

RISK MANAGEMENT AND INSURANCE

SAN FRANCISCO STATE UNIVERSITY

Report Number 03-32

March 2, 2004

Members, Committee on Audit

Shailesh J. Mehta, Chair
Roberta Achtenberg, Vice Chair
Debra S. Farar William Hauck
Frederick W. Pierce, IV

Staff

University Auditor: Larry Mandel
Audit Manager: Nate Clark
Internal Auditor: Tammy Solis

BOARD OF TRUSTEES

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
Injury and Illness Training.....	6
Service-Learning Program.....	6
Off-Campus Field Trips and Special Events	8
Use Of University and Private Vehicles	10
Workers' Compensation Management.....	13
Claims Handling.....	13
Claims Follow-Up	14
Return to Work.....	15

APPENDICES

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

ABBREVIATIONS

CSL	Community Service Learning
CSU	California State University
CSURMA	CSU Risk Management Authority
DMV	Department of Motor Vehicles
EHOS	Environmental Health and Occupational Safety
EO	Executive Order
FY	Fiscal Year
HR	Human Resources
IIPP	Injury and Illness Prevention Program
OCSL	Office of Community Service Learning
ORIM	Office of Risk and Insurance Management
SAM	State Administrative Manual
SCIF	State Compensation Insurance Fund
SFSU	San Francisco State University

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 San Francisco State University campus from October 21, 2003, through November 21, 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 risk management policy and process lacked important elements required by Executive Order No. 715 and had not been fully implemented. The program did not include a campus risk assessment and mitigation plan, and an annual report was not made to the campus president. New employees did not always receive injury and illness prevention program training at the time of initial employment. Controls over service-learning programs did not ensure that agreements were documented and that service-learning plans were created, reviewed, and signed. Risks associated with off-campus field trips and special events were not sufficiently mitigated and adequately controlled. In addition, the campus was not in full compliance with the California State University policy concerning the use of university and private vehicles. Authorization forms to drive privately owned vehicles were not always completed or kept current; defensive driving courses were not completed every four years; and auto accidents were not timely reported.

WORKERS' COMPENSATION MANAGEMENT [13]

The campus did not have an effective process in place that provided reasonable assurance that the employer's report of occupational injury or illness was completed within five days after notification of the employee's work injury. The campus was not providing the employee the required Benefits Option Selection Sheet form. Workers' compensation claims resulting from unsafe work conditions and/or environmental risks were not consistently assessed and resolved to prevent future occurrences. In addition, return-to-work policies and procedures standards had not been documented and developed.

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.

INTRODUCTION

- ▶ 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 January 2002 to November 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 risk management program lacked certain important elements.

We noted that:

- ▶ A campus risk assessment and mitigation plan had not been developed and documented.
- ▶ An annual risk management report was not made to the campus president.

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. 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 stated that there were concerns about accuracy and reliability of historical data that would be used for developing a risk assessment and mitigation plan. He also was concerned about the reliability and accuracy of claims loss data that was exacerbated by a change in the claims administrators.

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 campus community.

Recommendation 1

We recommend that the campus:

- a. Develop and document a risk assessment and mitigation plan.
- b. Prepare and issue an annual risk management summary report to the president.

Campus Response

- a. We concur. The office of risk management will develop and document a risk assessment and mitigation plan by April 30, 2004.

- b. We concur. The office of risk management has prepared and submitted a fiscal year (FY) 2002/2003 annual risk management summary report to the president.

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 disclosed that:

- ▶ Four employees had not completed initial IIPP training.
- ▶ Three employees were provided a copy of an outdated campus IIPP plan dated 1991.

Title 8 §3203, *IIPP*, dated July 1, 1991, states that every employer shall establish, implement, and maintain an effective IIPP. The program shall be in writing and, shall, at a minimum, provide training and instruction to all new employees.

The director of environmental health and occupational safety stated that the required training was the responsibility of each department. He stated that the departments were not monitored to ensure that the training was performed.

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 2

We recommend that the campus ensure that all new employees complete initial IIPP training and all new employees receive the most recent version of the IIPP.

Campus Response

We concur. The office of environmental health and occupational safety (EHOS) will begin providing new employee IIPP training during human resources' new employee orientation sessions by April 30, 2004. New employees will be provided with the most recent version of the IIPP during the sessions.

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 neither created nor reviewed with, and signed by, students.
- ▶ Service-learning agreements were not documented and approved by the contracts officer or designee. 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.

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 HR 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 the office of community service learning stated that the department had started to update forms and procedures for service-learning plans and agreements to comply with CSU best practices and insurance requirements, but the process had not been completed due to lack of sufficient staff.

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 3

We recommend that the campus:

- a. Ensure that service-learning plans are created and reviewed with, and signed by, students.
- b. Ensure that service-learning agreements are documented and approved by the contracts officer or designee. In addition, ensure that minimum insurance requirements are met, workers'

compensation responsibilities are assigned, and associated risks are properly communicated and understood.

Campus Response

We concur. The office of community service learning (OCSL), with the assistance of a consultant, has been updating forms and procedures to create signed service-learning plans and agreements in compliance with CSU best practices and insurance requirements. Service-learning procedures, which require that all students taking the CSL option review and sign service-learning plans, will be distributed to faculty for implementation by April 30, 2004. A new service-learning agreement has been developed with assistance from the procurement department and the office of risk management. The agreement incorporates minimum insurance requirements and assignment of workers' compensation responsibilities and associated risks. Service-learning agreements will be documented and approved by the contracts officer or designee.

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 five campus-sponsored field trips and five special events disclosed that:

- ▶ Liability waiver forms were not maintained for three field trips.
- ▶ Drivers for two field trips had not taken a defensive driving course or had their driving records checked.
- ▶ Special event lease agreements did not contain the minimum acceptable insurance and hold-harmless clause requirements.

EO No. 715, *CSU 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.

San Francisco State University (SFSU) *Risk Services Manual, Academic Field Trip Guidelines for Faculty*, states that all designated vehicle drivers must obtain appropriate authorization from the

university to participate and submit appropriate forms to the department chair. All authorized vehicle drivers on a field trip or carrying out any state business must possess: a valid California drivers license, a current defensive driver training certificate, and a good driving record (Department of Motor Vehicles (DMV) pull notice). In addition, all field trip participants must complete and submit appropriate liability waiver with a contact person (in case of emergency) that is retained in the academic department office. The completed and signed waiver of liability form should be kept for two years.

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 director of risk management stated that the departments were not always following the guidelines provided by risk management. He further stated that there was a difference in interpretation with regard to the insurance requirements for special events leases.

Inadequate procedures to control the risks associated with off-campus field trips and special events unnecessarily expose participating students to undue risk and increase the potential for loss to the campus community and the CSU.

Recommendation 4

We recommend that the campus:

- a. Ensure that liability waiver forms have been obtained from students before they depart on each trip.
- b. Ensure that employees and students who serve as drivers on field trips complete a defensive driving course and have their driving records checked.
- c. Ensure that lease agreements contain the appropriate insurance and hold-harmless clauses.

Campus Response

- a. We concur. Academic affairs will notify faculty members via memo, by April 30, 2004, of the requirement that liability waiver forms be obtained from students before they depart on each trip. In addition, the office of risk management will conduct periodic audits to monitor compliance. After conducting audits, the office of risk management will provide audit results and recommendations to appropriate department administrators and academic affairs, in order to increase compliance.
- b. We concur. EHOS will assist academic affairs in writing the memo in recommendation 4a, which will also inform faculty members of the requirement that employees and students who serve as

drivers on field trips complete a defensive driving course and have their driving records checked. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators and academic affairs, in order to increase compliance.

- c. We concur. The office of special events, working with the office of risk management, has modified the standard special event lease agreement form to ensure it contains appropriate insurance and hold-harmless clauses.

USE OF UNIVERSITY AND PRIVATE VEHICLES

Authorization forms to drive privately owned vehicles were not always completed or annually updated; and procedures did not ensure that defensive driving courses were completed, driving records were checked, trip logs were completed, and accidents were timely reported.

We noted that:

- ▶ Four of the fifteen employees had not completed an Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) form.
- ▶ Two of fifteen employees who drove privately owned vehicles on official business did not complete a defensive drivers training course.
- ▶ None of the 20 vehicle accident claims reviewed evidenced that the Office of Risk and Insurance Management (ORIM) was notified within the required 48-hour period.
- ▶ Departments were not consistently completing and maintaining daily trip logs each time a university vehicle was driven.

