



July 2023

Risk Management Performance Audit Follow-up No. 23-02

## Progress made on controls and data but ability to identify and mitigate general liability risks remains limited

### Why This Matters:

The Risk Management function is designed to address the risks associated with Clark County operations. These risks are grouped under two programs: workers compensation for risks to employees, and general liability for all other risks. The activities necessary to manage risks include purchasing insurance coverage, managing claims, proactive efforts to reduce the risk of loss, and compliance with state and local requirements.

### Purpose of Follow-up:

Our performance audit "Risk Management Function Audit Report" No. 19-01 was issued June 2019. We made six recommendations to improve the function's effectiveness at reducing loss, data histories, and alignment with best practices. The purpose of this follow-up is to evaluate the department's progress in implementing recommendations and addressing issues. The attached table provides more details. The full report can be found at: <https://clark.wa.gov/auditor/audit-reports>

### Partially Implemented:

According to the Risk Management department, staffing challenges have delayed full implementation of recommendations, but they have made some progress. Efforts have been made to fully implement Clark County Code 2.95 while retaining elements aligned with best practices. Reporting on program activities was paused but efforts are underway to reestablish key communication.

Reliability of data has improved since the contract with the third-party administrator (TPA) was expanded to include general liability program. Use of the TPA's software aids in ensuring histories are current and complete. Still, implemented policies and procedures need updates due to weaknesses identified during our follow-up testing.

Risk Management developed a set of controls to ensure processes outsourced to the TPA meet program objectives. However, additional development is needed to address requirements for contract oversight and account reconciliation.

The department developed a draft of updates to CCC 2.95 to reflect current operations and procedures. The draft is awaiting review by the HR Director, County Manager, and adoption through council action. Additional consideration should be given to elements of the draft which propose changes to the Risk Manager's duties and responsibilities that may not be in keeping with best practices.

### Not Implemented:

Risk Management has not yet developed policies to apply the risk process consistently to the general liability program in the same manner as the workers compensation program. Also pending is development of analysis that identifies the drivers of litigated claims and their associated costs.

These outstanding issues reduce the county's ability to identify and manage risks. As a result, there are limited opportunities to proactively reduce the risk of loss, particularly related to general liability.

### Audit Services

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