

**RISK MANAGEMENT AND INSURANCE**

**SYSTEMWIDE**

**Report Number 03-24**

**April 21, 2004**

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## **ABBREVIATIONS**

CSU	California State University
CSURMA	CSU Risk Management Authority
DMV	Department of Motor Vehicles
EEO	Equal Employment Opportunity
EO	Executive Order
HR	Human Resources
IIPP	Injury and Illness Prevention Program
ORIM	Office of Risk and Insurance Management
SAM	State Administrative Manual
SCIF	State Compensation Insurance Fund

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## **EXECUTIVE SUMMARY**

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2002, the Board of Trustees, at its January 2003 meeting, directed that *Risk Management and Insurance* be reviewed.

We visited nine campuses from March 10, 2003, through November 21, 2003, and audited the procedures in effect at that time. Campus specific findings and recommendations have been discussed and reported individually.

In our opinion, risk management policies and procedures were operating effectively in most instances, except for service-learning programs, off-campus field trips, use of university and privately owned vehicles, and the procurement of services. Additionally, workers' compensation administration was adequate, except for the timeliness of claim handling and the resolution of known unsafe work conditions. We also noted some improvement since the previous risk management and insurance reviews conducted in 1998. Most notably, each campus reviewed had developed and documented risk management policies and procedures and the campuses had assigned risk management responsibilities to specific employees.

The following summary provides management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

### **RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS [6]**

The majority of campuses visited had not developed and documented a risk assessment and mitigation plan and/or prepared an annual risk management report to the president. None of the campuses visited were able to demonstrate that risks surrounding service-learning programs and the use of university and private vehicles had been adequately mitigated. Service-learning plans were neither created nor reviewed with students to ensure that they had been formally alerted to program risks at seven campuses, service-learning agreements were not prepared at six campuses, and service-learning agreements prepared by the remaining three campuses often lacked required insurance and/or hold harmless provisions. Instances were noted where authorization forms to drive privately owned vehicles were not completed or kept current, defensive driving courses were not completed by those employees who drove on state business, employees were neither enrolled in the Department of Motor Vehicles' Pull Notice Program nor were their driving records checked every four years, and accidents were not timely reported to the Office of Risk and Insurance Management. In addition, the campus risk management program did not include an effective process to assess, mitigate, and monitor the risks surrounding off-campus field trips at seven of the nine campuses visited. Three campuses had not established policies and procedures to control the risks associated with field trips; one campus had not developed any specific documentation and record maintenance requirements because field trip risk management was decentralized; and four campuses did not consistently obtain informed consent forms, hold harmless agreements, and/or liability waiver forms for field trips.

## **INSURANCE PROGRAM ADMINISTRATION [11]**

Adequate proof of insurance was not always obtained and insurance coverage was not always in accordance with California State University (CSU) policy at seven of the nine campuses visited. This is a repeat finding from our prior systemwide report on risk management and insurance dated May 3, 1999. Instances were noted where evidence of insurance had not been obtained, additional insured endorsements were not in compliance with CSU policy, and insurance limits were less than required with no corresponding evidence of acceptance of the lower limits by risk management.

## **WORKERS' COMPENSATION MANAGEMENT [12]**

Work-related injuries and illnesses were not consistently handled in accordance with state regulations and timeliness standards at six of the nine campuses visited. This is a repeat finding from our prior systemwide report on risk management and insurance dated May 3, 1999. Instances were noted where supervisors did not timely complete accident reports or provide injured employees with a claim form within the required 24 hours, employer reports of occupational injury or illness were not completed within five days after notification of the employee's work injury, the third-party administrator was not timely informed of the employee injury, and claim file information was missing and/or misfiled. Further, workers' compensation claims resulting from unsafe work conditions and/or environmental risks were not consistently assessed and resolved to prevent future occurrences at five of the nine campuses visited.

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## INTRODUCTION

### BACKGROUND

Risk management is the process by which financial or operational risks are identified, evaluated, measured, and prioritized. Once the risks have been prioritized, various risk mitigation techniques are reviewed, and the best technique or combination of techniques is applied to mitigate potential losses from the identified risks. Risk managers determine where losses can occur and choose cost-effective mechanisms to reduce or eliminate risk exposures. Risk mitigation techniques include, but are not limited to: a) purchase of insurance, b) implementation of internal controls, c) redesign of processes and systems, d) staff and management training, e) contractual hold-harmless and waiver requirements, f) health and safety compliance monitoring, and g) internal audit.

Driver Alliant has served as program administrator/director of the California State University (CSU) Risk Pool from its inception through transition into the current CSU Risk Management Authority (CSURMA) Joint Powers Entity. CSU formed the Risk Pool on July 1, 1995, to provide coverage programs and risk management consulting to its campuses and the chancellor's office. On January 1, 1996, the CSU hired the Office of Risk and Insurance Management (ORIM), an office of the state's Department of General Services, as a third-party liability claims administrator and delegated authority to them to: 1) adjust, with campus approval, all non-litigated liability and equity claims for the new CSU Risk Pool, and 2) integrate the data for all CSU litigated "third-party" claims including wrongful termination, discrimination and other employment type claims. ORIM also handles CSU vehicle liability claims.

