

RISK MANAGEMENT AND INSURANCE

**CALIFORNIA STATE UNIVERSITY,
HAYWARD**

**Report Number 03-30
December 18, 2003**

Members, Committee on Audit

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ABBREVIATIONS

CAL/OSHA	California Occupational Safety and Health Act
CSU	California State University
CSUH	California State University, Hayward
CSURMA	CSU Risk Management Authority
DMV	Department of Motor Vehicles
DTC	Development and Telemarketing Center
EH&S	Environmental Health and Safety
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
SDRC	Student Disability Resource Center

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, Hayward (CSUH) campus from August 4, 2003, through September 5, 2003, and audited the procedures in effect at that time.

In our opinion, the campus did not have an effective risk assessment, mitigation, and reporting process in place, and existing risk management and workers' compensation internal controls were inadequate.

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 campus risk management program lacked important elements required by Executive Order No. 715, and its Risk Management Advisory Committee had not met since February 2000. A defined CSUH/Contra Costa campus risk assessment and mitigation plan had not been developed and documented, an annual report was not made to the campus president, and a proactive, on-going process was not in place to identify and manage risks. Risks associated with service-learning programs, off-campus field trips, and special events were not sufficiently mitigated and adequately controlled. For example, service-learning agreements were not prepared and students were not formally alerted to program risks, hold-harmless agreements were not signed for service-learning program and field trip participation, and lease agreements were not prepared for special events. In addition, the campus was not in full compliance with the California State University (CSU) policy concerning the use of university and private vehicles, and new employees did not always receive injury and illness prevention program training at the time of initial employment. Authorization forms to drive privately owned vehicles were not always completed or annually updated, auto accidents were not always properly documented and timely reported, and procedures did not ensure that defensive driving courses were completed and driving records were checked for some employees.

INSURANCE PROGRAM ADMINISTRATION [13]

Procedures for property and liability claim processing and claim file documentation standards had not been documented, and a process was not in place to ensure that all buildings were covered by property insurance. A review of 17 buildings disclosed that two had not been included in the property database.

WORKERS' COMPENSATION MANAGEMENT [15]

Policies and procedures that impact workers' compensation administration had not been documented and effectively communicated. As a result, work-related claims were not consistently handled. For example, instances were noted where the supervisor's report of injuries were not completed, claim file documentation was incomplete, and some employees were not provided claim forms within 24 hours as

required. In addition, workers' compensation claims were not consistently posted on the Log of Work-Related Injuries and Illnesses by the third party administrator as required by the California Occupational Safety and Health Act.

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 August 2003. In instances when it was necessary to review annualized data, fiscal year 2002-2003 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, PROCEDURES, AND REPORTING

The campus risk management program lacked important elements required by Executive Order (EO) No. 715 and the California State University, Hayward (CSUH) *Risk Management Policy*.

We noted that:

- ▶ The Risk Management Advisory Committee had not convened since February 17, 2000. Consequently, a proactive, on-going process was not in place to identify risks; perform analysis; select and implement risk management techniques/staffing standards; and monitor, evaluate, and document program results.
- ▶ A defined CSUH/Contra Costa campus risk assessment and mitigation plan had not been developed and documented.
- ▶ An annual risk management report was not made to the campus president.

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.

CSUH *Risk Management Policy*, dated October 31, 2000, states that the Risk Management Advisory Committee assists the vice president for administration and business affairs, the chair of the committee, by providing advice and information in support of the performance of risk management functions. The committee generally meets quarterly to discuss current issues and trends. In addition, campus risk management practices are specifically designed to identify and assess all types of risks to the campus and to implement appropriate techniques to reduce the risk of financial loss to the university by implementing loss control programs and by transferring financial responsibility where appropriate.

The vice president of administration and business affairs stated that as the chair of the committee, it was his responsibility to call meetings. He further stated that other priorities had taken over and this

requirement had been deferred. The risk manager stated that while elements of the risk assessment and mitigation plan existed in a variety of documents, the campus had been unable to identify the resources necessary to bring it together into a cohesive plan. He also stated that the process for the consolidation of information from all the related offices into a single report to the president had not yet been developed.

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 campus:

- a. Reconvene the Risk Management Advisory Committee and assign the committee specific tasks with respect to the development and support of an effective risk management program.
- b. Develop and document a risk assessment and mitigation plan.
- c. Prepare and issue an annual risk management summary report to the president.

Campus Response

We concur. The campus will:

- a. Reconvene the Risk Management Advisory Committee and assign the committee specific tasks with respect to the development and support of an effective risk management program.
- b. Develop and document a risk assessment and mitigation plan.
- c. Prepare and issue an annual risk management summary report to the president.

Anticipated Completion Date: June 30, 2004

SERVICE-LEARNING PROGRAM

Controls over service-learning programs did not ensure that the required risk mitigation provisions were implemented.

We noted that service-learning agreements were not completed, adequate insurance was not obtained, students were not formally alerted to program risks, and students participating in the program did not sign hold-harmless agreements or informed consent statements.

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

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.

The service learning coordinator stated that she was not aware of the risk issues until the recent publication of the *Best Practices for Managing Risk in Service Learning* manual. She further stated that the initial implementation had, instead, focused on academic course planning.

Inadequate mitigation of risks associated with service-learning programs jeopardizes their success and unnecessarily exposes participating students to uninsured injury and the university to financial loss and/or embarrassment.

Recommendation 2

We recommend that the campus establish and implement policies, procedures, and controls to ensure that:

- a. Service learning agreements are fully and accurately completed.
- b. Service learning participants are adequately insured and informed of the program risks.
- c. Students participating in service learning programs sign hold-harmless agreements or informed consent statements.

Campus Response

We concur. The campus will establish and implement policies, procedures, and controls to ensure that:

- a. Service learning agreements are fully and accurately completed.
- b. Service learning participants are adequately insured and informed of the program risks.
- c. Students participating in service learning programs sign hold-harmless agreements or informed consent statements.

Anticipated Completion Date: June 30, 2004.

OFF-CAMPUS FIELD TRIPS AND SPECIAL EVENTS

Risks associated with campus-sponsored field trips and the lease of campus facilities were not sufficiently mitigated and adequately controlled.

Our review of seven campus-sponsored field trips and seven special events disclosed that:

- ▶ None of the field trip student participants signed hold harmless agreements or informed consent forms.
- ▶ Drivers for six of the seven field trips had not taken a defensive driving course, and Department of Motor Vehicles (DMV) driving records had not been checked for four of the drivers.
- ▶ Lease agreements were not prepared for the seven special events, which included four at the Contra Costa campus and three at the CSUH campus.
- ▶ Proof of insurance was not on file for the four Contra Costa special events, evidence of workers' compensation insurance was not provided for two of the Hayward campus events, and one lessee's insurance policy expired one day before the event.

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 such as transferring risk through hold harmless agreements or vendor contracting.

EO No. 669, *Leases*, dated May 1, 1997, states, in part, that authority is delegated to the campus president or designee subject to certain exceptions to execute leases of real property as either lessor or lessee. All agreements executed by the campus president must include, at a minimum, the standard provisions and language included in the model lease agreements maintained by the chancellor's office.

EO No. 849, *CSU Insurance Requirements*, dated February 5, 2003, includes minimum insurance requirements for the leasing of campus property and facilities. These requirements have been in effect since the initial EO concerning CSU insurance requirements dated April 4, 2000.

The risk manager stated that the campus had been following an outdated, informal policy that did not require students to sign hold harmless agreements or informed consent forms. He further stated that an adequate process was not in place to ensure that all field trip drivers take the defensive driving course and that the field trip drivers' DMV records are checked every four years. The risk manager

also stated that the persons responsible for coordinating special events were not fully trained with respect to lease and insurance requirements, and the campus special event policy did not require proof of insurance for low risk events.

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

Recommendation 3

We recommend that the campus establish and implement policies, procedures, and controls to ensure that:

- a. Students participating in campus-sponsored field trips sign hold harmless agreements or informed consent forms.
- b. Employees and students who serve as drivers on field trips complete a defensive driving course and have their driving records checked.
- c. Lease agreements are prepared for special events on both the Contra Costa and CSUH campuses.
- d. Evidence of proof of insurance and workers' compensation insurance is maintained on file.

