

Developing and Managing the Risk Management Corrective Action Plan Process

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Introduction

In a large and diverse organization the challenge of managing the various aspects of a Risk Management corrective action process (CAP) can be tremendous. In the County of Los Angeles (County) our exposures include road construction, hazmat response, fire fighting, jail operations, medical care, transportation, children's services, recreation, beach safety, facility construction and maintenance, general administration, and law enforcement; the types of losses that can occur are far reaching and can be substantial.

Scope of the County CAP Process

To understand the scope and depth of the CAP process, one must understand root cause analysis and incident investigation in a large and diverse organization can yield a magnitude of data and there must be competent staff available to interpret the data and make evaluations of trends and casual factors in order to start the CAP process. The CAP process starts once an event occurs and is reported, investigated and determined to possess a significant risk potential. The primary differences between a Loss Prevention CAP program and the CAP process outlined in this paper is that in Loss Prevention, near misses and accidents are evaluated and corrective action steps are developed to reduce or minimize the specific causal factors that resulted in the exposure. In the CAP process, significant events and trends, with potential for substantial potential liability or cost, are the triggering mechanisms used to start the process. In the CAP process events are analyzed based on organizational exposure, actual or potential cost (i.e. forecasted claim judgment or settlement cost) and probability of reoccurrence.

In the County, the development, implementation and management of the CAP process is assigned to the Office of The Risk Management Inspector General (RMIG). The RMIG function is to work with Loss Control and Prevention staff, departmental managers, County attorneys, other

public agencies within the County and the public to analyze exposures, assist in the drafting and approval of departmental CAPs, monitor the CAP for closure and effectiveness, and report progress of the program to executive management. In order to fulfill its mission the RMIG has developed a comprehensive CAP process.

The County CAP Process

The County bases its CAP philosophy on the concept that a CAP has an established lifecycle and effective management of the CAP process involves understanding and measuring performance in all aspects of the CAP lifecycle. The County CAP lifecycle involves four distinctive phases:

1. The EVENT which resulted in a loss;
2. The INVESTIGATION process;
3. The development of the CAP; and
4. The MANAGEMENT of the CAP process.

A CAP is a collection of corrective actions put together so the aggregate plan will eliminate the causes of the process nonconformance. The plan includes the corrective actions, who is responsible for the entire plan and criteria to measure effectiveness of the plan.

As a concept, corrective action sounds like a good idea. All managers want to fix the things that go wrong in their department. However, the corrective action process is more than just fixing things. The CAP process involves researching the cause of a problem, developing a plan (corrective action steps), deploying the plan, and implementing a process to ensure the fix worked. It is a methodology for addressing problems throughout a department and for realizing improvement. It is not a complicated process, but it is a process. The CAP process extends from event root cause analysis through final problem closure verification and monitoring. Basically, the process involves troubleshooting a problem, initiating actions to fix the problem, and checking to verify the fix worked.

Events that Trigger the Development of a CAP

The initial phase of the County CAP lifecycle involves activity that leads to the creation of a CAP. Within the County we have many situations which may warrant the creation of a CAP. These events include, but are not limited to:

- Board of Supervisors (Board) mandated CAPs as a result of tort liability claim settlements in excess of \$100,000 (required);
- CAPs developed as a result of a work-related injury or illness;
- CAPs developed in response to substantial property damage events;
- CAPs developed as the result of third party (audit, consultant, or Grand Jury report) or management direction; and
- CAPs developed in response to customer and constituent complaints, poor quality, and/or process nonconformance.

The Investigation Process

The second phase of the CAP lifecycle involves the investigation of the factors leading to the necessity to develop a CAP. Once an event or an incident occurs and the initial response (situation abatement activity) has been conducted, the process moves into one of the least understood areas of CAP development, the incident/event investigation. There are many different reasons to investigate a problem, nonconformance, incident, or event, however, the primary reason is to gain an understanding of the root causes which lead to the event.

Development of the CAP

The third phase of the CAP lifecycle is the actual development of the CAP. Once the event or loss has occurred and the investigation has determined the root causes which lead to the occurrence, the next stage in the process is the development of the actual CAP. There are numerous methods to gather the required information and generate the CAP for review and approval. The investigative process may have been complex, time consuming and difficult, but it is only half of the journey. Now that we know what we need to fix, we have to implement a fix that will, in fact, address the root causes and underlying management system issues and be sustainable. The CAP is the tool we use to accomplish the tasks of resolving the underlying problems on a permanent basis. Like the investigative process, the CAP development process may involve numerous resources, be complex and time consuming. Often the more catastrophic the loss, the more complex of a solution is needed.

The intent of the CAP is hazard control, mitigation or abatement. We use controls, such as administrative, engineering, work methods or personal protective equipment options, to address the root causes identified in the investigative process. The investigation has identified the root causes of the loss and the focus now is implementing corrective actions that will control, mitigate or abate the causes of the loss. Loss control is a science; it is taught in engineering programs at universities around the country. It involves the review of the situation and the understanding of the engineering, mechanics, procedures and processes involved. In many cases the CAP process breaks down at this point in the CAP lifecycle. We spend time and energy trying to understand what happened (normally for litigation defense, etc.) and miss a golden opportunity because the fix we state in our corrective action is either not doable or incorrect. The problem with this approach is we do not often realize the corrective action steps are inadequate until the event recurs and we are inevitably back at square one. The hazard control options should never be developed in a vacuum; they should be reviewed with affected managers and supervisors, affected employees and Loss Control and Prevention staff. All of the corrective action steps must be evaluated for effectiveness and sustainability.

