



REORGANIZATION PLAN NO. 1 OF 2003

FOR THE

OFFICE OF RISK MANAGEMENT

June 24, 2003

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
1350 Pennsylvania Ave., N.W., Suite 504
Washington, D.C. 20004

Dear Chairman Cropp:

Pursuant to section 5 of the Governmental Reorganization Procedures Act of 1981, I am transmitting, for Council review, Reorganization Plan No. 1 of 2003 for the Office of Risk Management (Plan).

The proposed Plan would establish the Office of Risk Management (Office), state the purpose of the Office, state the duties of the Chief Risk Officer and state the authority and functions of the Office. The Plan would transfer responsibility for the District of Columbia's public sector disability compensation program, public sector safety and health management program, claims for unliquidated damages filed against the District government and the risk management aspects affecting the safety and physical security of District government facilities to the newly established Office. The Plan would also provide for the Office to purchase insurance for the benefit of the District, place administration of the Settlements and Judgments Fund within the Office subject to the financial management of the District's Chief Financial Officer and repeal the authority of the Office of the Corporation Counsel to settle claims against the District of Columbia under Part III, A of Reorganization Order 50, as amended (June 26, 1953). In addition, the Plan would establish a Risk Management Council and effectively repeal all reorganization plans and executive orders in conflict with the Plan.

Consistent with my administration's strategic vision of building a more efficient, effective and responsive government, we initiated a formal risk management program in November 2000. Risk management is an essential business process designed to systematically preserve the physical, human, and financial resources of a government or industry through the systematic process of implementing decisions that minimize the adverse effects of accidental losses on an organization. Successful implementation of an effective risk management program requires deliberate, foundational communication of program purpose and objectives, as well as systematic development of an organizational infrastructure that moves the District towards maximum

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Chairman
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effectiveness. This Plan represents a critical step in establishing this essential business function in the District government's operations. Ultimately our goal is to achieve an effective risk management program with a reasonable cost of risk resulting in reduced loss costs. Cost of risk includes the cost of actual losses, costs of risk control efforts and other outside service costs.

This reorganization is expected to promote more effective management of the District government and of its agencies and functions by implementing a systemic protocol with accountability measures causing agencies to identify and analyze possible risks to effective accomplishment of their objectives, and developing appropriate risk control strategies to minimize the occurrence of actual losses. Centralizing the oversight, guidance and direction of these risk management functions will eliminate overlapping and duplication of effort and achieve maximum coordination of functions. We expect that this will reduce expenditures, promote economy, and increase efficiency to the fullest extent practicable with respect to government operations. The most probable area of expense reduction would be in the cost of actual claims paid and the cost of claims administration. However, the positive fiscal impact of more efficient and effective agency operations cannot be underestimated.

Considerable preparatory work has been done to ensure maximum accomplishment of the efficiency and effectiveness objectives of this proposed Plan. Therefore, I urge the Council to permit the Plan to become effective immediately after the statutorily required sixty (60) day Council review period.

Sincerely,

Anthony A. Williams

AAW/rls

Enclosures

Sec. B

The Reorganization Plan

REORGANIZATION PLAN NO. 1 OF 2003

FOR THE

OFFICE OF RISK MANAGEMENT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CORPORATION COUNSEL



Office of Government Operations
Legal Counsel Division

MEMORANDUM

TO: Elizabeth C. Lloyd
Director
Office of Legislative Support

FROM: Darryl G. Gorman
Senior Deputy Corporation Counsel for
Government Operations
Legal Counsel Division

DATE: July 11, 2003

SUBJECT: Certificate of Legal Sufficiency for "Reorganization Plan No. 1 of 2003 for
the Office of Risk Management" and Accompanying Mayoral Transmittal
Letter
(AE-02-625 J) (MID 83920) (Doc 29985)

This is to Certify that this Office has reviewed the above-referenced reorganization plan and accompanying mayoral transmittal letter and has found them to be legally unobjectionable. If you have questions regarding this certification, please do not hesitate to contact me at 724-5493.


Darryl G. Gorman

Reorganization Plan No. 1 of 2003

For the Office of Risk Management

Section 1. Purpose for the Reorganization Plan

Pursuant to the Governmental Reorganization Procedures Act of 1981 this represents the Reorganization Plan for the Office of Risk Management (Plan). The Plan would establish the Office of Risk Management (Office), state the purpose of the Office, state the duties of the Chief Risk Officer and state the authority and functions of the Office.

The Plan would transfer responsibility for the District of Columbia's public sector disability compensation program, public sector safety and health management program, claims for unliquidated damages filed against the District government and the risk management aspects affecting the safety and physical security of District government facilities to the newly established Office.

The Plan would also provide for the Office to purchase insurance for the benefit of the District, place administration of the Settlements and Judgments Fund within the Office subject to the financial management of the District's Chief Financial Officer and repeal the authority of the Office of the Corporation Counsel to settle claims against the District of Columbia under Part III, A, subsections 1 and 2 of Reorganization Order 50, as amended (June 26, 1953). In addition, the Plan would establish a Risk Management Council and effectively repeal all reorganization plans and executive orders in conflict with the Plan.

Section 2. Definitions.

For the purpose of the Plan, unless otherwise required by the context the term:

(1) "Agency risk management representative" means the individual in each agency whose duties include exposure identification and assessment and risk control strategy coordination at the agency level on behalf of the agency director. Where this individual obtains the necessary professional training as specified by the Chief Risk Officer they may be referred to as the "Agency Risk Manager".

(2) "Chief Risk Officer" means the head of the Office of Risk Management.

(3) "Claims management" means the process used to administer and gather data concerning any notice to the District government of any alleged wrongful acts, whether tortuous, contractual, or equitable in nature, for which the District, its officers, agents, or employees are allegedly responsible, including, but not limited to, claims arising from unresolved civil, administrative, or judicial litigation.

(4) "Cost of risk" means the cost of actual losses sustained, administrative costs of the risk management program, costs of funding losses, costs of risk control efforts and other outside service costs.

(5) "District government facility" means a building either owned, controlled, occupied, or leased by the District government.

(6) "Office of Risk Management" means the office (Office) established by the Plan.

(7) "Risk assessment" means the process for conducting reviews and investigations of District operations, activities and facilities to identify and measure risk exposures.

(8) "Risk control" means the effective minimization of the probability, frequency, and severity of accidental losses on a pre-loss and post-loss basis through the selection and

implementation of mitigation strategies, a proactive compliance monitoring program for safety and security, and contingency planning for District government operational interruptions or emergencies.

(9) "Risk exposure" means exposure to issues or matters which have potential to create financial, reputational, efficiency and organizational losses, including losses from any alleged wrongful acts, whether tortuous, contractual, or equitable in nature, for which the District, its officers, agents, or employees are allegedly responsible, including, but not limited to, claims arising from unresolved civil, administrative, or judicial litigation.

(10) "Risk financing" means claims management and the professional anticipation and planned funding of loss payments resulting from adjudication or settlement of claims.

(11) "Risk funding" means the selection and application of specific techniques to meet the financial obligation caused by unexpected losses including retention such as self-insurance, or transfer such as purchasing insurance or other contractual transfer, and the oversight of those techniques.

(12) "Risk identification and analysis" means the systematic identification, measurement, analysis, and documentation of the District government's exposure to risk.

(13) "Risk management" means the continuous process of risk identification and analysis, employing effective risk assessment, risk control, risk financing, and risk funding strategies to minimize and control risk exposure and actual and potential losses.

(14) "Risk map" means a schematic drawing that illustrates the prioritization of risk exposures in terms of anticipated frequency and severity of occurrence suggesting organizational hierarchy and priority of strategies for risk management.

Section 3. Creation of the Office of Risk Management.

(a) There is created within the executive branch of the government of the District of Columbia the Office of Risk Management (Office) with direct oversight by the City Administrator.

(b) The head of the Office shall be the Chief Risk Officer, who shall be appointed by the Mayor with the advice and consent of the Council pursuant to section 422 (1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 790; D.C. Official Code § 1-204.22 (1)). To be eligible for appointment as the Chief Risk Officer a person shall have demonstrated, through his or her knowledge and experience, the ability to administer a public risk management office of the size and complexity of the Office established by the Plan.

(c) The Chief Risk Officer shall be paid at an annual rate, determined by the Mayor. To the extent that the annual salary rate exceeds that set forth in the District of Columbia Comprehensive Merit Personnel Act of 1978 (CMPA), the proposed salary shall be forwarded to the Council and set forth in a pay resolution approved by the Council as required by the CMPA.

(d) The Mayor may delegate, in whole or in part, his or her authority to settle claims, against the District of Columbia or any of its officers, agents, or employees, under section 1 of An Act Authorizing the Commissioners of the District of Columbia to settle claims and suits against the District of Columbia, approved February 11, 1929 (45 Stat. 1160, ch. 173; D.C. Official Code § 2-402), to the Chief Risk Officer. Notwithstanding any delegation of the authority to settle claims that the Mayor may delegate to the Chief Risk Officer, the Chief Risk Officer may redelegate any or all of such settlement authority to the Corporation Counsel.

(e) The Mayor may delegate, in whole or in part, his or her authority to receive and process all claims filed against the District government, its officials, employees, or agents for

unliquidated damages to persons or property, pursuant to D.C. Official Code § 12-309 (2001), to the Chief Risk Officer.

Section 4. Purpose of the Office of Risk Management.

(a) The purpose of the Office is to provide risk management direction, guidance and support to District government agencies so that they can minimize the total cost of risk, resulting in improved government operations and enhanced service delivery. This will be accomplished by integrating agency programs of systematic risk identification and analysis, selecting and implementing appropriate risk control strategies, and prudently financing anticipated and incurred losses, into a District government integrated risk management program. The result will be to minimize the probability, occurrence and impact of accidental losses in the District government and to support the effective and efficient achievement of the District government's strategic risk management objectives.

(b) The strategic objectives of the Office shall include the:

- (1) Institutionalization of risk management as a regular District-wide and agency-specific function;
- (2) Systematization of the identification and analysis of District-wide and agency-specific exposures to risk;
- (3) Minimization of the likelihood and severity of losses through effective safety and security risk control strategies; and
- (4) Formalization of the philosophy, policies and procedures for financing identified risks and incurred losses.

Section 5. Duties of the Chief Risk Officer.

(a) The Chief Risk Officer shall be the central risk management official for the District government.

(b) The Chief Risk Officer shall exercise full direction and supervision over the Office its functions and personnel, including the authority to organize the Office and to redelegate to employees authority as, in the judgment of the Chief Risk Officer, is warranted in the interests of efficiency and sound administration.

Section 6. Functions of the Office.

The Office, through the Chief Risk Officer, shall:

(a) Identify gaps, omissions, or inconsistencies in risk management practices and policies, and recommend and oversee the implementation of appropriate responsive laws, regulations, rules, or procedures for adoption pursuant to the Plan;

(b) Organize and operate the Office to ensure the accomplishment of the Office's purpose;

(c) Prepare reports as necessary and as required by the Mayor or the Council;

(d) Create and maintain a District government prioritization risk map based on the frequency and severity of projections of anticipated loss;

(e) Minimize the probability, frequency, and severity of accidental losses to the District government on a pre-loss and post-loss basis through a pro-active and compliance monitoring program for safety, security and contingency planning for District government operational interruptions or emergencies;

(f) Conduct and oversee on-site risk management assessments of all District government facilities and operations;

(g) Maintain a risk management resource library for the assistance of agency risk management and Office personnel;

(h) Provide risk management training to District employees and agency risk management representatives;

(i) Appropriately utilize technology to maximize the Office's efforts in accomplishing its purposes under the Plan;

(j) Administer, organize, and exercise all of the powers, duties, and functions concerning the District of Columbia Government Employees' Disability Compensation Program;

(k) (1) Administer, organize, and exercise all of the powers, duties, and functions concerning the District of Columbia Public Sector Occupational Safety and Health Management Program authorized and required by the Occupational Safety and Health Act of 1970, as amended (84 Stat. 1590), Title XX of the District of Columbia Government Comprehensive Merit Personnel Act of 1978, effective March 3, 1979 (D.C. Law 2-139; D.C. Official Code § 1-620.01 *et seq.*), and applicable codes, rules, and regulations including, but not limited to:

(A) the D.C. Occupational Safety and Health Board, Occupational Safety and Health Standards (29 DCMR, Chapters 30-32);

(B) the Building Code approved pursuant to the Construction Codes Approval and Amendments Act of 1986;

(C) the Electrical Code approved pursuant to the Construction Code Approval and Amendments Act of 1986;

(D) the Fire Prevention Code approved pursuant to the Construction Codes Approval Amendments Act of 1986; and

(E) the Plumbing Code approved pursuant to the Construction Code Approval and Amendments Act of 1986.

(2) The Office's authority under this subsection shall not supersede any statutory authority of other District agencies, including but not limited to the Fire and Emergency Medical Services Department, the Department of Consumer and Regulatory Affairs, the Department of Health, or the Department of Housing and Community Development, with primary enforcement jurisdiction for any of the codes or regulations referenced in this section;

(l) Receive and process all claims filed against the District of Columbia government, its officials, employees, or agents for unliquidated damages to persons or property, pursuant to any delegation of the Mayor's authority under D.C. Official Code § 12-309, and forward such claims, as warranted, to the Office of the Corporation Counsel for appropriate legal action;

(m) Exercise any authority that the Mayor has delegated to the Chief Risk Officer to settle claims against the District of Columbia, whether before or after the claim becomes the subject of a civil administrative or judicial proceeding;

(n) Ensure that safety, physical security, liability, and other risk management concerns of District owned, controlled, leased, or occupied facilities are appropriately addressed. In performing its functions, the Office shall not duplicate the functions of the Office of Property Management as set forth in section 1804 of the Office of Property Management Establishment Act of 1998, effective March 26, 1999 (D.C. Law 12-175; D.C. Official Code § 10-1003);

(o) Create a culture of risk awareness and management, within the District government, concerning District government facilities, employees, volunteers, and visitors;

(p) By delegation from the Mayor, pursuant to section 422 (b) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 790; D.C. Official Code

§ 1-204.22 (6)), procure insurance and utilize alternative risk financing strategies, as necessary and pursuant to an authorized appropriation, for the benefit of the District government to compensate for large liabilities and catastrophic exposure to risk including, but not limited to, tort settlements and judgments, contractual settlements and judgments, and property losses;

(q) Implement and maintain a system for managing the resolution of outstanding recommendations/findings from various sources including the Inspector General, the D.C. Auditor, external District-wide audits with management letter recommendations, court orders, retained consultants and others; and

(r) Procure goods and services and contract for the Office.

Section 7. Disability Compensation Program.

(a) All of the powers, duties and functions transferred to the Office of Personnel under section 1202 of the District of Columbia Government Employees Disability Compensation Reorganization and Amendment Act of 2001, effective October 3, 2001 (D.C. Law 14-28; 48 DCR 6891), are hereby transferred to the Office.

(b) All property, records, personnel, and unexpended balances of appropriations, allocations, and other funds available or to be made available to the Office of Personnel under section 1202 of the District of Columbia Government Employees Disability Compensation Reorganization and Amendment Act of 2001, effective October 3, 2001 (D.C. Law 14-28; 48 DCR 6891), are hereby transferred to the Office.