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, such as the campus requesting a copy of the person's driving record from the DMV at least once every four years and judging that the person has a good driving record, a CSU approved defensive driving course must be satisfactorily completed, and Std. Form 261, Authorization to Use Privately Owned Vehicles on State Business, must be completed. 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.

SFSU Driver Safety Program states that employee drivers are required to complete pre-trip vehicle inspection forms and daily trip logs each time a university vehicle is driven.

The director of environmental health and occupational safety stated that the campus did not fully implement a monitoring system to ensure that employees that drive on state business have completed all the required steps necessary until summer 2003.

Failure to comply with systemwide and campus vehicle use risk mitigation policies and procedures exposes the campus to potential lawsuits as well as increased insurance costs.

Recommendation 5

We recommend that the campus ensure that:

- a. All employees who drive private vehicles on official business complete an Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) form.
- b. All employees that operate vehicles on official business attend and successfully complete an approved defensive driver training course.
- c. All vehicle accidents are reported to the ORIM within 48 hours.
- d. All departments consistently complete and maintain daily trip logs each time a university vehicle is driven.

Campus Response

- a. We concur. In March 2004, the office of risk management notified all employees of the requirement that all employees who drive private vehicles on official business complete an Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) form, via a memo included with February pay warrants. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators in order to increase compliance.
- b. We concur. In March 2004, the office of risk management notified all employees of the requirement that they complete defensive driver training to become authorized university drivers, via a memo included with February pay warrants. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators in order to increase compliance.
- c. We concur. In March 2004, the office of risk management notified all employees of the requirement that all vehicle accidents be reported to ORIM within 48 hours, via a memo included with February pay warrants. In addition, the office of risk management will review accident reports as submitted to monitor compliance, and will notify appropriate department administrators of reports not submitted timely in order to increase compliance.
- d. We concur. EHOS will notify departments by April 30, 2004, of the requirement that they consistently complete and maintain daily trip logs each time a university vehicle is driven. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators in order to increase compliance.

WORKERS' COMPENSATION MANAGEMENT

CLAIMS HANDLING

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

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

- ▶ Benefits Option Selection Sheet forms were not provided to employees.
- ▶ In six instances, the employer's report of occupational injury or illness was not completed within five days after notification of the employee's work injury, and the third-party administrator was not notified in a timely manner.
- ▶ In five instances, the employee was not provided a worker's compensation claim benefits form within one day of the university's knowledge of the injury.

State Administrative Manual (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.

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 §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.

The director of risk management stated that delays occurred when forms were not completed and returned promptly by supervisors of injured employees.

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 the return-to-work program.

Recommendation 6

We recommend that the campus strengthen current work-related injury and illness policies and procedures to ensure that:

- a. Benefits Option Selection Sheet forms are provided to employees.
- b. The employer's report of occupational injury or illness is completed within five days after notification of the employee's work injury, and the third-party administrator is notified in a timely manner.
- c. The employee is provided a worker's compensation claim benefits form within one day of the university's knowledge of the injury.

Campus Response

- a. We concur. The office of risk management will begin providing employees with Benefits Option Selection Sheet forms by April 30, 2004. The office of risk management will maintain copies of the forms in employee claim files.
- b. We concur. The office of risk management will notify university administrators of the requirement that employer's reports of occupational injury or illness be completed and returned to the third-party administrator within five days after notification of employee work injuries, via memo, by April 30, 2004. The office of risk management will maintain date-stamped copies of the forms in the employee claim files. The office of risk management will periodically review the timeliness of submissions and provide corrective feedback to department administrators in order to ensure continued compliance.
- c. We concur. The office of risk management will notify university administrators of the requirement that employees be provided with workers' compensation claim benefit forms within one day of the university's knowledge of injury or illness, via memo, by April 30, 2004. The office of risk management will maintain date-stamped copies of claim benefit forms in the employee claim files. The office of risk management will periodically review the timeliness of this process and provide corrective feedback to department administrators in order to ensure continued compliance.

CLAIMS FOLLOW-UP

Campus procedures did not provide for maintenance of documentation to evidence the assessment and resolution of unsafe work conditions and/or environmental risks that resulted in workers' compensation claims.

Our review of ten workers' compensation claim files disclosed that nine did not contain documented evidence that an accident investigation took place and/or remedial action was taken.

Title 8 §3203, *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.

The director of environmental health and occupational safety indicated that while the claims resulting in unsafe work conditions and/or environmental risks were assessed and verbally resolved, appropriate written documentation was not maintained in some instances.

Not handling work-related injuries and illnesses in a consistent and timely manner exposes the campus to increased claim costs and could negatively impact employee productivity.

Recommendation 7

We recommend that the campus maintain documentation to support corrective actions taken for all workers' compensation claims resulting from identified unsafe work conditions and/or environmental risks.

Campus Response

We concur. The office of risk management and EHOS will notify university administrators of the requirement that they provide documentation to support corrective actions taken for all workers' compensation claims resulting from identified unsafe work conditions and/or environmental risks, via memo, by April 30, 2004. The office of risk management will send corrective action forms to appropriate administrators for completion after employees become injured or ill at work. Supervisors will return the forms to the office of risk management, which will maintain copies of the forms in the employee claim files. The office of risk management will periodically review performance of this recommendation and provide corrective feedback to department administrators in order to ensure continued compliance. The office of risk management will forward all completed original forms to EHOS for review and possible assistance, as requested or appropriate.

RETURN TO WORK

The campus had not formalized return-to-work policies and procedures and claim file documentation standards.

A review of 15 claim files disclosed that return-to-work procedures were inadequately documented and processed. Transitional employment plans were not prepared for 8 of 15 cases reviewed. Further, none of the cases evidenced that return-to-work administration was encouraged or monitored.

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.

SAM §2580.2 states agencies shall establish, implement, and maintain written policies for an injury prevention program and for returning injured employees to work as soon as it is medically feasible. In addition, agencies shall institute procedures, which call for follow-up by supervisors with disabled employees to assure that proper treatment is provided, to assist employees in obtaining a doctor's release to return to temporary limited duty as soon as it is medically feasible and to see that rehabilitation services are furnished when necessary.

SAM §2581.2 states the supervisor shall discuss return to work with employee, physician, State Compensation Insurance Fund Claims Adjuster, and departmental return-to-work coordinator. The supervisor shall also provide progressive recovery reports to his/her superior until the employee recovers from effects of injury.

The director of risk management stated that the development of a documented return-to-work program had been delayed due to staff training and development issues and that risk management has just recently begun formalizing return-to-work policies and procedures.

Failure to fully develop and implement return-to-work policies and procedures increases operating costs and negatively impacts productivity.

Recommendation 8

We recommend that the campus establish, document, and implement return-to-work policies and procedures.

Campus Response

We concur. The office of risk management has established, documented, and implemented return-to-work guidelines for permanently disabled employees. The office of risk management will develop and disseminate return-to-work guidelines for temporarily disabled employees by April 30, 2004.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Robert A. Corrigan	President
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

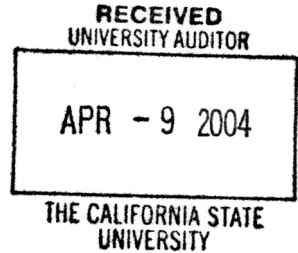


San Francisco
State University

Office of the President

APPENDIX B - Page 1 of 6
1600 Holloway Avenue
San Francisco, California 94132
Tel: 415/338-1381
Fax: 415/338-6210

April 5, 2004

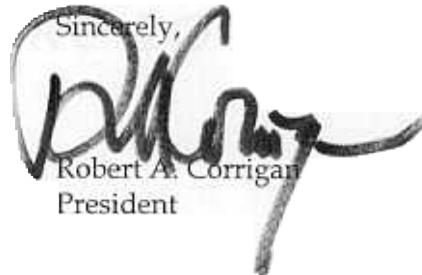


Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, California 90802-4210

Dear Mr. Mandel:

We have carefully reviewed the Office of the University Auditor Report #03-32 on Risk Management and Insurance at San Francisco State University. The report identified areas where additional efforts are needed, and we are taking actions to implement the recommendations.

Our responses to the recommendations are attached. The campus Internal Auditor will also forward the responses electronically to facilitate the response process. Questions regarding the responses may be directed to Leroy Morishita, Vice President for Administration and Finance, at 415/338-2521 or Jim Van Ness, Internal Auditor, at 415/338-7183.

Sincerely,

Robert A. Corrigan
President

JVN/id

Attachment

cc: Leroy M. Morishita, Vice President, Administration & Finance
Denise Fox Needleman, Assoc. Vice President, Human Resources, Safety & Risk Management
Michael Martin, Director, Risk Management
Robert (Bud) Shearer, Director, Environmental Health & Occupational Safety
Jim Van Ness, Internal Auditor
Franz Lozano, Associate Internal Auditor

RISK MANAGEMENT AND INSURANCE

SAN FRANCISCO STATE UNIVERSITY

REPORT NO. 03-32

RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

POLICIES AND PROCEDURES

Recommendation 1

We recommend that the campus:

- a. Develop and document a risk assessment and mitigation plan.
- b. Prepare and issue an annual risk management summary report to the president.

Campus Response

- a. We concur. The Office of Risk Management will develop and document a risk assessment and mitigation plan by April 30, 2004.
- b. We concur. The Office of Risk Management has prepared and submitted a FY 02/03 annual risk management summary report to the President.

INJURY AND ILLNESS TRAINING

Recommendation 2

We recommend that the campus ensure that all new employees complete initial IIPP training and all new employees receive the most recent version of the IIPP.

Campus Response

We concur. The Office of Environmental Health and Occupational Safety (EHOS) will begin providing new employee IIPP training during Human Resources' new employee orientation sessions by April 30, 2004. New employees will be provided with the most recent version of the IIPP during the sessions.

SERVICE-LEARNING PROGRAM

Recommendation 3

We recommend that the campus:

- a. Ensure that service-learning plans are created and reviewed with, and signed by, students.
- b. Ensure that service-learning agreements are documented and approved by the contracts officer or designee. In addition, ensure that minimum insurance requirements are met, workers' compensation responsibilities are assigned, and associated risks are properly communicated and understood.

Campus Response

We concur. The Office of Community Service Learning (OCSL), with the assistance of a consultant, has been updating forms and procedures to create signed service learning plans and agreements in compliance with CSU best practices and insurance requirements. Service learning procedures, which require that all students taking the CSL option review and sign service learning plans, will be distributed to faculty for implementation by April 30, 2004. A new service learning agreement has been developed with assistance from the Procurement Department and the Office of Risk Management. The agreement incorporates minimum insurance requirements and assignment of workers' compensation responsibilities and associated risks. Service learning agreements will be documented and approved by the contracts officer or designee.

OFF-CAMPUS FIELD TRIPS AND SPECIAL EVENTS

Recommendation 4

We recommend that the campus:

- a. Ensure that liability waiver forms have been obtained from students before they depart on each trip.
- b. Ensure that employees and students who serve as drivers on field trips complete a defensive driving course and have their driving records checked.
- c. Ensure that lease agreements contain the appropriate insurance and hold harmless clauses.

Campus Response

- a. We concur. Academic Affairs will notify faculty members via memo, by April 30, 2004, of the requirement that liability waiver forms be obtained from students before they depart on each trip. In addition, the Office of Risk Management will conduct periodic audits to monitor compliance. After conducting audits, the Office of Risk Management will provide audit results and recommendations to appropriate department administrators and Academic Affairs, in order to increase compliance.

- b. We concur. EHOS will assist Academic Affairs in writing the memo in recommendation 4a, which will also inform faculty members of the requirement that employees and students who serve as drivers on field trips complete a defensive driving course and have their driving records checked. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators and Academic Affairs, in order to increase compliance.
- c. We concur. The Office of Special Events, working with the Office of Risk Management, has modified the standard special event lease agreement form to ensure it contains appropriate insurance and hold harmless clauses.

USE OF UNIVERSITY AND PRIVATE VEHICLES

Recommendation 5

We recommend that the campus ensure that:

- a. All employees who drive private vehicles on official business complete an Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) form.
- b. All employees that operate vehicles on official business attend and successfully complete an approved defensive drivers training course.
- c. All vehicle accidents are reported to the ORIM within 48 hours.
- d. All departments consistently complete and maintain daily trip logs each time a university vehicle is driven.

Campus Response

- a. We concur. In March 2004, the Office of Risk Management notified all employees of the requirement that all employees who drive private vehicles on official business complete an Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) form, via a memo included with February pay warrants. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators in order to increase compliance.
- b. We concur. In March 2004, the Office of Risk Management notified all employees of the requirement that they complete defensive driver training to become authorized University drivers, via a memo included with February pay warrants. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators in order to increase compliance.
- c. We concur. In March 2004, the Office of Risk Management notified all employees of the requirement that all vehicle accidents be reported to ORIM within 48 hours, via a memo included with February pay warrants. In addition, the Office of Risk Management will review accident reports as submitted to monitor compliance, and will notify appropriate department administrators of reports not submitted timely in order to increase compliance.

- d. We concur. EHOS will notify departments by April 30, 2004 of the requirement that they consistently complete and maintain daily trip logs each time a University vehicle is driven. In addition, EHOS will conduct periodic audits to monitor compliance. After conducting audits, EHOS will provide audit results and recommendations to appropriate department administrators in order to increase compliance.

WORKERS' COMPENSATION MANAGEMENT

CLAIMS HANDLING

Recommendation 6

We recommend that the campus strengthen current work-related injury and illness policies and procedures to ensure that:

- a. Benefits Option Selection Sheet forms are provided to employees.
- b. The employer's report of occupational injury or illness is completed within five days after notification of the employee's work injury, and the third party administrator is notified in a timely manner.
- c. The employee is provided a worker's compensation claim benefits form within one day of the university's knowledge of the injury.

Campus Response

- a. We concur. The Office of Risk Management will begin providing employees with Benefits Option Selection Sheet forms by April 30, 2004. The Office of Risk Management will maintain copies of the forms in employee claim files.
- b. We concur. The Office of Risk Management will notify University administrators of the requirement that employer's reports of occupational injury or illness be completed and returned to the third party administrator within five days after notification of employee work injuries, via memo, by April 30, 2004. The Office of Risk Management will maintain date-stamped copies of the forms in the employee claim files. The Office of Risk Management will periodically review the timeliness of submissions and provide corrective feedback to department administrators in order to ensure continued compliance.
- c. We concur. The Office of Risk Management will notify University administrators of the requirement that employees be provided with workers' compensation claim benefit forms within one day of the University's knowledge of injury or illness, via memo, by April 30, 2004. The Office of Risk Management will maintain date-stamped copies of claim benefit forms in the employee claim files. The Office of Risk Management will periodically review the timeliness of this process and provide corrective feedback to department administrators in order to ensure continued compliance.

CLAIMS FOLLOW-UP

Recommendation 7

We recommend that the campus maintain documentation to support corrective actions taken for all workers' compensation claims resulting from identified unsafe work conditions and/or environmental risks.

Campus Response

We concur. The Office of Risk Management and EHOS will notify University administrators of the requirement that they provide documentation to support corrective actions taken for all workers' compensation claims resulting from identified unsafe work conditions and/or environmental risks, via memo, by April 30, 2004. The Office of Risk Management will send corrective action forms to appropriate administrators for completion after employees become injured or ill at work. Supervisors will return the forms to the Office of Risk Management which will maintain copies of the forms in the employee claim files. The Office of Risk Management will periodically review performance of this recommendation and provide corrective feedback to department administrators in order to ensure continued compliance. The Office of Risk Management will forward all completed original forms to EHOS for review and possible assistance, as requested or appropriate.

RETURN TO WORK

Recommendation 8

We recommend that the campus establish, document, and implement return-to-work policies and procedures.

Campus Response

We concur. The Office of Risk Management has established, documented, and implemented return to work guidelines for permanently disabled employees. The Office of Risk Management will develop and disseminate return to work guidelines for temporarily disabled employees by April 30, 2004.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

AKERSF

ISI ND: May 5, 2004

DOMINGU

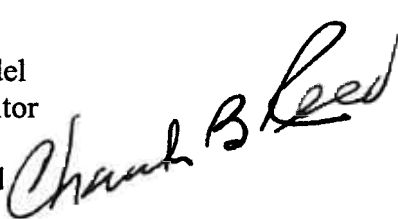
MEMORANDUM

FULLERTON

TO: Mr. Larry Mandel
University Auditor

AYWARI

FROM: Charles B. Reed
Chancellor



LONG BEACH

SUBJECT: Draft Final Report Number 03-32 on *Risk Management and Insurance*, San Francisco State University

MARITIME ACADEMY

MOJIBRI AY

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

NORTHR

POMON

SACRAMENTC

CBR/bth

BERNARDINC

Enclosure

SAN DIEGO

cc: Dr. Robert A. Corrigan, President
Mr. Jim Van Ness, Internal Auditor

SAN FRANCISCO

SAN JOSE

SAN M

SAN MA

STANISLAU