Q&A

The RIMS Strategic and Enterprise Risk Center presents:

**Jennifer Hills, Director of Risk Management, and
Sean Catanese, Enterprise Risk Management Program Manager,
King County, Washington**

ERM IN THE UNITED STATES' 13ᵀᴴ-LARGEST METROPOLITAN AREA

By Russ Banham

RIMS

King County in Washington State, which includes the Seattle-Bellevue metropolitan area, is the 13th-largest county in the United States. The county provides government services like law enforcement, adult and juvenile correction facilities, wastewater treatment, public health services, and criminal justice through the courts, prosecuting attorney's office and public defenders. King County also operates the region's bus, light rail and streetcar services. In 2019, the county fully cemented the principles of enterprise risk management (ERM) across every government agency, requiring each one to conduct a five-year, forward-looking risk profile exercise as part of their business planning process.

Overseeing this exercise and other activities toward the countywide implementation is Jennifer Hills, director of risk management and RIMS 2018 Risk Manager of the Year Honor Roll member, assisted by Sean Catanese, ERM program manager. RIMS recently sat down with both executives to discern their approach to mitigating and optimizing risks across such a diverse group of government agencies and divisions.

RIMS: For so many organizations, ERM is theoretical. You've made it real by integrating it with business planning. Tell us a bit about the five-year risk profile that agencies were required to assemble.

Catanese: We started with a questionnaire featuring five simple, open-ended 'blue sky' questions encouraging agencies to identify what kept them up at night. The whole idea was to get them thinking about risk identification and related root causes.

RIMS: Who are these individuals?

Catanese: They are typically high-level managers and mid-level managers, depending on the agency. In some cases, people in the front lines closest to the risks also contribute to the discussion.

Hills: Once we receive the survey responses, we compare it to our enterprise risk register to determine commonalities and differences. We then combine the two lists, add some perspective from our historical loss data, and evaluate it in a facilitated exercise. The outcome is a risk profile and heat map which helps inform the agency's priorities.

RIMS: How does this help the agency?

Hills: It helps each agency make the case for needed resources. For example, a high-priority risk across the county is ensuring a safe and welcoming workplace culture. This may be a challenge for one agency but not for others, making it a priority–resource-wise–for that particular agency. We know this because we have access to a lot of data in ERM. We can look at workers compensation claims and employee engagement scores to determine how healthy each organization is from an employment culture perspective.

RIMS: Once the 'blue sky' questions and answers were in hand, what did you do with it?

Hills: The risk profiles transform our enterprise risk register into a living document. Our ERM working group vets the risks and applies their experience and common sense to make this more than just a thoughtful list.

RIMS: Otherwise, you may end up with something that sits on a shelf and gathers dust.

Hills: Correct. We wanted the opportunity for one agency challenged by a risk in a particular area that's doing very well in managing this risk to share its 'secret sauce' with other agencies having similar problems. This difference was now clear in the heat map. You could easily see where an agency had 'high success' managing a particular strategic, operational or financial risk, but another agency had 'low' or 'moderate success.'

RIMS: Do you have an example where best practices were shared successfully?

Hills: One that comes to mind is succession planning. When we surveyed the county, it popped up as one of the top risks across agencies and divisions. This was not surprising, as more than half [54%] of King County employees are currently eligible to retire, which we refer to internally as the 'silver tsunami.' One agency doing quite well with succession planning is the Wastewater Treatment Division, an area where it has been difficult to get people interested in a career.

RIMS: Fascinating. Why is that?

Hills: Years ago, the division launched a school-to-work pipeline starting with elementary school children through high school. They regularly hosted field trips to the treatment plant, where an interpretative center had been built. The plant is so beautifully landscaped that even weddings are held there. The division creatively demonstrated that wastewater treatment is all about water quality and environmental sustainability, making it an interesting and purposeful career.

RIMS: How does this affect succession planning countywide?

Hills: They are building a solid pipeline of people there to fill workforce gaps as they emerge. Moreover, they've been focused on increasing diversity, especially in high-paying jobs. This aligns perfectly with the county's vision of equality and opportunity for all people.

RIMS: So, once you learn which agencies are successfully managing a particular risk across strategic, operational, financial and other categories, you have a structure to share success this with risk owners in other agencies.

Catanese: We're definitely a consulting-style organization, advising agencies but not mandating they do something other than identify and own their risks. So yes, we bring them to the table to share best practices and challenges. It's a constant process of discussion and reevaluation with the risk owners. While this is formalized on a quarterly basis for some agencies like Metro Transit or biannually with Adult and Juvenile Detention, conversations also happen on a pretty natural basis, where an agency might check in on what it's doing, or we check in with an agency to review recent claims experience.

RIMS: Risk is a serious matter and there is even a King County Risk Appetite Statement. What is its relevance and importance?

Catanese: As most professionals know, there is value in taking certain risks. An organization that is risk averse can miss out on opportunities because of concern over the negative impact. In some cases, aggressive risk-taking is justified. One of the major reasons for the decision to implement ERM countywide is to change our culture from being too risk-averse to more purposefully taking on certain risks. In the past, the fear of bad out-

comes drove our approach to risk, where we mitigated some risks to the point of inefficiency and missed out on opportunities.

Hills: Sean is correct that this is a vital part of our ERM implementation. King County Executive Dow Constantine, a champion for the ERM program here from the start, has commented in many speeches that the county needed to take on more risks. He has said that sometimes we'd succeed and sometimes we'd fail, but in all cases, we'd apply the lessons forward.

RIMS: Recently, there has been a lot of press about Seattle making the decision to no longer arrest people possessing small amounts of drugs. This is a major change to treat drug abuse as a public health crisis and not a crime. Do you have an example where the county is boldly taking on a risk that it would have mitigated in the past?

Hills: I do have an example that is along those lines. King County operates both the Superior and District Court systems. A District Court judge saw an opportunity to change the model of the court; instead of frequent low-level offenders coming to the courthouse in downtown Seattle for a trial, they would go to community centers and libraries, where wraparound services like mental health counseling, food banks and low-income health plans were offered. If a defendant agrees to a case management system in line with the wraparound services—and sees it through to a positive outcome—the charges will eventually be dropped.

RIMS: That is, indeed, a bold change. But, weren't District Court judges anxious over inviting repeat offenders to a county library or and community center? These public locales are very different from a traditional courthouse.

Hills: Initially, they were cautious; judges tend to be a careful group. But they agreed to give it a shot and were so amazed by the program's success, so much so that it is being expanded. As the defendants became connected to the services they needed, recidivism has gone down. Providers [of the services] are now talking with each other to find areas where their services can dovetail or overlap to achieve even better outcomes.

RIMS: Streamlining the judicial system to reduce locking up low-level offenders is an innovative move that involves some risk.

Hills: I agree. But, unless you give serious time and thought to the failure of traditional mitigations and have the courage to try something new, opportunity will slip through your fingers. ■

Russ Banham is a Pulitzer-nominated financial journalist and best-selling author.