Sec. 8. Transfer of Public Sector Occupational Safety and Health Management Program.

(a) All of the powers, duties, and functions concerning the District of Columbia public sector Occupational Safety and Health Management Program authorized and required by the Occupational Safety and Health Act of 1970, as amended (84 Stat. 1590), Title XX of the

District of Columbia Government Comprehensive Merit Personnel Act of 1978, effective March 3, 1979 (D.C. Law 2-139; D.C. Official Code § 1-620.01 *et seq.*) and applicable codes, rules, and regulations, including those set forth in section 6 (m) of this act, currently performed by the Department of Employment Services, are hereby transferred to the Office.

(b) All of the property, records, personnel, and unexpended appropriations, allocations, and other funds available or to be made available to the Department of Employment Services for the program described in this section are hereby transferred to the Office.

Section 9. Transfer of the OCC Claims Unit Operations.

(a) The administration and control of the unit set aside for the receipt and processing of claims filed against the District of Columbia government pursuant to D.C. Official Code § 12-309, presently vested in the Office of the Corporation Counsel, is hereby transferred to the Office.

(b) All of the property, records, personnel and unexpended balances of appropriations, allocations, claim recoveries and other funds available or to be made available to the Office of the Corporation Counsel for the Claims Unit are hereby transferred to the Office.

Section 10. Settlements and Judgments Fund.

(a) The administration of the Settlements and Judgments Fund (Fund), hereto performed by the Office of the Corporation Counsel, is transferred to the Office. As appropriate, the Office shall consult with the Corporation Counsel regarding the administration of the Fund.

(b) The Office shall administer the Fund under the accounting and financial management of the Chief Financial Officer of the District of Columbia.

(c) In consultation with the Corporation Counsel, the Office shall make proposals to the Mayor and the Chief Financial Officer, for inclusion in the Mayor's annual budget proposal to the Council for each fiscal year, regarding appropriations for the Fund.

Section 11. Risk Management Council.

(a) The Chief Risk Officer shall create and manage a Risk Management Council constituted of agency risk management representatives and professional leaders from the Office.

(b) Through the Risk Management Council, the Chief Risk Officer shall:

(1) Meet with, receive reports from, and generally oversee the functions of agency risk management representatives;

(2) Coordinate, integrate, and guide the work of agency risk management representatives to identify, measure, analyze, and document agency and District government risk exposure;

(3) Facilitate topical interaction among agency risk management representatives and Office leaders to foster the development and effective implementation of a comprehensive, integrated risk management program for the District;

(4) Cultivate awareness, understanding and support for risk, safety and security management initiatives as part of the District's strategic, integrated risk management program; and

(5) Monitor the effectiveness of agency Risk Assessment and Control Committees (RACCs)

(c) The Risk Management Council shall:

(1) Exchange risk management ideas and best practices;

(2) Identify and share available risk management resources;

(3) Provide input to the development of District-wide risk management practice standards and risk and safety administrative regulation review;

(4) Establish the risk management culture of the District in support of institutionalizing and systematizing the risk management program of the District;

(5) Identify opportunities for economies of scale in the implementation of risk management strategies;

(6) Participate in loss trend analysis and related exposure awareness communication;

(7) Participate in the evolution of the District risk management information system;

(8) Provide primary coordination to the performance requirements for risk management in agency director's contracts;

(9) Participate in the cost of risk allocation methodology, communication and monitoring;
and

(10) Coordinate internal agency emergency response plan development and maintenance including plans for continuity of operations in the event of any emergency, and definition of interaction points with the external District Emergency Response Plan coordinated by the Emergency Management Agency.

Section 12. Repealers.

Any provision of a Reorganization Plan or Executive Order in conflict with any provision of this reorganization is hereby repealed, except that any regulations adopted or promulgated by virtue of the authority granted by such conflicting provision shall remain in force until properly revised.

Section 13. Effective Date.

The Plan shall take effect immediately after the statutorily required sixty (60) day Council review period.