

# BUDGET & FINANCE

## MOTION

On January 7, 2008, the City Controller released an audit of the City of Los Angeles' risk management functions. The audit identified significant problems in the City's risk management operations. Most importantly, the audit notes that risk management in the City is decentralized and lacks focus and structured reporting and accountability systems.

Effective risk management needs to include the active identification and recognition of risk the development of strategies to manage it; and the mitigation of risks using managerial resources. The City's current fragmented and uncoordinated approach has exposed the City to unnecessary liabilities. In fact, the City paid out \$35 million in liability judgments in 2006.

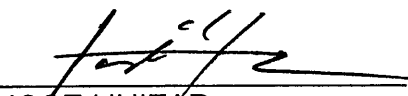
The Controller's audit recommends the implementation of Enterprise Risk Management (ERM), along with a defined governance structure, goals, and accountability measures. The five standard elements of an ERM program are: risk management governance; risk identification and assessment; risk quantification; risk monitoring and reporting; and risk and control optimization.

The City of Los Angeles must take a proactive and comprehensive approach to risk management in order to protect its employees, residents, and financial health.

I THEREFORE MOVE that the City Administrative Officer (CAO), Chief Legislative Analyst (CLA), and the City Attorney's Office, working with the Office of the Controller, report back to the Audits & Governmental Efficiency and Budget & Finance Committees in 90 days with the following:

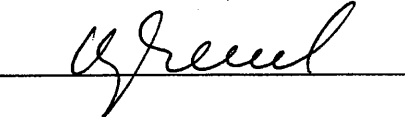
- o An analysis of the feasibility of establishing a centralized risk management unit in the CAO's Office to handle day-to-day administration of the ERM system;
- o An analysis of the feasibility of forming dedicated risk management teams within each department;
- o A strategic plan for the City that includes clearly articulated goals and objectives, including measurable benchmarks, to manage and reduce risk; and
- o An implementation plan, including assigned roles and responsibilities, to roll out Enterprise Risk Management in the City.

PRESENTED BY:

  
JOSE HUIZAR  
Councilmember, 14<sup>th</sup> District

JAN 8 2008

SECONDED BY:



08-0028