



Office of the Auditor

# Risk Management Program Audit Follow-Up

Zane Potter  
Senior Management Auditor

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## SUMMARY

Metro made progress on the two recommendations from the 2013 audit report **Risk Management Program: Improve training and use data to control costs**. It will be important for Metro to fully implement the recommendations because they could result in additional cost savings and increased safety.

## BACKGROUND

In an audit released in 2013, our office assessed whether Metro's risk management program was effectively using its data to reduce workers' compensation claims. The audit found that opportunities were being missed to control costs and manage risks. Accordingly, we made two recommendations to increase analytical capabilities and strengthen safety programs.

The risk management program and Metro departments shared responsibility to ensure employees received necessary safety training. The risk management program provided safety consulting services as well as advice on training and record keeping requirements to departments. Each department was responsible for ensuring employees received job specific safety training and used safe work practices.

Since the 2013 audit, Metro changed the organizational structure of the risk management program. The workers' compensation specialist moved from the Finance and Regulatory Services (FRS) department to the Human Resources (HR) department. This position was responsible for the administration and analysis of workers' compensation claims. Workers' compensation pays to treat and rehabilitate workers who are injured on the job. The risk manager and safety specialist were still located in FRS.

## RESULTS

Metro made progress on both recommendations. We found that the risk management program strengthened the design of department safety programs, but more work was needed to implement them by departments. We also found that HR regularly reviewed and analyzed workers' compensation claims to identify safety concerns. Based on these reviews and analyses, HR identified department safety concerns and worked with departments to implement safety strategies. Though the risk management program regularly reviewed incident reports, it did not analyze them to identify longer-term trends. Doing so could help Metro identify other risk issues and develop strategies to manage them.

**BRIAN EVANS**

**Metro Auditor**

600 NE Grand Avenue  
Portland, OR 97232  
tel: 503-797-1892

[www.oregonmetro.gov/auditor](http://www.oregonmetro.gov/auditor)

**Exhibit 1 Both recommendations were in process**

<b>2013 Audit Recommendations</b>	<b>Status</b>
1. Strengthen the design and management of department safety programs.	<b>In process</b>
2. Regularly review and analyze incident reports and workers' compensation claims data to identify potential safety concerns.	<b>In process</b>
a. Work with departments to identify safety issues using this analysis.	(In process)
b. Once a safety issue is identified, work with departments to develop strategies to improve safety.	(In process)

*Source: Metro Auditor's Office analysis*

**Some efforts made to strengthen safety programs, but work remains**

The risk management program helped strengthen the design of department safety programs by creating safety training criteria for departments and creating new policies that could improve safety at departments. However, the extent to which the training was used by departments was unknown by the risk management program. This was because the risk management program did not track all employee training. Also, the use of new policies was mixed. As such, more work was needed to ensure new safety training criteria and policies were used.

Similar to the 2013 audit, we focused most of our follow-up on the four departments with the largest share of workers' compensation claim costs: Portland's; Oregon Zoo; Oregon Convention Center (OCC); and Property & Environmental Services (PES). The following were some of the ways the risk management program helped strengthen the design of department safety programs:

- It developed required training for departments by employee classification. Some classifications had as many as 38 different trainings and ranged from ladder safety to respiratory protection. Training could be provided by the risk management program or on-site supervisors and co-workers.
- It developed an accident/incident policy. The policy was created to report on and analyze accidents, incidents and near miss incidents in an effort to prevent recurrence. The policy sought to identify the primary root causes of accidents/incidents and document the implementation of corrective actions. The policy also stated that investigations were the responsibility of supervisors.
- It developed a Metro-wide forklift policy. Prior to the policy, we were told that there were different policies throughout Metro. This policy was created to provide more consistent guidelines and procedures related to the operation of forklifts across Metro.
- It helped incorporate safety training into the OCC's employee retreat. The purpose was to ensure both new and existing employees received training.

Although the risk management program strengthened the design of department safety programs, more work was needed to strengthen the management of the programs. As highlighted in the previous audit, responsibility for safety training was dispersed across Metro. This meant that ensuring employees received job-related safety training was the responsibility of individual departments, which was also true during the follow-up audit. We were told departments were also responsible for tracking employee training.

The extent to which employees received the required training was unknown. This was because the risk management program did not track all required training and there was not a way for supervisors to report on all training requirements. It will be important for Metro to track employee training to ensure employees received the required training. Doing so would help ensure employees use safe work practices. A way to track training could also help the risk management program identify which departments may need assistance with training.

Additionally, the extent to which departments carried out the accident/incident policy was mixed because the policy was in the early stages of adoption by supervisors. We were told that the risk management program was helping supervisors understand the investigation process outlined in the policy and determining whether supervisors conducted investigations. The policy also stated that tracking corrective actions was required, but this was not being done agency-wide. The risk management program hoped to begin tracking corrective actions once supervisors began conducting investigations with more frequency. Moving forward, Metro will need to ensure investigations are completed and corrective actions are documented to help improve safety and identify any emerging risk areas.

A department that took steps to strengthen the management of its safety program was the Zoo. As highlighted in the 2013 audit, the Zoo had a safety employee, but this person lacked industrial safety experience and had limited participation in implementing changes at the Zoo. Since the audit, a safety manager with safety experience was hired. Additionally, the manager participated in implementing safety changes. For example, the manager created a program to help with participation and awareness of safety training topics.

**Review and analysis of workers' compensation claims improved, but more trend analysis of incident reports was needed**

The 2013 audit found that two important sources of information weren't being fully used to identify injury trends: incident reports and workers' compensation claims. Incident reports documented injuries to employees and visitors and property damage, and were filled out by department staff. A workers' compensation claim was a one page insurance form that an injured employee filled out before seeking medical treatment.

Since the audit, HR, the Zoo, and the risk management program increased their reviews and analysis of these sources of information, but additional trend analysis of incident reports was needed by the risk management program. As highlighted in the prior audit, incident reports played an important role in managing risk because they can illuminate risk areas that may not be apparent from looking solely at workers' compensation claim data.

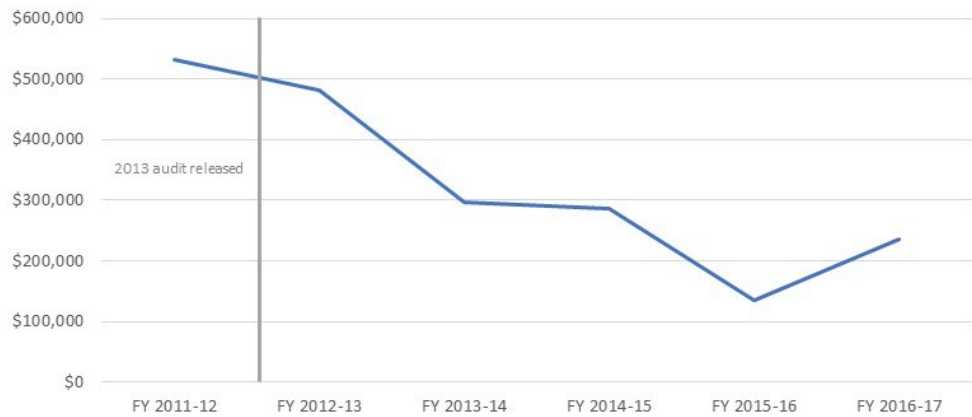
**Exhibit 2 Recommendation two in process**



Source: Metro Auditor's Office analysis

Overall, workers' compensation claim costs per year and the number of claims have gone down since the 2013 audit. However, individual workers' compensation claims can be a large driver of costs for Metro. Expenditures can vary widely from year to year. From FY 2011-12 to FY 2016-17, the total cost of workers' compensation claims was about \$1.8 million and there were 456 claims. The costs of claims varied from year to year and reached a six-year high of about \$470,000 in FY 2011-12 and a low of about \$130,000 in FY 2015-16.

**Exhibit 3 Workers' compensation claim costs decreased by about 50 percent since FY 2011-12**



*Source: Metro Auditor's Office analysis of Human Resources data (adjusted for inflation)*

Since the 2013 audit, HR completed more detailed analysis of workers' compensation claims. For example, its analysis showed the top five causes and body parts injured throughout Metro and by departments. The analysis also showed workers' compensation claims as a percentage of each department's employee census. This type of analysis could help identify departments with a high percentage of claims compared to the number of employees who worked in the department. HR offered to meet with departments to discuss its analyses of worker's compensation claims. HR also continued to provide quarterly reports to each department that had a workers' compensation claim for that quarter. Each of these efforts have helped Metro better identify and manage employee safety risks.

The risk management program and HR reviewed incident reports on a weekly basis. Based on the review, the risk management program would determine if additional follow-up was needed with supervisors at the location of the incident. These reviews allowed the risk management program to identify safety issues on a weekly basis, but the approach did not identify incident report trends over time. This type of trend analysis can be an important source of information and lead to preventative action even for incidents that never resulted in a workers' compensation claim. In comparison, the Zoo analyzed incident reports to identify trends over time. Since the risk management program did not analyze trends, it missed an opportunity to identify emerging safety issues and develop strategies to address them.

Analyses can be used to identify safety issues and strategies to manage them

HR used its analysis of workers' compensation claims to identify a type of injury that represented a high percentage of claims and claim costs at Metro. Based on HR's analysis, musculoskeletal (MSD) injuries accounted for almost half of all claim costs at Metro from FY 2013-14 to FY 2015-16. MSD injuries were injuries to muscle, bones, and joints such as neck, shoulders, wrists, backs hip, legs, knees, and feet. These injuries were tied to lifting; carrying; repetitive motion; pushing/pulling; and slips, trips, and falls.

Additionally, the Zoo's analysis of incident reports allowed it to identify a safety issue and develop a strategy to address it. The analysis showed that the number of burns to employees went up. Because of this, the Zoo took corrective actions such as changes in training and changes in personal protective equipment to address the issue.

Efforts made to address some safety issues

After MSD injuries were identified, HR used a training program to address them. The training program was provided through physical demonstrations that helped employees understand how small changes in physical techniques could reduce strains, sprains, and body motion injuries. The training compared photos that showed "stressed" (incorrect/potential injuring) technique with "better" photos that showed proper technique. The training could be tailored to different job types such as office workers, park rangers, and zookeepers.

One example that highlighted the potential impact of the training program was at PES's Hazardous Waste program. HR data showed that the average cost of all workers' compensation claims per year for MSD injuries was about \$61,000 before the training while the average cost after the training was about \$15,000. This was a 76 percent decrease. This highlighted the potential impact of using data to identify and address safety issues which ultimately helped control costs for Metro. It's important to note that one workers' compensation claim can have a large impact on the overall trend.

## **METHODOLOGY**

The purpose of this audit was to determine if recommendations from the 2013 audit were implemented. To accomplish our objective, we interviewed staff involved with risk management across Metro. We focused most of our review and analysis on the four departments with the largest share of claim costs: Portland's, the Zoo, OCC, and PES. We also reviewed and analyzed documents and reports related to risk management and data related to workers' compensation claims.

This audit was included in the FY 2017-18 audit schedule. We conducted this follow-up 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.

## MANAGEMENT RESPONSE



600 NE Grand Ave.  
Portland, OR 97232-2736  
oregonmetro.gov

Date: April 6, 2018  
To: Brian Evans, Metro Auditor  
From: Tim Collier, FRS Director  
Mary Rowe, HR Director  
Subject: Risk Management Audit Response

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Thank you for the opportunity to respond to your follow-up audit of Metro's Risk Management Program. Ensuring the mitigation of risk for Metro and the safety of its employees are among Metro's highest priorities. Your recommendations reinforce the important work already underway and emphasize the importance of continuing to improve the Risk Management Program. In response to your follow up we will continue to work on the following recommendations:

1) Strengthen the safety program

To help further improve the overall safety program. Risk Management will work with HR to track the scheduling and participation in safety training. Once more detailed tracking is developed we will work with departments to better assist them and their training needs.

2) Regularly review and analyze incident reports and workers compensation claims data to identify potential safety concerns

Risk Management and HR will look at developing an incident report and tracking system (for both liability and workers compensation) to allow analysis of incidents agency wide. Once this data is complete and available we will look for common themes and ways to mitigate them.

We believe these steps will improve the overall agency Risk Management Program and continue to ensure the safety of Metro's employees.

Again, I would like to thank Auditor Evans and his staff for the professionalism in which they completed this follow up audit and their continued efforts to ensure that we mitigate risk at Metro.