June 24, 2016

Joseph M. Ferguson
Inspector General
Office of the Inspector General
740 N. Sedgwick Street, Suite 200
Chicago, IL 60654

Dear Inspector General Ferguson,

We greatly appreciate the time and effort that went into this advisory, and would like to thank the Office of the Inspector General for the work that went into examining the history and status of claims and risk management at the City. The administration agrees that managing risk in an effective and efficient manner is an important part of good management and protecting the City’s finances.

As the advisory points out, given the range of services and functions that the City provides, the risks that the City faces range widely, from property damage to police misconduct to on-duty employee injury. Risk management includes risk reduction, risk transfer, risk sharing, and risk avoidance in each of those varied areas. The advisory breaks risk-related costs into the broad categories of workers’ compensation, public safety claims, parking meter settlements\(^1\), and other claims such as property damage or personal injury due to vehicle accidents. The Department of Finance, in their analysis, further broke down the ‘other’ category into claims based on vehicle accidents, street conditions, tree debris, sidewalks, signage, lighting, and utilities. Many of these risks are specific to specific departments. Similarly, certain elements of risk management are best handled by those with expertise – in insurance, legal strategy, safety protocols, or other specialized areas. As a result, many aspects of risk management have been handled by the departments or groups that are impacted by or consulted on a type of risk, as opposed to through a centralized risk management office.

Going forward, we agree that there is potential benefit to the City in ensuring that risk management functions are coordinated at a high level. While the advisory recommends creating a new Chief Risk Officer position to coordinate these efforts, we feel that this will be best achieved by leveraging the knowledge and expertise of current staff, with the addition of targeted resources in specific areas and the support of the Mayor’s Office to ensure focus and priority.

In the coming months, the City will establish a risk management working group comprised of representatives from the Department of Finance, Office of Budget and Management, Department of

\(^1\) Payments related to the parking meter contract were included in the OIG’s assessment because the payments were classified as settlements in the data. However, we would note that these payments were not the result of a ‘risk’, but rather a contractual obligation.
Law, Fleet and Facility Management\(^2\), and Mayor’s Office. Other operational departments will be invited on to join the working group on an as needed basis. A Chief Risk Officer would be unable to achieve changes in the City’s risk management on their own or even with the help of dedicated staff. Such changes necessarily involve the departments noted above and other operating departments, and a Chief Risk Officer would need to rely on these departments in order to develop and implement a program for risk assessment and management. By establishing a regularly convening working group, we believe that we can achieve the desired positive effects without the additional bureaucracy and cost associated with new staff.

The working group will be charged with evaluating and coordinating current risk management efforts; identifying gaps and areas for improvement in risk management (both on a department level and Citywide); enhancing reporting and accountability related to risk management; and improving the availability and quality of data on claims, judgments, and other risk-related costs.

As the advisory noted, existing data regarding the cost of risks (specifically, claims, settlements, and judgments) is stored in separate databases and may not be consistent across those databases. Recognizing that comprehensive and consistent data is critical to developing an efficient and effective risk management program, the working group will be supported by the new performance management group in the Office of Budget and Management. This group will provide project management support to address data concerns, help lead identified reform efforts aimed at mitigating risks, and, over time, develop metrics for the program and impacted departments.

At the outset, police misconduct will be excluded from the scope of this working group. As you are aware, the City continues to work towards implementing the recommendations of the Police Accountability Task Force and is awaiting recommendations from the Department of Justice’s examination of the Police Department. These recommendations will drive any course of action in this area. In order to avoid pre-supposing the results of the Department of Justice review or duplicating those efforts, police misconduct will fall outside the purview of the working group. With respect to worker’s compensation, the risk associated with workers’ compensation claims is related to worker safety and mitigating the risk of on-the-job injury, thus the working group’s focus will be on safety and accident and injury prevention, taking a proactive role in this area.

Thank you again for this advisory report, and please feel free to contact Eileen with any questions or concerns.

Sincerely,

\[Signature\]
Eileen Mitchell
Chief of Staff

\[Signature\]
Alexandra Holt
Budget Director

\[Signature\]
Erin Keane
Comptroller

\(^2\) The Department of Fleet and Facility Management’s Bureau of Environment, Health and Safety Management, has been tasked with oversight of a Citywide safety compliance program for the non-sworn workforce.