Campus Response

We concur. The campus will establish and implement policies, procedures, and controls to ensure that:

- a. Students participating in campus-sponsored field trips sign hold-harmless agreements or informed consent forms.
- b. Employees and students who serve as drivers on field trips complete a defensive driving course and have their driving records checked.
- c. Lease agreements are prepared for special events on both the Contra Costa and CSUH campuses.
- d. Evidence of proof of insurance and workers' compensation insurance is maintained on file.

Anticipated Completion Date: April 30, 2004.

USE OF UNIVERSITY AND PRIVATE VEHICLES

Authorization forms to drive privately owned vehicles were not always completed or annually updated, auto accidents were not always properly documented and timely reported, and procedures

did not ensure that defensive driving courses were completed and driving records were checked for some employees.

We noted that:

- ▶ Twelve of fifteen employees reviewed had not completed an *Authorization to Drive Private Vehicles* (Std. Form 261). In addition, one employee drove nine months before completing Form 261, and another employee last updated the form on February 20, 2002.
- ▶ For 11 of 12 vehicle accidents reviewed, the campus did not notify the Office of Risk and Insurance Management (ORIM) as required. In addition, an outdated Vehicle Accident Report (Std. Form 270) was used to record the accident in eight instances.
- ▶ Sixteen of thirty employees reviewed that drove on official business, as a condition of employment, had not taken a defensive driving course. Further, there was no evidence that DMV driving records were checked in 14 instances.

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, utilizing Std. Form 270.

The motor pool supervisor stated that the requirement for annual Std. Form 261 filing was lost in the continuous change of campus staff. He also stated that the campus was operating under outdated procedures that did not require filing vehicle accident reports as long as there was no injury or property damage beyond the campus facilities or campus vehicle. The motor pool supervisor added that an adequate process was not in place to ensure that all applicable employees take the defensive driving course and driving records are checked every four years.

Failure to complete Std. Form 261 authorizations, properly document and timely report accidents, attend defensive drivers training, and check driving records increases the risk of non-compliance with campus and CSU policy and exposes the campus to potential lawsuits as well as higher insurance costs.

Recommendation 4

We recommend that the campus establish procedures to:

- a. Obtain and maintain Std. Form 261 for all employees authorized to drive privately owned vehicles while conducting official business, including annual renewal.
- b. Ensure that a current vehicle accident report is completed and accidents are reported to the ORIM within 48 hours.
- c. Ensure that all employees that operate vehicles on official business attend and successfully complete an approved defensive driver-training course.
- d. Ensure that all applicable employees are enrolled in the DMV's Pull Notice Program or driving records are checked at least every four years.

Campus Response

We concur. The campus will establish procedures to:

- a. Obtain and maintain Std. Form 261 for all employees authorized to drive privately owned vehicles while conducting official business, including annual renewal.
- b. Ensure that a current vehicle accident report is completed and accidents are reported to the ORIM within 48 hours.
- c. Ensure that all employees that operate vehicles on official business attend and successfully complete an approved defensive drivers training course.
- d. Ensure that all applicable employees are enrolled in a DMV Pull Notice Program or driving records are checked at least every four years.

Anticipated Completion Date: April 30, 2004.

INJURY AND ILLNESS TRAINING

The campus did not have an effective process in place to ensure that new employees received injury and illness prevention program (IIPP) training at the time of initial employment.

Our review of 15 employees hired during 2002 and 2003 (11 in facilities and four in public safety) disclosed that:

- ▶ Four facilities employees had not completed initial IIPP training, and two facilities employees completed the training more than one year after their hire date.
- ▶ None of the public safety employees reviewed completed initial IIPP training.

CSUH *Injury and Illness Prevention Program (IIPP)*, dated December 1999 and revised July 2003, states that at the time of initial employment, all employees will understand that compliance with our

IIPP and other health and safety programs, policies, and procedures is a mandatory condition of employment. This will be conveyed during initial IIPP training.

The director of environmental health and safety (EH&S) stated that a number of recent changes in the director of human resources position had postponed implementation of an effective new-employee orientation program for the campus, including initial IIPP training. He further stated that EH&S was not currently notified of new hires and added that changes in management and training staff of the departments in question affected the awareness of regulatory training requirements.

Failure to ensure that all employees attend initial IIPP training increases the risk and incidences of work-related accidents and inappropriate responses in the event of an injury or illness.

Recommendation 5

We recommend that the campus establish controls to ensure that all new employees complete initial IIPP training.

Campus Response

We concur. The campus will establish controls to ensure that all new employees complete initial IIPP training.

Anticipated Completion Date: June 30, 2004.

INSURANCE PROGRAM ADMINISTRATION

PROPERTY AND LIABILITY CLAIM PROCESSING

Procedures for property and liability claim processing and claim file standards were not documented.

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.

The risk manager stated that he was not aware of any particular required or expected standards.

The absence of properly documented and effectively communicated procedural and/or operational policies and procedures increases the risk of employees performing unauthorized and/or unnecessary tasks and allocating time to risks that are minimal or non-existent.

Recommendation 6

We recommend that the campus formalize property and liability claim processing procedures and claim file documentation standards.

Campus Response

We concur. The campus will formalize property and liability claim processing procedures and claim file documentation standards.

Anticipated Completion Date: June 30, 2004.

PROPERTY INSURANCE

The campus did not have a process in place to ensure that all buildings were covered by property insurance.

Our review of 17 buildings on the Hayward and Contra Costa campuses disclosed that the Student Disability Resource Center (SDRC) and the Development and Telemarketing Center (DTC) had not added to the property computerized database.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls shall include, but are not limited to, a system of authorization and record-keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The risk manager stated that the SDRC was a new installation and he was not notified upon its completion. He also stated that the DTC had been noted as missing during the initial property database setup, and he believed that the error had been corrected.

Failure to ensure that the property database is accurate, complete, and properly valued exposes the campus to uninsured risk.

Recommendation 7

We recommend that the campus establish procedures to ensure that all insurable property is properly valued and included in the property database.

Campus Response

We concur. The campus will establish procedures to ensure that all insurable property is properly documented and included in the property database.

Anticipated Completion Date: June 30, 2004.

WORKERS' COMPENSATION MANAGEMENT

POLICIES AND PROCEDURES

Policies and procedures that impact the administration of workers' compensation had not been documented and effectively communicated.

Workers' compensation administrative policies and procedures should address or consider:

- ▶ Disability management program goals and objectives.
- ▶ Claim handling responsibilities and processing timeliness standards.
- ▶ Return-to-work procedures and transitional employment policies.
- ▶ Use and completion of standard claim processing forms.
- ▶ Claim file documentation requirements and security standards.
- ▶ Claim loss prevention and investigation policies and procedures.

The *CSU Disability Management Program Resource Guide*, dated August 2000, states that the disability manager will work with the consultants to customize and implement the disability management program at the university level.

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 workers' compensation coordinator stated that resource limitations and staff vacancies in human resources had affected the campus' ability to document and communicate workers' compensation policies and procedures.

The absence of properly documented and effectively communicated administrative and operational policies and procedures increases the risk of misunderstandings related to the performance of duties and functions, inconsistencies in program administration, disclosure of confidential data, and increased workers' compensation costs.

Recommendation 8

We recommend that the campus formalize and effectively communicate comprehensive workers' compensation administrative policies and procedures.

Campus Response

We concur. The campus will formalize and effectively communicate comprehensive workers' compensation administrative policies and procedures.

Anticipated Completion Date: June 30, 2004.

CLAIM HANDLING

Work-related injuries and illnesses were not consistently handled in accordance with campus procedures and state timeliness standards.

We reviewed 30 workers' compensation claim files and noted that:

- ▶ In 17 instances, supervisors did not complete a report of work injury/illness.
- ▶ In seven instances, a final version of the doctor's first report of occupational injury or illness form was not included in the claim file.
- ▶ In five instances, the employee's claim for workers' compensation benefits was incomplete.
- ▶ In five instances, the supervisor did not provide the injured employee an employee's claim for workers' compensation benefits form within 24 hours.
- ▶ In three instances, the campus could not provide documentation to evidence that the third party administrator was notified of the claim in a timely fashion.
- ▶ In one instance, CSUH was charged for a CSU Fresno workers' compensation claim totaling \$3,722.

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.

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.

SAM §20050 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.

The workers' compensation coordinator stated that the absence of a campus-wide training program for workers' compensation policies and procedures, created by staff and resource shortages, had contributed to inconsistent handling of work-related injuries and illnesses.

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

Recommendation 9

We recommend that the campus strengthen controls to ensure that work-related injuries or illnesses are handled in accordance with established procedures and state timeliness standards.

Campus Response

We concur. The campus will strengthen controls to ensure that work-related injuries or illnesses are handled in accordance with established procedures and state timeliness standards.

Anticipated Completion Date: June 30, 2004.

CLAIM REPORTING

Workers' compensation claims were not consistently posted on the Log of Work-Related Injuries and Illnesses (OSHA Form 300) by the third party administrator.

We noted that the third party administrator had not recorded 5 of 12 2002 workers' compensation claims reviewed on OSHA Form 300.

SAM §2581.62 states that additional work injury and illness reporting and recording is required by the California Occupational Safety and Health Act (CAL/OSHA). Generally, all job-related injuries and illnesses must be posted on the CAL/OSHA Log and Summary of Occupational Injury and Illnesses.

The workers' compensation coordinator stated that staffing and resource shortages contributed to the inability to follow-up with the third party administrator in a timely manner.

Failure to ensure that all injuries and illnesses are completely and accurately recorded may result in regulatory penalties and negative publicity.

Recommendation 10

We recommend that the campus establish controls to ensure that the third party administrator records all applicable work-related injuries and illnesses on OSHA Form 300.

Campus Response

We concur. The campus will establish controls to ensure that all applicable work-related injuries and illnesses are recorded on OSHA Form 300.

Anticipated Completion Date: June 30, 2004.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
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 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


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January 21, 2004

**RECEIVED
UNIVERSITY AUDITOR**

JAN 26 2004

**THE CALIFORNIA STATE
UNIVERSITY**

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802

**Subject: Campus Response to Risk Management and Insurance Audit 03-30
California State University, Hayward**

Dear Mr. Mandel,

Please find enclosed California State University, Hayward's response to the recommendations resulting from our Risk Management and Insurance Audit 03-30. For each recommendation, we have included a corrective action plan and an anticipated date for implementation.

We appreciate the efforts of you and your staff during the process and the professional manner in which the audit was performed.

Sincerely,

A handwritten signature in cursive script that reads "Norma S. Rees".

Norma S. Rees
President

Enclosure

Cc: Chancellor Reed
Vice President Metz

THE CALIFORNIA STATE UNIVERSITY

 Bakersfield • Channel Islands • Chico • Dominguez Hills • Fresno • Fullerton • Hayward • Humboldt • Long Beach • Los Angeles • Maritime Academy
 Monterey Bay • Northridge • Pomona • Sacramento • San Bernardino • San Diego • San Francisco • San Jose • San Luis Obispo • San Marcos • Sonoma • Stanislaus

RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

POLICIES, PROCEDURES, AND REPORTING

Recommendation 1

We recommend that the campus:

- a. Reconvene the Risk Management Advisory Committee and assign the committee specific tasks with respect to the development and support of an effective risk management program.
- b. Develop and document a risk assessment and mitigation plan.
- c. Prepare and issue an annual risk management summary report to the president.

Campus Response

We concur. The campus will:

- a. Reconvene the Risk Management Advisory Committee and assign the committee specific tasks with respect to the development and support of an effective risk management program.
- b. Develop and document a risk assessment and mitigation plan.
- c. Prepare and issue an annual risk management summary report to the president.

Anticipated Completion Date: June 30, 2004

SERVICE LEARNING PROGRAM

Recommendation 2

We recommend that the campus establish and implement policies, procedures, and controls to ensure that:

- a. Service learning agreements are fully and accurately completed.
- b. Service learning participants are adequately insured and informed of the program risks.
- c. Students participating in service learning programs sign hold-harmless agreements or informed consent statements.

Campus Response

We concur. The campus will establish and implement policies, procedures, and controls to ensure that:

- a. Service learning agreements are fully and accurately completed.
- b. Service learning participants are adequately insured and informed of the program risks.
- c. Students participating in service learning programs sign hold-harmless agreements or informed consent statements.

Anticipated Completion Date: June 30, 2004

OFF-CAMPUS FIELD TRIPS AND SPECIAL EVENTS

Recommendation 3

We recommend that the campus establish and implement policies, procedures, and controls to ensure that:

- a. Students participating in campus-sponsored field trips sign hold harmless agreements or informed consent forms.
- b. Employees and students who serve as drivers on field trips complete a defensive driving course and have their driving records checked.
- c. Lease agreements are prepared for special events on both the Contra Costa and CSUH campuses.
- d. Evidence of proof of insurance and workers' compensation insurance is maintained on file.

Campus Response

We concur. The campus will establish and implement policies, procedures, and controls to ensure that:

- a. Students participating in campus-sponsored field trips sign hold harmless agreements or informed consent forms.
- b. Employees and students who serve as drivers on field trips complete a defensive driving course and have their driving records checked.
- c. Lease agreements are prepared for special events on both the Contra Costa and CSUH campuses.
- d. Evidence of proof of insurance and workers' compensation insurance is maintained on file.

Anticipated Completion Date: April 30, 2004

USE OF UNIVERSITY AND PRIVATE VEHICLES

Recommendation 4

We recommend that the campus establish procedures to:

- a. Obtain and maintain Std. Form 261 for all employees authorized to drive privately owned vehicles while conducting official business, including annual renewal.
- b. Ensure that a current vehicle accident report is completed and accidents are reported to the ORIM within 48 hours.
- c. Ensure that all employees that operate vehicles on official business attend and successfully complete an approved defensive driver training course.
- d. Ensure that all applicable employees are enrolled in a DMV Pull Notice Program or driving records are checked at least every four years.

Campus Response

We concur. The campus will establish procedures to:

- a. Obtain and maintain Std. Form 261 for all employees authorized to drive privately owned vehicles while conducting official business, including annual renewal.
- b. Ensure that a current vehicle accident report is completed and accidents are reported to the ORIM within 48 hours.
- c. Ensure that all employees that operate vehicles on official business attend and successfully complete an approved defensive driver training course.
- d. Ensure that all applicable employees are enrolled in a DMV Pull Notice Program or driving records are checked at least every four years.

Anticipated Completion Date: April 30, 2004

INJURY AND ILLNESS TRAINING

Recommendation 5

We recommend that the campus establish controls to ensure that all new employees complete initial IIPP training.

Campus Response

We concur. The campus will establish controls to ensure that all new employees complete initial IIPP training.

Anticipated Completion Date: June 30, 2004

INSURANCE PROGRAM ADMINISTRATION

PROPERTY AND LIABILITY CLAIM PROCESSING

Recommendation 6

We recommend that the campus formalize property and liability claim processing procedures and claim file documentation standards.

Campus Response

We concur. The campus will formalize property and liability claim processing procedures and claim file documentation standards.

Anticipated Completion Date: June 30, 2004

PROPERTY INSURANCE

Recommendation 7

We recommend that the campus establish procedures to ensure that all insurable property is properly documented and included in the property database.

Campus Response

We concur. The campus will establish procedures to ensure that all insurable property is properly documented and included in the property database.

Anticipated Completion Date: June 30, 2004

WORKERS' COMPENSATION MANAGEMENT

POLICIES AND PROCEDURES

Recommendation 8

We recommend that the campus formalize and effectively communicate comprehensive workers' compensation administrative policies and procedures.

Campus Response

We concur. The campus will formalize and effectively communicate comprehensive workers' compensation administrative policies and procedures.

Anticipated Completion Date: June 30, 2004

CLAIM HANDLING

Recommendation 9

We recommend that the campus strengthen controls to ensure that work-related injuries or illnesses are handled in accordance with established procedures and state timeliness standards.

Campus Response

We concur. The campus will strengthen controls to ensure that work-related injuries or illnesses are handled in accordance with established procedures and state timeliness standards.

Anticipated Completion Date: June 30, 2004

CLAIM REPORTING

Recommendation 10

We recommend that the campus establish controls to ensure that the third party administrator records all applicable work-related injuries and illnesses on OSHA Form 300.

Campus Response

We concur. The campus will establish controls to ensure that all applicable work-related injuries and illnesses are recorded on OSHA Form 300.

Anticipated Completion Date: June 30, 2004

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 5, 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 03-30 on *Risk Management and Insurance*, California State University, Hayward

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of February 5, 2004, I accept the response as submitted with the draft final report on *Risk Management and Insurance*, California State University, Hayward.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/ac

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Richard Metz, Vice President, Administration and Business Affairs
Dr. Norma S. Rees, President

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS