

RISK MANAGEMENT AND INSURANCE

**CALIFORNIA STATE UNIVERSITY,
LOS ANGELES**

**Report Number 03-28
December 3, 2003**

Members, Committee on Audit

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THE CALIFORNIA STATE UNIVERSITY

CONTENTS

Executive Summary	1
Introduction.....	2
Background	2
Purpose.....	3
Scope and Methodology	4

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Risk Management and Loss Prevention Programs.....	5
Policies and Procedures	5
Service-Learning Program	5
Use Of University and Private Vehicles	7
Off-Campus Field Trips and Travel.....	9
Insurance Program Administration	10
Insurance Requirements	10
Claim Processing and Payment Control.....	11
Workers' Compensation Management.....	12

APPENDICES

APPENDIX A:	Personnel Contacted
APPENDIX B:	Campus Response
APPENDIX C:	Chancellor's Acceptance

ABBREVIATIONS

CSU	California State University
CSULA	California State University, Los Angeles
CSURMA	CSU Risk Management Authority
DMV	Department of Motor Vehicles
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

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 the California State University, Los Angeles campus from June 16, 2003, through July 11, 2003, and audited the procedures in effect at that time.

In our opinion, existing risk management policies and procedures were not operating effectively in a number of instances within the scope of the audit.

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 [5]

The campus had not developed and documented a risk assessment and mitigation program. In addition, controls over service-learning programs did not ensure that required insurance and hold harmless provisions were included in student placement agreements, and the campus was not in full compliance with state, campus, and California State University (CSU) policy concerning the use of university and private vehicles. Certifications to drive campus vehicles were not consistently signed, defensive driving courses were not always completed, and procedures did not ensure that certain employees were enrolled in the Department of Motor Vehicles' (DMV) Employer Pull Notice Program. Further, the campus risk management program did not include a process to assess, mitigate, and monitor the risks surrounding off-campus field trips and travel.

INSURANCE PROGRAM ADMINISTRATION [10]

Controls over the procurement of services did not always ensure that adequate proof of insurance was obtained and insurance coverage was in accordance with CSU policy. Insurance certificates and additional insured endorsements were not obtained for the majority of purchase transactions reviewed. Procedures for property and liability claim processing and claim file standards were not documented. Further, administrative controls over the payment of vehicle accident claims did not include verification that only claims submitted by the campus were paid.

WORKERS' COMPENSATION MANAGEMENT [12]

The campus disability management policy did not address the circumstances under which a transitional employment plan should be used.

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 worker's compensation claims until August 6, 1999, at which time a service agreement between CSU and Ward North America to provide worker's 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 control, 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 January 2002 to June 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.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

POLICIES AND PROCEDURES

The campus-wide risk assessment and mitigation program had not been developed and documented.

Executive Order (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. The campus risk management policy shall 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 method used should be documented as part of the risk management policy and procedures. Further, 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, as well as periodic audits for compliance with systemwide guidelines.

The director of risk management and environmental health and safety stated that he was not aware of a requirement to document a risk assessment and mitigation program.

Failure to develop and document a risk assessment and mitigation program could result in financial loss or embarrassment as a result of not identifying and addressing all significant risks to the campus meeting its mission.

Recommendation 1

We recommend that the campus fully implement a campus-wide program of risk management policies, procedures, and controls to ensure full compliance with EO No. 715.

Campus Response

The university will implement a campus-wide program of risk management policies, procedures, and controls to ensure full compliance with EO No. 715 by May 31, 2004. This will include the development of written protocols to address risk assessment, travel, and related risk programs.

SERVICE-LEARNING PROGRAM

Controls over service-learning programs did not ensure that required risk mitigation provisions were aligned with best practices and in compliance with CSU policy.

We noted that:

- ▶ Service-learning plans were not created and reviewed with, and signed by, students.
- ▶ Service-learning agreements were not approved by the contracts officer, and signatory authority was not delegated.
- ▶ The 15 service-learning agreements reviewed did not include the suggested liability insurance coverage and hold harmless clauses.
- ▶ The service-learning agreement between the campus and the community agency did not address responsibility for providing workers' compensation insurance.

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. It further states that after the contracts officer has approved a "basic" service-learning agreement, he or she can designate the risk manager or service-learning director as authorized signatory, as long as no amendments are necessary.

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 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. The university does not provide workers' compensation coverage to students participating in university-sponsored community service programs.

The director of educational participation in communities stated that the service learning agreements were not consistently documented due to an unintentional lack of follow-up on delays stemming from students and participant agencies not turning in needed documentation on a timely basis.

The absence of service-learning plans and the failure to establish responsibility for liability insurance and administrative culpability jeopardize the success of the program, unnecessarily expose participating students to uninsured injury, and increase the risk of financial loss and/or embarrassment.

Recommendation 2

We recommend that the campus establish controls to ensure that:

- a. Properly prepared and documented service-learning plans are reviewed with and signed by students.
- b. Agreements include hold harmless clauses and assign responsibility for providing student liability coverage and workers' compensation benefits.
- c. Agreements are approved by the contract officer or designee.

Campus Response

The university will implement the recommended controls by May 31, 2004. The controls will be based on the CSU *Best Practices for Managing Risk in Service Learning*. Specifically, campus actions will include:

- a. Service-learning plans will be prepared and documented utilizing the model service-learning plan from CSU *Best Practices for Managing Risk in Service Learning* for review and signature by participating students.
- b. Agreements will include hold harmless clauses, and language assigning responsibility for providing student liability coverage and worker's compensation benefits.
- c. Procedures will be modified to ensure that an authorized university representative signs all service-learning agreements.

USE OF UNIVERSITY AND PRIVATE VEHICLES

Controls over the use of university and privately owned vehicles on official business were inadequate.

We noted that:

- ▶ Sixteen of thirty-one employees who drove either their personal or campus vehicles on official business during 2002 were not placed on the Department of Motor Vehicles' (DMV) Employer Pull Notice Program until June 2003.
- ▶ Six of the sixteen Authorizations to Use Privately Owned Vehicles on State Business (Std. Form 261) forms reviewed had not been completed.
- ▶ Three other employees that drove campus vehicles on official business were not placed on the DMV's Employer Pull Notice Program nor were copies of their driving records requested from the DMV.
- ▶ Three of sixteen employees who drove campus vehicles on official business did not attend a defensive drivers training course.

- ▶ One employee drove a campus vehicle on official business during 2002 although his license was suspended at the time.

CSU *Use of University and Private Vehicles Policy Guidelines*, dated March 2002, state that the campus must request a copy of the person's driving record from the DMV at least once every four years and it is judged by the campus that the person has a good driving record. Further, an employee has to satisfactorily complete an approved defensive driving course and maintain a good driving record in order to drive on official business.

The director of general services and risk programs stated that intra-department transfer of control responsibility and employee turnover contributed to processing delays.

Failure to enroll applicable employees in the DMV's Employer Pull Notice Program, properly authorize employees to drive their private vehicles on official business, and require defensive driving training increases the risk of non-compliance with state and CSU policy and exposes the campus to potential lawsuits as well as higher insurance costs.

Recommendation 3

We recommend that the campus establish procedures to ensure that:

- a. All applicable employees are enrolled in the DMV's Employer Pull Notice Program.
- b. All employees who drive private vehicles on official business are properly authorized.
- c. All employees that operate vehicles on official business attend and successfully complete an approved defensive driver-training course.

Campus Response

The university will establish procedures as recommended by March 31, 2004. Specific campus actions will include:

- a. A campus state vehicle driving policy will be implemented to ensure applicable employees are enrolled in the DMV's Employer Pull Notice Program.
- b. Information will be distributed campus-wide annually at the beginning of each fiscal year, to remind managers and staff that if they use a vehicle for state sponsored travel, they must become authorized to do so by enrolling in the defensive drivers training program. The annual notice will include electronic training enrollment.
- c. A file checklist will be placed in each driver's file to ensure adherence with all elements of the State Vehicle Driver's Program, including completion of the approved defensive driver-training course. In addition, all files will be reviewed for completion when actions are taken and annually.

OFF-CAMPUS FIELD TRIPS AND TRAVEL

The campus risk management program did not include a process to assess, mitigate, and monitor the risks surrounding off-campus field trips and travel.

We noted that:

- ▶ None of the five field trips reviewed evidenced risk management's involvement.
- ▶ The campus did not check the driving records of the three employees and one volunteer who drove on the five field trips reviewed or required defensive driving training for three of the four drivers.
- ▶ The campus could not provide supporting documentation to indicate that participants in three field trips were covered under the campus' student travel accident insurance policy.
- ▶ Appropriate hold harmless release forms were not signed by anyone for two field trips, while 5 of 13 students had not signed a hold-harmless release form.
- ▶ Students who participated in campus sponsored study abroad programs were not required to read and sign hold-harmless agreements or informed consent statements.

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.

CSU Use of University and Private Vehicles Policy Guidelines state that the campus must request a copy of the person's driving record from the DMV at least once every four years and it is judged by the campus that the person has a good driving record. Further, an employee has to satisfactorily complete an approved defensive driving course and maintain a good driving record in order to drive on official business.

HR directive 2001-38, *CSU Volunteer Policy*, dated December 20, 2001, states that CSU volunteers must have the necessary training and/or supervision to safely carry out the volunteer work and must meet the appropriate license requirements and CSU requirements such as defensive driver training and a good driving record.

EO No. 590, *Student Air Travel*, dated March 26, 1992, states, in part, that students shall be required to acknowledge that they have been informed of the risks of air travel required by such programs and to sign a statement certifying that they have been informed of and undertake such air travel voluntarily with full knowledge of such risks, and release and hold harmless the State of California, the CSU, the campus affiliated with the program requiring air travel, and each and every officer, agent, and employee of each of them.

The director of general services and risk programs stated that the condition resulted from the absence of risk program guidelines and field trip policies and procedures. He further stated that it was an unintentional oversight that the campus had not formalized a process over state funded study abroad programs.

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

Recommendation 4

We recommend that the campus establish and implement policies, procedures, controls, and monitoring processes in accordance with CSU policy to adequately reduce the risks associated with off-campus field trips and travel.

Campus Response

The university will establish and implement policies, procedures, controls, and monitoring processes in accordance with CSU policy to adequately reduce the risks associated with off-campus field trips and travel by May 31, 2004.

INSURANCE PROGRAM ADMINISTRATION

INSURANCE REQUIREMENTS

Controls over the procurement of services did not always ensure that adequate proof of insurance was obtained and insurance coverage was in accordance with CSU policy.

We reviewed 30 purchase transactions requiring insurance and found that:

- ▶ In 18 of the 24 insurance certificates reviewed, the insurer's rating was not in compliance with EO No. 829.
- ▶ Six files did not contain evidence of insurance (i.e., certificates of insurance/additional insured endorsements).
- ▶ In 15 instances, the additional insured endorsement was missing or the wording was not in compliance with EO No. 829.
- ▶ In eight instances the insurance coverage limits were not in compliance with EO No. 829, and there was no evidence that the risk management had accepted the lowered limits.
- ▶ In four instances, the certificate of insurance did not provide for a 30-day advance notice to the university of cancellation of any of the insurance coverage.

EO No. 743, 829, superseded by 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. These requirements have been in effect since the initial EO concerning CSU insurance requirements dated April 4, 2000.

The director of procurement and contracts stated that unexpected staff turnover and an absence of formalized procedures contributed to the unintentional lack of documentation.

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 campus establish controls to ensure that vendor insurers have been assigned an adequate rating; additional insured wording is complete; exceptions to insurance coverage requirements are assessed and properly approved; and, proof of insurance is obtained and the cancellation provisions are aligned with CSU policy.

Campus Response

The university will establish the recommended controls by March 31, 2004. Specific campus actions will include: the procurement and contracts office will implement procedures in coordination with risk management and environmental health and safety to ensure that vendor insurers have been assigned an adequate rating; additional insured wording is complete; exceptions to insurance coverage requirements are assessed and properly approved; proof of insurance is obtained; and cancellation provisions are aligned with CSU policy.

CLAIM PROCESSING AND PAYMENT CONTROL

Property and liability claim processing and payment controls were not sufficient.

Claim file processing procedures and claim file standards were not documented and there was not an adequate vehicle accident claim payment review process in place. The California State University, Los Angeles (CSULA) vehicle accident claims report (FY 2001/2002) prepared by the state Office of Risk and Insurance Management (ORIM) included two undetected non-CSULA vehicle liability paid claims.

State Administrative Manual (SAM) §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are non-existent. Further, elements of a satisfactory system of internal accounting and administrative controls shall include, but not limited to, a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The director of general services and risk programs stated that he was unaware of a requirement to document property and liability claim processing and claim file standards. He further stated that the department had not addressed a need to formally document a claim payment reconciliation process.

Failure to document operational policies and procedures and implement effective post payment review processes increases the risk of employees performing unauthorized and/or unnecessary tasks and inadvertent and or intentional claim payment errors going undetected.

Recommendation 6

We recommend that the campus formalize property and liability claim processing procedures and claim file documentation standards and establish a scheduled post-claim payment review process to ensure that ORIM only pays claims submitted or acknowledged by the campus.

Campus Response

The university will formalize the recommended procedures, standards, and process by March 31, 2004. Specific campus actions will include:

- a. The risk management and environmental health and safety office will develop and implement internal departmental instructions to formalize the property and liability claim processing procedures.
- b. The risk management and environmental health and safety office will develop and implement documentation standards to ensure accuracy between property and liability claim summaries with university records.
- c. The risk management and environmental health and safety office will develop and implement departmental instructions on processing of vehicle accident reports and review of monthly department of general services reports to ensure that only campus related claims are paid.

WORKERS' COMPENSATION MANAGEMENT

The *Disability Management Policy for California State University, Los Angeles* did not address such issues as when and under what circumstances a transitional employment plan should be completed.

SAM §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are non-existent.

The director of general services and risk programs stated that due to an unintentional oversight, the campus disability management policy did not fully address the issues surrounding transitional employment.

Failure to fully develop, finalize, and implement the campus disability transitional employment could lead to inconsistent workers' compensation administration and increased processing costs.

Recommendation 7

We recommend that the campus review and update transitional employment procedures.

Campus Response

The university will review and update the transitional employment procedures by March 31, 2004. This review and update will include clarification of the campus disability management policy to fully address all transitional employment issues.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
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 UNIVERSITY, LOS ANGELES

OFFICE OF THE PRESIDENT

January 22, 2004

Mr. Larry Mandel, University Auditor
Office of the University Auditor
Office of the Chancellor - The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210




Re: University's Response to Recommendations Contained in Report Number 03-28,
Risk Management and Insurance - CSULA


Dear Mr. Mandel

Attached are the University's responses to recommendations contained in the subject report for
Risk Management and Insurance - CSULA.

Please contact Ms. Linda Shaffer, Campus Internal Auditor, at (323) 343-5102 if you wish to
discuss any matter contained herein.

Sincerely,


James M. Rosser
President

Attachment

cc: (w/attachment)
Steven N. Garcia, Campus CFO/VPAF
Benjamin Figueroa, Director of General Services and Risk Programs
Yuet K. Lee, Assistant Vice President for Administration & Finance/Financial Services
Linda Shaffer, Campus Internal Auditor

RISK MANAGEMENT AND INSURANCE

CALIFORNIA STATE UNIVERSITY, LOS ANGELES

REPORT NO. 03-28

RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

POLICIES AND PROCEDURES

Recommendation 1

We recommend that the campus fully implement a campus-wide program of risk management policies, procedures, and controls to ensure full compliance with EO No. 715.

Campus Response

The University will implement a campus-wide program of risk management policies, procedures, and controls to ensure full compliance with EO No. 715 by May 31, 2004. This will include the development of written protocols to address risk assessment, travel, and related risk programs.

SERVICE-LEARNING PROGRAM

Recommendation 2

We recommend that the campus establish controls to ensure that:

- a. Properly prepared and documented service-learning plans are reviewed with and signed by students.
- b. Agreements include hold harmless clauses, and assign responsibility for providing student liability coverage and workers' compensation benefits.
- c. Agreements are approved by the contract officer or designee.

Campus Response

The University will implement the recommended controls by May 31, 2004. The controls will be based on the *CSU Best Practices for Managing Risk in Service Learning*. Specifically, campus actions will include:

- a. Service-learning plans will be prepared and documented utilizing the model service-learning plan from *CSU Best Practices for Managing Risk in Service Learning* for review and signature by participating students.

- b. Agreements will include hold harmless clauses, and language assigning responsibility for providing student liability coverage and worker's compensation benefits.
- c. Procedures will be modified to ensure that an authorized University representative signs all service-learning agreements.

USE OF UNIVERSITY AND PRIVATE VEHICLES

Recommendation 3

We recommend that the campus establish procedures to ensure that:

- a. All applicable employees are enrolled in the DMV's Employer Pull Notice Program.
- b. All employees who drive private vehicles on official business are properly authorized.
- c. All employees that operate vehicles on official business attend and successfully complete an approved defensive driver-training course.

Campus Response

The University will establish procedures as recommended by March 31, 2004. Specific campus actions will include:

- a. A campus State Vehicle Driving Policy will be implemented to ensure applicable employees are enrolled in the DMV's Employer Pull Notice Program.
- b. Information will be distributed campus wide annually, at the beginning of each fiscal year, to remind managers and staff that if they use a vehicle for State sponsored travel, they must become authorized to do so by enrolling in the Defensive Drivers training program. The annual notice will include electronic training enrollment.
- c. A file checklist will be placed in each driver's file to ensure adherence with all elements of the State Vehicle Driver's Program, including completion of the approved defensive driver-training course. In addition, all files will be reviewed for completion when actions are taken and annually.

OFF-CAMPUS FIELD TRIPS AND TRAVEL

Recommendation 4

We recommend that the campus establish and implement policies, procedures, controls, and monitoring processes in accordance with CSU policy to adequately reduce the risks associated with off-campus field trips and travel.

Campus Response

The University will establish and implement policies, procedures, controls, and monitoring processes in accordance with CSU policy to adequately reduce the risks associated with off-campus field trips and travel by May 31, 2004.

INSURANCE PROGRAM ADMINISTRATION

INSURANCE REQUIREMENTS

Recommendation 5

We recommend that the campus establish controls to ensure that vendor insurers have been assigned an adequate rating; additional insured wording is complete; exceptions to insurance coverage requirements are assessed and properly approved; and, proof of insurance is obtained and the cancellation provisions are aligned with CSU policy.

Campus Response

The University will establish the recommended controls by March 31, 2004. Specific campus actions will include:

The Procurement & Contracts Office will implement procedures in coordination with Risk Management & EHS to ensure that vendor insurers have been assigned an adequate rating; additional insured wording is complete; exceptions to insurance coverage requirements are assessed and properly approved; that proof of insurance is obtained; and that cancellation provisions are aligned with CSU policy.

CLAIM PROCESSING AND PAYMENT CONTROL

Recommendation 6

We recommend that the campus formalize property and liability claim processing procedures and claim file documentation standards and establish a scheduled post-claim payment review process to ensure that ORIM only pays claims submitted or acknowledged by the campus.

Campus Response

The University will formalize the recommended procedures, standards, and process by March 31, 2004. Specific campus actions will include:

- a. The Risk Management & EHS Office will develop and implement internal departmental instructions to formalize the property and liability claim processing procedures.
- b. The Risk Management & EHS Office will develop and implement documentation standards to ensure accuracy between property and liability claim summaries with University records.

- c. The Risk Management & EHS Office will develop and implement departmental instructions on processing of vehicle accident reports and review of monthly Department of General Services (DGS) reports to ensure that only campus related claims are paid.

WORKERS' COMPENSATION MANAGEMENT

Recommendation 7

We recommend that the campus review and update transitional employment procedures.

Campus Response

The University will review and update the transitional employment procedures by March 31, 2004. This review and update will include clarification of the Campus Disability Management Policy to fully address all transitional employment issues.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

AKERSFIELD

February 2, 2004

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed
Chancellor

HUMBOLDT

SUBJECT: Draft Final Report Number 03-28 on *Risk Management and Insurance*, California State University, Los Angeles

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of February 2, 2004, I accept the response as submitted with the draft final report on *Risk Management and Insurance*, California State University, Los Angeles.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/bth

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. James M. Rosser, President

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS