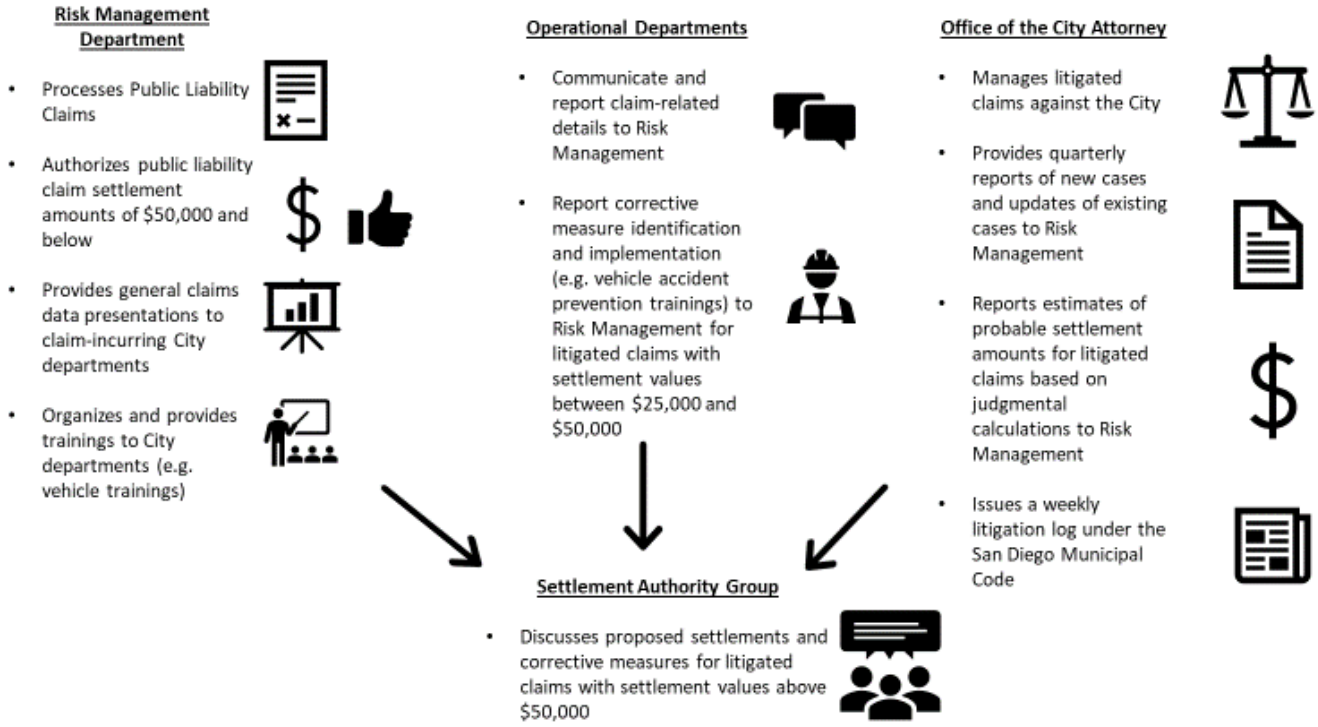
[3] FY2010 to FY2018 public liability costs displayed in **Exhibit 1** represent only closed claims during that period and therefore do not correlate with insurance proceeds received by the City during FY2014 to FY2018 (displayed in **Exhibit 4**) because insurance proceeds may not be received in the same year that a claim is closed.

The City's Management of Public Liability Claims Involves Several Different Departments

Public liability claims processing, litigation, and risk remediation requires the involvement of the Risk Management Department (RMD), the City Attorney's Office (CAO), and the City's operational departments. The CAO discusses pending cases with City management and department leadership, and proposes corrective actions and next steps, which may include further litigation or settlement through the City's Settlement Authority Group (SAG). According to the CAO, all SAG-related communication and work product are considered attorney-client privileged. **Exhibit 5** below displays the roles of City departments in the public liability management process.

Exhibit 5

The Risk Management Department, the Office of the City Attorney, and the City's Operational Departments, which Comprise the Settlement Authority Group are All Involved in the City's Public Liability Management Process



Source**:** OCA generated based on interviews with the Risk Management Department, the Office of the City Attorney, and City departments.

The Risk Management Department Provides a Wide Range of Services, Including Public Liability Claims Management

The Risk Management Department (RMD) provides a variety of risk management services to City residents, visitors, and employees to limit the risk exposure of the City's network of departments and infrastructure. RMD also provides data on workers' compensation and public liability claims to City departments. This data is intended to provide City departments the information needed to monitor risk activities and implement business process improvements.

RMD's mission is "to effectively prevent, control, and minimize the City's financial risk and provide optimum services to the City's employees and the public through the centralized administration of employee benefits, loss control, and safety." RMD's goals consist of the following:

- Goal 1: Safeguard public assets through strong financial management
    - Establish fiscally sound financial policies
    - Produce transparent financial reporting
    - Prepare fiscally sound, balanced budgets and capital plans
- Goal 2: Provide excellent customer service
    - Own the problem until it is resolved
- Goal 3: Strengthen the City's financial knowledge, skills, and abilities
    - Maximize use of the City's financial data

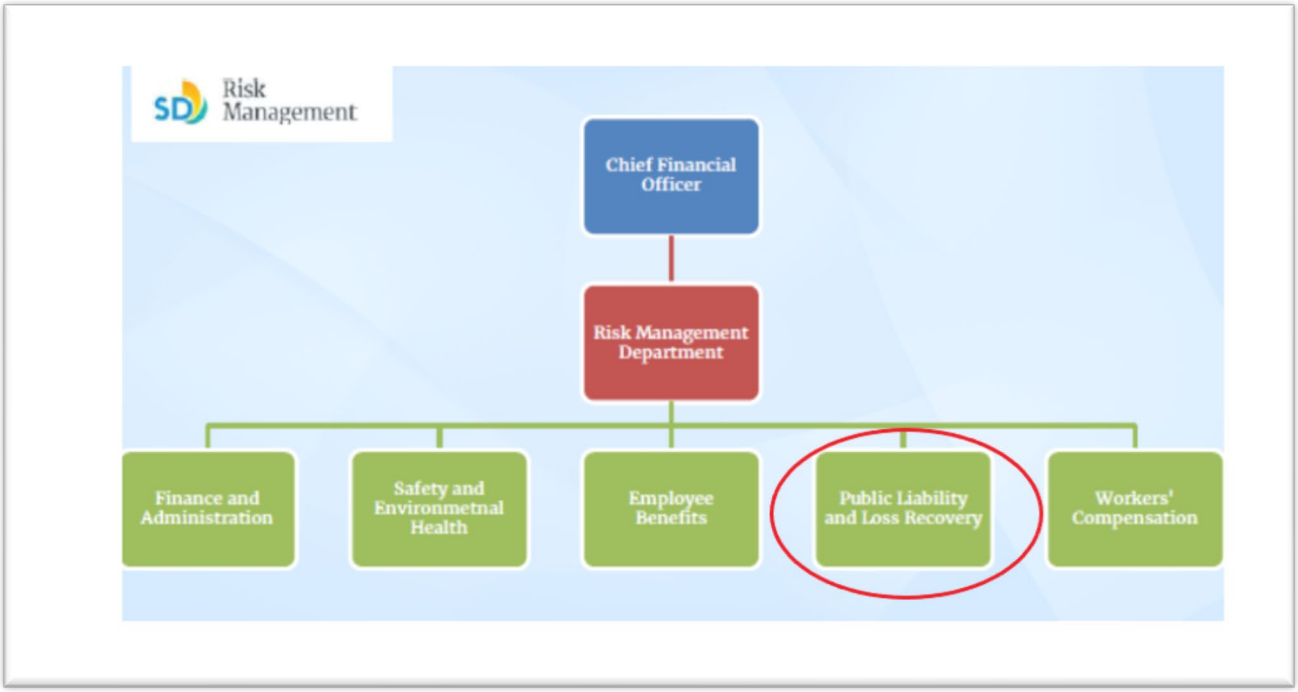
RMD's key performance indicators include the following:

- Percentage of Public Liability Reports completed on schedule per Council Policy 000-09
- Ratio of open claims to closed claims for Workers' Compensation

As shown in **Exhibit 6**, public liability claims management is one of many different functions RMD performs. Other services provided by RMD include workers' compensation claims management, flexible benefits and employee savings plan administration, safety and environmental health oversight, and loss recovery. These other services are administered through the Finance and Administration, Safety and Environmental Health, Employees Benefits, Public Liability and Loss Recovery, and Workers' Compensation Divisions.

Exhibit 6

The Risk Management Department's Public Liability and Loss Recovery Division is One of Several Different Divisions within the Department



Source: Risk Management Annual Report.

The Risk Management Department's Public Liability and Loss Recovery Division Manages Public Liability Claims Submitted to the City

RMD's Public Liability and Loss Recovery Division supports the investigation and settlement of all claims arising from the City's municipal operations. The Public Liability arm of the division works to resolve claims filed against the City as well as provide public liability claim reports and presentations to City departments. The Safety and Environmental Health Division organizes and provides trainings to operational departments, such as vehicle trainings.

According to RMD's Annual Report, the Public Liability and Loss Recovery Division:

- Collaborates with the City Attorney's Office on lawsuits, including claims that result in litigation;
- Services citizens and special event promoters to ensure the public's interests are protected with appropriate insurance;

- Provides guidance related to insurance requirements in City contracts;
- Procures all risk and excess liability insurance; and
- Investigates and recovers costs associated with damages to City assets or injury to City personnel caused by responsible third parties.

As discussed in further detail later in this section, the Public Liability and Loss Recovery Division's Claims Representatives resolve the majority of the claims filed against the City. The Claims Representatives' authority to settle claims based on claim amount, and the processes the claims staff should follow during their investigations are set forth in the California Government Code, the San Diego City Charter, the San Diego Municipal Code, Council Policies, Administrative Regulations, and several policy manuals produced by RMD.

Risk Management Budget and Staff

The Risk Management Administration Fund is an Internal Service Fund that captures administrative costs related to workers' compensation claims management, employee benefits administration, safety and environmental health oversight, public liability claims management, loss recovery, and oversight of the insurance program for the City. Funding is a component of the Citywide fringe allocation. Each City department is allocated a portion of the Risk Management Administration Fund's overall expenditures based on the number of full-time equivalent (FTE) positions in the department.

The total FY2019 budget for RMD was approximately $11.9 million, including $9.8 million for personnel and $2.1 million for non-personnel expenses. RMD's budget for FY2019 included 87 FTE positions for a total of $5.7 million.

Public Liability Budget and Staff

The Public Liability and Loss Recovery Division represents approximately $2.3 million of the total departmental budget, and is funded for 20 FTE positions, including a Program Manager, Program Coordinator, and Supervising Claims Representative, as well as eight Claims Representatives, three Clerks, three Senior Claims Representatives, two Aides, and a Senior Clerk Typist.

Risk Management Department Authority to Approve Claims Based on Claim Amount

The San Diego City Council Policy (Council Policy) 000-009 establishes a procedure for the administration of all claims and lawsuits filed against the City for up to $50,000 by delegating authority to RMD to allow, deny, or settle all claims up to that amount without City Council approval or ratification. Claims for damages will be allowed or negotiated with the following conditions:

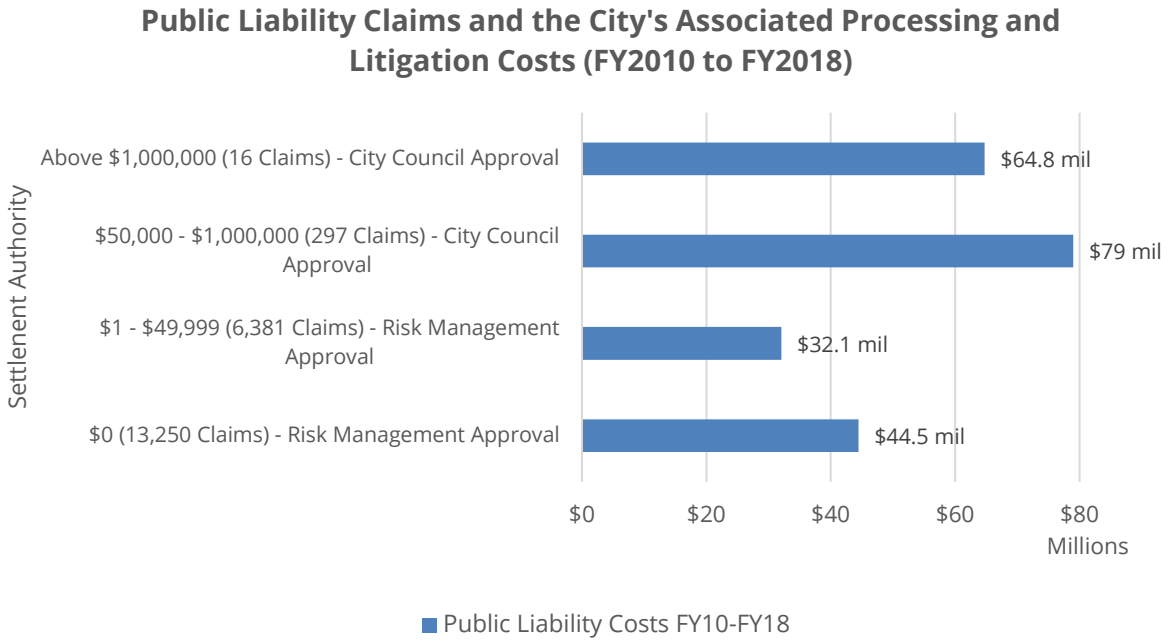
1. Up to $7,000 field settlement authority for each Claims Representative II with the approval of the Supervising Claims Representative;
2. Up to $10,000 settlement authority for the Supervising Claims Representative;
3. Up to $15,000 settlement authority for the Claims and Insurance Manager;
4. Up to $25,000 settlement authority for the Director and Deputy Director of Risk Management for non-Water and non-Sewer related claims; and
5. Up to $50,000 settlement authority for the Director and Deputy Director of Risk Management for Water and Sewer related claims.

All claims which have a total value in excess of $50,000 from one or any combination of funding sources (including the value of future payments) require approval by City Council resolution. **Exhibit 7** displays the number of public liability claims and costs incurred during FY2010 to FY2018 separated by Council Policy 000-009 settlement authority amounts.

Out of 20,000 public liability claims incurred by the City during this period, 313 included settlement payouts above $50,000. These 313 payouts resulted in approximately $144 million in associated processing and litigation costs, which required City Council approval. Additionally, the City incurred approximately $45 million in costs to process and litigate public liability claims that did not result in a settlement payout to the claimant. Such costs include retaining outside counsel or experts to assist in litigation.

Exhibit 7

A Relatively Small Number of Claims Settlements Require City Council Approval, but Such Claims Account for the Majority of Claims Costs ($144 Million)



Note: Although 13,250 cases did not result in a settlement payout to the claimant, the City spent approximately $45 million to process and litigate these claims. While processing and litigation costs were not incurred for most claims, a small number of these claims did require significant processing and litigation costs, such as retaining outside counsel and experts, resulting in the relatively high dollar amount for claims where the City did not pay a settlement to the claimant.

Source: OCA generated based on data provided by the Risk Management Department.

Operational Departments' Role in Public Liability Claim Processing

While RMD provides some centralized risk management services, the City's management of public liabilities is largely decentralized, with many responsibilities falling to operational departments that incur public liability claims. Claim-incurring City departments are responsible for communicating and reporting claim-related details to RMD for all open claims specific to their department. The Director or Deputy Director of claim-incurring departments are required to sign off on the identification and implementation timeline for corrective measures of claim settlements with a value of $25,000 to $50,000. City Departments are not required to report corrective

measure identification and implementation to RMD for claims below $25,000, however departments' claim liaisons may report such information to RMD on a claim-by-claim basis.

Public liability claims processes and corrective measures vary by type of claim and department. For example, when the Transportation and Storm Water Department (TSW) receives a trip and fall claim from an RMD claim representative, a TSW claim liaison will investigate the incident location to determine whether (a) the tripping hazard has already been mitigated via a completed work order, (b) there is a pending service notification request for the incident location, or (c) a service notification request needs to be created for the claim location. Upon completing their claim investigation, the department liaison will report all pertinent information back to RMD. Corrective measures for sidewalk damage typically involve ramping defects with asphalt, slicing/smoothing down the uplift, or, less commonly, replacing an entire section of sidewalk.

City vehicle accident corrective action involves employee discipline commensurate with the severity of the accident and the employee's accident history for the last three consecutive years immediately preceding the accident in question. If the internal investigation finds the employee in violation of City policy, the corrective action is noted in materials disclosed to RMD.[4] Additionally, Administrative Regulation 75.12 contains a discipline matrix for employees involved in preventable vehicle collisions.[5] City department supervisors refer to the matrix for determining employee discipline, such as hours of remedial driver training, length of suspension, or termination. City employees can challenge their supervisor's preliminary finding by appealing to the Accident Review Committee.[6]

[4] Department Management are responsible for investigating all City vehicle accidents and determining discipline based on Administrative Regulation 75.12's discipline matrix. Department managers provide this information to the Risk Management Department.

[5] According to City Safety personnel, AR 75.12 is under revision to more effectively address disciplinary policies for City employees involved in vehicle/industrial incidents while performing city business.

[6] The Accident Review Committee is an independent department-level committee appointed by the Department Head and is composed of a minimum of three voting members who review all accident related documentation.

City Attorney's Office Role in Public Liability Claims

The Civil Litigation Division of the City Attorney's Office (CAO) prosecutes or defends civil lawsuits in which the City is a party, including lawsuits involving public liability claims. For these claims, RMD provides a hard copy file of all claim documentation to the CAO, except for the Claims Representative's notes, which can be viewed online through RMD's claim processing database, iVos.

According to RMD management, the CAO maintains close contact with the department's staff and provides quarterly reports of new cases and updates of existing cases to RMD, including an estimate of probable settlement amounts based on a judgmental calculation. The Director of RMD or a representative accompanies City Attorneys to Mayoral briefings and City Council meetings for settlement recommendations that require City Council approval.

Settlement Authority Group (SAG)

While most claims are settled for less than $50,000, discussions related to litigated claim settlements of $50,000 and above are generally conducted prior to City Council Closed Session meetings with the Settlement Authority Group (SAG). SAG meetings are led by the CAO and are attended by the Deputy Director and additional staff from departments responsible for public liability claims against the City, RMD's Director and Deputy Director, and pertinent CAO staff. SAG meeting participants discuss claims against a specific department, proposed settlement amounts, and appropriate corrective measures to mitigate the condition which caused the claim. The CAO then presents the proposed settlement amount to the City Council for approval in closed session. According to the CAO, all SAG communication and work product are considered attorney-client privileged.

Previous Audit of Public Liability Division

The Office of the City Auditor conducted a performance audit of the Risk Management Department's Public Liability and Loss Recovery Division in 2010.[7] The audit found significant internal control deficiencies within RMD and found that the department

[7] Performance Audit of Risk Management's Public Liability and Loss Recovery Division (August 2010).

lacked a robust process to reduce future public liability risks. The audit made a total of 23 recommendations, five of which emphasized developing or improving City-wide risk mitigation processes, communication, and coordination to help the City reduce its public liability claims and costs. Furthermore, the report made several references to Enterprise Risk Management (ERM) as an industry best practice in the findings and recommendations pertaining to the City establishing a comprehensive approach to identifying, managing, and mitigating public liability risks. The ERM framework is a robust and proactive approach to setting organizational objectives and identifying and mitigating an agency's strategic and operational risks. ERM seeks to break down organizational silos and ensures that risk-incurring areas are not just responding to strategic and operational risks but are actively anticipating and mitigating such events.

While Risk Management agreed to implement most of the report's recommendations, such as developing an annual Risk Management Report and providing City departments with public liability claims data, they disagreed with, and did not implement six of the recommendations at the time. These recommendations were intended to support an ERM framework within the City, such as by establishing a risk management working group to develop and coordinate risk mitigation efforts with other departments. According to RMD, the decision to not implement these six recommendations was in part due to impacts of the recession of 2008 and the lack of available resources necessary to implement an ERM model.

Audit Results

Finding 1: The City's Approach to Public Liability Mitigation is Largely Decentralized, Reactive, and Likely Results in Higher Liability Claims and Costs Than Necessary

Finding Summary

The City of San Diego (City) and its operational departments largely take a reactive approach to risk identification and mitigation. Overall, we found that the City is not systematically utilizing risk management best practices, such as Enterprise Risk Management (ERM), that can help determine what issues are resulting in public liabilities, and how the City can better allocate scarce resources to more effectively mitigate these risks. The ERM framework is a robust and proactive approach to setting organizational objectives and identifying and mitigating an agency's strategic and operational risks. The ERM framework seeks to break down organizational silos and ensures that risk-incurring areas are not just responding to strategic and operational risks but are actively anticipating and mitigating such events. As the City does not currently utilize an ERM-based framework to address its public liability risks, it may be falling behind the strategic advances in managing risk made by other large public and private organizations. Specifically, we found:

- The City has not implemented an entity-wide risk management strategy to manage its public liabilities;
- While some departments have taken an effective approach to proactively avoid the realization of risk events, the City's public liability risk mitigation efforts are largely decentralized and siloed within individual City departments, resulting in a lack of coordination and information-sharing, and inconsistent and reactive risk mitigation processes for public liabilities; and

- The Risk Management Department (RMD) does not have the authority nor the resources to oversee and assist City departments in developing and implementing robust risk mitigation strategies.

To investigate whether the City's current decentralized approach is effective in identifying and minimizing public liability risks and costs, we reviewed the City's risk management approach for two specific types of claims in more detail—trip and falls and City vehicle accidents. We found that as a result of the City's decentralized and reactive risk management approach, the City's efforts to minimize the occurrence of trip and fall events are not as effective as possible, and the City could further enhance its efforts to reduce City vehicle accident events. Specifically, we found:

- The City's approach to trip and fall risk mitigation does not utilize data analytics to identify trends in the locations of trip and fall claims, and does not sufficiently prioritize sidewalk defect repairs in areas where future claims are most likely to occur. One likely result is that both the annual number of trip and fall closed claims and costs trended upward during FY2010 to FY2018. Overall, the City closed 875 trip and fall claims and incurred approximately $14.6 million in trip and fall claim costs during FY2010 to FY2018;[8] and
- The City's approach to City vehicle accident risk mitigation is more robust, but could include additional proactive vehicle trainings tailored specifically to operational departments (e.g., most common cause of vehicle accidents, vehicle types that are involved in accidents, etc.) and provided to all City vehicle drivers on a consistent basis. As a result, the number of City vehicle accident claims and claim costs remained relatively steady during FY2010 to FY2018, but did not decline overall.

[8] According to the Transportation and Storm Water Department, the City's 2015 Sidewalk Assessment Report has made it more difficult for the City to defend itself against trip and fall litigation, thereby leading to an increase in settlement payout costs for the City since the completion of the Sidewalk Assessment Report. As discussed in further detail below, assessing the conditions of the sidewalks and tracking the locations of trip and fall claims is essential to the City's ability to minimize long-term trip and fall liabilities.

As a result of these types of issues across the City's public liability portfolio, the City is not succeeding in reducing annual costs associated with public liability settlements and litigation nor is it decreasing the number of new public liability claims it incurs on an annual basis. The City incurred 19,944 public liability claims and approximately $220 million in claim costs during FY2010 to FY2018. We found that the overall number of public liability claims remained static and settlement payouts trended upward during FY2010 to FY2018.[9] For instance, the number of trip and fall-related claim costs rose from approximately $778,000 in FY2010 to more than $2 million in FY2018.

We make several recommendations to improve the City's risk management efforts to address public liabilities. These include creating a Risk Oversight Committee, headed by a Citywide ERM Manager, with sufficient authority and resources to implement a City-wide ERM framework for public liabilities; requiring liability-incurring departments to develop annual risk assessments to identify and mitigate operational risks; and developing a public liability claims dashboard to enhance the collection and analysis of claim data and trends.

As we concluded the audit, we learned that the City has recently begun to actively address several of the strategic and operational risk management issues outlined in this report. For example, the City recently developed and has begun implementing an "Operational Framework" that identifies and addresses City-wide risks through Chief Operating Officer Report Meetings, a Risk Oversight Committee, and monthly Department Reviews. This includes the recent hiring of a Chief Compliance Officer to help oversee and assist departments in effectively identifying and mitigating public liability risks. Additionally, the Risk Management Director confirmed that the department is

[9] According to RMD, increases in litigation costs, jury verdicts and medical expenses contributed to the increase of overall claims' costs during the period. However, these factors would not impact the number of claims incurred during FY2010 to FY2018.

working with the Performance and Analytics Department (PandA) to develop a public liability claim dashboard for City departments that will contain real-time claim data and mapping functions.[10]

Large Public Organizations Are Increasingly Adopting Enterprise Risk Management

As described in the Background section, Enterprise Risk Management (ERM) is a broad risk management framework that is a current best practice in the risk management field and is adaptable to each organization's unique environment and structure, thus its implementation varies between organizations. The ERM framework has become widely used in the private sector in recent decades and, while less commonly used by public organizations, it is emerging as a best practice in the public sector as well. In contrast to a traditional, reactive risk management framework, ERM is a robust and proactive approach to setting objectives and identifying and mitigating risks that helps break down organizational silos and ensures that risk-incurring entities are not just responding to risks but are actively anticipating and mitigating new risks that may occur. Such an approach can be especially useful for organizations, such as the City, which face a broad range of liability risks that can be extremely costly if not effectively mitigated.

A variety of authorities, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office (GAO), have published guidance on how to successfully implement an ERM framework to manage organizational risk, including in the public sector. To that end, the ERM framework has been successfully adopted and implemented in several public organizations throughout North America in order to reduce their public liabilities. Managers at the ERM-based public entities we interviewed described several ways their agencies successfully implemented the ERM framework.[11] These included incorporating the framework into

[10] According to the Performance and Analytics Department, the dashboard (ClaimStat) is already operational for the Transportation and Storm Water Department and a pilot version is currently being tested out with the Police Department.

[11] We interviewed the following ERM-practicing agencies: City of Edmonton, County of Los Angeles, and the University of California. In addition to these interviews, we also reviewed documentation on the development and implementation of the ERM framework in public agencies such as the City of Charlotte, the City and County of San Francisco, and Yuma County.

strategic objectives and operational processes, achieving buy-in from key stakeholders, and shifting agency culture toward one promoting a more risk-conscious mindset. Though ERM is a broad and adaptable framework, the most cited commonality between the organizations we interviewed was the importance of executive leadership empowering an ERM authority to develop and implement structured and consistent risk identification, assessment, and mitigation processes that flow from the top of the organization down to the operational level.

The County of Los Angeles and the University of California System Have Both Employed ERM Successfully to Reduce Liabilities

Public sector organizations that employ a mature ERM framework include the County of Los Angeles and the University of California. Our interviews with executive-level risk managers of these agencies identified several key elements and practices that organizations should reference when customizing and implementing the ERM framework into organizational objectives and processes.[12] Many of these elements are cited by the GAO as essential elements and best practices of the ERM framework. These elements include:

- Empowering a risk management authority to develop, implement, and monitor organizational ERM processes;
- Developing organizational processes for identifying, assessing, and mitigating risks to agency goals;
- Implementing risk mitigative measures; and
- Developing risk management reports to highlight agency progress and reinforce risk ownership culture.

The following sections discuss how the County of Los Angeles and the University of California system have utilized ERM to successfully reduce public liabilities.

The County of Los Angeles Has Developed and Implemented a Robust and Centralized Risk Management Framework

The County of Los Angeles centralizes its risk management authority in its Risk Management Department headed by the Assistant Chief Executive Officer (Assistant CEO) of the County. The Assistant CEO and the Risk Management Department provide support to County departments in developing robust corrective action plans for recently incurred public liabilities as

[12] See Appendix C for case studies of ERM structure and processes at the County of Los Angeles and the University of California.

Source: County of Los Angeles

well as annual risk management plans identifying and detailing departments' work plans for proactively mitigating risks to operational objectives. The Assistant CEO reviews, approves, and monitors County departments' risk management plans to ensure they are effective at identifying and mitigating organizational risks. The Assistant CEO reported that the County's ERM-based risk identification and mitigation processes have been successful in reducing the County's medical malpractice claims by $182 million over a 10-year period and helped decrease the number of excessive force claims against the County Sheriff's Department from 650 in 2015 to 150 in 2019.[13] The County of Los Angeles' Risk Management Department also produces an annual report that details specific risk mitigation best practices and employee risk training programs it utilizes to reduce its risk exposure.

The University of California System Has Implemented an ERM-Based Framework at the Campus Level

Source: University of California

In contrast to the County of Los Angeles, the University of California (UC) System developed and implemented an ERM framework at the campus level, which better accommodates its organizational structure. The UC's ERM structure authorizes its Chief Risk Officer and Chief Financial Officer to oversee the organization's ERM processes, supports the creation of campus and medical center ERM steering committees that develop, implement, and monitor risk mitigation efforts within their organizations, and utilizes a robust ERM information system to better analyze claim trends. The Associate Director for Enterprise Risk Management of the UC System reported that the UC System's ERM framework helped identify slip and fall accidents as a common risk area for all campuses which led to the creation of a program that provides slip-resistant shoes to UC employees working in dining commons, facilities management, resident halls, and other areas at risk of similar accidents. This ERM-based approach to risk mitigation resulted in a significant decrease in slip and fall claims and costs. Additionally, the UC System releases ERM-based quarterly reports that provide organizational leaders with important risk

[13] According to the Assistant CEO, the County of Los Angeles' hospital staff identified medication overdose claims related to mislabeling of medication as a high-risk area. The County's Risk Management Department worked with County hospitals' leadership to institute changes to medicine labels and tracking which lead to a $182 million reduction in malpractice claims against the County over a 10-year period.

information to hold individual campuses accountable for their risk mitigation efforts.

The City Does Not Address Organizational Risk with a Structured, Cohesive, or Systematic Risk Management Framework

Our review of risk management best practices and our interviews with the risk managers of the County of Los Angeles and the University of California indicated that successful risk management in the public sector requires organizations to develop strategic and operational frameworks that consistently and systematically identify, assess, and mitigate risks, such as the risk of public liabilities. However, as shown in **Exhibit 8**, the City of San Diego does not currently employ a structured and cohesive risk management framework to address its large, diverse, and costly public liability risk portfolio. City departments are not required to develop and report comprehensive risk mitigation plans for public liability risks, the City's Risk Management Department (RMD) is not authorized or resourced to direct and assist City departments with developing and monitoring risk assessments, and the City has not empowered a risk management authority to develop, implement, and oversee an ERM framework throughout the City. As a result of this lack of structure and accountability, some departments take a more proactive, data-driven approach to risk identification and mitigation while others do not. However, RMD produces an annual report that includes public liability claim data for City departments that is intended to assist in identifying risk exposures.

Exhibit 8

The City of San Diego Follows Only Some of the ERM Best Practices Followed by ERM-Based Organizations We Reviewed

Essential ERM Components (US GAO)	County of Los Angeles	University of California	City of San Diego
Risk Management Authority Is Empowered to Develop, Implement, and Monitor Organizational ERM Processes	✓	✓	✗
Organization Develops Process for Identifying, Assessing, and Mitigating Risks	✓	✓	✗
Risk Owners Implement Risk Mitigation Measures	✓	✓	✓ *
Organization Develops Risk Management Reports to Highlight Agency Progress and Reinforce Risk Ownership Culture	✓	✓	✓

* The City of San Diego does not do this consistently, systematically, or based on a risk management framework.

Source: OCA generated based on interviews with City departments, the Risk Management Department, and Executive Management.

The Risk Management Department's Role in Risk Identification and Mitigation is Limited

We found that the City of San Diego's Risk Management Department (RMD) has a limited role in identifying and mitigating risk across the City. RMD's primary role is largely limited to tracking data regarding the number, type, and cost of various public liability claims, and meeting with operational department directors and deputy directors from various departments across the City to present data reports on liabilities relevant to each department twice a year.

RMD's role in the course of the presentations is to discuss the numbers and types of claims related to department operations. Representatives of RMD stated that the bulk of risk identification and mitigation related to public liability risks is left to operational departments because they are subject matter experts. RMD

stated that department leaders have the budgets, staff, and subject matter knowledge about how the department should mitigate risks to their operational objectives. However, there is currently no requirement or oversight authority to ensure that departments complete thorough risk assessments and mitigation plans to address their various public liabilities.

RMD also provides to each City department experiencing high numbers of public liability claims a spreadsheet report of claims from the iVos system. RMD runs basic analytics on the claims to include a breakdown of the claim descriptions, the number of claims per instance, and the total dollars paid out. For example, RMD provided the data displayed in **Exhibit 9** to the Transportation and Storm Water Department (TSW) for FY2016. As shown in the below example table, the tables RMD provides to City department include basic data on the number of claims and the value of the claim payouts. The tables do not provide more sophisticated analytics, such as claim and cost trends over the previous several fiscal years or locations where liabilities were incurred, that could better assist the departments with developing proactive strategies to limit risk and lower claims.

Exhibit 9

Claims Data Reports Provided by RMD to City Departments Include Limited Information to Help Mitigate Risks

Claim Type	FY2016 Claims Count	FY2016 Amount Paid
Storm Drains	107	$ 755,358
Trip & Fall	56	$ 261,684
Maintenance Of Road (Potholes)	263	$ 92,284
City Tree	101	$ 72,563
City Vehicle Accident	26	$ 50,006
Maintenance Of Road (Other)	34	$ 44,782
Tree Roots	13	$ 28,017
Maintenance Of Sidewalk	24	$ 26,717
Design Of Roadway (Lighting)	1	$ 23,030
Employment (Civil Rights)	1	$ 5,923
Clerk Loss Code Initial Claim Entry	32	$ 5,620
Other (Liability)	21	$ 4,716
Design Of Roadway (Crosswalk)	7	$ 3,505
Design Of Roadway (Signs)	4	$ 3,448
Construction In Right Of Way	12	$ 3,290
Sprinklers	1	$ 3,213
Resurfacing	2	$ 3,071
Design Of Road (Drainage)	3	$ 2,985
Manhole/Gatevalue Cover	11	$ 2,412
Water Service	2	$ 1,200
Rocks From Roadway/Truck	8	$ 487
Design Of Roadway (Other)	12	$ 379
Utilities (Other)	1	$ 10
Inverse Condemnation	2	$ -
Police Other	1	$ -
Design Of Roadway (Sight Distance)	1	$ -
City Contractor	4	$ -
Design Of Roadway (Signals)	2	$ -
Slip & Fall	1	$ -
Flooding (From River Or Ocean)	5	$ -
	2	$ -
Indemnity	1	$ -
Grand Total	**761**	**$ 1,394,698**

Source: Risk Management Department FY2016 Claims Summary for the Transportation and Storm Water Department.

While the City department managers we interviewed appreciate this information, they said that these statistics do not provide sufficient information to support the development of proactive and long-term risk strategies to prevent claims. They stated the presentation of this data reflects the largely reactive approach the City takes to public liability claim mitigation. Department management we met with stated that the spreadsheet reports could be enhanced to include information such as claim-mapping data and aggregated descriptive causes of specific types of liabilities (e.g., storm drain flooding) to better assist City departments in designing and implementing effective risk mitigation strategies.[14] Therefore, to provide operational departments with actionable information for their development of risk mitigation strategies, RMD should coordinate with public liability-incurring departments to determine relevant claim data that is useful for identifying public liability trends.

Department management also stated they would appreciate more in-depth analysis and support to help design preventative or proactive risk management strategies. For example, management for the Storm Water Division of the Transportation and Storm Water Department stated that claims with the highest payouts are related to pipe clogging and subsequent flooding. Moreover, Storm Water Division management reported that cross-departmental communication facilitated by a risk oversight committee would be an effective, proactive method to communicate incidents where other departments may have jurisdiction to help reduce drain clogging claims. Specifically, the Storm Water Division referenced a previous incident where the cause was attributed to a private construction crew not removing the inlet protection before a significant storm event. For this type of incident, the Development Services Department and the Public Works Department are well-positioned to inform contractors of when there is a need to remove fiber rolls, and ensure that removal is completed. This is just one example of

[14] A pilot version of the ClaimStat dashboard, which RMD helped the Performance and Analytics Department (PandA) to develop, includes claim mapping functionality. According to PandA and RMD, to date, a pilot version of the dashboard has been shared with TSW and SDPD to solicit feedback and suggestions on its functionality.

how the City could benefit from the creation a risk oversight committee with sufficient authority to require liability-incurring departments to collaborate in identifying, developing, and implementing risk mitigation strategies addressing cross-departmental public liability risks (e.g., storm drain clogs, City vehicle accidents, etc.).

Case Studies of City Trip and Fall and City Vehicle Accident Claims Indicate the City Could More Effectively Reduce Its Public Liabilities Using a More Strategic ERM Approach

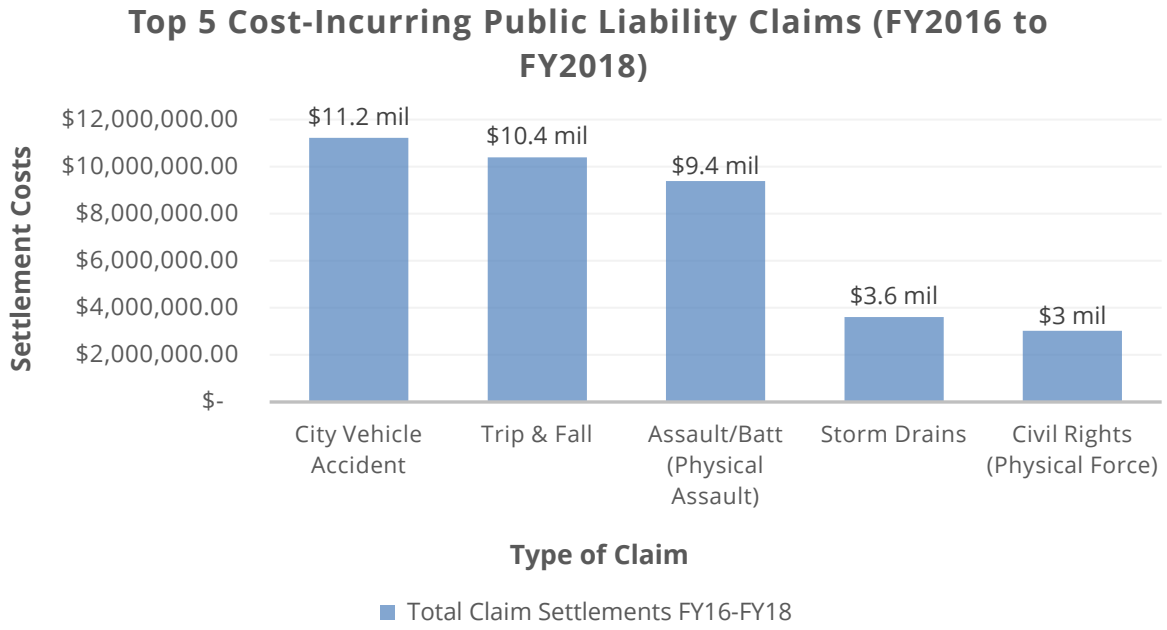
In addition to reviewing RMD and City departments' overall functions and processes to identify and mitigate public liability risk, as shown in **Exhibit 10**, we reviewed claim records of two of the top five claim types with the highest settlement amounts during FY2016 to FY2018—trip and fall-related claims and City vehicle accident claims—to determine whether the City's current decentralized approach is effective at mitigating public liability risks.[15] Specifically, we reviewed all 115 trip and fall-related claims involving a bodily injury and resulting in a settlement payout during this period, and a random sample of 255 out of 343 City vehicle accident claims resulting in a settlement payout during this period. [16] The following sections describe our results in more detail. Our analysis of the City's trip and fall and City vehicle accident claims during FY2016 to FY2018 indicate that the City's current unstructured, inconsistent approach to public liability risk management is likely resulting in higher than necessary public liability claims and costs.

[15] We reviewed 115 trip and fall-related claims with loss codes 0470–Trip & Fall and 0460–Maintenance of Sidewalk involving a bodily injury and resulting in a settlement paid to the claimant incurred by the City during FY2016 to FY2018. Out of a total of 20 Maintenance of Sidewalk claims incurred by the City during this period, 15 claims involved trip and fall incidents and were therefore included in our data analysis. The other 5 Maintenance of Sidewalk claims and 1 of the 101 Trip & Fall claims resulted in property damage only and were not included in our analysis based on auditor judgement.

[16] We reviewed a sample size of 255 out of 343 City Vehicle accident claims resulting in a settlement payout with a confidence level of 95% +/-5%.

Exhibit 10

The City Incurred Substantial Public Liability Costs from City Vehicle Accidents ($11.2 Million) and Trip and Fall-Related Incidents ($10.4 Million) During FY2016 to FY2018



Note: We combined settlement costs for Trip & Fall and Maintenance of Sidewalk loss codes as both claim types involved trip and fall-related incidents caused by City infrastructure (e.g., sidewalk). Only claims resulting in bodily injuries were included in the settlement costs total for these two loss codes.

Note: The table above only includes total settlement costs per liability type (e.g., City vehicle accident, trip & fall, etc.) during FY2016 to FY2018. It does not include costs to process and litigate public liability claims.

Source: OCA generated based on data provided by the Risk Management Department.

The City Does Not Utilize Trip and Fall Claims Data to Proactively Prioritize Sidewalk Repairs in High Pedestrian Usage Areas

Trip and fall-related claims cost the City more than $10 million from FY2016 to FY2018. We reviewed all 115 trip and fall-related claims involving a bodily injury and resulting in a settlement utilizing a questionnaire we developed to collect relevant data such as the location of the incident, the size of the displacement, and the type of corrective measures used (e.g., ramping, slicing, etc.), then aggregated the data and performed data analytics to determine trends.

As shown in **Exhibit 11**, while a small number of trip and fall-related claims were the responsibility of the Public Utilities Department, the Parks and Recreation Department, and several

other City departments, the Transportation and Storm Water Department (TSW) was responsible for the vast majority of claims (81 percent) and claims-related costs (93 percent). Therefore, our review focused on TSW's data and procedures for addressing sidewalk damage.

Exhibit 11

The Transportation and Storm Water Department Incurred the Majority of Public Liability Costs for Trip and Fall-Related Claims During FY2016 to FY2018

Department	Total Claims	Percent of Total Trip and Fall Claims	Total Costs Incurred	Percent of Total Costs Incurred
Transportation & Storm Water	93	80.87%	$9,665,213	93.02%
Public Utilities	11	9.57%	$599,970	5.77%
Parks & Recreation	7	6.09%	$114,154	1.10%
Development Services	1	0.87%	$3,027	0.03%
Public Works	1	0.87%	$1,744	0.02%
City of San Diego	1	0.87%	$670	0.01%
CONV - Miscellaneous	1	0.87%	$6,229	0.06%
Grand Total	**115**	**100.00%**	**$10,391,007**	**100.00%**

Source: OCA generated based on data provided by the Risk Management Department.

Based on our analysis of trip and fall-related claims, we determined that the City has not developed a comprehensive sidewalk repair prioritization system to address sidewalk damage in high pedestrian usage areas of the City. We found this was likely caused by a lack of communication, which could be strengthened by a cross-departmental committee to share information on mitigating risks. Additional contributing factors also include limited assistance and resources RMD can provide TSW for trip and fall-related claims, which consists of basic claims data and associated costs. Furthermore, RMD is not required nor resourced to perform the kind of rigorous data analysis necessary to identify damaged sidewalk location trends that TSW could incorporate into a sidewalk repair prioritization process, and is not empowered to ensure that TSW has developed and implemented a robust plan to mitigate trip and fall liabilities. As such, TSW was not aware of, and was not utilizing the following data to identify trip and fall patterns and make informed decisions about how to prioritize sidewalk

maintenance during the period reviewed (i.e., FY2016 to FY2018)[17]:

- Data/analytics on where trip and falls tend to occur; and
- Data/analytics on what types of sidewalk damage tend to cause trip and falls (i.e., large vs. small sidewalk uplifts).

We found that TSW lacks detailed policies and procedures on how to effectively prioritize sidewalk repairs in high pedestrian usage areas; we believe this is due to the City's lack of an ERM-based framework which would require TSW to complete an annual risk assessment and mitigation plan. TSW is generally aware that trip and falls tend to occur in high pedestrian usage areas and tries to prioritize maintenance in those areas. However, TSW's sidewalk damage mitigation efforts are mostly reactive due to limited pedestrian usage data and sidewalk maintenance resources.[18] For instance, since the City does not have robust, centralized, and coordinated risk management functions, TSW was not aware that the Planning Department had developed a pedestrian propensity heat map that could be utilized to prioritize sidewalk maintenance in high pedestrian usage areas in the City.[19] Moreover, TSW has not been provided

[17] According to TSW, in the absence of formal claim trend data, the department utilizes data from individual claims, repair costs, available resources, overall network needs, and perceived trends to prioritize sidewalk maintenance. The City has created the ClaimStat dashboard to help provide TSW with claim trend data and mapping functions, but during the course of the audit ClaimStat was still in the pilot stage and was not being actively utilized to identify claim trends or locations.

[18] According to TSW, most mitigation efforts performed by City forces are reactive to customer requests and claims due to limited sidewalk maintenance resources. TSW attempts to allocate sidewalk slicing and capital replacement funds to proactively and efficiently improve sidewalk conditions despite lacking comprehensive data on claims trends. However, we found that TSW lacks documented procedures on how this prioritization is implemented for sidewalk slicing repairs.

[19] According to meeting minutes provided by the Planning Department, in 2005, TSW was prioritizing sidewalk repairs and ADA improvements such as curb ramps in high pedestrian traffic areas of the City utilizing the Planning Department's Pedestrian Propensity Map. However, this practice was apparently discontinued between 2005 and 2016. A more robust ERM-type approach to risk management would help ensure that such coordination is institutionalized in the future.

According to TSW, Street Division was not aware of a Planning Department map from the Pedestrian Master Plan that could assist in determining locations of high pedestrian traffic. However, the factors of proximity to public facilities, transit, and business districts used by the Street Division to

with sufficient resources to address the City's myriad damaged sidewalk locations. Thus, the City's approach to sidewalk repairs continues to be largely reactive and is not as cost-effective as possible.

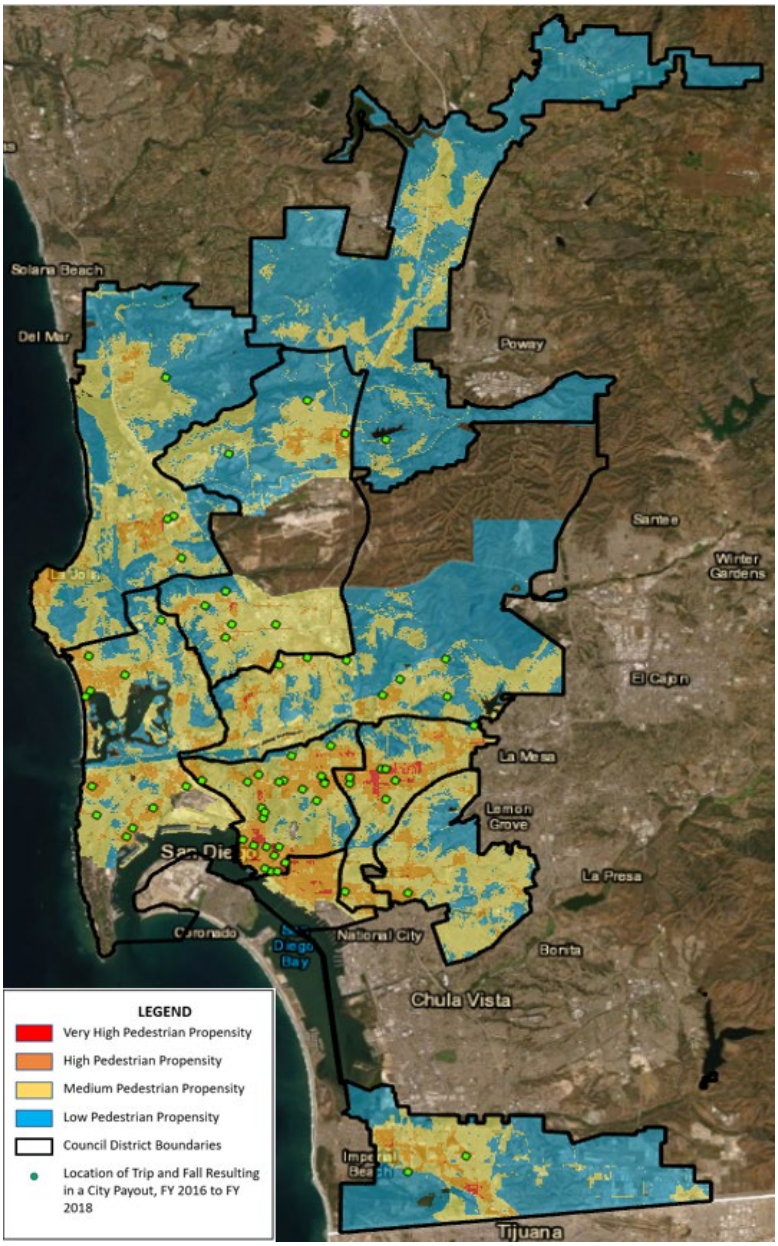
Most Trip and Fall Liabilities Occur in High Pedestrian Usage Areas

Based on our analysis of the locations of the City's FY2016 to FY2018 trip and fall claims interfaced with the Planning Department's pedestrian propensity heat map, we determined that trip and fall events are more likely to occur in high and very high pedestrian propensity areas than in lower pedestrian propensity areas. Of the 93 trip and fall liabilities that were TSW's responsibility, 66 claims (71 percent) were caused by damaged sidewalks. We mapped the locations of all 66 of these trip and fall claims (i.e., sidewalk-related causes). As shown in **Exhibit 12**, most trip and fall incidents have occurred in the red (very high pedestrian propensity) and orange (high pedestrian propensity) areas of the map, while comparatively few have occurred in the yellow (medium pedestrian propensity) and blue (low pedestrian propensity) areas of the map. This suggests a sidewalk maintenance prioritization system based on this data could more effectively mitigate and ultimately reduce the City's trip and fall liabilities.

determine locations for repair are similar to some of the factors considered by the Pedestrian Master Plan. Our analysis of TSW's sidewalk maintenance policies determined that although TSW attempts to consistently utilize several sidewalk repair prioritization factors (e.g., ADA compliance, reported accidents, etc.), it lacks detailed documented procedures on how sidewalk maintenance is systematically and consistently prioritized in high pedestrian traffic areas.

Exhibit 12

Most Trip and Fall Claim Locations Occurred in Higher Pedestrian Propensity Areas of the City



Note: According to the Planning Department, comprehensive data on actual pedestrian activity across the City is currently unavailable. The City has been installing Smart Street Lights in specific areas of the city that are capable of capturing pedestrian counts. The Smart Street Lights would provide data that could be used to measure pedestrian activities in these areas where the Smart Street Lights have been installed.

Source: OCA generated based on data provided by the Planning Department and the Risk Management Department.

Damaged Sidewalk Locations in Higher Pedestrian Usage Areas Are Nearly Four Times More Likely to Cause a Liability than Locations in Lower Pedestrian Usage Areas

In order to understand the likelihood that any particular sidewalk damage will cause a trip and fall, it is important to analyze where the City's damaged sidewalk locations are located. The Transportation and Storm Water Department completed a sidewalk assessment report in 2015 that inventoried and assessed sidewalk conditions of approximately 4,550 miles of City sidewalks. The sidewalk assessment documented locations, measurements, and types of sidewalk damage. We mapped all 87,000 damaged sidewalk-related locations identified to determine how they are distributed between higher and lower pedestrian usage areas of the City.[20] As **Exhibit 13** below shows, our analysis of the mapping data establishes a very strong relationship between pedestrian propensity and the likelihood that a particular damaged sidewalk location will result in a trip and fall claim. Specifically, our analysis indicates that sidewalk damage in high and very high pedestrian usage areas is nearly four times as likely to cause a trip and fall liability as sidewalk damage in lower pedestrian usage areas. In other words, repairing a damaged sidewalk location in a higher pedestrian usage area is almost four times as likely to *prevent* a future trip and fall liability as repairing a damaged sidewalk location in a lower pedestrian usage area. This suggests that a primary factor in prioritizing sidewalk repairs should be high pedestrian usage, which would be a more cost-effective use of the City's limited resources to mitigate and ultimately reduce the City's trip and fall liabilities.

[20] According to TSW, the number of identified damaged sidewalk locations has increased from 87,155 to 108,706 since the 2015 Sidewalk Assessment Report.

Exhibit 13

The City Incurred 1.6 Claims for Every 1,000 Damaged Sidewalk Locations in Both High and Very High Pedestrian Usage Areas During FY2016 to FY2018, Compared to 0.4 Claims per 1,000 Damaged Sidewalk Locations in Lower Pedestrian Areas

PEDESTRIAN USAGE	TOTAL DAMAGED SIDEWALK LOCATIONS IDENTIFIED	PERCENT OF TOTAL DAMAGED SIDEWALK LOCATIONS	FY2016 to FY2018 TRIP & FALL CLAIMS	PERCENT OF TOTAL CLAIMS	TRIP & FALL CLAIMS PER 1,000 DAMAGED SIDEWALK LOCATIONS
VERY HIGH	1,873	2%	3	5%	1.60
HIGH	22,910	26%	36	55%	1.57
MEDIUM	45,616	52%	20	30%	0.44
LOW	16,756	19%	7	11%	0.42
Grand Total	87,155	100%	66	100%	0.76

Note: Grand total for Percent of Total Damaged Sidewalk Locations and Percent of Total Claims columns do not add up to 100% due to rounding of percentages.

Source: OCA generated based on data provided by the Transportation and Storm Water Department.

TSW Data Shows that Sidewalk Damage in High Pedestrian Usage Areas Is Not Sufficiently Prioritized for Maintenance

As discussed above, sidewalk damage in very high and high pedestrian usage areas is nearly four times more likely to cause a trip and fall incident, which suggests the City is nearly four times more likely to prevent trip and fall events by prioritizing sidewalk repairs in these areas. However, we found that without sufficient cross-departmental coordination, TSW was unaware that the City's Planning Department had created a pedestrian map identifying the pedestrian propensity of various areas of the City. Without this data, TSW had a limited ability to evaluate patterns in the locations of trip and fall claims or effectively identify sidewalk damage that should be prioritized for repair. In addition, because the City lacks a robust ERM-based approach that would require TSW to proactively and systematically identify and mitigate operational risks, TSW also lacked detailed documented procedures on how sidewalk maintenance activities should be systematically and consistently prioritized in high pedestrian areas.[21] As a result, although TSW stated it does try

[21] According to TSW, the department uses a variety of factors including high pedestrian usage, infrastructure access, reported accidents, geographic grouping, ADA accessibility complaints, cost-

to prioritize high pedestrian usage areas for maintenance, our analysis of sidewalk repair data shows that high pedestrian usage areas are not adequately prioritized for such repairs.

Specifically, TSW stated that high pedestrian usage areas are prioritized for both sidewalk replacement and sidewalk slicing. Despite its limited resources, TSW was able to complete these permanent sidewalk repairs at more than 25,000 locations from FY2017 to FY2019.[22] We found that while sidewalk replacements are more effectively prioritized in high pedestrian usage areas than sidewalk slicing, neither sidewalk replacements or sidewalk slicing were prioritized to an extent commensurate with the risk of trip and fall liabilities in high pedestrian usage areas. Specifically, as demonstrated in **Exhibit 14** , the majority of sidewalk replacement (62 percent) and slicing (74 percent) operations are occurring in medium or low pedestrian usage areas that accounted for only 41 percent of sidewalk-related trip and fall claims during FY2016 to FY2018. Conversely, although 60 percent of sidewalk-related trip and fall claims occurred in high and very high pedestrian usage areas, these areas accounted for only 38 percent of sidewalk replacement and 27 percent of sidewalk slicing.

Further evidence that current prioritization is not adequate comes from comparing the locations of maintenance activities to the locations of sidewalk damage. If high pedestrian usage areas were being targeted for sidewalk maintenance prioritization, sidewalk damage in those areas would be much more likely to be selected for repair than sidewalk damage in lower pedestrian usage areas. Again, TSW's data shows that sidewalk replacements are more effectively prioritized than sidewalk slicing, although prioritization of both could be enhanced given the much higher risk of trip and fall liabilities in high pedestrian usage areas. For example, our analysis shows that sidewalk damage in higher pedestrian usage areas had a somewhat

sharing, and coordination with other construction to prioritize sidewalk maintenance. However, TSW could not provide any documented procedures on how this prioritization works in practice.

[22] According to data provided by TSW, this includes 24,900 locations that were repaired via sidewalk slicing, which is a technique where smaller sidewalk uplifts are sliced down to create a more even surface. An additional 900 locations that were repaired with sidewalk replacement. In addition, TSW complete temporary repairs such as asphalt ramping at many other locations each year, but these are primarily based on customer requests and are not prioritized in high pedestrian traffic locations.

higher likelihood of being repaired via sidewalk replacement as sidewalk damage in lower pedestrian usage areas. Specifically, higher pedestrian usage areas accounted for 60 percent of trip and falls, but only 28 percent of identified sidewalk damage—and these areas received 38 percent of sidewalk replacements and only 27 percent of sidewalk slicing. Conversely, while only 41 percent of trip and fall claims the City paid in FY2016 to FY2018 were located in low and medium pedestrian usage areas, 71 percent of identified sidewalk damage is located in those areas of the City.[23] Similarly, low and medium pedestrian usage areas received 62 percent of sidewalk replacement work and 74 percent of sidewalk slicing. Prioritizing sidewalk maintenance in high and very high pedestrian usage areas where trip and falls are much more likely to occur would be a more cost-effective approach to minimizing the City's exposure to trip and fall claims.[24]

[23] The locations referenced are based on the 85,503 identified damaged sidewalk locations in the City's 2015 Sidewalk Assessment Report.

[24] Yet another way to evaluate prioritization is by looking at maintenance locations compared to the City's total sidewalk network. According to TSW, only 20 percent of the City's sidewalk network is located in higher pedestrian usage areas, and as shown above, these areas received 38 percent of sidewalk replacements and 27 percent of sidewalk slicing. While this does indicate that higher pedestrian usage areas are more likely to receive maintenance, we determined a more effective way to evaluate prioritization is by comparing maintenance locations to trends in where trip and falls are likely to occur, and where sidewalks are damaged.

Exhibit 14

Although the Majority of Trip and Fall Claims Occur in Higher Pedestrian Usage Areas, Most Sidewalk Maintenance is Performed in Lower Pedestrian Usage Areas

PEDESTRIAN USAGE	*FY2016 to FY2018 TRIP & FALL CLAIMS*	*PERCENT OF TOTAL TRIP & FALL CLAIMS*	*PERCENT OF TOTAL SIDEWALK DAMAGE LOCATIONS*	*PERCENT OF SIDEWALK REPLACEMENTS*	*PERCENT OF SIDEWALK SLICING*
VERY HIGH	3	5%	2%	2%	2%
HIGH	36	55%	26%	36%	25%
MEDIUM	20	30%	52%	55%	63%
LOW	7	11%	19%	7%	11%
Grand Total	66	100%	100%	100%	100%

Note: Grand total for Percent of Total Claims and Percent of Sidewalk Slicing columns do not add up to 100% due to rounding of percentages.

Source: OCA generated based on data provided by the Transportation and Storm Water Department.

Sidewalk Displacement Size Appears to Contribute to the Likelihood of Trip and Fall Incidents

We also investigated whether the size of sidewalk displacements affected the likelihood of trip and fall incidents or increased their average claims cost. Our analysis of trip and fall claims data for FY2016 to FY2018 determined that larger-sized sidewalk damage might be at increased risk of causing trip and fall incidents and such incidents are more costly to the City on average.[25] As shown in **Exhibit 15** below, 55 percent of trip and fall incidents resulting in a settlement payout occurred on sidewalk displacements greater than 1.5 inches with an average settlement of more than $71,000.[26] Only 34 percent of the sidewalk defects identified in the City's 2015 Sidewalk Assessment Study were greater than 1.5 inches. Therefore, the City might benefit from more robust and consistent tracking and

[25] Out of 66 trip and fall claims involving a bodily injury, resulting in a settlement, and having a sidewalk as the cause of the incident, 37 percent of the claim files did not include information on the size of the sidewalk displacement.

[26] From FY2016 to FY2018, of the 42 claims where the size of the sidewalk uplift could be determined from the claims files, only 7 claims resulted in total City costs of $100,000 or more. In total, these claims cost the City $7.1 million. Of these, 6 claims (86 percent) were caused by sidewalk uplifts greater than 1.5 inches. In addition, claims resulting from sidewalk uplifts greater than 1.5 inches were responsible for $6.1 million (86 percent) of claims costs for claims above $100,000.

monitoring of this metric to determine whether a significant correlation exists between the size of a sidewalk displacement and the increased risk of a trip and fall incident occurring. This could also be incorporated as a metric in the City's sidewalk repair prioritization system focusing on the 34 percent of sidewalk defects greater than 1.5 inches. However, another factor to consider is the cost of various types of sidewalk repairs. According to TSW, sidewalk uplifts between 0.5 inches and 1.5 inches are repaired with relatively inexpensive slicing, which costs on average $66 per location, while larger uplifts greater than 1.5 inches typically require replacement, which costs on average $2,452 per location, or 37 times as much as sidewalk slicing.

Exhibit 15

Only 34 Percent of Sidewalk Uplifts Were Greater Than 1.5 Inches, but Comprised 55 percent of Sidewalk-Related Trip and Fall Claims During FY2016 to FY2018

Sidewalk Assessment Damage Type	Percent of Total Sidewalk Assessment Locations	Percent of Trip & Fall Settled Claims FY2016 to FY2018	Average Trip & Fall Total City Expense FY2016 to FY2018*
Greater than 1.5-inch uplift	34%	55%	$71,452
Less than or equal to 1.5-inch uplift	66%	45%	$13,218

***** Two outlier claims, one from each sidewalk assessment damage type category, were removed from this analysis. One of the claims had a 9-inch uplift and was settled for $5 million while the other claim had a one-inch uplift and was settled for $1 million. Including these outlier claims increases the average trip and fall City expense for uplifts of 1.5 inches and below to $66,648 and for uplifts greater than 1.5 inches to $283,452.

Source: OCA generated based on data provided by the Transportation and Storm Water Department.

The City is Likely Incurring Higher Trip and Fall

As a result of the City not prioritizing sidewalk repairs in high pedestrian usage areas as efficiently and effectively as possible, the number of trip and fall claims and settlement costs are likely higher than necessary and have increased in recent years.[27]

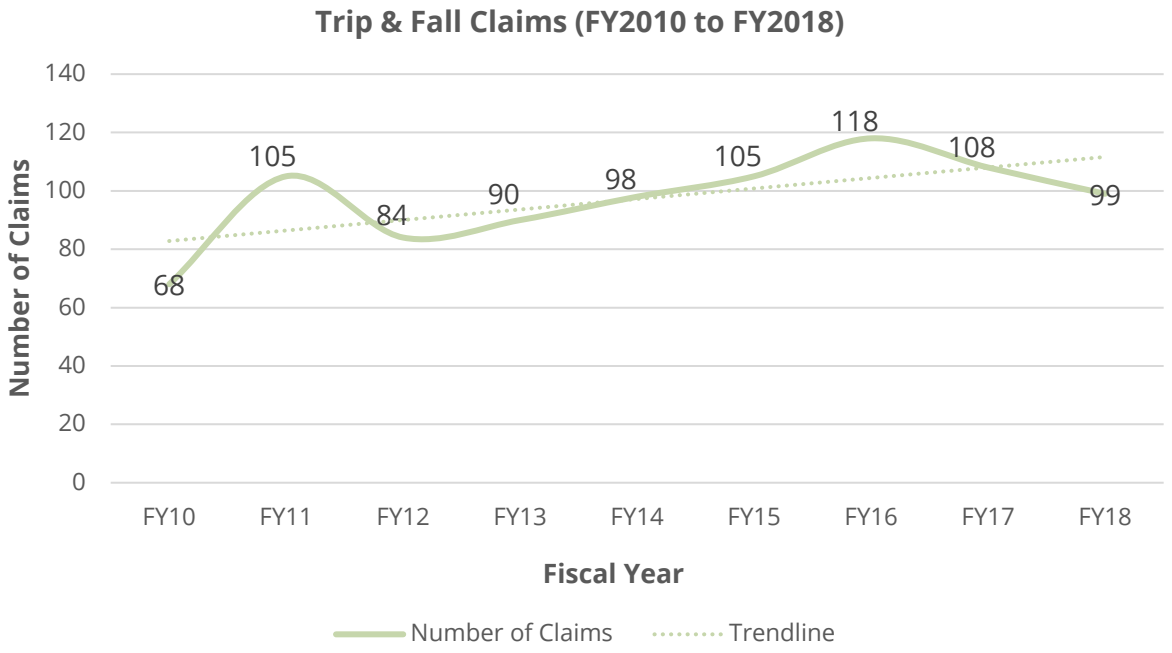
[27] According to TSW, the City's 2015 Sidewalk Assessment Report has made it more difficult for the City to defend itself against trip and fall claim-related lawsuits and therefore was a contributing factor in the increase of trip and fall claim settlement costs during FY2010 to FY2018. However, our

Claims and Settlement Costs Than Necessary

Exhibit 16 and **Exhibit 17** highlight the upward trend of trip and fall claims and associated costs during FY2010 to FY2018. Based on our analysis of the trip and fall-related claims resulting in settlements during FY2016 to FY2018, we determined that costly claims were more likely to occur in high pedestrian usage areas of the City. Further, we concluded that the City lacks detailed documented procedures on how sidewalk maintenance activities should be systematically and consistently prioritized in these areas. Therefore, the City could enhance and better document its proactive efforts to identify and prioritize damaged sidewalk locations in high pedestrian usage areas to more effectively mitigate the City's trip and fall liabilities.

Exhibit 16

Trip and Fall Claims Incurred by the City Trended Upward During FY2010 to FY2018

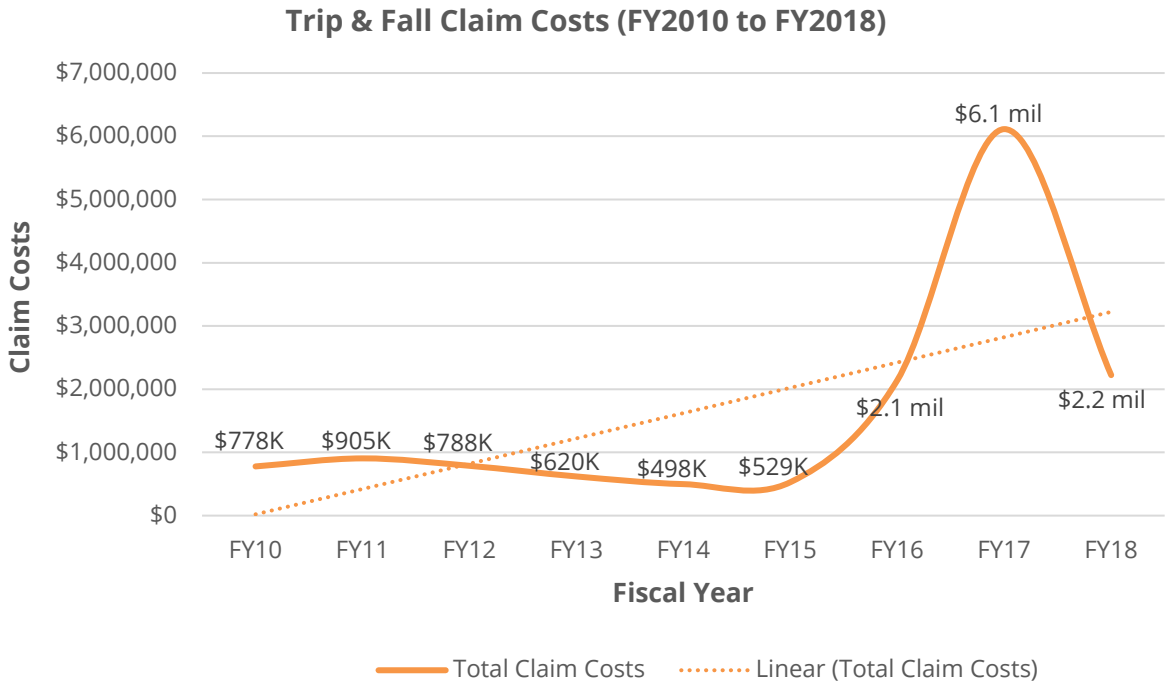


Source: OCA generated based on data provided by the Risk Management Department.

review indicates that this does not explain the increase of trip and fall claims during the same period.

Exhibit 17

Total Trip and Fall Claim Costs Incurred by the City Experienced a Substantial Upward Trend During FY2010 to FY2018



Note: FY2017 Trip & Fall claim costs include a high-profile trip and fall claim settlement of $4.9 million.

Source: OCA generated based on data provided by the Risk Management Department.

Enterprise Risk Management Would Help Reduce Trip and Fall Liabilities

Based on our review of the City's approach to trip and fall-related risks, we determined that the City would benefit from employing a more proactive, systematic, and coordinated ERM approach to identifying and mitigating trip and fall liabilities. Specifically, enhancing claims data sharing with TSW and having an ERM authority to ensure TSW is appropriately prioritizing sidewalk maintenance efforts in high pedestrian usage areas, given the much higher potential liability each damaged sidewalk location presents in these areas, would enable the City to mitigate trip and fall risk more effectively. City officials have recently proposed to spend $90 to $100 million over the next decade to reduce large settlement payouts resulting from trip and fall injuries by addressing a backlog of more than 81,000

City sidewalk repairs.[28] Therefore, it is critical that the City prioritize sidewalk repairs in high pedestrian usage areas in order to effectively and efficiently mitigate its trip and fall liability risks. For example, TSW could develop a point-scoring method assigning points to a variety of factors the department utilizes to prioritize sidewalk repairs. This scoring method should give heavy weight to damaged sidewalk locations in high pedestrian usage areas and could also factor in the size of the uplift. By reducing damaged sidewalk-related causes of trip and fall events, the City will prevent injuries to the public and decrease the likelihood of very large settlement payouts that result from infrequent but severe trip and fall injuries. The sidewalk uplift shown in **Exhibit 18** is an example of a damaged sidewalk that resulted in one such very large settlement payout of nearly $5 million. While any particular damaged sidewalk location can result in a claim against the City, focusing sidewalk maintenance on higher pedestrian usage areas and potentially on larger sidewalk displacements would most effectively reduce such liabilities.

[28] It is unclear if additional funding will be available in the near-term for TSW's sidewalk maintenance operations due to the recent Covid-19 crisis and the adverse impact it is expected to have on the City's finances.

Exhibit 18

Example of a Large Sidewalk Uplift that Resulted in a Nearly $5 Million Settlement Payout

Note: This claim was related to a bicycle accident but is still classified as a sidewalk maintenance liability in the Risk Management Department's data. In addition, because this incident was caused by a damaged sidewalk, it is still relevant to this analysis.

Source: Risk Management Department.

The City's Vehicle Accident Mitigation Efforts Are Somewhat Effective But Could Be Enhanced with a More Proactive ERM Approach

We also performed an in-depth review of the City's vehicle accident mitigation processes. While highly decentralized, the City has adopted a more ERM-based approach to City vehicle accidents through establishing the Accident Review Board, developing a discipline matrix that standardizes how the City addresses drivers who cause vehicle accidents, and requiring drivers involved in such accidents to take remedial trainings that are designed and administered by RMD and the San Diego Police Department (SDPD). [29] However, a more comprehensive ERM approach would involve more robust and consistent proactive vehicle trainings. Currently, RMD provides remedial defensive driving courses to all City employees, except for SDPD officers, involved in City vehicle collisions. SDPD officers found to be responsible for vehicle collisions attend a separate, but similar, remedial driving course developed specifically for law

[29] The City is currently in the process of revising the discipline matrix to address concerns that it allowed excessive flexibility in disciplining drivers who have caused multiple accidents.

enforcement-related driving conditions and scenarios. However, while some proactive training occurs, it is generally not required and is less frequent. Thus, while we found that City departments are taking an increasingly data-driven approach to designing and delivering training to City drivers after accidents, proactive vehicle accident mitigation efforts could be enhanced to more effectively reduce City vehicle accident claims and costs.

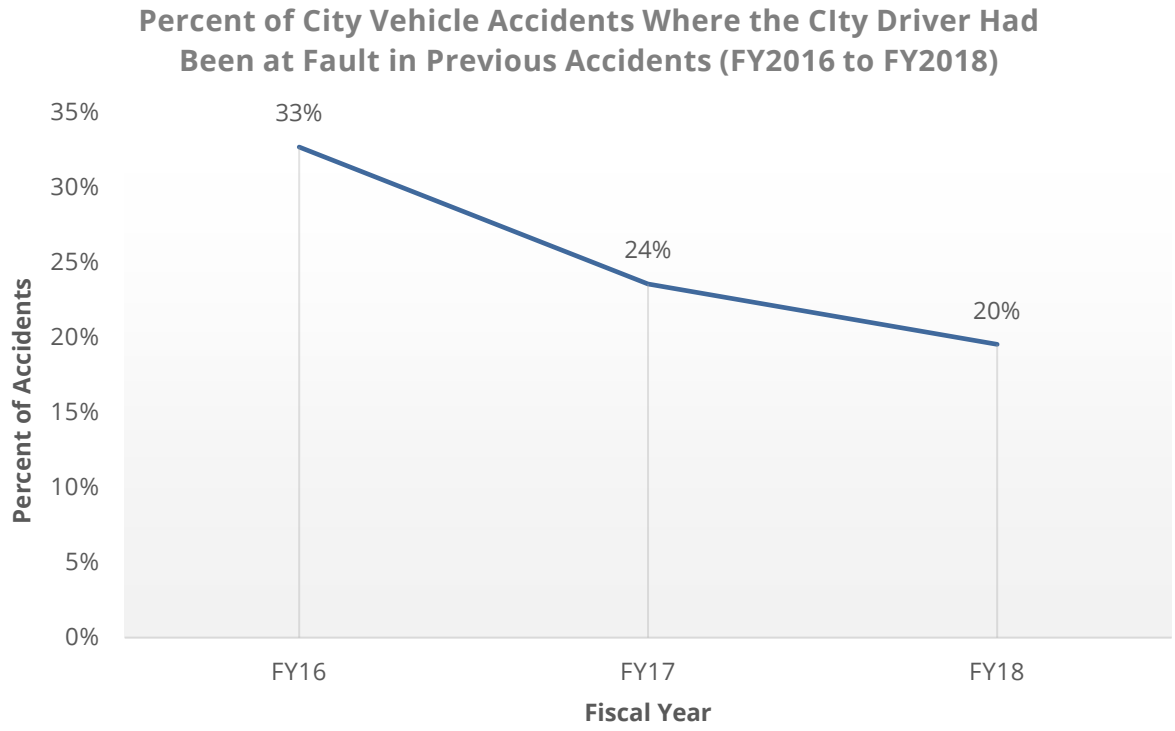
We determined that the departments with the highest frequency of vehicle accident claims during FY2016 to FY2018 were SDPD (typically vehicle accidents involving SDPD patrol vehicles), the Environmental Services Department (typically vehicle accidents involving City trash trucks), and the Public Utilities Department (vehicle accidents involving City work trucks). We then took random samples of City vehicle accident claims for each of the separate departments (255 claims in total), designed a questionnaire to collect relevant data such as types of accidents, aggregated the data, and performed data analytics to determine trends.

Based on our analysis, we determined that the remedial trainings offered by RMD and SDPD appear to be mostly effective at reducing the City vehicle accidents in which the City driver was at fault in previous accidents (see **Exhibit 19** below) as well as stabilizing the overall number of City vehicle accident claims against the City during FY2016 to FY2018 (see **Exhibit 22** below). [30] The remedial trainings provided to City employees involved in City vehicle accidents address the most common causes of such accidents (e.g., unsafe speed, misjudged clearance, etc.) and thoroughly review defensive driving best practices. RMD and SDPD deserve recognition for designing these programs using a data-driven approach and tailoring the trainings to address the types of issues that frequently cause accidents.

[30] This includes San Diego Police Department, Public Utilities Department, and Environmental Services Department drivers.

Exhibit 19

The Percent of City Vehicle Accidents in which the City Driver Had Been At Fault in Previous Accidents Trended Downwards During FY2016 to FY2018



Source: OCA generated based on information prepared by the Risk Management Department.

The City Does Not Provide Consistent and Customized Proactive Vehicle Trainings to All City Vehicle Drivers

While RMD and SDPD have developed robust remedial vehicle training programs utilizing data-based analyses to address high-frequency causes of City vehicle accidents, the City's vehicle accident mitigation efforts are mainly reactive to vehicle accident claims. Thus, the remedial trainings are effective at reducing drivers' second and third vehicle accidents, but do not prevent the initial accident. Therefore, such training could be more effective if deployed proactively across the City—before a driver's first accident occurs.

As shown in **Exhibit 20**, and as further described below, most departments provide proactive vehicle trainings to their vehicle drivers, but the quality, frequency, and department-specific content of the trainings are inconsistent. According to each of the respective departments below, for example:

- The Risk Management Department's (RMD) "Being Safe While Working for the City of San Diego" training addresses the most common vehicle accident causes for specific City departments, but is only offered to City departments that request the course and thus is not provided to all City drivers on a consistent basis. As of October 2019, the course had been provided to the Public Utilities Department, the Transportation and Storm Water Department, the Parks and Recreation Department, and one division of the Public Works Department.
- Public Utilities Department (PUD) drivers annually attend a California Highway Patrol-taught proactive driving course called "Just Drive" (631 PUD vehicle drivers attended the course in 2018, 177 attended in 2019) and also attend the RMD's "Being Safe While Working for the City of San Diego" proactive training course (263 PUD vehicle drivers attended the course in 2017). However, the "Just Drive" course is not specifically tailored to address PUD's most cited causes of vehicle accidents (i.e., unsafe movement, misjudged clearance) and the RMD training course is only provided upon department request. According to data provided by PUD, the department's vehicle drivers have not attended RMD's "Being Safe While Working for the City of San Diego" course since April 2017, thus PUD drivers are not consistently attending the more robust of the two proactive vehicle training courses.[31]
- The Environmental Services Department (ESD) provided proactive vehicle trainings in the past, but they were discontinued approximately five years ago. Instead the department now only administers discipline-based driver training as per Administrative Regulation 75.12, which is provided by RMD. ESD supervisors and safety staff conduct periodic field

[31] According to PUD, while the "Just Drive" course may not be specifically tailored to address PUD's most cited causes of vehicle accidents (i.e., unsafe movement, misjudged clearance), it focuses on safe driving initiatives derived from California Highway Patrol (CHP) observations in the community. According to data provided by PUD, the department's vehicle drivers have received a rotation of driver safety-centric training content. This initiative continues in 2020 with CHP's "Just Drive," which was modified on request to emphasize commercial driving.

observations of driver behavior and follow equipment procedures to identify and correct unsafe use of vehicles. However, the department only offers structured/proactive training to its newly hired drivers through the Collection Services Driver's Academy.

- The San Diego Police Department's (SDPD) Emergency Vehicle Operations Course is provided to officers on an annual or biennial basis, addresses the most common cause of vehicle accidents involving officers, and reviews pursuit and non-pursuit driving best practices. The department's data-driven approach to proactive vehicle training has likely contributed to a decrease of City vehicle accident claims against the department during FY2016 to FY2018 (from 44 claims in FY2016 to 35 claims in FY2018) as well as a reduction in the proportion of SDPD vehicle collisions caused by officers who had been involved in prior City vehicle accidents during the same period (from 33 percent in FY2016 to 15 percent in FY2018). The department deserves recognition for developing and implementing a robust and consistent proactive vehicle training framework even absent a City-wide requirement to do so.

Exhibit 20

City Departments' Proactive Vehicle Trainings Vary in Quality, Frequency, and Inclusion of Department-Specific Content

Department	Proactive Vehicle Trainings	Frequency	Is Training(s) Customized to Specifically Address Most Common Cause of Vehicle Accidents?
RMD	Yes	Upon Department Request	Yes
PUD	Yes	Annually	No
ESD	No*	N/A	N/A
SDPD	Yes	Annually or Biennially	Yes

*As noted above, ESD does have a Collection Services Driver's Academy, but currently this is only provided to new employees.

Source: OCA generated based on interviews with the Risk Management Department, the San Diego Police Department, the Environmental Services Department, and the Public Utilities Department.

Opportunities Exist to Strengthen the Risk Management Department's Proactive Vehicle Training Course

The frequency and relevancy of the City's proactive vehicle trainings for City department vehicle drivers could be improved and enhanced to more effectively prevent City vehicle accidents. As City vehicle accidents have resulted in significant settlement costs for the City, we recommend the City provide its vehicle drivers consistent and department-specific proactive trainings to address the most common causes of City vehicle collisions as well as defensive driving best practices relevant to departments' specific vehicle types and procedures. Specifically, we recommend RMD provide its proactive vehicle training course, "Being Safe While Working for the City of San Diego," on an annual basis to City departments experiencing the highest number of City vehicle accidents. Additionally, not only should RMD continue addressing City departments' most frequent

cause of City vehicle accidents in its "Being Safe While Working for the City of San Diego" course, but it should also ensure that driving best practices and accident mitigation techniques for specific vehicle types unique to a department's vehicle fleet (e.g., garbage trucks, light work trucks, heavy work trucks, etc.) are covered in the course.

The City Could Provide Operational Departments More Detailed Vehicle Accident Data to Help Develop Robust, Proactive Vehicle Trainings

In addition to more proactive vehicle trainings, we found that better, more robust City vehicle accident-related data from RMD could be provided to City departments experiencing significant City vehicle accident claims. RMD produces quarterly Vehicle Accident Reports for City departments highlighting the number and type of vehicle accidents per department in the current and previous quarter of the fiscal year. The report details the number of preventable and non-preventable vehicle accidents, the incident category, cases pending, and most cited cause of City vehicle accidents for the City and individual departments.

The data presented in the City's Vehicle Accident Report, though useful and comprehensive, could be enhanced to include metrics such as the type of vehicle involved in the City vehicle accidents (e.g., trash trucks, light work trucks, heavy work trucks, etc.), as well as the number of department employees involved in previous vehicle accidents. City departments could utilize this information to more effectively develop, implement, and revise regular proactive vehicle trainings. Further, the City should consider providing additional resources to RMD in its efforts to develop and implement proactive vehicle trainings and provide them to all City vehicle drivers on a consistent basis

City Vehicle Accident Claims and Settlement Costs Have Not Decreased

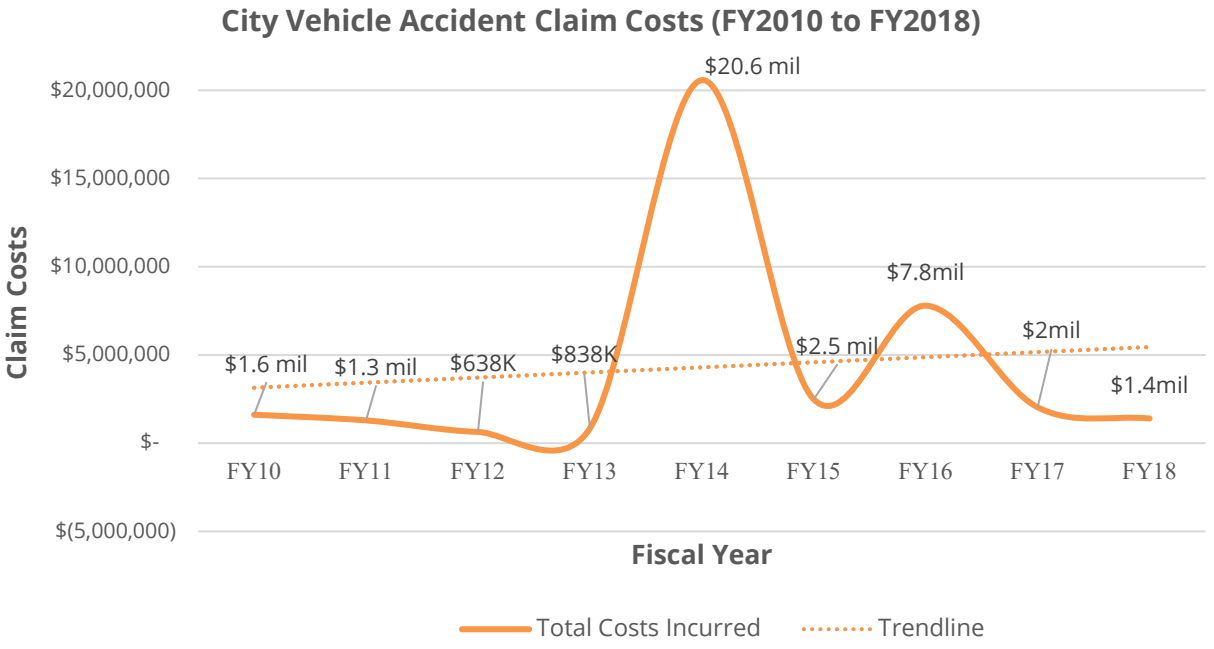
As shown in **Exhibit 21** and **Exhibit 22**, despite RMD and SDPD's robust remedial vehicle accident training courses, neither the costs of the City's claim settlements nor the overall number of claims against the City decreased during FY2010 to FY2018 period.[32] This suggests that the City's reactive approach (i.e., over-reliance on remedial trainings) likely prevents the number of City vehicle accident claims and costs from substantially increasing on an annual basis but has not successfully reduced the frequency of these occurrences and their accompanying costs.

Our review of the City's approach to City vehicle accident prevention and remediation concluded that the City would benefit from taking a more proactive ERM-based approach and evaluating the resources it provides RMD and operational departments for the development and implementation of proactive vehicle trainings. Additionally, the City should ensure it is taking a comprehensive and consistent approach to City vehicle accident mitigation by assisting departments in monitoring trends and patterns in the number of department employees involved in multiple accidents as well as the type of vehicles involved in City vehicle accidents. This information should be used to develop more robust and consistent department-specific and City-wide proactive vehicle trainings.

[32] According to RMD, increases in litigation costs, jury verdicts and medical expenses contributed to the increase of overall claims' costs during the period. However, we do not believe these factors would impact the number of claims incurred during FY2010 to FY2018.

Exhibit 21

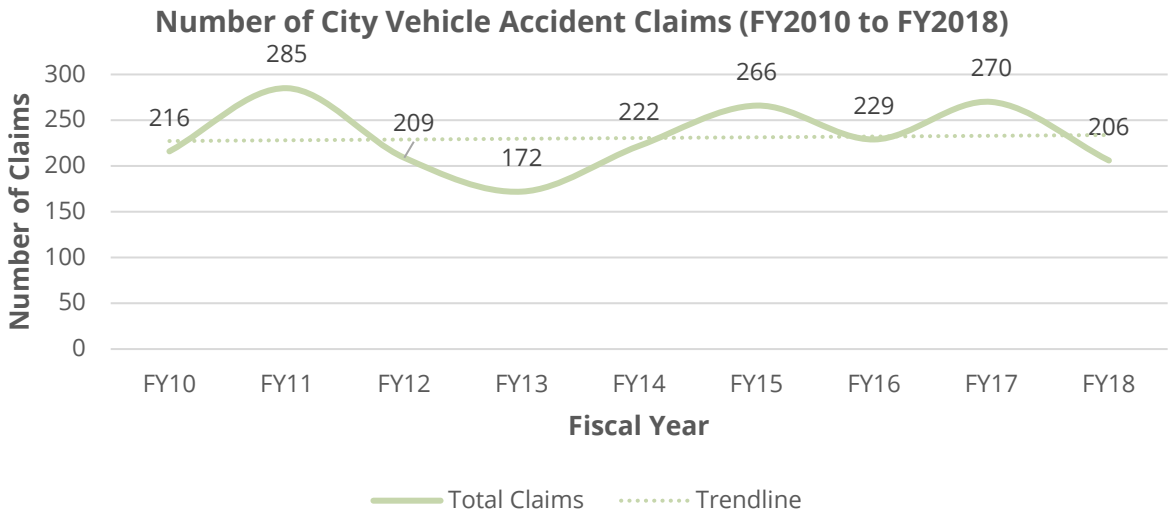
City Vehicle Accident Claim Costs Remained Relatively Constant During FY2010 to FY2018



Source: OCA generated based on data provided by the Risk Management Department.

Exhibit 22

The Number of City Vehicle Accident Claims Remained Relatively Constant During FY2010 to FY2018



Source: OCA generated based on data provided by the Risk Management Department.

The City's Reactive Approach to Public Liabilities is Likely Resulting in Higher Costs to the City

Overall, based on our review of the City's current approach to public liability risk, as well as more in-depth analyses of trip and fall and City vehicle accident claims, we determined that the City's response to public liability risks is siloed, uncoordinated, and inconsistent across City departments. Furthermore, the City lacks a structured and cohesive ERM-based framework to identify, assess, and mitigate its public liability risks. As a result, the City continues to incur substantial public liability claims and costs.

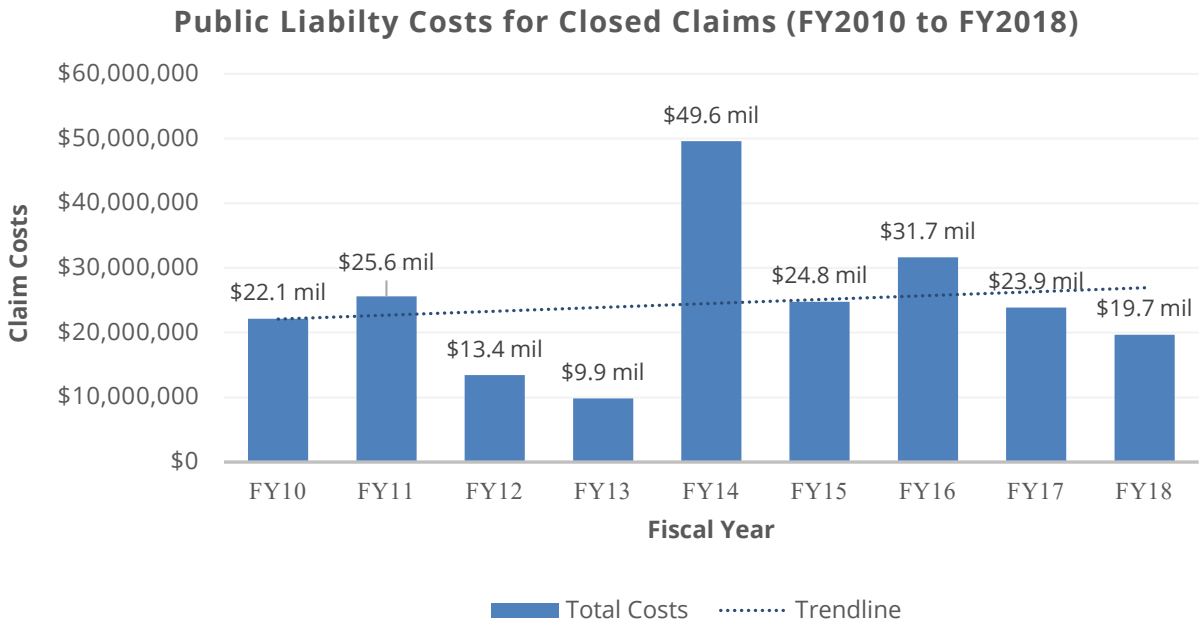
As shown in **Exhibit 23** and **Exhibit 24**, the City's public liability claims costs trended upwards while the number of public liability claims incurred by the City remained relatively static during FY2010 to FY2018. Since neither metric improved during this period and, more importantly, costs are increasing, we conclude that the City's approach to risk management could be more effective in limiting the City's exposure to public liability claims, the litigation that often follows, and the resulting financial costs. Therefore, we recommend that the City establish and adequately resource an ERM-based risk management authority, such as a cross-departmental risk committee headed by a sufficiently empowered executive official, to develop and implement a proactive and structured risk management framework to address the City's public liability risks.

A more robust and comprehensive risk management approach to addressing the City's public liability risks should include providing City departments with data and resources necessary to identify and mitigate department-specific public liability risks. Specifically, the development and implementation of a dashboard that provides City departments with comprehensive and relevant claim data could help facilitate effective risk identification and mitigation of public liability risks. Such a dashboard should track, aggregate, and report department-specific public liability claim data to assist City departments in analyzing data and trends on demand to help develop risk mitigative strategies. Further, this data should be incorporated into RMD's bi-annual presentations to City departments and its annual report to City Council. To that end, the Performance and

Analytics Department and RMD collaborated to create a pilot public liability claim dashboard to show various trip and fall-related data for TSW, which they plan to continue to expand to address a wider range of public liabilities.

Exhibit 23

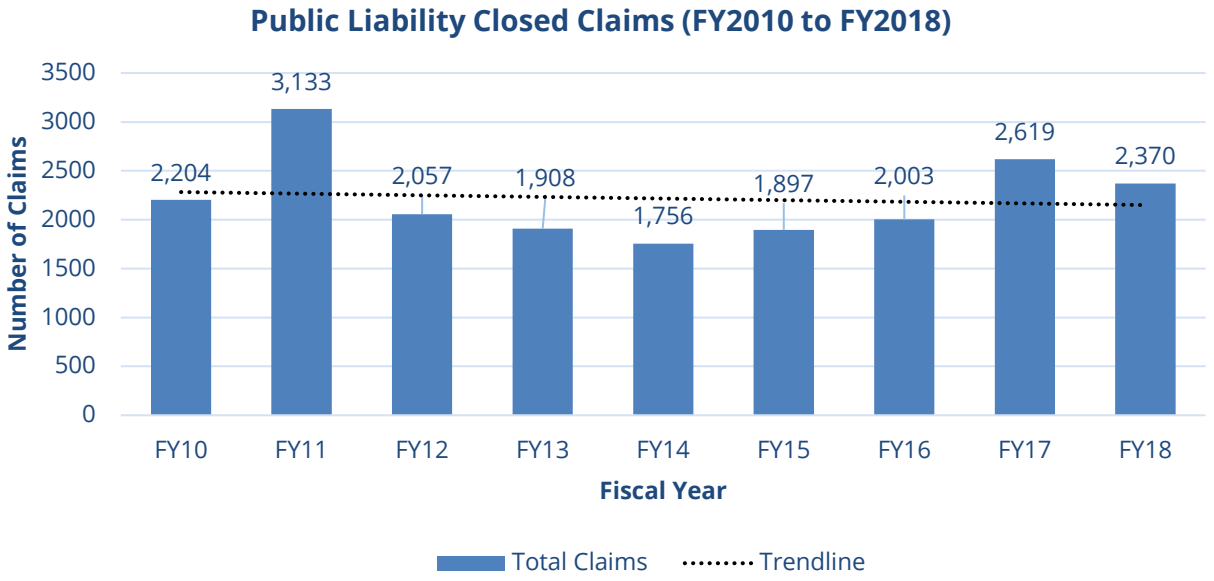
The City's Public Liability Claim Costs Trended Upward During FY2010 to FY2018



Source: OCA generated based on information prepared by the Risk Management Department.

Exhibit 24

The Number of Public Liability Claims Incurred by the City Remained Relatively Constant During FY2010 to FY2018



Source: OCA generated based on information prepared by the Risk Management Department.

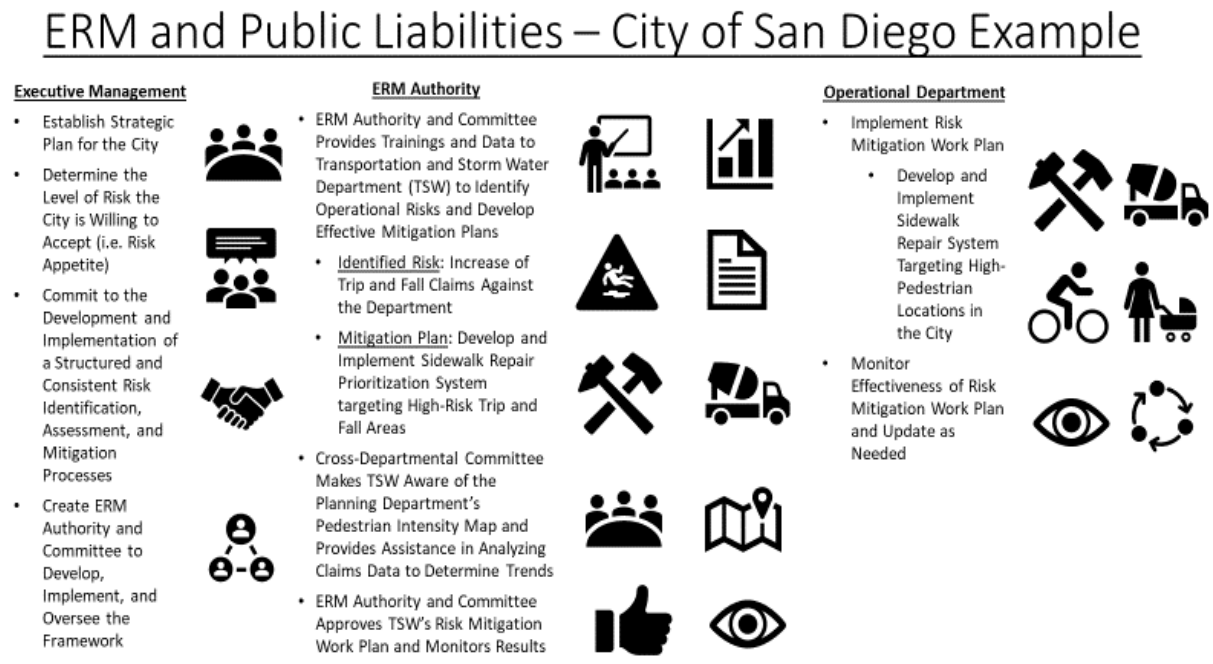
An ERM Approach is Adaptable to the City's Unique Structure and Would Likely Reduce Public Liability Claims and Costs

The results above show the City's approach to public liabilities is lacking a structured and systematic framework to identify, assess, and mitigate public liability risks. As such, we conclude that the City could more effectively reduce its public liability claims and costs through a proactive and systematic approach to such risks.[33] As noted above, an ERM approach can be adapted to an agency's unique structure and processes. **Exhibit 25** demonstrates one way in which an ERM framework could be implemented in the City of San Diego using trip and fall liabilities as an example.

[33] These efforts do not necessarily need to encompass every conceivable public liability risk the City faces. Some types of claims are very infrequent and/or carry minimal liability costs. Our analysis of claims data from FY2016 to FY2018 indicates that by focusing on the top five claims cost-incurring departments, the City's risk assessment efforts would encompass the vast majority of public liability claims costs.

Exhibit 25

This Example Shows How An ERM-Based Risk Management Framework Would Enable the City to More Effectively Identify and Mitigate Trip and Fall Liability Risks



Source: OCA generated based on interviews with ERM managers at the City of Edmonton, the County of Los Angeles, and the University of California.

As shown above, City management would establish a strategic plan for the City, determine the level of risk the City is willing to accept for its strategic and operational objectives, and create an ERM authority to oversee the City's risk management framework. Following this, the ERM authority, such as a cross-departmental risk committee headed by a sufficiently empowered executive official, would provide training and resources to TSW to identify operational risks and develop risk mitigation plans. TSW might identify trip and fall claims against its department as a high-priority risk and determines that developing and implementing a sidewalk repair system targeting high pedestrian usage locations would be an effective risk mitigative strategy. The ERM authority could provide TSW with data on trends in high pedestrian usage areas and facilitate communication between TSW and the Planning Department on incorporating a pedestrian heat map

into TSW's sidewalk repair system. After the City's ERM authority approves TSW's risk mitigation plan, TSW would implement its sidewalk prioritization repair system focusing on high pedestrian locations and both TSW and the City's ERM authority would monitor the effectiveness of the system.

The City Has Recently Initiated an Operational Framework to More Effectively Address Public Liability Risks

The conclusions stated in this report regarding the City's approach to public liability risks demonstrate that the City can benefit from a more proactive risk management framework. As we neared completion of this audit, the City's executive leadership informed our audit team that the City recently initiated a proactive risk management framework referred to as the "Operational Framework."[34] This framework is based on guiding principles such as "functional threading" and "manage by risk" which seek to promote cross-departmental coordination and communication on financial, legal, political, and operational risks. The City's Operational Framework includes several elements of the ERM framework—such as identifying and mitigating organizational risks through Chief Operating Officer report meetings, a Risk Oversight Committee, and monthly department reviews. Also, the framework seeks to eliminate organizational silos, which is a principal element of ERM, through "functional threading" by fostering collaboration and a culture of teamwork between City departments.

The Office of the City Auditor intends to closely monitor the City's implementation of the "Operational Framework" and report on its effectiveness in identifying and mitigating risks to the City's strategic and operational objectives. While the "Operational Framework" is in its infancy, it appears to have many similarities to ERM and we recommend the City continue with implementation of this new risk management approach. Specifically, in order to more effectively manage the City's public liability risks, we recommend the following:

[34] According to the Performance and Analytics Department (PandA), the City began implementing the Operational Framework in December 2019, and implementation to-date has included work sessions for 7 of the inaugural 14 departments. The sessions included expertise from 13 departments (Subject Department + 11 Operational Framework Team departments + PandA). Metrics for the City's Risk Oversight Committee have also been developed.

Recommendation 1 The City should implement a proactive enterprise risk management (ERM) framework to manage and address its public liability risks. This should include the following:

I. The City should create an Executive-Level Risk Oversight Committee, headed by a sufficiently empowered executive official (ERM manager), that has sufficient authority and resources to direct, coordinate, and support the work of departments that incur public liabilities for the City. The City should codify this authority through an appropriate mechanism, such as an Administrative Regulation.

II. The City's ERM manager and Risk Oversight Committee's role in directing and coordinating the operations of liability-incurring departments should include, but not be limited to, the following responsibilities:

a. Requiring the top five City departments incurring the highest public liability claims costs to perform an annual risk assessment for all claim types incurring cumulative costs of $500,000 or more in the preceding three fiscal years. Specifically, this should include identifying risks, the likelihood and impact of identified risks, and mitigative measures to address such risks (see Appendix D for a sample risk assessment template).

b. Assisting City departments to develop annual public liability risk assessments and monitoring City departments' implementation of mitigation plans to ensure risks are effectively identified and mitigation measures are effective. Information on mitigation measures employed and their effectiveness should be aggregated and included in the City's Risk Management Annual Report to City Council, such as the number and percent of City vehicle drivers that attended the Risk Management Department's proactive vehicle driving course.

c. Supervising the collection, processing, and presentation of City-wide liability data to the top five liability-incurring City departments through dedicated risk management reports, information-sharing sessions, and trainings.

d. Requiring and facilitating collaboration between liability-incurring departments, such as through the recently created City-wide Risk Oversight Committee, to identify, develop, and implement risk mitigation strategies for specific categories of public liabilities (e.g., City vehicle accidents, trip & falls, storm drain backups, etc.) (Priority 1)

In addition, to more effectively manage the City's trip and fall and City vehicle accident liabilities, we recommend the following:

Recommendation 2 The City's enterprise risk management (ERM) manager and Risk Oversight Committee should provide City departments incurring trip and fall liabilities with sufficient information and resources to identify and mitigate public liability risks based on a proactive approach to risk mitigation.

a. The City's ERM manager and Risk Oversight Committee should ensure the Transportation and Storm Water Department (TSW) and other operational departments are appropriately prioritizing damaged sidewalk mitigation efforts in high pedestrian usage areas given the much higher potential liability each damaged location presents in these areas. Specifically, this should include all departments that incur significant trip and fall liabilities documenting and implementing a procedure to prioritize sidewalk repairs in high pedestrian usage areas.

b. TSW should expand on our analysis using at least five years of data to determine whether larger sidewalk uplifts do increase the risk and cost of trip and fall liabilities relative to smaller uplifts. TSW's sidewalk

maintenance prioritization procedure should include prioritizing maintenance of larger sidewalk uplifts if this analysis shows that such prioritization would more effectively address trip and fall risks. (Priority 1)

Recommendation 3 The City's enterprise risk management (ERM) manager and Risk Oversight Committee should provide City departments incurring City vehicle accident liabilities with sufficient information and resources to identify and mitigate public liability risks based on a proactive approach to risk mitigation.

a. The City's ERM manager and Risk Oversight Committee should ensure the City is taking a comprehensive and consistent approach to vehicle accident mitigation efforts by assisting departments in monitoring trends and patterns in the cause of accident by department and type of vehicle involved. This information should be used to develop more robust and consistent department-specific and City-wide proactive vehicle trainings.

b. The City's ERM manager and Risk Oversight Committee should evaluate the resources the City provides to the Risk Management Department for the development and implementing of City-wide proactive vehicle trainings.

c. The Risk Management Department should provide its proactive vehicle training course, "Being Safe While Working for the City of San Diego," on an annual basis to City departments experiencing the highest number of City vehicle accidents. (Priority 1)

In addition, to best facilitate information sharing and data analysis that would inform the causes of liabilities, and help identify trends and mitigation measures, we recommend the following:

Recommendation 4 The City's enterprise risk management (ERM) manager, Risk Oversight Committee, and Risk Management Department should work with the Performance and Analytics Department to construct a dashboard to provide City departments with comprehensive and department-specific claims data. This should include the following:

a. The City's ERM manager, Risk Oversight Committee, and Risk Management Department should consult with the top five liability-incurring City departments to determine the type of data to be tracked and aggregated through the dashboard system.

b. The City's ERM manager, Risk Oversight Committee, and Risk Management Department should work with City departments to determine the most effective and timely method to communicate relevant public liability trend-related data and analyses and formalize the frequency and method in which this information will be provided, such as through the Risk Management Department's bi-annual presentations to City departments and its annual report to City Council.

c. The Risk Management Department should include relevant public liability trend-related data and analyses, such as trends for the most frequent types of public liability claims or the types of public liability claims with the highest costs, in its Annual Report to the City Council. Trends should be reported over at least a five-year period. (Priority 1)

The City Does Not Consistently and Comprehensively Track Public Liability Claims' Corrective Measures

While developing and implementing an ERM-based framework to address organizational risks would allow the City to proactively identify and mitigate public liability incidents before they occur, corrective measures taken in reaction to a claim are also important to prevent further liability. Thus, the City should ensure it takes appropriate, decisive, and timely action to correct the conditions that give rise to such claims against the City. For example, while multiple trip and falls at the same location appear to be relatively uncommon, we did identify one trip and fall claim incident that occurred at a location where two previous trip and falls had also resulted in claims against the City. The City's costs to resolve these three claims totaled more than $600,000.

Our analysis of 370 trip and fall and City vehicle accident claims closed between FY2016 and FY2018 indicates that the City did not comprehensively track corrective measures for public liability claims during that time. According to RMD, although the department works hard to consistently document corrective measures for settlements that fall within its authority levels of $25,000 to $50,000, a number of claim files did not contain sufficient information to determine whether the City identified, completed, and documented a corrective measure to address a public liability claim-causing incident.[35] Specifically, 34 percent of the 115 trip and fall claims we reviewed did not report the completion of a corrective measure to address the condition that led to the claim incident and 20 percent of the 255 City vehicle accident claims did not report employee discipline (i.e., corrective measure). To effectively address the City's public liability risks proactively, the City should ensure claims-related data is consistently and thoroughly collected and tracked in order to provide operational departments with relevant data useful to identify public liability trends and develop appropriate mitigations.

[35] Per RMD's Memo to Department Directors on 9/25/18, claims with a value of $25,000 to $50,00 require Department Directors or Deputy Directors to sign off on corrective measure identification and implementation timeframe and report such information to RMD.

Tracking of Corrective Measures May Have Improved but Cannot Be Verified

According to the City Attorney's Office (CAO) and RMD, in October 2018, at the suggestion of the CAO, the City began comprehensively tracking corrective measures on a spreadsheet accessible to only certain CAO and RMD personnel.[36] However, we were unable to verify the spreadsheet's contents and the effectiveness of this tracking method due to CAO confidentiality concerns over attorney-client privilege and attorney work product as our office was issuing a public audit.[37] Specifically, the CAO issued a Report to Audit Committee dated December 6, 2019, that articulated these concerns. While this method of tracking corrective measures likely represents an improvement over the decentralized and inconsistent tracking described above, the usefulness of this tracking spreadsheet is limited because it can only be accessed by a small number of individuals throughout the City. As such, it cannot be utilized for any kind of transparent public tracking and monitoring of the implementation of the City's corrective measures to prevent future public liabilities. Therefore, to address this issue, we recommend the following:

Recommendation 5

The Risk Management Department should coordinate with public liability claims-incurring City departments to identify and record data related to the identification and completion of corrective measures, such as cause(s) of claim-incurring incidents and date of corrective action completion, for claims with settlement amounts of $25,000 and above for the City's top ten public liability claims resulting in the highest annual aggregated settlement amounts. This information should be recorded and tracked in a manner that is accessible to City departments and personnel. (Priority 2)

[36] According to the City Attorney's Office (CAO), the CAO shared its own spreadsheet of legal advice, referred to as "corrective actions," with RMD for consideration by City staff in determining how to address the situation that resulted in litigation. The CAO did not intend or expect that City staff would use the spreadsheet as a tracking device.

[37] Because we were unable to determine whether the City comprehensively and accurately tracks corrective measure information due to the withholding of the spreadsheet, we declared a scope limitation on this audit in accordance with government auditing standards. See the Objectives, Scope, and Methodology section of the report for further information.

Finding 2: A More Proactive, Enterprise Risk Management Approach Will Enable the City to Better Anticipate and Mitigate Risks to the City's Major Strategic Goals

Finding Summary

As discussed in Finding 1, public liabilities, such as trip and fall claims, are a major risk that costs the City millions of dollars per year and could be more effectively mitigated through an Enterprise Risk Management (ERM) approach. However, public liabilities are just one type of specific risk the City faces. Implementing a robust, proactive ERM-based risk identification and mitigation framework would also help ensure the City achieves its broader strategic and operational objectives. We found that the City is not currently following risk management best practices and is likely incurring higher risk costs, both financially and reputationally, by not currently utilizing an enterprise-wide risk management framework. Specifically, we found:

- The City does not systematically and consistently identify, assess, and develop mitigations for risks to the City's strategic objectives; and
- The City's risk mitigation efforts are largely decentralized and siloed within individual City departments, resulting in inconsistent and reactive risk mitigation processes for organizational risks.

The absence of a robust and proactive risk management framework likely results in unnecessarily high-risk exposure, such as inefficiencies, failure to achieve strategic and operational goals, and higher costs. While some progress has been made, the City's current approach to risk management may not be effectively identifying and mitigating strategic risks. For example, the City has taken a key first step in establishing an ERM framework by developing the City's Strategic Plan, which describes the City's top-priority strategic and operational objectives. However, the Strategic Plan should be subjected to regular and structured risk assessments to identify risks related

to entity-wide strategic goals in order to develop risk mitigative steps. These steps should then be rolled up into a work plan which City leaders, managers, and employees seek to deploy in the course of their duties. This approach to entity-wide risk identification and mitigation would help advance the City's broad strategic objectives more effectively and efficiently.

As noted in Finding 1, while concluding this audit, we learned that the City's executive management has recently developed a proactive risk management framework, called an "Operational Framework," which incorporates several elements of the ERM framework—such as identifying and mitigating organizational risks through COO report meetings and a Risk Oversight Committee. We made several recommendations to reinforce this new risk management framework to ensure it follows ERM best practices. These include designating an executive position to serve as the City's ERM manager and lead a City-wide Risk Oversight Committee with sufficient authority and resources to develop and implement an enterprise-wide risk management framework; codifying the Risk Oversight Committee's authority, such as with an Administrative Regulation; and requiring operational departments to complete risk assessments on an annual basis and regularly review and adjust risk mitigation plans as needed.

The ERM Framework is Being Increasingly Utilized in the Public Sector to Manage Risks to Strategic Goals

Establishing and managing a robust, proactive risk management framework that reinforces a culture of risk identification and prevention would help ensure that the City is actively limiting risks to strategic objectives at all levels of the organization. The ERM-based public organizations we interviewed identified the development and implementation of systematic and structured risk identification and mitigation processes as a key component to effective risk management. Therefore, the City could benefit from developing and implementing such risk management processes to proactively address the City's strategic and operational risks, which would likely reduce financial and organizational risk-related costs.

Notable examples of ERM in the public sector we identified include the County of Los Angeles, the University of California, the City of Edmonton, the City and County of San Francisco, and Yuma County. As we already discussed in Finding 1, ERM is an

adaptable framework and does not follow a one-size-fits-all approach. While these organizations have implemented ERM to suit their own unique organizational structures, they all adhere to the basic elements of the ERM framework, including proactive identification and mitigation of strategic and organizational risks and consistent and centralized oversight of risk mitigation workplans. The following example from the City of Edmonton illustrates how a mature ERM framework has been employed successfully at the enterprise level.

The City of Edmonton Has Successfully Utilized ERM to Limit Its Strategic Risk Exposure

City of Edmonton (Edmonton) developed and implemented a robust, entity-wide ERM framework that requires organizational stakeholders to consistently and systematically identify, assess, and mitigate strategic and operational risks. Edmonton codified its ERM framework in 2016 to ensure its continued success in limiting risk exposure through a holistic and structured approach to risk management, which includes the following ERM elements:

- Aligning ERM processes to organizational goals and objectives
- Developing organizational processes for identifying, assessing, and mitigating risks to agency goals
- Operational departments completing risk assessments to identify and mitigate risks to strategic goals
- Risk owners implementing risk mitigative measures
- ERM authority monitoring operational departments' risk mitigation processes and results

According to Edmonton's Corporate Manager (ERM manager), who oversees Edmonton's implementation of ERM, the city's ERM framework requires both executive-level and operational-level management to complete annual risk assessments identifying and mitigating risks that could prevent the city from achieving its strategic and operational objectives. Edmonton's ERM manager emphasized the importance of a risk management authority providing training and resources to operational-level management to develop and implement effective risk assessments and mitigation efforts. Edmonton requires its operational departments to complete annual risk assessments called risk registers. As shown in **Exhibit 26**, the risk registers identify operational risks and risk owners, rank

identified risks, and describe current and potential future risk mitigation actions. Furthermore, Edmonton's ERM manager facilitates risk assessment workshops for operational departments, approves risk assessments and mitigation plans, and monitors departments' previous year of risk mitigations to determine their effectiveness.

Exhibit 26

Edmonton's Strategic Risk Register

Attachment 3

Strategic Risk Register
The Way We Grow

Updated as of: 23-Mar-15
Last Update: N/A

Risk Ranking	Risk Element	Current Risk Rating	Summary Comments	Current Mitigation Actions	Potential Future Mitigation Actions	Risk Owner	Update Freq.
1	Failure to engage community partnerships	High	**Risk Description:** Failure to engage community partnerships (community leagues, sports groups, etc.) result in inability to achieve objectives. **Risk Not Acceptable:** Objective cannot be achieved without viable community partnerships	- Council initiative on citizen engagement such as Edmonton Insight Community - Office of Public Engagement - Public engagement plans in place for current developments - Civic Education program (e.g. Planning Academy) - Open data initiative	- Continue to enhance web presence - Innovative methods of public engagement (e.g. social media) - Implementation of recommendations from Council initiative on citizen engagement - Devise strategies for under-represented groups - Participatory budgeting	CLT	Annual
2	Impacts of Recession	High	**Risk Description:** Recession results in the restriction of new development, contraction of local industries, and reduced government funding of community-scaled programs. **Risk Not Acceptable:** A recession changes investors' and governments' priorities from growth and investment to retrenchment, delaying achievement of the objectives in the plan.	- Prioritization of programs - Development reserve	- Contingency planning - flexible resource deployment	CLT	Annual
3	Lack of strategic alignment and commitment to resourcing priorities	Medium	**Risk Description:** Lack of strategic alignment and commitment to resourcing priorities results in inability to achieve objectives and may result in 'siloed' decision making. **Risk Not Acceptable:** Failing to properly prioritize and resource priorities results in poor decisions. Decisions are made in one area without communicating or consulting with other interested areas, resulting in inefficiencies.	- One City Approach to achieving visions of The Way Ahead - '2%' efficiency initiative - Workspace planning	- The Way We Finance Implementation - The Way Ahead implementation plan - Civic accommodation plan (future office space). - Inter-departmental / cross-functional project teams	CLT	Annual

Source: City of Edmonton.

ERM Helped Edmonton Mitigate A Significant Risk to a Major CIP Project, Saving Millions of Dollars

Source: Google Images

According to Edmonton's ERM manager, the city has experienced measurable success in mitigating organizational risk through the utilization of the ERM framework. For example, through the utilization of a CIP-related risk assessment, Edmonton identified a weakening of the Canadian dollar as a high-risk area for the anticipated construction phase of a new hockey stadium. As a result of this risk assessment, Edmonton developed a mitigation plan that included purchasing all the requisite steel for the project upfront to reduce the risk of a drop in the value of the Canadian dollar. The Canadian dollar did subsequently decline in value and according to Edmonton's ERM manager, the decision to implement this risk mitigation strategy saved the city a minimum of $4.5 million USD on this specific project.[38] This example illustrates how using an ERM framework to identify and mitigate risk to an organization's high-priority initiatives can improve efficiencies and decrease costs.

The City of San Diego Has Not Developed a Risk Framework to Proactively and Systematically Identify and Mitigate Strategic and Operational Risks

The City of San Diego has taken a key first step towards a more ERM-based approach by identifying its key strategic goals in the City's Strategic Plan, which is displayed in **Exhibit 27** below. However, the City has not established a risk management framework requiring top-level management and operational departments to identify and mitigate organizational risks threatening the achievement of the City's strategic goals. Specifically, the City's Strategic Plan, which is intended to guide operational departments' objectives, does not undergo a robust and systematic risk assessment to identify risks that would prevent it from achieving its strategic goals. Further, the City does not require operational departments to complete regular and structured risk assessments of their processes and objectives. As discussed in Finding 1, this has resulted in City departments taking an unstructured and inconsistent approach to risk identification and mitigation specific to public liabilities.

[38] In March 2014 dollars.

This is likely the case for the City's broader strategic and operational risks as well, with some being addressed more systematically and effectively than others. Therefore, as the City lacks a robust and systematic risk identification and mitigation framework, it would likely benefit from requiring its risk management authority and operational departments to identify and categorize risks that could prevent the City from achieving high-priority initiatives such as increasing the supply of affordable housing, implementing the Climate Action Plan, and other major initiatives.

Exhibit 27

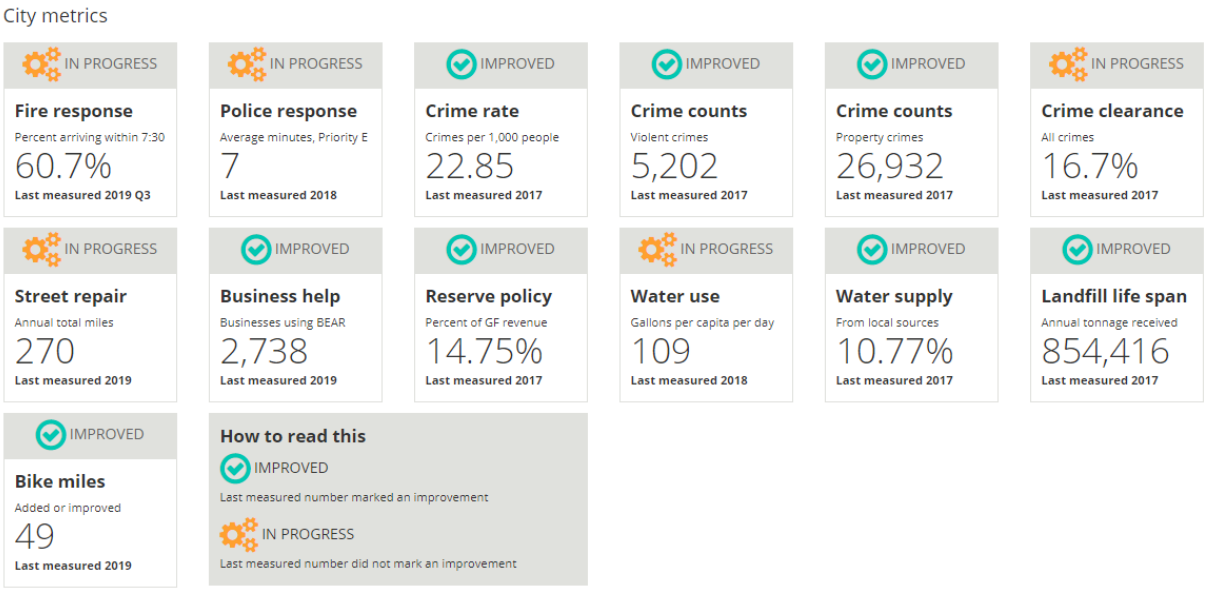
The City's Strategic Plan Establishes the City's High-Priority Goals and Helps Guide Operational Departments' Objectives

Source: The City of San Diego Strategic Plan.

In 2016, the City developed a dashboard, shown in **Exhibit 28** below, to display key performance metrics that underpin the City's Strategic Plan. The City deserves recognition for developing its Strategic Plan and utilizing a transparent and accessible tool to highlight the City's efforts in meeting its organizational goals. We recommend that the City expand on this effort to communicate its strategic objectives to key stakeholders by empowering and resourcing its risk management authority to develop curriculum and training to educate City leadership of the strategic and operational benefits of an ERM-based risk management framework in order to facilitate its implementation City-wide.

Exhibit 28

City of San Diego Tracks Progress of Its Strategic Goals Using an Online Performance Overview of Key Strategic Elements



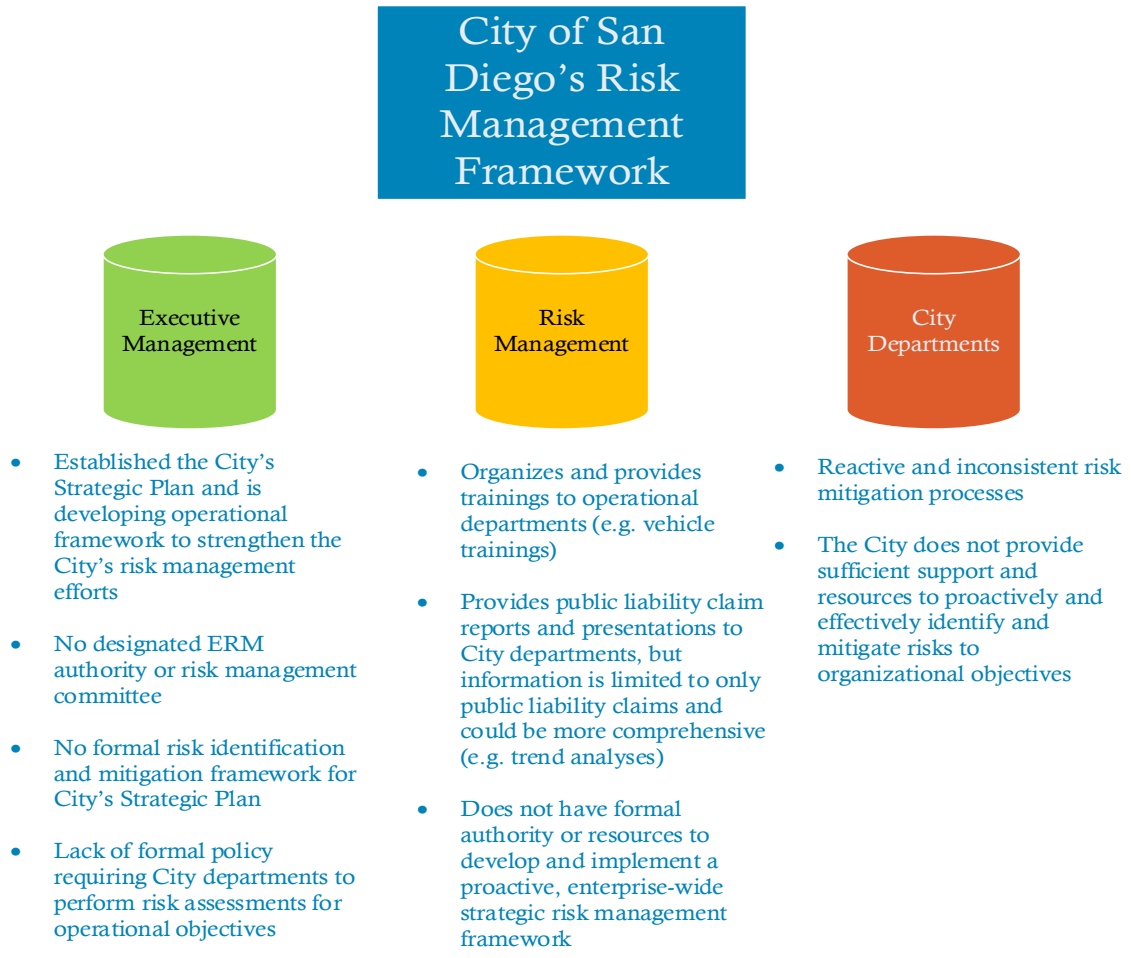
Note: According to the Performance and Analytics Department, the Perform SD dashboard contains over three dozen department-level metrics featured/visualized on the dashboard across nine strategic focus areas.

Source: City of San Diego Performance Dashboard, accessed April 2020, available at: https://performance.sandiego.gov/.

As **Exhibit 29** below demonstrates, the City and its operational departments' current approach to risk management lacks many key elements of the ERM framework. For example, although the City has developed a Strategic Plan and is developing an operational framework to reinforce the City's risk mitigation efforts, the City's executive management has not authorized an ERM manager or risk oversight committee to develop and manage a risk management framework that identifies and mitigates risks to the City's Strategic Plan, nor does it require operational departments to perform systematic risk assessments identifying and mitigating risk to departments' objectives. Additionally, while the Risk Management Department organizes trainings and provides claim data reports and presentations to City departments, it does not possess the requisite authority or resources to develop, implement, and monitor robust and proactive risk management strategies. Finally, as the City does not provide sufficient support and resources to operational departments to allow them to effectively and proactively identify and mitigate risks to organizational objectives, City departments take a largely reactive and inconsistent approach to risk mitigation processes.

Exhibit 29

The City of San Diego's Current Approach to Risk Management Does Not Include ERM Best Practices Such as Developing and Implementing Formal Risk Assessments, Identifying and Mitigating Strategic and Operational Risks, and Empowering an ERM Authority to Develop and Implement a Proactive, Enterprise-Wide Risk Management Framework



Source: OCA generated based on interviews with the Risk Management Department, City Executive Management, and City departments.

To address the lack of a proactive and structured risk management framework, the City's future ERM manager and Risk Oversight Committee should lead the City's efforts in conducting and formulating regular enterprise risk assessments of operational processes and programs, and overseeing processes that identify, assess, prioritize, respond to, and monitor enterprise risks. The City should ensure that its ERM

manager and Risk Oversight Committee monitor the effectiveness of strategic and operational risk assessments and risk mitigation efforts.

Additionally, as ERM is applicable to a wide range of other organizational risks aside from public liabilities, the City should consider developing and implementing an ERM-based framework to cover major City initiatives—such as its Climate Action Plan, major real estate purchases, affordable housing goals, Pure Water project, etc. We recommend that the City select an operational department to pilot an ERM-based framework to monitor its effectiveness and highlight its successes to the entire organization. Once the City has effectively implemented an ERM-based framework in a City department for a specific operational function, such as public liability risk mitigation, the results should be tracked and documented to support the gradual expansion of the framework to additional City departments and operations. Concurrently, City management should begin to achieve buy in from other City departments to identify and begin to mitigate large-scale, enterprise-wide risks.

The City Could Utilize an ERM-based Framework to Minimize Risks to Its Strategic Objectives

Exhibit 30 displays how an ERM-based risk assessment could be applied to the City's Strategic Plan, specifically its goal to "ensure equipment and technology are in place so that employees can achieve high quality public service." In the example, City management establishes a strategic plan for the City, determines the level of risk the City is willing to accept for its strategic objectives, and creates an ERM authority to oversee the City's risk management framework. Following this, the ERM authority, such as a cross-departmental risk committee headed by a sufficiently empowered executive official, provides training and resources to City departments to identify risks to the City's Strategic Plan and develop risk mitigation plans. City departments might identify a lack of procedures and equipment to work remotely during a public health crisis as a high-priority risk and determine that coordinating with the Department of Information Technology (IT) in developing and implementing robust telecommuting protocols and contingency plans would be an effective risk mitigative strategy. After the City's ERM

authority approves the City departments' risk mitigation plans, the departments would begin collaborating with IT to develop and implement telecommuting protocols, and City departments, the City's ERM authority, and the Risk Oversight Committee would monitor the results of these efforts and make changes as needed.

Exhibit 30

This Example Shows How an ERM-based Risk Assessment of the City's Strategic Goals Could Proactively Identify Risks to City Departments' Teleconferencing Capabilities

Source: OCA generated based on interviews with ERM managers at the City of Edmonton, the County of Los Angeles, and the University of California.

The City is Likely Exposed to Higher Levels of Risk and Risk-Related Costs than Necessary

The absence of a robust and proactive risk management framework likely results in unnecessary risks, inefficiencies, and costs to the City's major initiatives. Consequently, the City is missing an opportunity to limit the residual risks and costs to the City of San Diego's Strategic Plan by not regularly and systematically conducting risk assessments on its strategic and operational objectives. The scope of this audit confined our

research and analyses to the City's risk management practices, specifically to the City's approach to public liability claims, and therefore we did not evaluate the costs the City incurs by not utilizing an ERM-based framework. However, enterprise risk management is a best practice utilized by large, multifaceted organizations in both the private and public sectors to identify and minimize the multitude of risks inherent in such organizations and thus we conclude its absence in the City's approach to risk management likely results in higher levels of risk and risk-related costs than necessary.

As already discussed in Finding 1, as we concluded this audit we learned that the City is currently developing an operational framework to enhance the City's risk management efforts. As part of the implementation of this framework and to ensure the City's efforts to manage strategic and operational risks are effective as possible, we recommend these efforts include the following:

Recommendation 6 The City's ERM manager and Risk Oversight Committee should document and implement a process to periodically identify and categorize risks that could impact the City's ability to achieve high-priority initiatives (e.g., homelessness, Climate Action Plan, infrastructure projects, etc.).

a. City-wide risks should be documented and assessed for likelihood, impact, and risk appetite, and monitored to ensure strategic risks are mitigated through the completion and submittal of annual risk assessment plans to the Risk Oversight Committee for approval. (Priority 1)

Recommendation 7 The City's ERM manager and Risk Oversight Committee should develop and execute a roll out plan to implement a proactive risk management framework, such as ERM, on a City-wide basis. The roll out plan should target one to two operational departments for initial implementation of the framework, establish an employee engagement plan to facilitate change in the City's organizational culture, and develop and implement a process to continually review and monitor the program. (Priority 1)

Recommendation 8 The City's ERM manager and Risk Oversight Committee should develop curriculum and trainings to educate City leaders at the senior executive level of the strategic and operational benefits of a proactive risk management framework. (Priority 1)

Recommendation 9 The City's ERM manager and Risk Oversight Committee should lead the City's efforts in conducting and formulating regular enterprise risk assessments of business processes or programs, and overseeing processes that identify, assess, prioritize, respond to, and monitor enterprise risks. In conducting these duties, the City's ERM manager and Risk Oversight Committee should ensure that reviews take place regularly, necessary data and staff support are obtained, and ensure that risks are communicated appropriately to internal and external stakeholders. (Priority 1)

Conclusion

The City commits substantial financial, legal, and human resources toward processing and settling public liability claims against the City. In addition to financial costs to the City government and taxpayers, public liabilities also frequently cause physical or emotional harm to affected residents and visitors, reducing their quality of life and damaging the City's reputation in the eyes of the public. Although the Risk Management Department and City departments make a variety of efforts to reduce the number and frequency of public liability risks, the City's siloed, reactive, and inconsistent approach to risk management likely results in the City incurring more public liability claims and costs than necessary.

Adopting an Enterprise Risk Management (ERM)-based framework will more effectively reduce the City's public liabilities as well as risks to its broader strategic and operational objectives. The framework will help the City determine what issues are resulting in public liabilities, and how the City could best allocate scarce resources more effectively to mitigate these risks. Further, the City should create an executive-level Risk Oversight Committee, headed by a sufficiently empowered executive official (ERM manager), that has sufficient authority and resources to direct, coordinate, and support the work of departments that incur public liabilities for the City.

The City's future ERM manager and Risk Oversight Committee can also lead the City's efforts in conducting and formulating regular enterprise risk assessments of the City's Strategic Plan as well as City departments' operational processes and programs, and overseeing processes that identify, assess, prioritize, respond to, and monitor enterprise risks. We conclude that through the implementation of an ERM-based framework requiring regular and structured risk assessments of the City's major initiatives and operational processes and programs, the City will more effectively reduce its strategic and operational risks, including public liability claims and costs.

Recommendations

Finding 1: The City's Approach to Public Liability Mitigation is Largely Decentralized, Reactive, and Likely Results in Higher Liability Claims and Costs Than Necessary

Recommendation 1 The City should implement a proactive enterprise risk management (ERM) framework to manage and address its public liability risks. This should include the following:

I. The City should create an Executive-Level Risk Oversight Committee, headed by a sufficiently empowered executive official (ERM manager), that has sufficient authority and resources to direct, coordinate, and support the work of departments that incur public liabilities for the City. The City should codify this authority through an appropriate mechanism, such as an Administrative Regulation.

II. The City's ERM manager and Risk Oversight Committee's role in directing and coordinating the operations of liability-incurring departments should include, but not be limited to, the following responsibilities:

a. Requiring the top five City departments incurring the highest public liability claims costs to perform an annual risk assessment for all claim types incurring cumulative costs of $500,000 or more in the preceding three fiscal years. Specifically, this should include identifying risks, the likelihood and impact of identified risks, and mitigative measures to address such risks (see Appendix D for a sample risk assessment template).

b. Assisting City departments to develop annual public liability risk assessments and monitoring City departments' implementation of mitigation plans to ensure risks are effectively identified and mitigation measures are effective. Information on mitigation measures employed and their effectiveness should be aggregated and included in the City's Risk Management Annual Report to City Council, such as the number and percent of City vehicle drivers that

attended the Risk Management Department's proactive vehicle driving course.

c. Supervising the collection, processing, and presentation of City-wide liability data to the top five liability-incurring City departments through dedicated risk management reports, information-sharing sessions, and trainings.

d. Requiring and facilitating collaboration between liability-incurring departments, such as through the recently created City-wide Risk Oversight Committee, to identify, develop, and implement risk mitigation strategies for specific categories of public liabilities (e.g., City vehicle accidents, trip & falls, storm drain backups, etc.) (Priority 1)

In addition, to more effectively manage the City's trip and fall and City vehicle accident liabilities, we recommend the following:

Recommendation 2 The City's enterprise risk management (ERM) manager and Risk Oversight Committee should provide City departments incurring trip and fall liabilities with sufficient information and resources to identify and mitigate public liability risks based on a proactive approach to risk mitigation.

a. The City's ERM manager and Risk Oversight Committee should ensure the Transportation and Storm Water Department (TSW) and other operational departments are appropriately prioritizing damaged sidewalk mitigation efforts in high pedestrian usage areas given the much higher potential liability each damaged location presents in these areas. Specifically, this should include all departments that incur significant trip and fall liabilities documenting and implementing a procedure to prioritize sidewalk repairs in high pedestrian usage areas.

b. TSW should expand on our analysis using at least five years of data to determine whether larger sidewalk uplifts do increase the risk and cost of trip and fall liabilities relative to smaller uplifts. TSW's sidewalk

maintenance prioritization procedure should include prioritizing maintenance of larger sidewalk uplifts if this analysis shows that such prioritization would more effectively address trip and fall risks. (Priority 1)

Recommendation 3 The City's enterprise risk management (ERM) manager and Risk Oversight Committee should provide City departments incurring City vehicle accident liabilities with sufficient information and resources to identify and mitigate public liability risks based on a proactive approach to risk mitigation.

a. The City's ERM manager and Risk Oversight Committee should ensure the City is taking a comprehensive and consistent approach to vehicle accident mitigation efforts by assisting departments in monitoring trends and patterns in the cause of accident by department and type of vehicle involved. This information should be used to develop more robust and consistent department-specific and City-wide proactive vehicle trainings.

b. The City's ERM manager and Risk Oversight Committee should evaluate the resources the City provides to the Risk Management Department for the development and implementing of City-wide proactive vehicle trainings.

c. The Risk Management Department should provide its proactive vehicle training course, "Being Safe While Working for the City of San Diego," on an annual basis to City departments experiencing the highest number of City vehicle accidents. (Priority 1)

In addition, to best facilitate information sharing and data analysis that would inform the causes of liabilities, and help identify trends and mitigation measures, we recommend the following:

Recommendation 4 The City's enterprise risk management (ERM) manager, Risk Oversight Committee, and Risk Management Department should work with the Performance and Analytics Department to construct a dashboard to provide City departments with

comprehensive and department-specific claims data. This should include the following:

a. The City's ERM manager, Risk Oversight Committee, and Risk Management Department should consult with the top five liability-incurring City departments to determine the type of data to be tracked and aggregated through the dashboard system.

b. The City's ERM manager, Risk Oversight Committee, and Risk Management Department should work with City departments to determine the most effective and timely method to communicate relevant public liability trend-related data and analyses and formalize the frequency and method in which this information will be provided, such as through the Risk Management Department's bi-annual presentations to City departments and its annual report to City Council.

c. The Risk Management Department should include relevant public liability trend-related data and analyses, such as trends for the most frequent types of public liability claims or the types of public liability claims with the highest costs, in its Annual Report to the City Council. Trends should be reported over at least a five-year period. (Priority 1)

Recommendation 5 The Risk Management Department should coordinate with public liability claims-incurring City departments to identify and record data related to the identification and completion of corrective measures, such as cause(s) of claim-incurring incidents and date of corrective action completion, for claims with settlement amounts of $25,000 and above for the City's top ten public liability claims resulting in the highest annual aggregated settlement amounts. This information should be recorded and tracked in a manner that is accessible to City departments and personnel. (Priority 2)

Finding 2: A More Proactive, Enterprise Risk Management Approach Will Enable the City to Better Anticipate and Mitigate Risks to the City's Major Strategic Goals

Recommendation 6 The City's ERM manager and Risk Oversight Committee should document and implement a process to periodically identify and categorize risks that could impact the City's ability to achieve high-priority initiatives (e.g., homelessness, Climate Action Plan, infrastructure projects, etc.).

a. City-wide risks should be documented and assessed for likelihood, impact, and risk appetite, and monitored to ensure strategic risks are mitigated through the completion and submittal of annual risk assessment plans to the Risk Oversight Committee for approval. (Priority 1)

Recommendation 7 The City's ERM manager and Risk Oversight Committee should develop and execute a roll out plan to implement a proactive risk management framework, such as ERM, on a City-wide basis. The roll out plan should target one to two operational departments for initial implementation of the framework, establish an employee engagement plan to facilitate change in the City's organizational culture, and develop and implement a process to continually review and monitor the program. (Priority 1)

Recommendation 8 The City's ERM manager and Risk Oversight Committee should develop curriculum and trainings to educate City leaders at the senior executive level of the strategic and operational benefits of a proactive risk management framework. (Priority 1)

Recommendation 9 The City's ERM manager and Risk Oversight Committee should lead the City's efforts in conducting and formulating regular enterprise risk assessments of business processes or programs, and overseeing processes that identify, assess, prioritize, respond to, and monitor enterprise risks. In conducting these duties, the City's ERM manager and Risk Oversight Committee should ensure that reviews take place regularly, necessary data and staff support are obtained, and ensure that risks are communicated appropriately to internal and external stakeholders. (Priority 1)

Appendix A: Definition of Audit Recommendation Priorities

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration's responsibility to establish a target date to implement each recommendation, taking into consideration its priority. The City Auditor requests that target dates be included in the Administration's official response to the audit findings and recommendations.

Priority Class[39]	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

[39] The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation that clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B: Audit Objectives, Scope, and Methodology

Audit Objectives

In accordance with the City Auditor's Fiscal Year (FY) 2019 Audit Work Plan, we conducted a performance audit of the City's Public Liability Management. Our audit focused on the City's approach to public liability identification, mitigation, and corrective action. The overall objectives of this audit were to:

1. Determine whether the City is administering risk management and corrective actions efficiently and effectively to include:

    a. Whether the City is utilizing risk management and internal control best practices to cost effectively decrease annual claims against the City;

    b. Whether the Risk Management Department is presenting City departments sufficient information regarding City liabilities to allow departments to design adequate risk management strategies; and

    c. Whether the Risk Management Department adequately coordinates with City departments to identify, record, implement, and monitor corrective actions to reduce potential liabilities.

Scope and Methodology

We performed a variety of steps to achieve these objectives, including interviewing City executives and staff, researching risk management best practices, and analyzing claims data. These procedures are described in more detail below.

To assess whether the City is effectively and efficiently administering risk management and corrective actions, we reviewed public liability claim records, specifically trip and fall and City vehicle accident claims, and documentation on public liability claim processing and City vehicle accident policies and procedures. We also interviewed department management, safety managers, and claim liaisons involved in public liability claim investigations and corrective measures from the Transportation and Storm Water Department, the Public Utilities

Department, the Environmental Services Department, the San Diego Police Department, and the Parks and Recreation Department. Finally, we reviewed risk management best practices and conducted interviews with risk managers in other public organizations. [40]

Claim Tracking Analysis

To assess the City's administration of risk management practices and corrective actions, we reviewed 370 public liability claims records closed during FY2016 to FY2018 from the Public Liability Division's claim database, iVos. Specifically, we reviewed a random sample of 255 City vehicle accident claims, and all 115 trip and fall claim files involving a bodily injury and resulting in a claim payout that were closed during FY2016 to FY2018.[41] Our review of these files sought to determine whether the City identified and documented the following claim-related information:

- Corrective measure identification;
- Corrective measure completion date;
- Cause or source of claim-incurring incident (e.g., unsafe turn for City vehicle accidents, sidewalk for trip and fall incident);
- Claim costs, including claim payouts and claim expenses;
- Size of sidewalk uplift (specific to trip and fall-related claims);
- Type of City vehicle involved in City vehicle accident; and
- Number of City employees involved in multiple vehicle accidents (specific to City vehicle accident claims).

[40] Our resources for risk management best practices included the Government Accountability Office, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Kolb Series in Finance, and City of Charlotte's ERM Final Report. We interviewed ERM managers at the County of Los Angeles, the University of California, the City and County of San Francisco, and the City of Edmonton.

[41] As discussed in the body of the report, a random sample of City vehicle accident claims was selected to provide a confidence level of 95% +/-5.

Using this information, we performed a variety of data analyses to determine whether the City was utilizing claim data to prioritize trip and fall risk mitigation in high pedestrian usage areas of the City, whether correlations existed between the size of a sidewalk uplift and the likelihood of a trip and fall event, and whether City vehicle trainings are customized to address common causes and conditions of City vehicle accidents specific to individual City departments. During the course of the audit, we learned that the City changed its corrective measure reporting and tracking policy in 2018 and therefore expanded the time period to cover more recent practices and procedures.

Data Reliability Testing

We conducted data reliability testing on public liability claims data provided by the Risk Management Department. The testing performed included matching of a random sample of 100 public liability claims from the data source provided by the Risk Management Department to claim records within the department's database system, iVos, and a random sample of 100 iVos records matched with claim records in the data source the Risk Management Department provide our office. We determined the data provided by the department was sufficiently complete, accurate, and reliable for the analyses performed in this audit.

Internal Controls Testing

Our internal controls testing was limited to specific controls relevant to our audit objectives, including controls to ensure that corrective measures addressing public liability claims were identified and completed; controls to ensure that the City proactively mitigates public liability risks such as prioritizing tripping hazard mitigations in high pedestrian usage areas and providing proactive vehicle trainings to all City vehicle drivers; and controls to ensure the City provides operational departments with relevant and comprehensive data regarding City liabilities to allow departments to design adequate risk management strategies.

Compliance Statement

We conducted this performance audit 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 conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope Limitation

Government Auditing Standards require us to report significant constraints imposed on our audit approach by information limitations or scope impairments, including denials or excessive delays in accessing records necessary for the audit.[42] During the course of this audit, we were unable to access or utilize certain documents from the City Attorney's Office (CAO).[43] While we were ultimately able to address most components of the audit objective and have made several recommendations to help the City manage its public liability risks more effectively, we were not able to determine if corrective measures taken in response to claims are tracked, monitored, and implemented effectively.

Much of the corrective measure information we requested is already summarized in a variety of documents prepared by the CAO. However, the CAO asserts that although the City Charter Section 39.2 states that *"the City Auditor shall have access to, and authority to examine any and all records, documents, systems, and files of the City,"* they cannot allow us to access or examine these documents because of the risk that information from such reports could be included in a public audit report as they are protected by attorney-client privilege, are attorney work product, and as attorneys, they have a legal duty of confidentiality to the City. [44]

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[42] Government Auditing Standards Section 7.11 (2011 Edition) and 9.12 (2018 Edition).

[43] The City Attorney's Office (CAO) issued a written response to the Office of the City Auditor's (OCA) scope limitation memo for this audit, which was presented to the Audit Committee in December 2019. The CAO's written response asserted that OCA's request to access certain documents from the CAO implicated State Law and Rules of Professional Conduct, created unnecessary risks for the City and its taxpayers, and was not needed to perform the audit.

[44] 1) It should be noted that our request was to review the confidential documents of the City Attorney's Office documents in order to identify other non-sensitive information contained in generally available records, such as work orders for corrective actions, that could be used as support for our audit report. The City Attorney's records themselves would not be used cited as support in our audit report. This is the approach several other audit organizations use to protect various types of sensitive information. Although documents the City Auditor obtains that are not used as support for an audit report are generally restricted from public disclosure per California Government Code Section 36525, the City Attorney's Office issued a memorandum that articulated their legal concerns with this approach.

While we determined the information in the claims files was not sufficient to determine what corrective measures were implemented, according to the Risk Management Department, in 2018 they worked with the CAO to institute a process to improve tracking of corrective measures. This includes tracking information such as the planned corrective action and the corrective action implementation date for all claims resulting in litigation settlements or judgments above $25,000. However, the CAO would not allow us to access or examine the spreadsheet used to track corrective measures, again citing certain legal concerns based on this information possibly being included in a public audit report. Therefore, we were unable to verify the spreadsheet's contents and whether this tracking method is functioning effectively. We also could not verify whether departments are consistently taking corrective measures to mitigate risks that have already resulted in a claim. This issue was previously discussed with the Audit Committee at its December 11, 2019 meeting.[45]

2) For cases that involve settlements above $50,000, closed session proceedings are required and according to the City Attorney's Office, some documentation is further protected by the Brown Act. However, this affects only 31 of the 362 cases in our sample.

[45] The meeting materials, including a memo from the City Auditor and a memo from the City Attorney, can be accessed at: https://onbase.sandiego.gov/OnBaseAgendaOnline/Meetings/ViewMeeting?id=1714&doctype=1

Appendix C: Case Study of ERM Application to Organizational Liabilities at the County of Los Angeles and University of California

Our interviews with executive-level risk managers of the County of Los Angeles and the University of California identified several key elements and practices that organizations should reference when customizing and implementing the ERM framework into organizational objectives and processes. Both organizations follow the basic tenets of the ERM framework but employ different processes to reach the same goal of effectively identifying and mitigating organizational liabilities.

Risk Management Authority Is Empowered to Develop, Implement, and Monitor Organizational ERM Processes

County of Los Angeles

The County of Los Angeles (County) centralizes its risk management authority into the role of an Assistant Chief Executive Officer. The County Board of Supervisors provides the Assistant CEO with the authority to develop and implement ERM processes across the County's bureaucracy and facilitate cross-departmental communication to address County-wide public liability risks. For instance, following the launching of County-wide initiatives, the Risk Management Department monitors and assesses whether the risk mitigation strategies for the initiatives are appropriate and effective. If risk mitigation strategies are found to be insufficient, the County's RMD works with the responsible department in developing robust corrective action plans to mitigate identified risks.

University of California

The University of California (UC System) implemented an ERM framework which entailed authorizing its Chief Risk Officer and Chief Financial Officer to oversee the entire UC System's ERM framework, supporting the creation of campus and medical center ERM steering committees that develop, implement, and monitor risk mitigation efforts within their organizations, and developing a robust ERM information system to better analyze claim trends. Further, individual campus ERM committees develop and implement ERM-based initiatives, monitor their success, then advocate for system-wide implementation.

Organization Develops Process for Identifying, Assessing, and Mitigating Risks to Agency Goals

County of Los Angeles

The County of Los Angeles' ERM framework requires operational departments to identify and mitigate liability risks through Assistant CEO-approved corrective action plans. County departments submit annual Risk Management Plans (RMP) reports to the Risk Management Department (RMD) for approval. The RMP includes an overview of a department's risk management program, significant risk issues facing the department, and mitigation measures designed to prevent or minimize risk exposures. The County's RMD provides assistance to County departments with the development and implementation of their annual RMP goals.

University of California

The University of California relies on its ERM steering committees to oversee the development, implementation, and monitoring of risk mitigation processes. The ERM committees act as forums to discuss risk-related key performance indicators and identify shared organizational risks between campuses and medical centers.

Additionally, the UC System developed and implemented two organizational-wide campaigns for identifying and mitigating liability risks: "Be Smart About Safety" and "Everyone is a Risk Manager." The "Be Smart About Safety" program focused on reducing workplace safety liabilities by identifying risk areas, developing mitigations, and monitoring their effectiveness before implementing the mitigations system-wide. Its other ERM initiative, the "Everyone is a Risk Manager" campaign, developed and fostered a risk awareness culture throughout the UC system in which UC employees were encouraged to prioritize risk identification and mitigation in their day-to-day activities.

Risk Owners Implement Risk Mitigative Measures

County of Los Angeles

The County of Los Angeles' Risk Management Department (RMD) assists County departments in selecting appropriate responses to risks identified in their Risk Management Plans. The County's Assistant CEO cited two examples of risk response assistance and subsequent successes of County departments' risk mitigations based on the ERM framework:

(1) The County's RMD implemented an initiative at County hospitals to encourage employee communication between nurses, doctors, and other hospital staff and to report identified risks into a system. The

initiative identified mislabeled medicines and resulting medication overdose claims as a risk area. RMD worked with County hospitals' leadership to institute changes to medicine labels and tracking which led to a $182 million reduction in malpractice claims against the County and the complete elimination of medication overdoes claims over a 10-year period.

(2) The County's RMD assisted the Sheriff's Department in drafting more stringent corrective actions plans to address Excessive Use of Force claims against the County. For example, RMD will review the Sheriff's investigation of Excessive Force claim and assist in making a determination on liability. RMD will assist the Sherriff in determining whether the office needs training (e.g., tactics), whether the current training is sufficient or new training needs to be developed, and whether this is training that the entire department needs. According to the County's Assistant CEO, robust corrective action plans have resulted in a decrease from approximately 650 excessive force claims in 2015 to 150 claims in 2019.

University of California

The UC system identified slip and falls as a risk area and created the "Shoes for Crews" program that provided slip-resistant shoes to dining common employees, and eventually expanded to cover employees working in facilities management, resident halls, and other areas at risk of similar accidents. As a result, this ERM-based risk mitigation resulted in a significant decrease of slip and fall accident claims and costs.

Develop Risk Management Report to Highlight Agency Progress and Reinforce Risk Ownership Culture

County of Los Angeles

The County of Los Angeles' Risk Management Annual Report details specific risk mitigation best practices and employee risk training programs utilized by the County to reduce its risk exposure. The report includes descriptions of consultative support and prevention activities provided to County departments to mitigate liability risk, describes key performance indicators tracked by the County, and incorporates department trend analyses comparing individual department liability claims to average County-wide cost of risk.

University of California

The University of California develops and distributes quarterly reports to its Vice Chancellors highlighting key risks for each individual campus. UC Vice Chancellors follow up with risk owners to ensure identified risks are being

actively assessed and mitigated. Thus, the UC System's ERM-based quarterly reports provide organizational leaders with important risk information to hold individual campuses accountable for their risk mitigation efforts.

Appendix D: Risk Assessment Example for Transportation and Storm Water's Sidewalk Repair System

As shown in **Exhibit 31** below, the Transportation and Storm Water Department's (TSW) risk assessment of its sidewalk repair operations might identify the absence of a robust sidewalk maintenance prioritization system focusing on high pedestrian usage areas of the City as a high-priority risk to its operational objective of providing "a safe city street system through effective and efficient maintenance." To address this operational risk, TSW management—with the assistance of the City's ERM manager and Risk Oversight Committee—would develop risk mitigation actions such as developing a sidewalk repair prioritization system for high pedestrian usage locations, requesting the City provide TSW with detailed trip and fall claims data (e.g., size of uplift), and facilitating communication with the Planning Department to incorporate pedestrian maps into TSW's sidewalk repair prioritization system.

Exhibit 31

Auditor-Generated Sample Risk Assessment for Transportation and Storm Water's Street Division

Risk Ranking	Risk Element	Current Risk Rating	Summary Comments	Current Mitigation Actions	Potential Future Mitigation Actions	Risk Owner	Update Freq.
5	The City does not effectively prioritize sidewalk repairs in high-risk trip and fall claim areas	High	**Risk Description:** The City does not prioritize sidewalk tripping hazard mitigations based on pedestrian maps and trip and fall claims history data resulting in the City incurring preventable settlement costs for trip and fall-related claims	- Develop and implement prioritization system for sidewalk repairs in high-risk trip and fall claim areas - Risk Management provides Street Division with trip and fall claims' location data to assist sidewalk repair operations	- Work with City Management and City Council to identify additional resources for sidewalk repairs - Monitor sidewalk slicing contractor work orders to ensure sidewalk repairs are prioritized in high pedestrian areas	Street Division	Annual
3	The City does not provide Street Division with sufficient trip and fall claims data	Moderate	**Risk Description:** The City does not collect, analyze, and provide trip and fall claims data to Street Division to assist in the prioritization of sidewalk repairs in high-pedestrian areas	- Collaborate with Risk Management Department to develop and implement a policy to collect and provide all trip and fall claims data with settlements of $25,000 and above for trend analyses	- Require claims representatives to document all corrective measures for trip and fall claims	Risk Management	Annual
2	The City does not provide Street Division with sufficient budgetary resources to meet its operational objectives	Low	**Risk Description:** City decides to cut budget for sidewalk repairs and maintenance due to budgetary pressures caused by economic downturn	- Develop protocols for maintaining sidewalk repair prioritization operations at reduced budget levels	- Use data on trip and fall locations and probabilities to identify optimal spending level for sidewalk maintenance activities	Street Division	Annual

Note: The sample risk assessment above documents hypothetical risk elements and risk mitigation actions and should not be interpreted as an actual assessment of the Street Division's operational procedures or risks.

Source: OCA generated example.

Appendix E: The City of Edmonton Has Successfully Utilized ERM to Limit Its Strategic Risk Exposure

The City of Edmonton (Edmonton) developed and implemented a robust, entity-wide ERM framework that requires organizational stakeholders to consistently and systematically identify, assess, and mitigate strategic and operational risks. Edmonton codified its ERM framework in 2016 to ensure its continued success in limiting risk exposure through a holistic and structured approach to risk management. According to the City of Edmonton's Corporate Manager (ERM manager), who oversees the city's implementation of ERM, Edmonton's ERM framework requires both executive-level and operational-level management to complete annual risk assessments identifying and mitigating risks that could prevent the city from achieving its strategic and operational objectives. Edmonton's ERM manager emphasized the importance of a risk management authority providing training and resources to operational level management to develop and implement effective risk assessments and mitigation efforts.

The City of Edmonton Aligned Its ERM Process to Organizational Goals and Objectives

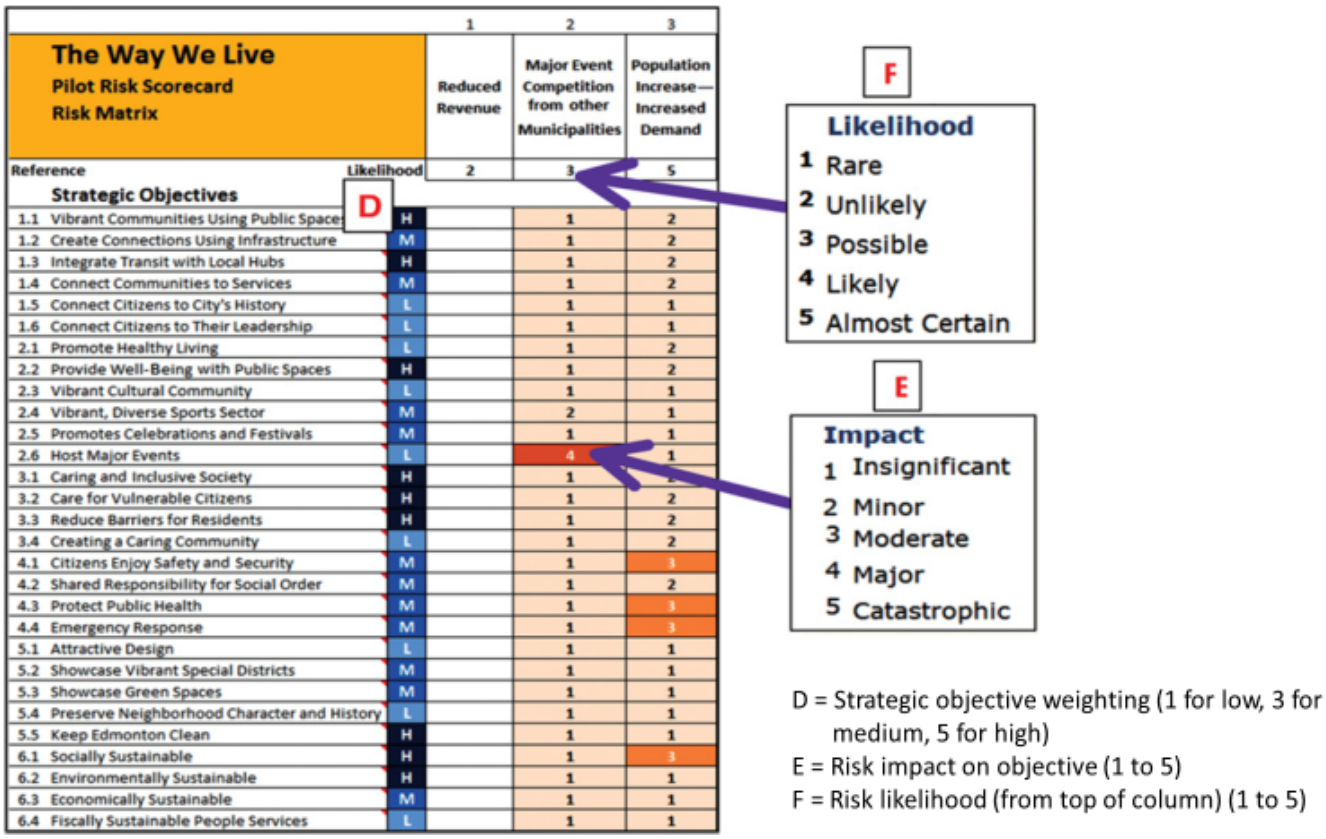
Edmonton's ERM manager reported that the inception of the ERM process began with a City-wide strategic planning process to determine the overall vision for community growth through 2040. The strategic planning process resulted in the formulation of six 10-year strategic goals which serve as the backbone for Edmonton's strategic plan, called "The Way Ahead." Each of the six strategic goals undergo a separate risk assessment by executive-level personnel with expertise on each goal to determine what risks could prevent the city from achieving its strategic goals and objectives, and how to effectively allocate resources to mitigate the identified risks. The city's high-level strategic objectives establish a directional plan that guides the risk assessment process for operational departments.

Edmonton Developed an Organizational Process for Identifying, Assessing, and Mitigating Risks to Agency Goals

Edmonton's ERM manager stated that structured and robust risk assessments help operational departments show executive management and the City Council that risks are being proactively identified and mitigated in a rigorous, systematic manner. Edmonton's ERM manager supports city departments' implementation of risk assessment processes by facilitating risk assessment workshops attended by department representatives who are subject matter experts. The workshops endeavor to foster collaboration among its participants to develop department-specific risk assessments, called risk registers, that identify operational risks, risk owners, and risk mitigative actions. Edmonton's departments utilize a risk scorecard, like the one displayed in **Exhibit 32** below, to weigh identified risks to assess their impact on Edmonton's strategic objectives and prioritize risk mitigations accordingly.

Exhibit 32

The City of Edmonton's Operational Departments Utilize a Risk Scorecard to Weigh Identified Risks to Assess Their Impact on the City's Strategic Objectives ("The Way Ahead") and Prioritize Risk Mitigations Accordingly



The Way We Live Pilot Risk Scorecard Risk Matrix		1 Reduced Revenue	2 Major Event Competition from other Municipalities	3 Population Increase—Increased Demand
Reference	Likelihood	2	3	5
Strategic Objectives	D			
1.1 Vibrant Communities Using Public Spaces	H		1	2
1.2 Create Connections Using Infrastructure	M		1	2
1.3 Integrate Transit with Local Hubs	H		1	2
1.4 Connect Communities to Services	M		1	2
1.5 Connect Citizens to City's History	L		1	1
1.6 Connect Citizens to Their Leadership	L		1	1
2.1 Promote Healthy Living	L		1	2
2.2 Provide Well-Being with Public Spaces	H		1	2
2.3 Vibrant Cultural Community	L		1	1
2.4 Vibrant, Diverse Sports Sector	M		2	1
2.5 Promotes Celebrations and Festivals	M		1	1
2.6 Host Major Events	L		4	1
3.1 Caring and Inclusive Society	H		1	
3.2 Care for Vulnerable Citizens	H		1	2
3.3 Reduce Barriers for Residents	H		1	2
3.4 Creating a Caring Community	L		1	2
4.1 Citizens Enjoy Safety and Security	M		1	3
4.2 Shared Responsibility for Social Order	M		1	2
4.3 Protect Public Health	M		1	3
4.4 Emergency Response	M		1	3
5.1 Attractive Design	L		1	1
5.2 Showcase Vibrant Special Districts	M		1	1
5.3 Showcase Green Spaces	M		1	1
5.4 Preserve Neighborhood Character and History	L		1	1
5.5 Keep Edmonton Clean	H		1	1
6.1 Socially Sustainable	H		1	3
6.2 Environmentally Sustainable	H		1	1
6.3 Economically Sustainable	M		1	1
6.4 Fiscally Sustainable People Services	L		1	1

Source: Kolb Series in Finance Essential Perspectives, "Implementing Enterprise Risk Management: Case Studies and Best Practices."

Edmonton's Operational Departments Complete Risk Assessments to Identify and Mitigate Risks to Strategic Goals

Edmonton codified its ERM-based risk assessment procedures and requirements in 2016. City departments are required to develop and implement annual risk assessments of operational goals and processes utilizing the guidelines set forth in the city's ERM policy. Edmonton's ERM manager approves city departments' risk assessment work plans and regularly monitors risk mitigation results. Specifically, the city monitors the average risk score of repeating risks in the risk registers, which measures the effectiveness of ERM. If identified risks are mitigated properly, the risk score is expected to decrease over time. Additionally, the City Council performs their own risk assessments for policy proposals and council reports. Council risk assessments seek to identify risks of proceeding or not proceeding with specific initiatives or policies.

Risk Owners Implement Risk Mitigative Measures at the City of Edmonton

Successful ERM-based risk management requires risk owners to develop and implement risk mitigative measures. The role of the Edmonton's ERM manager is to approve risk assessment work plans and regularly monitor risk mitigation results to ensure risk owners are effectively implementing their risk mitigations. According to Edmonton's ERM manager, the city has experienced measurable success in mitigating organizational risk through the utilization of the ERM framework, an example of which is below.

Edmonton's ERM Manager Monitors Operational Departments' Risk Mitigation Processes and Results

ERM best practices advise organizations to develop a process to continually review and monitor risk identification and mitigation efforts. This helps ensure that an ERM-based program is effective and continues to support the organization's objectives. The City of Edmonton's ERM manager ensures operational departments are following their ERM-based work plans by reviewing the departments' previous year of risk mitigations and tracking their progress. The monitoring process seeks to determine the effectiveness of departments' risk mitigations by asking the departments to show the city how their risk mitigations are working, their risk scoring methodology, and how a department's mitigations are incorporated into its operational work plan.

THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: June 11, 2020

TO: Kyle Elser, Interim City Auditor, Office of the City Auditor

FROM: Kris Michell, Chief Operating Officer

SUBJECT: Management Response to Performance Audit of City's Management of Its Public Liabilities

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The purpose of this memorandum is to provide City Management's response to the City Auditor's report entitled *Performance Audit of the City's Management of Its Public Liabilities: A More Proactive, Enterprise Risk Management Approach Is Needed to Effectively Reduce Public Liability Costs, and Will Help Mitigate Risks to the City's Major Strategic Initiatives.*

As you were briefed in November 2019, the City's Executive Team has been working to create and implement proactive risk management processes throughout City operations. Preliminary discussions, which began at the end of calendar year 2018, led to dedicated research by the Performance & Analytics Department. This team studied both public and private organizations across the country to gather information on best practices. About a year later, a formal plan known as the Operational Framework was rolled out to the City's unclassified employees at an all-hands meeting in September of 2019. In addition, I shared our progress with the City Council in late 2019.

As you will note below, Management agrees with the City Auditor's recommendations, and I am pleased to share that several of the recommendations have already been substantially implemented. At a more general level, I would like to highlight some key initiatives that demonstrate the City's commitment to data-driven Enterprise Risk Management (ERM).

As noted above, under the leadership of Mayor Faulconer and at my direction, the Performance and Analytics Department - with support and input from the Mayor's Office, the Executive Team, and Department Directors - created the City's Operational Framework. Importantly, the Operational Framework utilizes a holistic, "balanced scorecard" approach to decision-making and connects the elements of our daily operations into standardized processes utilizing an ERM approach to review stakeholder, internal process, organizational capacity, and fiscal risks. In November 2019, we convened the first meeting of the City's inaugural Operational Framework Team - a group of 12 talented City employees with extensive knowledge of City functions and demonstrated commitment to improving internal operations. The Operational Framework Team focuses on working with City departments to implement the Framework, and has already convened work sessions with seven departments.

Second, we have established a Risk Oversight Committee, comprised of the Chief Operating Officer, Assistant Chief Operating Officer, all Deputy Chief Operating Officers, and designated Performance and Analytics Department staff. The Risk Oversight Committee meets quarterly and as-needed to ensure cross-departmental collaboration and executive-level focus on identifying, measuring, assessing, and mitigating risks to the City's strategic and operational objectives. The Risk Oversight Committee is chaired by the City's newly-hired Chief Compliance Officer, who has been established within the Executive Team and reports directly to the Chief Operating Officer and Assistant Chief Operating Officer. The Chief Compliance Officer will further enhance and internally coordinate Citywide compliance with federal, state, and local laws, regulations, policies, and procedures, and is the Executive Team's point person to support City departments in identifying and managing risk throughout the organization.

On a final note, I would like to acknowledge the issues raised in the report regarding the resourcing, roles, and responsibilities of the Risk Management Department. As part of management's commitment to implementing a more holistic approach to ERM, through the Operational Framework, we have begun efforts to assess ways in which we can optimize Risk Management Department's resources and functions to identify, assess, mitigate, and respond to public liability and other risks facing the City. We look forward to sharing that information with City Council in the near future.

We appreciate the opportunity to provide comments on the audit, and thank the City Auditor's team for their cooperation and professionalism throughout the audit process. Our responses to the audit recommendations are below.

Recommendation #1:
The City should implement a proactive enterprise risk management framework to manage and address its public liability risks. This should include the following:

I. The City should create an Executive-level Risk Management Committee, headed by a sufficiently empowered executive official (ERM authority), that has sufficient authority and resources to direct, coordinate, and support the work of departments that incur public liabilities for the City. The City should codify this authority through an appropriate mechanism, such as an Administrative Regulation.

   Management's Response: Agree. As noted above, under the leadership of the Mayor and at the direction of the Chief Operating Officer, the City has established the Risk Oversight Committee. The Committee is comprised of the Chief Operating Officer, Assistant Chief Operating Officer, all Deputy Chief Operating Officers, designated Performance and Analytics staff, and is chaired by the Chief Compliance Officer. Although the Risk Oversight Committee has already been established through the Chief Operating Officer's direction, management will consider the appropriate mechanism to codify the Committee's objectives, structure, and authority.

   Target Implementation Date: Most elements of this recommendation have been implemented, and management will determine an appropriate codifying mechanism by December 30, 2020.

II. The City's ERM authority and Risk Management Committee's role in directing and coordinating the operations of liability-incurring departments should include but not be limited to the following responsibilities:

A. Requiring the top 5 City Departments incurring the highest public liability claims costs to perform an annual risk assessment for all claim types incurring costs of $500,000 or more in the preceding three fiscal years. Specifically, this should include identifying risks, the likelihood and impact of identified risks, and mitigative measures to address such risks (see Appendix D for a sample risk assessment template).

Management's Response: Agree.

Target Implementation Date: December 2021.

B. Assisting City departments to develop annual public liability risk assessments and monitoring City departments' implementation of mitigation plans to ensure risks are effectively identified and mitigation measures are effective. Information on mitigation measures employed and their effectiveness should be aggregated and included in the City's Risk Management Annual Report to City Council.

Management's Response: Agree. The City's adopted Operational Framework includes a Measuring & Managing element which provides oversight and performance measurement through the use of Balanced Scorecards for departments. Department risk assessments will be developed as part of the OF and monitoring of department implementation of mitigation plans and their effectiveness will be evaluated through Risk Oversight Committee meetings. Risk Management (RM) will collaborate with Performance and Analytics (PandA) to reflect details on employed mitigation measures and their effectiveness in RM's Annual Report. The Report will continue to highlight accomplished training and employee participation.

Target Implementation Date: Risk Oversight Committee meetings will commence in the upcoming fiscal year beginning in July 2020. Reflection of employed risk mitigation measures will also be included in the RM Annual Report beginning December 2020. Department Balanced Scorecard progress is readily available on the CityNet Operational Framework webpage.

C. Supervising the collection, processing, and presentation of City-wide liability data to the top 5 liability-incurring City departments through dedicated risk management reports, information-sharing sessions, and trainings.

Management's Response: Agree. In July 2019, RM, in collaboration with PandA, launched ClaimStat. Updated monthly, ClaimStat is a dashboard that provides departments with detailed data on their loss experience. It enables stakeholders to identify patterns in claim filing and inform decision-making; includes a mapping component to better identify risk areas and geospatial patterns; department-specific information reflecting liability payment costs per department; and is intended to replace department ad-hoc reporting and anecdotal decision-making processes.

ClaimStat is currently in use by the Transportation and Storm Water department and in testing for the Police department. Rollout to additional top liability incurring departments is anticipated during fiscal year 2021. In addition to ClaimStat, the Operational Framework Team will continue to assist departments in better identifying their operational liability exposures and to build and understand their risk

profile through the use of Balanced Scorecards and Risk Oversight Committee meetings.

Target Implementation Date: December 2021.

D. Requiring and facilitating collaboration between liability-incurring departments, such as through the recently created Citywide Risk Oversight Committee, to identify, develop, and implement risk mitigation strategies for specific categories of public liabilities (e.g. City vehicle accidents, trip & falls, storm drain backups, etc.) (Priority 1)

Management's Response: Agree. A primary function of the Risk Oversight Committee and Operational Framework is to ensure cross-department collaboration (i.e. functional threading) and facilitate risk identification and risk mitigation, including public liability risks.

Implementation Date: The elements of this portion of the recommendation have been substantially implemented through the establishment of the Operational Framework and Risk Oversight Committee, as described above. Management will provide additional documentation and updates to the City Auditor by December 30, 2020.

Recommendation #2:
The City's ERM authority and Risk Oversight Committee should provide City departments incurring trip and fall liabilities with sufficient information and resources to identify and mitigate public liability risks based on a proactive approach to risk mitigation.

I. The City's ERM authority and Risk Oversight Committee should ensure the Transportation and Storm Water Department (TSW) and other operational departments are appropriately prioritizing damaged sidewalk mitigation efforts in high-pedestrian areas given the much higher potential liability each damaged location presents in these areas. Specifically, this should include all departments that incur significant trip and fall liabilities documenting and implementing a procedure to prioritize sidewalk repairs in high-pedestrian areas.

Management's Response: Agree. TSW, in consultation with the Risk Oversight Committee will develop procedures to document factors utilized to prioritize sidewalk repairs, including high-pedestrian use for all operational departments that incur significant trip and fall liabilities. The Risk Oversight Committee will regularly review each department for compliance in order to ensure that available resources are appropriately prioritized to account for risk and repair efficiency.

Target Implementation Date: December 30, 2021.

II. TSW should expand on our analysis using at least five years of data to determine whether larger sidewalk uplifts do increase the risk and cost of trip and fall liabilities relative to smaller uplifts. TSW's sidewalk maintenance prioritization procedure should include prioritizing maintenance of larger sidewalk uplifts if this analysis shows that such prioritization would more effectively address trip and fall risks.

Management's Response: Agree. TSW will analyze available data from Fiscal Years 2019 and 2020 to determine if prioritization of larger sidewalk uplifts would more effectively address trip and fall risks. Based on the findings included in this audit, utilizing limited resources to repair multiple locations with smaller height differentials would more effectively reduce liability the risk of a new claim than resolving fewer larger damaged locations.

Target Implementation Date: January 31, 2021.

Recommendation #3:
The City's ERM authority and Risk Oversight Committee should provide City departments incurring City vehicle accident liabilities with sufficient information and resources to identify and mitigate public liability risks based on a proactive approach to risk mitigation.

I. The City's ERM authority and Risk Oversight Committee should ensure the City is taking a comprehensive and consistent approach to vehicle accident mitigation efforts by assisting departments in monitoring trends and patterns in the cause of accident by department and type of vehicle involved. This information should be used to develop more robust and consistent department-specific and City-wide proactive vehicle trainings.

Management's Response: Agree. RM will include vehicle type in its Annual Citywide Vehicle/Industrial Accident Statistical Report going forward. This report assists departments in monitoring trends and patterns in the cause of accidents as it depicts the number of vehicle accidents experienced by departments and includes details such as whether the accident was preventable, accident category (for example, whether the driver failed to drive defensively or was negligent), and most cited California Vehicle Code infractions. RM has recently updated the Driver Operator Manual (DOM) and will rollout corresponding training beginning June of 2020. RM has also developed a Driver Course Catalog to achieve consistency in driver training citywide. The catalog includes courses for new employees, existing employees, supervisors and an online training platform with specific driving topics such as *Safe Backing*, *Large Vehicle Driver Training*, *Preventing Sideswipe Collisions* among others. Lastly, RM has been meeting and conferring with the Recognized Employee Organizations regarding a revised Administrative Regulation (AR) 75.12 (Vehicle and Industrial Incident Review, Reporting, and Discipline Program). To date, agreement on 75.12 has been reached with the Municipal Employees' Association (MEA), Deputy City Attorney's Association (DCAA), Local 127 AFSCME, and Local 145 International Association of Fire Fighters. The AR revisions more clearly identify roles and responsibility of drivers, supervisors and department management. The AR includes a revised discipline matrix and implementation will include specific AR training for drivers, incident screeners, supervisors and department management. The Annual Citywide Vehicle/Industrial Accident Statistical Report, the updated DOM and corresponding training along with the Driver Course Catalog and AR specific training will be presented to the Risk Oversight Committee to evaluate the efficacy of the City's approach to driver training.

Target Implementation Date: December 2021.

II. The City's ERM authority and Risk Oversight Committee should evaluate the resources the City provides to the Risk Management Department for the development and implementing of City-wide proactive vehicle trainings.

Management's Response: Agree. RM will collaborate with the Risk Oversight Committee to evaluate and determine efficient strategies and additional needed resources, and will present findings to the Chief Operating Officer for incorporation into the City budget process.

Target Implementation Date: December 2020.

II. The Risk Management Department should provide its proactive vehicle training course, "Being Safe While Working for the City of San Diego", on an annual basis to City departments experiencing the highest number of City vehicle accidents. (Priority 1)

Management's Response: Agree. RM has already provided this training to several departments experiencing a high number of vehicle accidents. In the future, RM will use the latest Annual Vehicle/Industrial Accident Statistical Report to identify and schedule trainings for those departments experiencing high number of vehicle accidents and who have not yet received the training. The course will be provided annually and will target departments with the highest number of vehicle accidents going forward. Due to the unique operations of the Police and Fire departments, RM will work with those two departments to ensure the topics in the "Being Safe While Working for the City of San Diego" course is included in the training they provide their employees.

Target Implementation Date: December 2021.

Recommendation #4:
The City's ERM authority, Risk Oversight Committee and Risk Management Department should work with the Department of Performance and Analytics to construct a dashboard to provide City departments with comprehensive and department-specific claims data. This should include the following:

I. The City's ERM authority, Risk Oversight Committee and Risk Management Department should consult with the top 5 liability-incurring City Departments to determine the type of data to be tracked and aggregated through the dashboard system.

Management's Response: Agree. A primary function of the Risk Oversight Committee and Operational Framework is to facilitate risk identification and risk mitigation, including public liability risks. As aforementioned, ClaimStat is the platform by which loss data is displayed; this platform will be expanded to encompass the top five liability-incurring City departments.

Target Implementation Date: Operational Framework – implemented beginning December 2019. Risk Oversight Committee – implemented beginning July 1, 2020. ClaimStat – implemented July 2019 for TSW; currently in testing for Police; other three top liability-incurring departments implemented by December 2021.

II. The City's ERM authority, Risk Oversight Committee and Risk Management Department should work with City Departments to determine the most effective and timely method to communicate relevant public liability trend-related data and analyses and formalize the frequency and method in which this information will be provided, such as through Risk Management's bi-annual presentations to City departments and its Annual Report.

Management's Response: Agree. Public liability data, analyses, and risk mitigation measures gleaned from the Risk Oversight Committee will be included in the RM Annual Report beginning December 2020. Department Balanced Scorecard progress is readily available on the CityNet Operational Framework webpage.

Target Implementation Date: RM Annual Report enhancements – beginning December 2020.

III. The Risk Management Department should include relevant public liability trend-related data and analyses, such as trends for the most frequent types of public liability claims or the types of public liability claims with the highest costs, in its Annual Report to the City Council. Trends should be reported over at least a five-year period. (Priority 1)

Management's Response: Agree. RM currently reflects a three-year history of claim costs by loss code (liability claims type) in its Annual Report. The report, going forward, will expand to a five-year period and depict costs through graphs to better reflect loss code trending.

Target Implementation Date: February 2021.

Recommendation #5:
The Risk Management Department should coordinate with public liability claims-incurring City departments to identify and record data related to the identification and completion of corrective measures, such as cause/-s of claim-incurring incidents and date of corrective action completion, for claims with settlement amounts of $25,000 and above for the City's top 10 public liability claims resulting in the highest annual aggregated settlement amounts. This information should be recorded and tracked in a manner that is accessible to City departments and personnel. (Priority 2)

Management's Response: Agree. The City currently adheres to the adopted corrective measures protocol established in September 2018. However, a more formal process for mayoral department staff to identify and implement remedial measures related to claims filed against the City will be released in fiscal year 2021. This new process will allow the City to separately track and monitor remedial measures (outside of closed session materials, which are maintained by the City Attorney's Office) and will provide consistency to effectively address areas of operational risk within the City. The Office of the Assistant Chief Operating Officer (ACOO) will independently track and monitor implementation of mayoral department remedial measures related to cases in which a settlement within Council's authority is contemplated (settlements of over $50,000) and RM will track remedial measures related to settlements between $25,000 and $50,000 and make it available to departments.

Target Implementation Date: December 2020.

Recommendation #6:
The City's ERM authority and Risk Oversight Committee should document and implement a process to periodically identify and categorize risks that could affect the City from achieving high-priority initiatives (e.g. homelessness, climate action plan, infrastructure projects, etc.).

City-wide risks should be documented and assessed for likelihood, impact, and risk appetite, and monitored to ensure strategic risks are mitigated through the completion and submittal of annual risk assessment plans to the Risk Oversight Committee for approval (Priority 1)

Management's Response: Agree. Each department's implementation of the Operational Framework is designed to identify, analyze, and mitigate the risks associated with achieving departmental strategic objectives through the Balanced Scorecard approach.

Target Implementation Date: The implementation of the Operational Framework and associated management efforts are recurring and ongoing. Management will consider this recommendation to be fully implemented following the completion of the Balanced Scorecard Work Sessions with the core departments, and presentation of those results to the Risk Oversight Committee before December 30, 2020.

Recommendation #7:
The City's ERM authority and Risk Oversight Committee should develop and execute a roll out plan to implement a proactive risk management framework, such as ERM, on a city-wide basis. The roll out plan should target one to two operational departments for initial implementation of the framework, establish an employee engagement plan to facilitate change in the City's organizational culture, and develop and implement a process to continually review and monitor the program (see Appendix E for a step-by-step implementation plan used by other public organizations). (Priority 1)

Management's Response: Agree.

Target Implementation Date: Management considers this to be implemented through the established 5-year Operational Framework Roadmap.

Recommendation #8:
The City's ERM authority and Risk Oversight Committee should develop curriculum and trainings to educate City leaders at the senior executive level of the strategic and operational benefits of a proactive risk management framework (see Appendix E for suggested development and implementation). (Priority 1)

Management's Response: Agree. The Operational Framework utilizes the Balanced Scorecard approach -- specifically the principles of measuring and managing – and educates department leadership teams as how to best leverage this information to become proactive. This information also informs the Risk Oversight Committee (comprised of the City's senior Executive Team).

Target Implementation Date: Management considers this recommendation to be implemented. The Operational Framework was rolled out to City Council and City management in December 2019 and presented to all unclassified in March 2020.

Recommendation #9:
The City's ERM authority and Risk Oversight Committee should lead the City's efforts in conducting and formulating regular enterprise risk assessments of business processes or programs, and overseeing processes that identify, assess, prioritize, respond to, and monitor enterprise risks. In conducting these duties, the City's ERM authority and Risk Oversight Committee should ensure that reviews take place regularly, necessary data and staff support are obtained, and ensure that risks are communicated appropriately to internal and external stakeholders. (Priority 1)

Management's Response: Agree. Departments currently meet monthly with the Operation Framework Team or its sub-groups to review business processes within a performance measurement context. These measures help inform the Risk Oversight Committee, which will meet quarterly or more frequently as needed.

Target Implementation Date: December 2020.

Kris Michell
Chief Operating Officer

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