

Memorandum



CITY OF DALLAS

DATE August 19, 2022

TO Honorable Members of the Government Performance and Financial Management Committee: Cara Mendelsohn (Chair), Gay Donnell Willis (Vice Chair), Tennell Atkins, Adam Bazaldua, Adam McGough, Paul Ridley, Chad West

SUBJECT **Office of Risk Management Update and Subrogation Audit and Performance Metrics**

Department Overview

The Office of Risk Management's (ORM) purpose is to protect City employees and assets by guarding against risks and safety hazards, by way of promoting and providing safe work environments, increasing safety awareness, managing resources, and transferring risks while upholding the commitment of a Service First Culture and City's core values of Empathy, Ethics, Excellence, and Equity

The ORM umbrella covers six areas of responsibility:

- Occupational Health & Safety
- City Equipment Incident Investigation
- Workers' Compensation Claims and Return-to-Work Administration
- General Liability and Subrogation Claims Administration
- Risk Transfer
- Commercial Insurance

General Liability and Subrogation Claims Administration Audit

On May 5, 2022, the City Auditor's Office (AUD) initiated an audit of the general liability and subrogation claims administration.

- Audit objectives
 - Determine if there are any barriers for citizens to be able to file a claim against the City
 - Determine if claim reserve amounts are sufficient to cover the City's exposure
 - Determine if the Office of Risk Management collects the maximum subrogation amounts on insurance claims
- Audit scope
 - Audit the Office of Risk Management and its role in processing claims for the City of Dallas from October 1, 2019, through March 31, 2022
 - Interview Office of Risk Management personnel
 - Review policies and procedures, relevant City Council Resolutions, City Administrative Directives, and contracts
 - Identify risks to meeting ORM's service objectives
 - Evaluate internal controls, processes, and financial and operational information
- Audit Status as of July 28, 2022

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- Office of the City Auditor is still in the planning stage
 - Fieldwork (e.g., testing, etc.) started August 8th
 - Audit report draft estimated completion – October/November 2022
 - Final audit report release in December 2022
- **ORM's Audit Response**
 - 05/05/2022 – Staff participated in the audit entrance meeting with AUD
 - 05/09/2022 – Staff has submitted all requested documents to AUD
 - 08/08/2022 – Staff has provided an audit walkthrough of the risk management information system, ORIGAMI
 - October/November – Staff will address any areas of concern in the management response and areas of opportunity for improvements in December 2022/January 2023, depending on the issuance of final report.
 - **This will come back to GPFM in December 2022/January 2023; however, staff will continue to provide updates to GPFM until final audit report is released.**

FY22 Subrogation Performance Measure and current results

FY 2021-22 performance measure for subrogation claims recovery is to recover 35% of \$1.305 million (\$456,898) potential taxpayers' dollars. Valued as of July 31, 2022, ORM has recovered \$522,927 and exceed the collect goal by 12.63% (\$66,029). This number will increase once the August and September numbers are reported.

Subrogation Background

- FY18 – Subrogation claims were being handled by liability adjusters and supervisor. Subrogation claims identification is based on City equipment incident (CEI) reports, DPD police reports (CEI related only), and notifications from at fault party's insurance carrier. Prior to FY18, a process to identify or evaluate property damage subrogation claims resulting from damaged signal lights/street signs had not been established.
- FY19 – The subrogation division is established. A dedicated subrogation adjuster is hired, reporting to the liability claims manager. The focus remained on bodily injury (workers' compensation) and property (CEI and buildings) damage subrogation claims.
- FY20/21 – Subrogation continued its focus on bodily injury (workers' compensation) and property (CEI and buildings) damage subrogation claims but added fire hydrant subrogation to its subrogation efforts. ORM assisted Dallas Water Utilities (DWU) with obtaining damage information for their fire hydrant subrogation claims. ORM was not responsible for the actual recovery of costs.
- FY22 – In October 2021. ORM initiated a signal light/street sign subrogation protocol that included a Crash Records Information System (CRIS) TX-Dot Damaged City Property report and Cost/Estimate Request report (Transportation

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and DWU). This was to effectively identify potential subrogation claims and secure costs/estimates from the Transportation department. This would increase the number and recovered amounts of these types of claims. Because the City does not have a statute of limitation, ORM has implemented recovery efforts to collect on past incidents. ORM took over the complete subrogation claims handling for fire hydrants which included tracking the recovered amounts.

- FY23 – ORM will provide additional ORIGAMI training regarding the City Property Damage online form. A dedicated subrogation manager will be assigned to the subrogation division.

Thank you for your support. If you have any questions, please contact me.



Zeronda D. Smith
Director, Office of Risk Management

[Attachment]

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager

Jon Fortune, Deputy City Manager
Majed A. Al-Ghafry, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

RECOVERED	FY2018	FY2019	FY2020	FY2021	FYTD2022
All Subrogation Claims	98	120	82	53	70
City Equipment (vehicles)	64	63	52	22	26
Signal Lights	2	5	0	1	9
Traffic Signs	2	1	0	0	1
Fire Hydrants	n/a	n/a	n/a	n/a	4
Other (Buildngs/Structures)	30	51	30	30	30

RECOVERED	FY2018	FY2019	FY2020	FY2021	FYTD2022
All Subrogation Claims	\$474,612	\$501,130	\$592,403	\$493,575	\$522,927
City Equipment (vehicles)	\$432,590	\$435,775	\$391,056	\$197,109	\$191,074
Signal Lights	\$1,963	\$9,452	\$0	\$500	\$17,459
Traffic Signs	\$393	\$291	\$0	\$0	\$265
Fire Hydrants	n/a	n/a	n/a	n/a	\$15,878
Other (Buildngs/Structures)	\$39,666	\$55,611	\$201,347	\$295,965	\$298,250

POTENTIAL	FY2018	FY2019	FY2020	FY2021	FYTD2022
All Subrogation Claims	37	64	54	135	41
City Equipment (vehicles)	37	19	17	56	22
Signal Lights	0	0	0	0	0
Traffic Signs	0	0	0	0	0
Fire Hydrants	0	43	36	79	17
Other (Buildngs/Structures)	0	2	1	1	2

POTENTIAL	FY2018	FY2019	FY2020	FY2021	FYTD2022
All Subrogation Claims	\$197,121	\$188,578	\$300,972	\$383,948	\$197,294
City Equipment (vehicles)	\$197,121	\$108,338	\$209,916	\$247,286	\$159,253
Signal Lights	\$0	\$0	\$0	\$0	\$0
Traffic Signs	\$0	\$0	\$0	\$0	\$0
Fire Hydrants	n/a	\$75,499	\$49,087	\$110,983	\$25,189
Other (Buildngs/Structures)	\$0	\$4,742	\$41,969	\$25,679	\$12,852

TBD	FY2018	FY2019	FY2020	FY2021	FYTD2022
All Subrogation Claims	0	145	164	192	136
City Equipment (vehicles)	0	0	0	0	0
Signal Lights	0	94	92	103	72
Traffic Signs	0	51	72	89	64
Fire Hydrants	0	0	0	0	0
Other (Buildngs/Structures)	0	0	0	0	0