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2013 THE **HOSPITALITY LAW**
CONFERENCE
FOCUSING ON LEGAL, SAFETY & SECURITY SOLUTIONS

FEBRUARY 11-13, 2013 • HOUSTON, TEXAS

AUDIT AND RISK ASSESSMENT PROCESSES IN THE LODGING INDUSTRY

AUDIT AND RISK ASSESSMENT PROCESSES IN THE LODGING INDUSTRY



- Mike Cazel, President HSSS
- More than 35 years of multi-disciplinary safety & security experience, with the primary focus in Hospitality
- Member of AHLA Safety & Security Committee, the ASSE & Certified Safety Specialist – World Safety Organization



- Wayne Sanders, Area Director HSSS
- More than thirty years of multi-disciplinary safety experience, education and training in occupational safety and health management, premises safety, and forensic safety.
- Member of the American Society of Safety Engineers & Human Factors and Ergonomics Society



- Darin Reading, Area Director HSSS
- More than 20 year of multi-disciplinary safety & security experience in emergency response, OSHA compliance & accident prevention.
- Developer of TRG Tracker, an innovative risk assessment tool & LockoutTracker software to assist with Lock Out/Tag Out compliance

AUDIT AND RISK ASSESSMENT PROCESSES IN THE LODGING INDUSTRY

■ Definition of ERM:

“... a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”

AUDIT AND RISK ASSESSMENT PROCESSES IN THE LODGING INDUSTRY

■ What is a Risk Assessment?

Risk assessment is a tool used to assess Hazard, Operational, Financial, and Strategic risks so an organization can effectively mitigate and manage risks to an acceptable level.

Unfortunately, many organizations fail to perform quality risk assessments.

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- Introduction to the Hospitality Enterprise Risk Management Concept
- The Four Risk Domains:
 - Hazard
 - Operational
 - Financial
 - Strategic

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■ ERM's Eight Interrelated Components

- **Internal environment:** risk and safety culture of the organization, governing body support, risk tolerance, policies, and procedures.
- **Objective setting:** strategic objectives.
- **Event identification:** identified risks and opportunities within the risk domains of hazard, operations, finance, and strategic risks.
- **Risk assessment:** likelihood and impact of identified risks.

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■ ERM's Eight Interrelated Components

- **Risk response:** cost benefit analysis of risk response such as avoidance, reduction, sharing, and acceptance.
- **Control activities:** policies and procedures to ensure selected risk response are implemented.
- **Information and communication:** communication of internal and external data sources that express risk tolerance, performance metrics, and compliance philosophy.
- **Monitoring:** assessments of necessary components of the ERM program and their efficient functioning over time.

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■ Risk Mapping

- A Graphic Depiction of an Organization's Risks.
- Provides Prioritization Scheme.
- Defines Scope of Risk.
- Provides an Analysis of Risk.
- Improves the Organization's Knowledge of its Risk.

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- Risk must continually be identified, analyzed and evaluated to understand their potential for occurring and their magnitude of loss, as well as existing controls and needed improvements.
- Thus the need for an *Audit and Risk Assessment Process*

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- **Benefits of an Audit and Risk Assessment Process**
 - A foundational component to a ‘Culture of Safety’ for employees and guests.
 - Provides a structure for periodically identifying and managing risks to prevent loss producing occurrences.
 - Allows for the use of metrics to measure loss prevention programs and associated performance
 - Enhances compliance with regulatory requirements. *OSHA, Fire, EPA, Health, Clean Air, ADA, Building Code, Workers’ Comp, etc.*
 - Provides insight into potential litigation risks.

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- **Benefits of an Audit and Risk Assessment Process**
 - Enhances the ability to recover from business interruption caused by a loss producing occurrence.
 - Facilitates claims management.
 - Helps with the prioritizing of resources: *people, time, and money.*
 - Provides assurance to all stakeholders that the risk of the business are being managed in a structured, organized, cost effective, and proactive manner.
 - Contributes to positive financial performance of a business for investors and owners.

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- **Practical Application of Enterprise Risk Management in the Lodging Industry**
 - Our team's nearly 200 years of experience, allows us know the risk that lodging owners and operators face daily.
 - For the balance of our presentation we are going to focus on employee and guest safety and security risks that primary fall into the Hazard and Operational Risk Domains.
 - The four risks include:
 - Employee Safety
 - Occupational Safety and Health Administration (OSHA)
 - Workers' Compensation
 - Guest Safety & Security

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Employee Safety, OSHA and Workers' Compensation Audit and Risk Assessment Elements

- **Physical Environment of the Hotel (Hazard Domain)**
 - **General Hazards Throughout the Hotel Environment**
 - **Food and Beverage Areas**
 - **Kitchen and Stewarding Areas**
 - **Housekeeping and Laundry**
 - **Facilities and Engineering**
 - **Shipping and Receiving**
 - **Administrative Office Areas**

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- **Safety Observations of Staff (Operational Domain)**
 - Unsafe Behavior
 - Adherence to policy and procedure
 - Knowledge Verification
- **OSHA Compliance (Operational Domain)**
 - Recordkeeping
 - Hazard Communication
 - Bloodborne Pathogens
 - Personal Protective Equipment
 - Lock Out/Tag Out

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- **OSHA Compliance (Operational Domain)**
 - **Confined Space**
 - **Asbestos**
 - **State Specific Injury and Illness Prevention Programs**
 - **Emergency Procedures**
- **Employee Accident Prevention (Operational Domain)**
 - **Training**
 - **Policy and Procedures Compliance**
 - **Safety Committee**
 - **Teamwork**
 - **Peer to Peer Accountability**

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- **Workers' Compensation (Operational & Financial Domains)**
 - **Accident Investigation Process**
 - **Root Cause Analysis**
 - **Corrective Action**
 - **Manager Engagement**
 - **Claims Management Relationship with Adjuster**
 - **Medical Case Management**
 - **Transitional Duty Positions**
 - **Return to Work**

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Guest Safety and Security

Audit and Risk Assessment Elements

(Hazard, Operational, Financial, and Strategic Domains)

- Physical Environment of Guest Areas (Hazard Domain)
- Amenities and Services (Operational Domain)
- Departmental (Operational Domain)
- Security Department (Operational Domain)

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- **Physical Environment of Guest Areas (Hazard Domain)**
 - **Guestroom**
 - **Guestroom Hallways & Exit Stairwells**
 - **Public Areas**
 - **Meeting Facilities**
 - **Pool/Jacuzzi**
 - **Spa/Health Club/Exercise Room/Sauna**
 - **Parking Lots/Garages/Grounds/Transportation**
 - **Back of the House, Critical Areas, Administrative**
 - **Playground/Outdoor Recreation Areas**

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- **Amenities and Services (Operational Domain)**
 - **Club Levels**
 - **Retail**
 - **Transportation**
 - **Children's Camps**
 - **Recreational Activities**

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- **Departmental (Operational Domain)**
 - **Front Desk/Office & Communications**
 - **Guest Services**
 - **Engineering**
 - **Housekeeping**
 - **Food and Beverage Outlets**
 - **Catering and Convention Services**

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- **Security Department (Operational Domain)**
 - **Operational Procedures**
 - **Staffing and Deployment**
 - **Staff Training**
 - **Incident Investigation and Reporting**
 - **Emergency Procedures**
 - **CCTV and Alarm Systems**
 - **Security Equipment**

AUDIT AND RISK ASSESSMENT PROCESSES IN THE LODGING INDUSTRY

In 2011, two consensus standards establishing guidance on the risk assessment process were released: ANSI/ASSE Z590.3, Prevention Through Design, and **ANSI/ASSE Z690.3, Risk Assessment Techniques. They represent a new emphasis on the role of risk assessment in safety.**

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**Central to the Audit and Risk Assessment
Process is a Risk Identification Method.**

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- **Our Approach**
 - **Standardized**
 - **Flexible Workflow**
 - **Actionable Data**

AUDIT AND RISK ASSESSMENT PROCESSES IN THE LODGING INDUSTRY

- **Our Approach**
 - **Data Collection Methods**
 - **Reporting**
 - **Action Plan**
 - **Tracking Improvements Over Time**

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- Discussion and Questions