

PUBLIC RISK



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Las Vegas Risk Manager Named 2019 Public Risk Manager of the Year

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LEVERAGING **ENTERPRISE RISK MANAGEMENT** IN THE FOUR PHASES OF EMERGENCY MANAGEMENT



Integrating Enterprise Risk Management (ERM), strategy, communications, and culture are vitally important when addressing emergency management situations. It is imperative public sector professionals manage risks with a portfolio view. This article discusses ERM practices related to the four phases of emergency management including mitigation, preparedness, response, and recovery and the nexus to ERM.

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SOUND ERM PRACTICES MUST BE FORWARD-LOOKING and designed to help leaders make better decisions, identify threats, and to raise awareness to previously unknown opportunities to improve the efficiency and effectiveness of government operations.

This is especially true with the recent rise of natural and man-made disasters in the United States. The United States tallied a record high bill of \$306 billion in 2017 for weather and climate disasters, which included 16 disasters with damage exceeding a billion dollars each. That amount tied 2011 for the number of billion-dollar disasters,¹ but was much higher than the previous costliest year of \$215 billion in 2005.

The 16 individual billion-dollar disasters included eight severe storms, three tropical cyclones, two flooding events, one wildfire event, one drought, and one freeze event and resulted in the deaths of 362 people and had significant economic effects on the areas they affected.

During such disasters, ERM practices are beneficial during preparedness, mitigation, response and recovery across agencies and communities. For example, forward-looking management decisions and balancing risks and the immediate need for resources and financial assistance enhances value to the taxpayer.

A discipline like ERM needs to be integrated into each phase and in every conversation around emergency management. Through adequate risk management, agencies can

concentrate efforts toward reducing the impact and exercising prevention strategies such as mandatory evacuations to reduce harm to citizens and to mobilize humanitarian efforts.

FIGURE 1: 2017 1 BILLION-DOLLAR NATURAL DISASTERS



LEVERAGING ENTERPRISE RISK MANAGEMENT IN THE FOUR PHASES OF EMERGENCY MANAGEMENT

Also, a holistic approach across the extended enterprise such as collaboration across federal, state, local and private sector organizations to ensure access to a wide range of resources.

ERM does not eliminate risk, but helps you prepare for uncertainty, including the uncertainty of when and where the next emergency will occur. Emergency management can consist of assessing the risk for a natural disaster like a hurricane, wildfire or flooding or an information technology disaster like a cyber-attack that requires ransom for data access. Organizational leaders need to be prepared for many aspects of emergency management.

HOW CAN ENTERPRISE RISK MANAGEMENT HELP?

ERM helps to address the need for horizontal and vertical communication channels to facilitate transparency and informed decision-making. ERM puts a structure in place to look at the risks posed by likely events, helps to develop a risk-based approach to focusing on reducing the impact of the events, prepares for the risks that cannot be eliminated, and puts a plan in place to reach out and recover appropriately when the emergency events do occur.

There are many approaches that can be followed to implement effective ERM. This article will focus on the following seven ERM elements: Establish the Context (#1), Initial Risk Identification (#2), Analyze and Evaluate Risk (#3), Develop Alternatives (#4), Respond to Risk (#5), Monitoring and Review (#6) and Continuous Risk Identification (#7) and how those elements can be infused in the four phases of emergency management.

PHASE 1: Mitigation involves preventing future emergencies or minimizing their effects. Mitigation activities can include any measures that reduce the chance of an emergency happening or reduce the damaging effects of unavoidable emergencies.

Agencies must spend time and energy on reducing the likelihood or impact of the risk or with transferring the risk by leveraging insurance. One of the primary functions of mitigation planning is to enable the organization to identify risks prior to a disaster to directly limit the impact of a disaster should one occur.² In FEMA's Strategic Plan, it states insurance is an effective tool to transfer risks away from disaster survivors and enable rapid recovery. Experience has shown repeatedly that individuals, communities, and businesses that manage risk through insurance recover faster and more fully after a disaster.

According to an independent study in 2018 by the National Institute of Building Sciences³ every dollar the Federal government invests in mitigation saves taxpayers an average of \$6 in future spending.

ERM ELEMENTS:

In the mitigation phase of emergency management, organizations should focus on ERM elements #3 and #5.

- **Analyze and Evaluate Risk** – consider the causes, sources, probability of the risk occurring, the potential positive or negative outcomes, and then prioritize the results of the analysis. You must identify, analyze, and evaluate your risk in order to move toward mitigating them to an appropriate level.

- **Respond to Risk** – make decisions about the best option(s) among a number of alternatives, and then prepare and execute the selected response strategy.

PHASE 2: Preparedness takes place before an emergency occurs and can include plans or preparations made to save lives and to help response and rescue operations.

Building a culture of preparedness in communities everywhere is essential. As the average number of major disaster declarations has steadily increased, rising from an average of 24 per year in the 1980s to nearly 90 per year since 2010. There needs to be an increased focus on preparedness from a risk based approach.

According to⁴ CivicPlus, emergency preparedness saves lives. No matter how prepared your community becomes, you cannot prevent an unexpected local disaster, but you can prepare for one. Effective plans convey goals and objectives and are vitally important to prioritize planning efforts that address the respective threat or hazard.

In FEMA's 2018–2022 Strategic Plan, building a culture of preparedness is one of three of⁵ FEMA's overarching Strategic Goals in order to unify and further professionalize emergency management across the nation. FEMA's plan stresses that every segment of our society must be encouraged and empowered with the information it needs to prepare for the inevitable impacts of future disasters.

ERM ELEMENTS:

In the preparedness phase of emergency management, organizations should focus on ERM elements #1, #2 and #4.

FIGURE 2: MAPPING OF THE SEVEN ERM ELEMENTS TO THE FOUR PHASES OF EMERGENCY MANAGEMENT



- **Establish the Context** – understand and articulate the internal and external environments of the organization. Plans should be developed through the analysis of risks, operational assumptions, and resource demands.
- **Initial Risk Identification** – use a structured and systematic approach to recognize where the potential for undesired outcomes or opportunities can arise. This includes working with the emergency management community to encourage proactive risk assessments.
- **Develop Alternatives** – systemically identify and assess a range of risk response options guided by risk appetite. This includes having a dedicated effort by the whole community to educate the public regarding their risks and developing methods to mitigate the impact of those risks.

PHASE 3: Response involves putting preparedness plans into action and takes place during an emergency. It can include actions taken to save lives and prevent further property damage in an emergency situation.

Response encompasses the activities that address the short-term, direct effects of an incident. Response also includes incident mitigation activities designed to limit the loss of life, personal injury, property damage, and unfavorable⁶ outcomes.

During Hurricane Katrina, Mississippi Power⁷ was able to restore power to all customers that could accept it in 13 days, which was half the time that was originally projected. Their response showcased the importance of having an effective organizational response ready for such disasters.

ERM ELEMENTS:

In the response phase of emergency management, organizations should focus on ERM element #5.

- **Respond to Risks** – make decisions about the best option(s) among a number of alternatives, and then prepare and execute the selected response strategy.

PHASE 4: Recovery takes place after an emergency and seeks to return the community,

business, or other entity to conditions the same or better than existed before the emergency event.

The recovery phase requires balancing the more immediate need to return the community to normalcy with the longer-term goal of reducing future vulnerability. Recovery includes the reactions and risk response to disasters which vary depending on the incident. Recovery efforts are primarily concerned with actions that involve rebuilding destroyed property, re-employment, and the repair of other essential⁸ infrastructure.

Successful recoveries are dependent on what happens during the first three phases of emergency management. Even with this increased focus on mitigation, preparedness, and response, disasters will still occur and recovery will still be required. Those organizations that have invested in the continuous risk identification and specifically in recovery planning are shown to not only minimize losses and costly interruptions, but also have been able to provide essential emergency services to their customers.

ERM ELEMENTS:

In the recovery phase of emergency management, organizations should focus on ERM element #6 and #7.

- **Monitoring and Reviewing** – evaluate and monitor performance to determine whether the implemented risk management options achieved the stated goals and objectives.
- **Continuous Risk Identification**— is an iterative process, occurring throughout the year to include surveillance of leading indicators of future risk from internal and external environments.

WHAT MORE CAN BE DONE?

It is important to remember that effective planning and response for all types of emergencies is achieved by coordination and cooperation of many groups and individuals throughout the four phases of emergency management described above.

Those who specialize in emergency management have made strides with incorporating some ERM elements into their emergency

management processes, but more can be and needs to be done due to the increased velocity and severity of disasters. We need to think about the broader application of ERM, specifically the 7 elements of ERM described above, and how this discipline can be applied to better reach the goal of mitigating, preparing, responding and recovering from emergencies. We need to continue to discuss how ERM can help in the achievement of a true portfolio view of an agency’s objectives (strategic, reporting, operations and compliance) to prepare for emergency management events. ■

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ENDNOTES

- 1 NOAA. (<https://www.ncei.noaa.gov/news/national-climate-201712>)
- 2 FEMA’s 2018-2022 Strategic Plan (https://www.fema.gov/media-library-data/1533052524696-b5137201a4614ade5e0129ef01cbf661/strat_plan.pdf)
- 3 The National Institute of Building Sciences report today “Natural Hazard Mitigation Saves,” on Jan 2018 (<https://www.nibs.org/page/mitigationsaves>)
- 4 CivicPlus 8 Tips for Local Government Community Emergency Preparedness
- 5 FEMA’s strategic plan (https://www.fema.gov/media-library-data/1533052524696-b5137201a4614ade5e0129ef01cbf661/strat_plan.pdf)
- 6 St. Louis. County Missouri - Law and Public Safety-Four phases of emergency management. (<https://www.stlouisco.com/Law-andPublicSafety/EmergencyManagement/TheFivePhasesofEmergencyManagement>)
- 7 Success Stories: Strong Partnerships for Stronger Community Resilience (<http://www.resilientus.org/wp-content/uploads/2013/09/Strong-Partnerships-for-Stronger-Community-Resilience.pdf>)
- 8 St. Louis. County Missouri - Law and Public Safety-Four phases of emergency management. (<https://www.stlouisco.com/Law-andPublicSafety/EmergencyManagement/TheFivePhasesofEmergencyManagement>)