CAP Development Model

Once the CAP research has been conducted, all relevant facts are understood, and the loss control options have been validated, the next phase is the actual generation of the CAP. The actual CAP's size and scope depends on many factors, including seriousness of the loss/event, complexity of the root causes, political ramifications, impact the loss had on department/community, etc. There are many issues that drive the scope of the CAP, and the determination of how lengthy and complex the CAP needs to be is a decision made by the affected department's management team. As we have illustrated, the investigation and CAP development activity can be complicated and time

consuming; we need to make sure the activity that goes into the development of the CAP is warranted and reflects a thorough analysis of all involved factors. Unfortunately there is no “rule of thumb” to answer this question. It is a complex management decision that will need to be researched and understood prior to deciding on the effort involved. The County uses a standardized model to assist in the development of the actual CAP document.

CAP Implementation

The implementation scope and schedule for an approved CAP is another critical element in a comprehensive CAP program. The scope of the CAP has a considerable effect on the roll-out and eventual success of the CAP. The scope needs to be clearly defined and understood by both the CAP author and the approver. The scope and schedule covers issues such as:

- Population affected by the scope from a macro level (i.e. employees, vendors, other County departments, the public) and a micro level (i.e. specific employee classifications, departments, units, etc.);
- Processes, procedures and standards impacted;
- Training requirements impacted;
- Operational and quality impacted;
- Equipment and facilities impacted;
- Budget and resources needed to implement;
- Union or contractual issues impacted;
- Timeframes needed for implementation of specific CAP tasks, actions and/or milestones
- Approvals (i.e. Board funding and staffing), possible *County Code* changes/legal implications, and budget demands;
- Risk and severity concerns related to possible implementation schedule;
- Hazard mitigation and remedial action impacts; and
- Liability and litigation impacts.

This represents a partial list, but it illustrates the importance of gaining an understanding of the CAP scope prior to implementation. The scope and the implementation schedule need to be drafted, analyzed and thoroughly reviewed prior to implementation. Once the scope is understood, the implementation must be conducted as outlined. Each action step must be implemented as planned and a quality control process must be established to assure the CAP steps are implemented on time and within the affected scope. Implementation starts with the initial CAP rollout and ends with closure verification. Many managers consider the CAP implemented once one or two of the action steps are started. This is not an accurate assumption. The CAP is implemented once all steps are started. Anything short of complete implementation is a partial implementation. All CAP action steps need to be in place in order to have an effective implementation.

CAP Confidentially

In the event the CAP is determined confidential, the draft CAP will need to be forwarded to Counsel for review. If the determination is made that the CAP is confidential, all documentation and related material may need to be protected. It is very important that Counsel is involved in the initial phase of development to ensure the material is confidentiality protected. If there are any questions related to confidentiality (i.e. should this document or CAP be protected?), Counsel should be consulted immediately. In addition, if a CAP is determined to be confidential, all affected employees who are participating in the development need to be trained on the organization’s confidentiality processes to ensure the confidentiality is not breached. The potential

downside to losing confidentiality protection during litigation may be catastrophic; the protection provided by the attorney-client relationship is very important and should be stressed during the entire CAP development and implementation process.

CAP Process Management

The final phase of the County's CAP lifecycle involves the comprehensive plan developed to manage the Countywide CAP program. In order to provide oversight of the CAP process the RMIG has developed a comprehensive CAP process management methodology, comprising of the following elements:

- Development of a comprehensive Risk Management CAP policy that is approved and supported by executive management. The policy must be communicated and affected management must be held accountable for policy adherence. In the County of Los Angeles, every claim-related settlement that exceeds \$100,000 must have a completed corrective action plan submitted to the Board of Supervisors (County executive management) in order to receive approval for settlement to be paid. In addition, County claim adjusters are required to notify the Chief Administrative Office (CAO) Loss Control and Prevention Section and affected department when a tort liability claim indemnity reserve exceeds \$100,000 in order to start the CAP process.
- Development of a CAP strategic plan to establish a uniform system to manage events from cradle to grave; starting at incident occurrence/analysis through CAP development and communication to CAP closure and effectiveness review.
- Development of management processes, procedures and policies outlining the operation and responsibilities of the RMIG related to organizational responsibilities associated with the management of the Risk Management CAP process.

CAP Strategic Plan

The CAP Strategic Plan developed by the RMIG consists of the development of the following critical elements:

1. Establish a baseline database of existing CAPs and determine current status of historic CAPs.
2. Develop and establish a single, centralized and uniform tracking system for all CAPs.
3. Establish a procedure to ensure departmental management or delegated departmental loss prevention staff is directly involved in the developing and implementing of department-specific CAPs.
4. Establish a process to provide quality control support to departments to ensure appropriate root causes were reviewed and action steps are adequate and prioritized to assist the department to concentrate on the most important exposure causes and areas.
5. Establish a process to provide necessary Risk Management and Loss Control and Prevention training to support and provide consistency for the CAP program, to include root cause analysis and CAP development.
6. Establish a RMIG review and approval process to ensure departmental CAPs address root causes of the loss.
7. Establish a CAP audit process to ensure departmental CAPs are implemented and have addressed the issues outlined in the initial root cause analysis.
8. Establish a process to ensure lessons learned, best practices utilized and noteworthy accomplishments are communicated to all affected departments and the public.

RMIG CAP Responsibilities

The Board included the responsibility and scope of work for the RMIG in the *County Code*. The *County Code* provides authorization and establishes the performance expectations for the function. The County Risk Manager is responsible for drafting the management processes, procedures and policies outlining the operation and responsibilities of the RMIG. The RMIG scope of responsibility includes the following functions:

1. Establish procedures to outline the steps involved related to providing departments guidance and assistance in the loss analysis and CAP development.
2. Establish a process to review Countywide data and identify issues of potential liability which should be evaluated for the development of corrective actions (i.e. RMIG staff reviewing all lawsuits filed against the County for potential exposure and liability).
3. Evaluate issues with potential for escalation due to County department or regulatory significance (i.e. review all fatalities caused by County personnel, deaths involving children in foster care, or substantial property loss, etc.).
4. Establish a process to disseminate lessons learned, best practices and noteworthy events to County departments.
5. Facilitate the change control process for CAP modification (action due date revisions, etc.).
6. Facilitate assignment of CAP owners to unassigned issues and resolve ownership disputes.
7. Facilitate department CAP closure verification and effectiveness reviews.
8. Establish a process to periodically evaluate the Countywide CAP process.
9. Provide periodic reports to management of CAP status.
10. Establish a process to obtain feedback from CAP program users to drive continuous improvement.

CAP Follow-up and Closure Verification

CAP follow-up is often a misunderstood concept. In many departments, follow-up activities are limited to cursory confirmation that the CAP has been implemented. In other departments, follow-up does not venture beyond checking to see if the course of action has been formulated. Corrective action follow-up requires the same vigilance, uniformity, verification, evidence and record maintenance as the other functions within the CAP process. It is another process, complete with requirements, plans, documentation and deliverables. It is essential to verify the CAP has been implemented and the CAP was effective in eliminating the root causes of the event/loss. Records of corrective action provide management with valuable information about the status of problems, resource requirements and training issues. At the very least, these records prevent the repetition of failed projects by providing historical records of action plans that did not work.

There are three unique verifications that must occur during the follow-up process: Verify the root cause analysis has been conducted and a viable plan has been formulated; Verify the plan has been implemented; and, Validate the plan's effectiveness. The follow-up does not need to be complicated and cumbersome. Follow-up simply requires a review of the evidence which substantiates the plan's implementation and the fact it has worked. One must be diligent when conducting the follow-up evaluation. The review must be based on actual facts, evidence and documentation. Each corrective action step must be evaluated for implementation and effectiveness. One evaluation is to verify a specific action has been completed; another entirely different evaluation is to determine if the action was effective. The impulse to prematurely close out a CAP as complete is often the result of the reviewer's altruistic wish to acknowledge the

supervisor or manager's efforts and good intentions. They did what was requested; they came up with a solution. The individual chosen to evaluate CAP effectiveness must review both implementation and effectiveness. In addition, it should be stressed that the CAP writer and follow-up evaluator is not the same person. The follow-up reviewer needs to be objective and impartial to assure a thorough follow-up has occurred.

Benefits of the CAP Process

The immediate benefit of the corrective action process is correcting a known problem, including provisions to prevent recurrence. The need for a CAP's scope should be proportionate to the risk (or magnitude of potential or realized loss). It is still reasonable to expect a corrective action's benefit will exceed its original objective. This can be realized through the ripple effect of catching a potential problem further upstream, or before an event occurs in another area of the department, through benchmarking or through the simple transfer of a good practice to another department within the County. The corrective action process pervades all other functions. It reinforces awareness of the links inherent in a good quality process. The concepts of cooperation, partnership, and community are intrinsic to corrective action initiatives. If successfully implemented, a corrective action program can alter the internal culture of a department so individuals are committed to the idea that everyone is accountable for quality, cost avoidance, and liability minimization.

Conclusion

CAP management is a fundamental risk management tool and vital to continuous improvement efforts. Effective resolution of issues requires a formal process to ensure concerns are identified and captured, then evaluated for scope and significance, and CAPs are developed, tracked and implemented to prevent recurrence. A well-established CAP process incorporates many aspects of traditional risk management, such as Loss Control and Prevention, utilization of Risk Management information systems and an understanding of the various exposures and loss types. In addition, a well-developed CAP process incorporates many traditional; quality control philosophies; such as problem/nonconformance identification, root cause analysis, nonconformance communication and nonconformance resolution tracking. The RMIG organization serves to bridge the GAP between Risk Management and loss-related quality control.

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