The State Compensation Insurance Fund (SCIF) handled workers' compensation claims until August 6, 1999, at which time a service agreement between CSU and Ward North America to provide workers' compensation claims administration was signed. This agreement ended June 30, 2003, and a new agreement was executed with Octagon Risk Services.

On January 1, 1997, the Risk Pool was transitioned into the CSURMA, a Joint Powers Authority formed between the CSU and its many auxiliary organizations. This separate legal entity was created to benefit both the CSU and its auxiliary organizations. The CSURMA provides pooled coverage programs, group purchase insurance programs, and related services. The underlying goal of CSURMA is a commitment to address risk management issues in a mutually beneficial, cooperative effort and to open communication between the CSU and auxiliary organizations on risk management and insurance issues.

The bylaws of the CSURMA recognize that the campuses are at the center of CSU's risk management and insurance program and key to mitigating the risks associated with campus administration. In addition to the broad role of campus risk management, the CSURMA Executive Committee developed the following list of campus risk management responsibilities that would serve to strengthen the function; reduce campus risk exposures; and add value to the university community:

- ▶ Development and implementation of campus risk management policies and procedures.
- ▶ Administration and operation of effective risk management programs.
- ▶ Remittance of accurate pool deposits and premium payments in a timely fashion.
- ▶ Effective claims management and reporting.
- ▶ Periodic evaluations of campus risk management programs.
- ▶ Provision of risk management training and communications to campus management and staff.

- ▶ Implementation and monitoring of loss prevention and control programs.
- ▶ Effective claims handling to minimize losses, preserve evidence, and maximize claim defense successes.
- ▶ Proactive participation, as appropriate, in claims settlement.

### **PURPOSE**

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of the risk management and workers' compensation functions and to determine the adequacy of controls that ensure compliance with state regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Administration and management of the risk management program provide effective internal controls, clear lines of organizational authority, adequate loss prevention and control programs, and documented policies and procedures.
- ▶ The campus has identified, evaluated, mitigated, and documented significant financial and operational risks.
- ▶ Processes exist that adequately mitigate the risks associated with campus sponsored special events, field trips, study abroad programs, air travel, and service learning programs.
- ▶ The campus has established and documented an injury and illness prevention program (IIPP).
- ▶ Campus risk management staff has been adequately trained.
- ▶ The campus is in compliance with the CSU *Use of University and Private Vehicles* policy guidelines.
- ▶ Risks associated with campus agreements, contracts, and purchases have been adequately transferred or mitigated.
- ▶ Property and liability claims are adequately supported and properly processed within established timeframes.
- ▶ Significant property and liability risks have been insured.
- ▶ Workers' compensation claims are properly safeguarded and effectively processed, communicated, monitored, and resolved.
- ▶ The campus has an effective return-to-work program.
- ▶ Adequate processes exist to prevent and/or detect workers' compensation fraud.

## **SCOPE AND METHODOLOGY**

The proposed scope of the audit as presented in Attachment B, Audit Item 2 of the January 28-29, 2003, meeting of the Committee on Audit stated that *Risk Management and Insurance* includes risk evaluation and asset protection; mitigation of liabilities and claims; and administration of related programs such as workers' compensation. Potential impacts include unnecessary risk exposures, excessive claims and costs, and fraudulent losses. Risk Management and Insurance was previously audited in 1998.

Our study and evaluation were conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures in effect from July 2002 to September 2003. In instances when it was necessary to review annualized data, fiscal year 2001-2002 was the primary period reviewed.

Our primary audit focus involved the internal administrative, compliance, and operational controls over the management of the campus risks and workers' compensation claims. Specifically, we reviewed and tested:

- ▶ Administrative plans, policies, procedures, and monitoring tools.
- ▶ Risk assessment, evaluation, and mitigation procedures.
- ▶ Loss prevention programs.
- ▶ Campus property, liability, and workers' compensation claims processing and management.
- ▶ Compliance with state and private vehicle use standards.
- ▶ Property, liability, and contract insurance coverage.
- ▶ Workers' compensation information file security.

During the course of the audit, we visited nine campuses: Chico, Hayward, Humboldt, Los Angeles, Pomona, Sacramento, San Francisco, San José, and San Luis Obispo. We interviewed campus personnel and audited procedures in effect at that time.

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# **OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES**

## **RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS**

### **POLICIES, PROCEDURES AND REPORTING**

The campus risk management program lacked important elements required by Executive Order (EO) No. 715 at eight of the nine campuses visited.

We noted that:

- ▶ An effective, ongoing process was not in place to proactively identify risks, analyze the frequency and severity of identified risks, and implement risk mitigation programs at three campuses.
- ▶ A campus risk assessment and mitigation plan had not been developed and documented at seven campuses.
- ▶ An annual risk management report was not made to the president at five campuses.

EO No. 715, *California State University (CSU) Risk Management Policy*, dated October 27, 1999, states that each president shall develop campus risk management policies and procedures that include an ongoing process by which appropriate administrators identify risks, perform analysis of the frequency and severity of potential risks, select the best risk management techniques to manage the risk without unduly curtailing or modifying activities necessary to the CSU mission, implement appropriate risk management techniques and staffing standards, and monitor, evaluate, and document the results. Further, the campus should include methods to prioritize risks and evaluate costs that would be incurred to provide restoration for damages sustained as well as the evaluation of funding options to ensure availability of funds. The methods used should be documented as part of the risk management policy and procedures, and the campus policy should include an evaluation process that includes the collection of relevant data and an annual risk management report to the campus president.

Campus management cited several reasons for these conditions including risk management staff positions that were unfilled for extended time periods, risk managers that were unaware or uncertain of specific executive order requirements, and policy implementation delays due to higher work priorities.

Failure to fully develop and implement risk management policies, procedures and reporting mechanisms imposes an undue risk of loss and/or injury to the public and the campus community.

### **Recommendation 1**

We recommend that the chancellor's office:

- a. Encourage campus management to use a safety committee or other forum to proactively identify, assess, and mitigate significant campus risks.
- b. Develop and distribute systemwide guidelines for campus risk identification, assessment, and mitigation planning.
- c. Remind the campuses of the importance of implementing risk mitigation programs and preparing an annual risk management report to the president.

### **Management's Response**

We concur. The Office of Risk Management will issue memorandum(s):

- a. Encouraging and advising campuses of methods, committees, or other forums to practice proactive risk management.
- b. Using EO Nos. 715 and 849, develop and distribute risk assessment, mitigation practice and control planning guideline matrices to all campuses.
- c. Reminding campuses of the importance of implementing risk mitigation programs and producing an annual risk management report to the president.

These will be completed by September 2004.

### **SERVICE-LEARNING PROGRAM**

Controls over service-learning programs did not ensure that associated risks were adequately assessed and mitigated, and required risk mitigation provisions were aligned with best practices and implemented in accordance with CSU policy at all campuses visited.

We found that:

- ▶ Service-learning plans were neither created nor reviewed with students to ensure that they had been formally alerted to program risks at seven campuses.
- ▶ Service-learning agreements were not prepared at six campuses. As a result, there was no assurance that minimum insurance requirements were met; workers' compensation responsibilities were assigned; and associated risks were properly communicated and understood.
- ▶ Service-learning agreements prepared by the remaining three campuses often lacked required insurance and/or hold harmless provisions.

CSU *Best Practices for Managing Risk in Service Learning* states that the learning plan ensures that the student has been made aware of the guidelines and limitations for service-learning, and that the risks associated with the service-learning placement have been read, discussed, and understood.

EO No. 849, *CSU Insurance Requirements*, dated February 5, 2003, states that student placement agreements must be in writing and shall specify minimum insurance requirements applicable to the contracting parties and appropriate hold harmless provisions based upon the needs of the contracting parties. These requirements have been in effect since the initial EO concerning CSU insurance requirements dated April 4, 2000.

Human Resources (HR) directive No. 2001-38, *CSU Volunteer Policy*, dated December 20, 2001, states that the community agency for which the student is providing services and the university should develop an agreement that articulates their agreed-upon responsibilities for workers' compensation and liability coverage prior to student placements.

Campus management cited several reasons for inadequate controls over service-learning programs including staffing issues and the decentralization of service-learning risk management whereby department management was responsible for risk identification, assessment, and mitigation plan development. In addition, several risk managers stated that there was no campus requirement to use the *CSU Best Practices for Managing Risk in Service Learning*.

The absence of effective service-learning risk mitigation procedures jeopardizes the success of the program and unnecessarily exposes participating students to uninsured injury and the university to financial loss and/or embarrassment.

## **Recommendation 2**

We recommend that the chancellor's office:

- a. Remind campus management of its responsibility to fully implement and monitor compliance with CSU policy and chancellor's office directives for service-learning programs.
- b. Endorse the use of the *CSU Best Practices for Managing Risk in Service Learning*.

## **Management's Response**

We concur. The Office of Risk Management will issue memorandum(s):

- a. Reminding campuses of their responsibility to fully implement and monitor compliance with the CSU policy and chancellor's office directives for service-learning programs.
- b. Endorsing the use of the *CSU Best Practices for Managing Risk in Service Learning*.

These will be completed by August 2004.

## USE OF UNIVERSITY AND PRIVATE VEHICLES

Controls over the use of university and privately owned vehicles on campus or state business were inadequate at all campuses visited.

We found the following types of weaknesses in varying degrees at almost all of the campuses visited:

- ▶ Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) forms were not completed or annually updated.
- ▶ Defensive driving courses were not completed by those employees who drove campus and/or privately owned vehicles on state business.
- ▶ Employees who drove vehicles as a condition of employment were neither enrolled in the Department of Motor Vehicles' (DMV) Pull Notice Program nor were their driving records checked once every four years.
- ▶ Accidents were not timely reported to the Office of Risk and Insurance Management (ORIM) as required.

The *CSU Use of University and Private Vehicles Policies and Regulations*, dated March 2002, states that management has the responsibility for authorizing persons to drive privately owned vehicles to conduct official university or state business. Before a person may be authorized to use a privately owned vehicle to conduct university or state business, certain usage criteria must be met. A Std. Form 261, Authorization to Use Privately Owned Vehicles on State Business, must be completed and the employee must complete a CSU-approved defensive driving course and maintain a good driving record. Usage criteria includes, in part, requesting DMV driving records at least once every four years. The Std. Form 261 will be valid for a period not to exceed one year and may be initialed and dated annually by the employee to certify that it is current. Further, all motor vehicle accidents involving a state-owned vehicle or any vehicle being used on state business must be reported within 48 hours to the ORIM in Sacramento.

Campus management cited several reasons for these conditions including decentralized vehicle use controls and a lack of monitoring procedures, vehicle use certifications on travel expense request, and/or reimbursement forms which were believed to make Std. Form 261 certifications unnecessary, and the lack of an effective process to identify employees who frequently drove vehicles as a condition of employment. Campus management further stated that accidents were not timely reported to risk management, which prevented meeting the 48-hour reporting requirement.

Failure to complete Std. Form 261 authorizations, attend defensive drivers training, check driving records, and timely report vehicle accidents exposes the campus to potential lawsuits as well as higher insurance costs.

### **Recommendation 3**

We recommend that the chancellor's office remind campus management of its responsibility to comply with the *CSU Use of University and Private Vehicles Policies and Regulations* and the importance of establishing monitoring processes to identify and correct instances of non-compliance.

### **Management's Response**

We concur. The Office of Risk Management will issue a reminder memorandum.

This will be completed by August 2004.

### **OFF-CAMPUS FIELD TRIPS**

The campus risk management program did not include an effective process to assess, mitigate, and monitor the risks surrounding off-campus field trips at seven of the nine campuses visited.

We found that three campuses had not established policies and procedures to control the risks associated with field trips, while one campus had not developed any specific documentation and record maintenance requirements because field trip risk management was decentralized. In addition, informed consent forms, hold harmless agreements, and/or liability waiver forms were not always obtained at four campuses.

EO No. 715, *California State University Risk Management Policy*, dated October 27, 1999, states that the campus risk management policy should include methods of controlling risks and should provide guidelines developed by the systemwide office in consultation with campus risk managers/coordinators to assist campuses in developing campus specific policies, which include health and safety for on- and off-campus activities. Further, campus policy implementing these guidelines should include a provision for documenting compliance and should address at a minimum those topics included in the guidelines.

Most campus risk management acknowledged that the campus had not developed off-campus field trip policies and procedures or were not monitoring the procedures in place.

The lack of adequate policies and procedures to control the risks associated with off-campus field trips unnecessarily exposes participating students to undue risk and increases the potential for loss to the campus and the CSU.

### **Recommendation 4**

We recommend that the chancellor's office remind campus management of its responsibility to develop and document campus specific policies and procedures for controlling risks associated with off-campus activities and the importance of proactively monitoring compliance.

### **Management's Response**

We concur. The Office of Risk Management will issue a memorandum to campuses reminding management of its responsibility to develop and document campus specific policies and procedures for controlling risks associated with off-campus activities and the importance of proactively monitoring compliance.

The Office of Risk Management will provide guidance in support of campus policy and programs covering risk management issues. When requested or required, the Office of the Chancellor will ensure that competent technical and legal advice on related matters is available to assist university administration and management in meeting their compliance responsibilities.

This will be completed by August 2004.

## **INSURANCE PROGRAM ADMINISTRATION**

Adequate proof of insurance was not always obtained, and insurance coverage was not always in accordance with CSU policy at six of the nine campuses visited. This is a repeat finding from our prior systemwide on risk management and insurance report dated May 3, 1999.

Our reviews of selected purchase transactions disclosed instances in which evidence of insurance had not been obtained (i.e., certificates of insurance/additional insured endorsements), additional insured endorsements were not in compliance with EO No. 849, and insurance limits were less than required with no corresponding evidence of acceptance of the lower limits by risk management.

EO No. 849, *CSU Insurance Requirements*, dated February 5, 2003, states that in the absence of risk identification and evaluation, the minimum insurance limits and hold harmless provisions as specified in this executive order are required. After consideration of risk factors, the campus may amend the standard practices to use either higher or lower limits. In addition, all certificates of insurances issued to the university must provide for 30 days advanced written notice to the university of cancellation of any of the insurance coverage. Further, under the terms and conditions of a contract or agreement for services, the contractor, consultant, or vendor, must be required to show evidence of adequate insurance coverage by furnishing to the CSU a certificate or certificates of insurance that include additional insured endorsements. These requirements have been in effect since the initial EO concerning CSU insurance requirements dated April 4, 2000.

Management cited a number of reasons for these conditions including unclear delegation of functional authority, staff turnover and/or shortages, processing oversights, and inconsistent policy compliance relative to low-dollar or lower-risk purchases.

Failure to obtain evidence of insurance and comply with CSU insurance requirements increases the potential for loss to the campus and the CSU.

### **Recommendation 5**

We recommend that the chancellor's office remind the campuses of the importance of obtaining adequate proof of insurance and ensuring that insurance coverage is in compliance with EO No. 849.

### **Management's Response**

We concur. Training in the use of "Insurance Requirements in Contracts - A Procedure Manual " is offered at least twice a year to campus personnel. This topic will be offered at the Fitting the Pieces Conference in May 2004. A reminder memorandum will be issued and distributed at the next Risk Managers Affinity Group meeting. EO No. 849 will be reviewed and revised, if necessary, or re-distributed to campuses.

This will be completed by August 2004.

## **WORKERS' COMPENSATION MANAGEMENT**

### **CLAIM HANDLING**

Work-related injuries and illnesses were not consistently handled in accordance with state regulations and timeliness standards at six of the nine campuses visited. This is a repeat finding from our prior systemwide report on risk management and insurance dated May 3, 1999.

Our reviews of selected workers' compensation claim files disclosed instances in which:

- ▶ Supervisor's accident reports were not completed within the prescribed time period.
- ▶ Supervisors did not provide the injured employee with a claim form within the required 24 hours.
- ▶ Employer reports of occupational injury or illness were not completed within five days after notification of the employee's work injury.
- ▶ The third-party administrator was not timely informed of employee injuries.
- ▶ Benefits Option Selection Sheet forms were not provided to employees.
- ▶ Claim file information was missing and/or misfiled.

The *CSU Disability Management Program Resource Guide*, dated August 2000, states that supervisors will complete and submit the first report of work-related accident/illness within 24 hours after employee notification.

State Administrative Manual (SAM) §2580.2, *Workers' Compensation and Injury Prevention*, states that the agency will establish a prompt reporting system for job-related injuries and illnesses and

provide the injured worker with a workers' compensation claim form within one working day of knowledge of the injury.

California Labor Code §6409.1 states that an occupational injury and illness report shall be filed concerning each injury and illness which has, or is alleged to have, arisen out of and in the course of employment, within five days after the employer obtains knowledge of the injury or illness.

SAM §2581.9 states that the campus shall provide the employee with the Industrial Disability Benefits Information form and the Benefits Option Selection Sheet form within 15 days of the date the claim is accepted.

Government Code §13403 states that the elements of a satisfactory system of internal administrative controls include, in part, an established system of practices to be followed in performance of duties and functions.

Campus management stated that, in most instances, forms were not timely completed and submitted for processing because the information necessary to complete the forms was not available or difficult to obtain. In a few instances, campus management stated that faculty and staff had not considered the importance of timely claim processing, and missing documentation was due to inadequate training and/or processing oversights.

Failure to handle work-related injuries and illnesses in a consistent and timely manner exposes the campus to penalties and increased claim costs and could negatively impact employee productivity.

### **Recommendation 6**

We recommend that the chancellor's office reemphasize to campus management the importance of compliance with workers' compensation regulations and endorse the use of the *CSU Disability Management Program Resource Guide*.

### **Management's Response**

We concur. We agree that campus personnel must comply with California Labor Code Section 6409.1 and we will continue to remind campuses of this requirement. The Office of Risk Management will be issuing several memoranda covering the changes in workers' compensation regulations with the chaptering of Senate Bill 899, signed by the governor on April 19, 2004. A brief analysis of the new law will be submitted to the Business and Finance Newsletter, as well as a session at the Fitting the Pieces Conference in May 2004.

These will be completed by August 2004.

## **CLAIMS FOLLOW-UP**

Workers' compensation claims resulting from unsafe work conditions and/or environmental risks were not consistently assessed and resolved to prevent future occurrences at five of the nine campuses visited.

Title 8 §3203, *Injury and Illness Prevention Program (IIPP)*, dated July 1, 1991, states that the IIPP should include methods and/or procedures for correcting unsafe or unhealthy conditions and work practices and work procedures in a timely manner based on the severity of the hazard; furthermore, the IIPP should provide training whenever the employer is made aware of a new or previously unrecognized hazard.

In the majority of instances, campus management stated that documentation was not maintained to support corrective action taken as a result of workers' compensation claims.

The absence of documentation to support the assessment and correction of known unsafe work conditions and/or environmental risks increases the potential for liability lawsuits.

### **Recommendation 7**

We recommend that the chancellors' office advise the campuses to retain records for a reasonable length of time that support corrective action taken as a result of identified unsafe work conditions and/or environmental risks.

### **Management's Response**

We concur. The Office of Risk Management will issue an advisory memorandum of record retention that supports corrective action taken as a result of identified unsafe work conditions and/or environmental risks.

This will be completed by August 2004.

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## **APPENDIX A: PERSONNEL CONTACTED**

### Chancellor's Office

Richard P. West	Executive Vice Chancellor and Chief Financial Officer
Dennis Hordyk	Assistant Vice Chancellor, Financial Services
Charlene Minnick	Director, Risk Management

### California State University, Chico

Paul J. Zingg	President
Scott McNall	Interim President and Provost (At time of review)
Brenda L. Aden	Vice Provost for Human Resources
Ingrid Cordes	Director, EEO Compliance and Disability Programs
Dennis C. Graham	Vice President for Business and Finance
Patrice Hannemann	Director, Procurement and Contract Services
William A. B. Jones	Financial Analyst
Glennnda Morse	Director, Facilities Management and Services
Mary Peters	Coordinator, Vehicle Reservations
Kenneth L. Sator	Director, Environmental Management, Health and Safety
Robert Stevens	Workers' Compensation and Disability Leave Programs Administrator
Linda Vidovich	Disability Leave Programs Coordinator
George Wellman	Associate Vice President, Financial Services
Stephanie Yule	Director, Risk Management and Business Services

### California State University, Hayward

Norma S. Rees	President
Lisa Booker	Workers' Compensation Coordinator, Human Resources
Mary D'Alleva	Interim Director of Community Service Learning, Office of Instructional Services
Kathleen Freitas	Contracts Assistant/Insurance Specialist, Contracts Office
Neal Hoss	Assistant Vice President/Controller, Business and Financial Services
Craig Ishida	Director, Environmental Health and Safety
Richard S. Metz	Vice President, Administration and Business Affairs
Al Newell	Motor Pool Supervisor, Facilities Management
Madeline Scott	Contracts Manager, Duplicating Services/Property/Contracts Office
Eric Thompson	Procurement Officer/Risk Manager, Procurement and Support Services

### Humboldt State University

Rollin C. Richmond	President
Anne Bolick	Service-Learning and Experiential Education Coordinator
David Bugbee	Human Resources Manager
Carl Coffey	Vice President, Administrative Affairs
R. Kevin Creed	Director, Environmental Health and Occupational Safety
Richard Giacolini	Director, Contracts, Procurement, and Risk Management
Lynda Moore	Human Resources Director
Penelope Shaw	Study Abroad Advisor
Donna K. Sorensen	Director, Fiscal Affairs

### California State University, Los Angeles

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APPENDIX A

James M. Rosser	President
Kevin Brady	Director of Risk Management and Environmental Health and Safety
Vicki Enriquez	Administrative Analyst/Specialist, Administration and Finance
Michael Fels	Director of International Programs and Services
Benjamin Figueroa	Director of General Services and Risk Programs
Steven N. Garcia	Vice President for Administration and Finance
Thomas J. Johnson	Director of Procurement and Contracts
Yuet Lee	Assistant Vice President of Administration and Finance
Todd McIntyre	Health and Safety Coordinator
Linda Shaffer	University Internal Auditor
Dan Thomas	Risk Management Analyst
Jorge Uranga	Director of Educational Participation in Communities
Denise Watson-Cross	Workers' Compensation Coordinator

California State Polytechnic University, Pomona

J. Michael Ortiz	President
Bob H. Suzuki	President (At time of review)
Valerie Eberle	Claims Coordinator, Risk Management Services
Patricia L. Farris	Vice President, Administrative Affairs
Donald Green	Director, Procurement and Support Services
Darwin Labordo	Associate Vice President for Finance and Administration Services
David Patterson	Director, Environmental, Health and Safety
Sharon Reiter	Director of Risk Management Staff Development and Training
Debra Schneck	Contracts and Procurement Lead, Procurement and Support Services

California State University, Sacramento

Alexander Gonzalez	President
Barbara Alvarado	Administrative Analyst, Department of Public Safety
Michael Christensen	Director, Department of Environmental Health and Safety
JoAnne Davis	Workers' Compensation/Retirement/Disability Leaves Manager, Faculty and Staff Affairs
Edward C. Del Biaggio	Vice President for Administration
Monica Freeman	Coordinator – International Programs, Office of Global Education
Ronald Grant	Director, Support Services
Georgina Kiss	Supervising Buyer, Public Works/Commodities and Services
Sheila Macias	Coordinator of Programs and Partnerships, Office of Community Collaboration
Kathi McCoy	Manager, Auditing Services
Jay Rutherford	Travel Coordinator, Accounts Payable
Fran Sato	Director of Staff Affairs, Faculty and Staff Affairs
Janis Silvers	Study Abroad Advisor, Office of Global Education
Steve Somsen	Risk Manager, Support Services
Suzanne Swartz	Buyer III, Commodities and Services – Procurement and Contract Services
David Wagner	Dean, Faculty and Staff Affairs
Lisa Wicks	Accounts Payable Supervisor

San Francisco State University

Robert A. Corrigan	President
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APPENDIX A

Perla Barrientos	Director of Community Service Learning
Kati Bell	Advisor, Study Abroad Programs
Corinne da Cunha	Manager of Risk Initiatives
Denise Fox	Associate Vice President of Human Resources, Safety and Risk Management
Franz Lozano	Associate Internal Auditor
Michael Martin	Director of Risk Management
Linda Medina-Sam	Risk Services Coordinator
Leroy M. Morishita	Vice President of Administration and Finance
Robert Shearer	Director of Environmental Health and Occupational Safety
Bernadette Tano	Compliance Specialist, Environmental Health and Occupational Safety
Norma Urcuyo-Siani	Director of Special Events and Commencement
Jim Van Ness	Internal Auditor
Edwin Waite	Director of Employee Relations

San José State University

Joseph N. Crowley	Interim President
Robert L. Caret	President (at time of review)
Dona Bertain	Associate Vice President, Human Resources Service Group
Shawn Bibb	Director of Accounting, Systems and Technology
Michaux P. Burchard	Safety Coordinator
Richard Casillo	Workers' Compensation Specialist
Bradley Davis	Manager of Compliance
Michael J. Fallon	Program Coordinator, Center for Service Learning
Jean Fong	Accounts Payable Manager
D. Roxanne Hood	Buyer II, Purchasing
Don W. Kassing	Vice President for Administration
Barbara Keltner	Contract Analyst, Procurement Services
Jenny Pak	Administrative Services Sergeant, University Police Department
Rita Peth	Purchasing Manager
Dave Rudel	Study Abroad Coordinator
George A. Sabino	Risk and Insurance Specialist
Tony Valenzuela	Associate Vice President, Facilities Development and Operations

California Polytechnic State University, San Luis Obispo

Warren J. Baker	President
Lawrence R. Kelley	Vice President for Administration and Finance
Robert Kitamura	Director, Facilities Planning
Lorlie Leetham	Director, Fiscal Services
Julie Long-Coleman	Administrative Support and Claims Coordinator, Risk Management
Joan Lund	Manager, Human Resources and Employment Equity
Gregory K. Melnyk	Purchasing Supervisor, Contract and Procurement Services
Barbara Melvin	Director, Human Resources
Brady Radovich	The Community Center, Student Life and Leadership
David Ragsdale	Environmental Health and Safety Manager, Risk Management
Richard Ramirez	Associate Vice President for Finance
Joseph C. Risser	Director, Risk Management
Matthew Roberts	Director, Contract and Procurement Services

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APPENDIX A

Monica Schechter  
Makell Smith  
Michel A. Stock  
Vicki Stover

Associate Director, Study Abroad and CSU International Programs  
Administrative Coordinator, Chemistry and Biochemistry  
Analyst, Workers' Compensation and Disability Leaves  
Associate Vice President for Administration



# THE CALIFORNIA STATE UNIVERSITY

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LONG BEACH • LOS ANGELES • MARITIME ACADEMY • MONTEREY BAY • NORTHRIDGE • POMONA • SACRAMENTO  
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MAY 18 2004


THE CALIFORNIA STATE  
UNIVERSITY

RICHARD P. WEST  
EXECUTIVE VICE CHANCELLOR/CFO

## Memorandum

To: Mr. Larry Mandel  
University Auditor

Date: May 18, 2004

From:   
Richard P. West  
Executive Vice Chancellor/  
Chief Financial Officer

Phone: (562) 951 4600

Subject: Risk Management and Insurance Audit Report Number 03-24

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We have reviewed the above captioned report and express our responses in the attached recommendations. The audit findings concerning the above are being communicated to campuses and requires action from the Risk Managers.

Should you have any questions or need further information, please contact Mr. Dennis Hordyk, Assistant Vice Chancellor, Financial Services at 562-951-4540 or Ms. Charlene Minnick, Director, Systemwide Risk Management at 562-951-4580.

RPW:cmm

Attachment

cc: Mr. Nate Clark  
Mr. Dennis Hordyk  
Ms. Charlene Minnick

## RISK MANAGEMENT AND INSURANCE

### SYSTEMWIDE

REPORT NO. 03-24

## RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

### POLICIES, PROCEDURES AND REPORTING

#### **Recommendation 1**

We recommend that the chancellor's office:

- a. Encourage campus management to use a safety committee or other forum to proactively identify, assess, and mitigate significant campus risks.
- b. Develop and distribute systemwide guidelines for campus risk identification, assessment, and mitigation planning.
- c. Remind the campuses of the importance of implementing risk mitigation programs and preparing an annual risk management report to the president.

#### **Management's Response**

We concur. The Office of Risk Management will issue memorandum(s):

- a. Encouraging and advising campuses of methods, committees, or other forums to practice proactive risk management.
- b. Using Executive Orders 715 and 849 develop and distribute Risk Assessment, Mitigation Practice and Control Planning Guideline Matrices to all campuses.
- c. Reminding campuses of the importance of implementing risk mitigation programs and producing an annual risk management report to the president.

These will be completed by September 2004.

## SERVICE-LEARNING PROGRAM

#### **Recommendation 2**

We recommend that the chancellor's office:

- a. Remind campus management of its responsibility to fully implement and monitor compliance with CSU policy and chancellor's office directives for service-learning programs.

- b. Endorse the use of the CSU *Best Practices for Managing Risk in Service Learning*.

**Management's Response**

We concur. The Office of Risk Management will issue memorandum(s):

- a. Reminding campuses of their responsibility to fully implement and monitor compliance with the CSU policy and chancellor's office directives for service learning programs;
- and,
- b. Endorse the use of the CSU *Best Practices for Managing Risk in Service Learning*.

These will be completed by August 2004.

**USE OF UNIVERSITY AND PRIVATE VEHICLES**

**Recommendation 3**

We recommend that the chancellor's office remind campus management of its responsibility to comply with the *CSU Use of University and Private Vehicles Policies and Regulations* and the importance of establishing monitoring processes to identify and correct instances of non-compliance.

**Management's Response**

We concur. The Office of Risk Management will issue a reminder memorandum.

This will be completed by August 2004.

**OFF-CAMPUS FIELD TRIPS**

**Recommendation 4**

We recommend that the chancellor's office remind campus management of its responsibility to develop and document campus specific policies and procedures for controlling risks associated with off-campus activities and the importance of proactively monitoring compliance.

**Management's Response**

We concur. The Office of Risk Management will issue a memorandum to campuses reminding management of its responsibility to develop and document campus specific policies and procedures for controlling risks associated with off-campus activities and the importance of proactively monitoring compliance.

The Office of Risk Management will provide guidance in support of campus policy and programs covering risk management issues. When requested or required, the Office of the Chancellor will ensure that competent technical and legal advice on related matters is available to assist university administration and management in meeting their compliance responsibilities.

These will be completed by August 2004.

## INSURANCE PROGRAM ADMINISTRATION

### Recommendation 5

We recommend that the chancellor's office remind the campuses of the importance of obtaining adequate proof of insurance and ensuring that insurance coverage is in compliance with EO No. 849.

### Management's Response

We concur. Training in the use of "Insurance Requirements in Contracts – A Procedure Manual" is offered at least twice a year to campus personnel. This topic will be offered at the Fitting the Pieces Conference in May 2004. A reminder memorandum will be issued and distributed at the next Risk Managers Affinity Group meeting. Executive Order 849 will be reviewed and revised, if necessary, or re-distributed to campuses.

This will be completed by August 2004.

## WORKERS' COMPENSATION MANAGEMENT

### CLAIM HANDLING

#### Recommendation 6

We recommend that the chancellor's office reemphasize to campus management the importance of compliance with workers' compensation regulations and endorse the use of the *CSU Disability Management Program Resource Guide*.

### Management's Response

We concur. We agree that campus personnel must comply with California Labor Code Section 6409.1 and we will continue to remind campuses of this requirement. The Office of Risk Management will be issuing several memoranda covering the changes in Workers' Compensation regulations with the chaptering of SB899, signed by the governor on April 19 2004. A brief analysis of the new law will be submitted to the Business and Finance Newsletter, as well as a session at the Fitting the Pieces Conference in May 2004.

These will be completed by August 2004.

### CLAIMS FOLLOW-UP

#### Recommendation 7

We recommend that the chancellors' office advise the campuses to retain records for a reasonable length of time that support corrective action taken as a result of identified unsafe work conditions and/or environmental risks.

**Management's Response**

We concur. The Office of Risk Management will issue an advisory memorandum of record retention that supports corrective action taken as a result of identified unsafe work conditions and/or environmental risks.

This will be completed by August 2004.

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD May 27, 2004

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

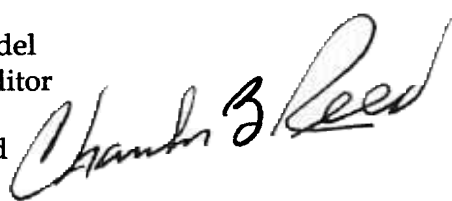
DOMINGUEZ HILLS

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FERTON

FROM: Charles B. Reed  
Chancellor



HAYWARD

HUMBOLDT

SUBJECT: Draft Final Report Number 03-24 on *Risk Management and Insurance, Systemwide*

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of May 27, 2004, I accept the response as submitted with the draft final report on *Risk Management and Insurance, Systemwide*.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/bth

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Dennis Hordyk, Assistant Vice Chancellor, Financial Services  
Mr. Richard P. West, Executive Vice Chancellor and Chief  
Financial Officer

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS