

RISK MANAGEMENT AND INSURANCE
CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA

Report Number 03-26
August 25, 2003

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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
Service-Learning Program	5
Use of University and Private Vehicles	5
Insurance Program Administration	8
Insurance Requirements	8
Property and Liability Claim Processing	9
Property Insurance	10
Workers' Compensation Management.....	11

APPENDICES

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

ABBREVIATIONS

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

EXECUTIVE SUMMARY

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

We visited the California State Polytechnic University, Pomona campus from April 14, 2003, through May 22, 2003, and audited the procedures in effect at that time.

In our opinion, existing risk management and workers' compensation policies and procedures were effective in total. However, in a limited number of instances, the risk management administrative controls needed to be strengthened. Except for the timeliness of reporting claims, workers' compensation processing controls were operating effectively.

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]

There were not effective controls in place that provided assurance that service-learning plans were created and reviewed with students. We also noted that the service-learning plans used by the campus did not include the required hold harmless clause. Further, the campus was not in full compliance with state, campus, and California State University (CSU) policy concerning the use of university and private vehicles. Authorization forms to drive privately owned vehicles were not always kept current, certifications to drive campus vehicles were not always signed, auto accidents were not always timely reported, defensive driving courses were not completed every four years, and procedures did not ensure that certain employees were enrolled in the Department of Motor Vehicles' (DMV) Employer Pull Notice Program.

INSURANCE PROGRAM ADMINISTRATION [8]

Controls over the procurement of services did not always ensure that adequate proof of insurance was obtained and insurance coverage was in accordance with CSU policy. Insurance certificates and/or additional insured endorsements were not obtained for the majority of purchase transactions reviewed. Procedures for property and liability claim processing and claim file standards were not documented. In addition, the campus did not have a process in place to ensure that new buildings were covered by property insurance.

WORKERS' COMPENSATION MANAGEMENT [11]

The campus did not have an effective process in place that provided reasonable assurance that workers' compensation claims were reported to the third party administrator in a timely manner.

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 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 control, clear lines of organizational authority, adequate loss prevention and control programs, and documented policies and procedures.
- ▶ The campus has identified, evaluated, mitigated, and documented significant financial and operational risks.
- ▶ Processes exist that adequately mitigate the risks associated with campus sponsored special events, field trips, study abroad programs, air travel, and service learning programs.
- ▶ The campus has established and documented an injury and illness prevention (IIPP) program.
- ▶ 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 May 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

SERVICE-LEARNING PROGRAM

Controls over service-learning programs did not ensure that required hold harmless provisions were included in student placement agreements.

We noted that:

- ▶ Service-learning plans were not created and reviewed with students.
- ▶ A mechanism was not in place to amend service-learning agreements or to create learning plans as a result of changes to chancellor's office directives.
- ▶ None of the five service-learning agreements reviewed included the required hold harmless clauses.

Executive Order (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 California State University (CSU) insurance requirements dated April 4, 2000.

CSU's 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 director of risk management staff development and training stated that the campus had not yet hired a full-time director of service learning that would implement the changes.

Not including required hold harmless provisions in service-learning program agreements unnecessarily exposes the university to financial loss and/or embarrassment.

Recommendation 1

We recommend that the campus establish controls that ensure required hold harmless provisions are included in all service-learning agreements.

Campus Response

We concur with the recommendation.

In order to ensure that the service-learning program with all of its aspects is appropriately administered, the university created a service learning program unit. Dr. David Speak is the director of the program and Ms. Christina Gonzalez-Salgado is the community collaborative coordinator.

Dr. Speak has adopted the *Best Practices for Managing Risk in Service Learning*. This includes utilizing the suggested contract, which includes the recommended hold harmless language.

Timeline: Completed

USE OF UNIVERSITY AND PRIVATE VEHICLES

Authorization forms to drive privately owned vehicles were not always kept current, certifications to drive campus vehicles were not always signed, auto accidents were not always timely reported, defensive driving courses were not completed every four years, and procedures did not ensure that certain employees were enrolled in the Department of Motor Vehicles' (DMV) Employer Pull Notice Program.

We noted that:

- ▶ All ten of the Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) forms reviewed had not been renewed on the required annual basis.
- ▶ In two of six instances, the campus did not notify the Office of Risk and Insurance Management (ORIM) of an accident within the required 48-hour period.
- ▶ Two of fifteen employees who drove campus vehicles on official business did not complete a defensive driving course.
- ▶ A process had not been implemented to ensure that all employees who drive vehicles as a condition of employment were enrolled in the DMV's Employer Pull Notice Program or that copies of employee driving records were requested from the DMV at least once every four years.

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, 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.

The director of risk management staff development and training indicated her belief that the departments were not ensuring compliance.

Outdated Std. Form 261 authorizations, untimely accident reporting, and failure to sign certifications, attend defensive drivers training, and enroll applicable employees in the Pull Notice Program increase the risk of non-compliance with state, campus, and CSU policy and expose the campus to potential lawsuits as well as higher insurance costs.

Recommendation 2

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 renewals.
- b. Ensure that vehicle 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 that copies of employee driving records are requested from the DMV at least once every four years.

Campus Response

We concur with the recommendations.

- a. An e-mail identified as an "Important Reminder" was sent to the deans, department heads, and chairs on July 29, 2003, outlining the requirements for employees who may use their personal vehicles when traveling on state business. A letter was also mailed on September 15, 2003, to the campus community containing the same information. Additionally, this information will be included on our website.

We have also developed an application form to be used when requesting license clearance. At the time that the application is submitted, the employee will also be given a Std. Form 261 to be retained in the employee's department.

The office of risk management services will perform period audits to ensure compliance.

- b. Copies of Std. 260 have been placed in the glove compartments of every university vehicle that explain what to do in case of an incident. These include information on how to report incidents with a sample of the Std. 270 form. Random checks of university vehicles are conducted, and an annual letter is sent to facilities management requesting a check of all vehicles for compliance.

A memo was sent to Chief Lipson in July restating the requirement to ensure that Std. 270 forms are submitted to ORIM within 48 hours of the incident. The memo also explained that the Office of Risk Management Services would be conducting periodic audits to ensure compliance.

- c. An e-mail identified as an “Important Message” was sent to the deans, department heads, and chairs on July 29, 2003, reminding them that all employees who are authorized to drive on state business must successfully complete defensive drivers’ training. A letter was also mailed to the campus community on September 15, 2003, outlining what is required for an employee to drive on state business. Additionally, this information will be included in the risk management website.

Four defensive drivers’ training classes were completed in August with four more scheduled for September.

The office of risk management services will conduct periodic audits to ensure compliance.

- d. An e-mail identified as an “Important Message” was sent to the deans, department heads, and cChairs on July 29, 2003, reminding them that all employees who are authorized to drive on state business must be enrolled in the DMV Pull Notice Program. Included was the new “Application For Vehicle Operation Authorization” to be used for enrollment in the program. Letters were also mailed to the campus community September 15, 2003, and will be issued annually outlining what is required for an employee to drive on state business. Additionally, this information will be included in the risk management website.

The office of risk management service will conduct periodic audits to ensure compliance.

Timeline: Completed

INSURANCE PROGRAM ADMINISTRATION

INSURANCE REQUIREMENTS

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

We reviewed 25 purchase transactions requiring insurance and found that:

- ▶ In 12 instances, evidence of insurance (i.e., certificates of insurance/additional insured endorsements) had not been obtained.
- ▶ In four instances, the additional insured wording on the Certificate of Insurance was not in compliance with the wording specified in EO No. 849.
- ▶ In three instances, the insurance limits were not in compliance with EO No. 849, and there was no evidence of acceptance of the lower limits by the director of risk management and business services.

EO No. 849, *CSU Insurance Requirements*, dated February 5, 2003, states that in the absence of risk identification and evaluation, the minimum insurance limits and hold harmless provisions as specified

in this Executive Order are required. After consideration of risk factors, the campus may amend the standard practices to use either higher or lower limits. These requirements have been in effect since the initial EO concerning CSU insurance requirements dated April 4, 2000.

The director of procurement and contract services indicated that proof of insurance was not always requested or required for low-value service orders. He further stated that the internal procedures had not been updated to be consistent with EO No. 829.

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

Recommendation 3

We recommend that the campus establish controls to ensure that adequate proof of insurance is obtained and insurance coverage is in accordance with CSU policy.

Campus Response

We concur with the recommendation.

Procurement and support services revised their purchasing and contract services insurance procedures on August 18, 2003. This revision clearly identifies contract insurance requirements per EO No. 849.

The office of risk management services will conduct periodic and random audits of agreements and contracts to ensure that we remain in compliance.

Timeline: Completed

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 director of risk management staff development and training stated that they were working from the *CSU Risk Management Authority* manual, and they were unaware of the requirement for a specific campus policy.

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 4

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

Campus Response

We concur with this recommendation.

The office of risk management has formalized a claim file documentation standard.

Timeline: Completed

PROPERTY INSURANCE

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

We noted that the new engineering building had not been added to the property computerized database.

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

The director of risk management staff development and training stated that the campus had not yet implemented new procedures to add completed projects to the campus property list for insurance purposes after a change in the building and completion process.

Failure to obtain insurance increases the risk that campus property will be inadequately insured and exposes the campus to financial loss.

Recommendation 5

We recommend that the campus formalize the property update process and establish procedures to monitor the adequacy of property insurance coverage.

Campus Response

We concur with this recommendation.

The university's project closeout checklist item number 21 requires that the *Request for Insurance* form be forwarded to the office of risk management services. Audits will be conducted by the office of risk management services to ensure that all new construction buildings and value of all building additions/remodels are added to the property policy.

Timeline: Completed

WORKERS' COMPENSATION MANAGEMENT

The campus did not have an effective process in place that provided reasonable assurance that workers' compensation claims were reported to the third-party administrator in a timely manner.

In 5 of 30 claims reviewed, the third-party administrator was not informed of the injury within 5 days from the date the campus became aware of the injury.

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

The director of risk management staff development and training indicated that the departments were not informing risk management in a timely manner due to a delay in notification by the effected employee's and/or their supervisor's.

Failure to notify the third-party administrator of workers' compensation claims in a timely manner could result in a delay of employee benefits.

Recommendation 6

We recommend that the campus establish procedures to assure that department managers are aware of their responsibility to inform risk management of work-related injuries in a timely manner.

Campus Response

We concur with the recommendation.

On July 31, 2003, the annual letter to deans, directors, department heads, and department chairs was issued. The memo notified the campus community of our new third party administrator, provided a manager's and supervisor's procedure for reporting work-related injuries and illnesses, and included the new posting notice, employee claim form, manager's supervisors report of employee injury or illness, and medical service order.

A second memorandum was sent to all campus employees on September 15, 2003. This memo was a review of the procedures for reporting work-related injuries or illnesses. We have also created a template memo to be sent to supervisors when we are not notified in a timely manner of a work-related injury or illness. Additionally, the office of risk management services will conduct audits to ensure we remain in compliance.

Timeline: Completed

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Bob H. Suzuki	President
Valerie Eberle	Claims Coordinator, Risk Management Services
Donald Green	Director, Procurement and Support Services
Darwin Labordo	Associate Vice President for Finance and Administration Services
David Patterson	Director, Environmental, Health and Safety
Sharon Reiter	Director of Risk Management Staff Development and Training
Debra Schneck	Contracts and Procurement Lead, Procurement and Support Services



Office of the Vice President
for Administrative Affairs

September 22, 2003

Mr. Larry Mandel, University Auditor
Office of the Auditor
The California State University
400 Golden Shore, Suite 210
Long Beach, CA 90802

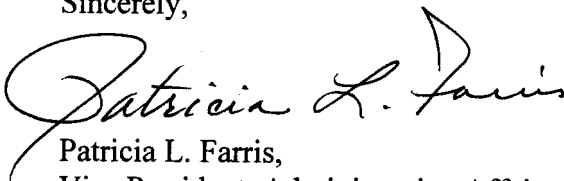
Dear Mr. Mandel

**Subject: Campus Response to Recommendations of Risk Management and Loss
Prevention Programs Audit Report 03-26**

Enclosed is California State Polytechnic's campus response to Risk Management and Loss Prevention Programs Audit Report 03-26. We appreciate the effort you and your staff have made to indicate areas where our procedures or internal controls could be strengthened. We have taken the necessary actions to address the report's recommendations.

Please direct questions concerning the response to Darwin Labordo, Associate Vice President of Finance and Administrative Services at 909-869-2008 or dlabordo@csupomona.edu.

Sincerely,



Patricia L. Farris,
Vice President, Administrative Affairs

CC: J. Michael Ortiz, President
Darwin Labordo, Associate Vice President, Finance and Administrative Services
Ray Inge, Associate Vice President, Human Resource Services
and Risk Programs
Sharon Reiter, Director of Risk Management
Donald W. Green, Director of Procurement and Support Services

Enclosure

Pomona, CA 91768 Telephone (909) 869-3020 Fax (909) 869-4541 E-mail plfarris@csupomona.edu

CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA
Report Number 03-26
Risk Management and Loss Prevention Programs Audit
September 22, 2003

Recommendation Number	Description	Completed	In Progress	Expected Completion Date
1	Service Learning	X		
2	Use of University and Private Vehicles	X		
3	Insurance Requirements	X		
4	Property and Liability Claim Processing	X		
5	Property Insurance	X		
6	Workers' Compensation Management	X		

CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA

RISK MANAGEMENT AND INSURANCE
AUDIT REPORT NO. 03-26

RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

SERVICE-LEARNING PROGRAM

Recommendation 1

We recommend that the campus establish controls that ensure required hold harmless provisions are included in all service-learning agreements.

Campus Response

We concur with the recommendation.

In order to ensure that the service learning program, with all of its aspects is appropriately administered, the University created a Service Learning Program unit. Dr. David Speak is the Director of the program and Ms. Christina Gonzalez-Salgado is the Community Collaborative Coordinator.

Dr. Speaks has adopted the "Best Practices for Managing Risk in Service Learning". This includes utilizing the suggested contract which includes the recommended hold harmless language.

Timeline: Completed

USE OF UNIVERSITY AND PRIVATE VEHICLES

Recommendation 2

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 renewals.
- b. Ensure that vehicle 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 that copies of employee driving records are requested from the DMV at least once every four years.

Campus Response

We concur with the recommendation:

- a. An email identified as an “Important Reminder” was sent to the Deans, Department Heads and Chairs on July 29, 2003 outlining the requirements for employees who may use their personal vehicles when traveling on state business. A letter was also mailed on September 15, 2003 to the campus community containing the same information. Additionally, this information will be included on our website.

We have also developed an application form to be used when requesting license clearance. At the time that the application is submitted the employee will also be given a Std. Form 261 to be retained in the employee’s department.

The office of Risk Management Services will perform period audits to ensure compliance.

- b. Copies of Std. 260 have been placed in the glove compartments of every University vehicle that explain what to do in case of an incident. These include information on how to report incidents with a sample of the Std. 270 form. Random checks of University vehicles are conducted and an annual letter is sent to Facilities Management requesting a check of all vehicles for compliance.

A memo was sent to Chief Lipson in July restating the requirement to ensure that Std. 270 forms are submitted to ORIM within 48 hours of the incident. The memo also explained that the office of Risk Management Services would be conducting periodic audits to ensure compliance.

- c. An email identified as an “Important Message” was sent to the Deans, Department Heads and Chairs on July 29, 2003 reminding them that all employees who are authorized to drive on state business must successfully complete defensive drivers training. A letter was also mailed to the campus community on September 15, 2003 outlining what is required for an employee to drive on state business. Additionally, this information will be included in the Risk Management website.

Four (4) defensive drivers training classes were completed in August with four (4) more scheduled for September.

The office of Risk Management Services will conduct periodic audits to ensure compliance.

- d. An email identified as an “Important Message” was sent to the Deans, Department Heads and Chairs on July 29, 2003 reminding them that all employees who are authorized to drive on state business must be enrolled in the DVM Pull Notice Program. Included was the new “Application For Vehicle Operation Authorization” to be used for enrollment in the program. Letters were also mailed to the campus community September 15, 2003 and will be issued annually outlining what is required for an employee to drive on state business. Additionally, this information will be included in the Risk Management website.

The office of Risk Management Service will conduct periodic audits to ensure compliance.

Timeline: Completed

INSURANCE PROGRAM ADMINISTRATION

INSURANCE REQUIREMENTS

Recommendation 3

We recommend that the campus establish controls to ensure that adequate proof of insurance is obtained and insurance coverage is in accordance with CSU policy.

Campus Response

We concur with the recommendation.

Procurement and Support Services revised their Purchasing and Contract Services Insurance Procedures on August 18, 2003. This revision clearly identifies contract insurance requirements per Executive Order No. 849.

The office of Risk Management Services will conduct periodic and random audits of agreements and contracts to ensure that we remain in compliance.

Timeline: Completed

PROPERTY AND LIABILITY CLAIM PROCESSING

Recommendation 4

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

Campus Response

We concur with this recommendation.

The office of Risk Management has formalized a claim file documentation standard.

Timeline: Completed

PROPERTY INSURANCE

Recommendation 5

We recommend that the campus formalize the property update process and establish procedures to monitor the adequacy of property insurance coverage.

Campus Response

We concur with this recommendation.

The University's Project Closeout Checklist item number 21 requires that the "Request for Insurance" form be forwarded to the Office of Risk Management Services. Audits will be conducted by the office of Risk Management Services to ensure that all new construction buildings and value of all building additions/remodels are added to the property policy.

Timeline: Completed

WORKERS' COMPENSATION MANAGEMENT

Recommendation 6

We recommend that the campus establish procedures to assure that department managers are aware of their responsibility to inform risk management of work-related injuries in a timely manner.

Campus Response

We concur with the recommendation.

On July 31, 2003 the annual letter to Deans, Directors, Department Heads and Department Chairs was issued. The memo notified the campus community of our new third party administrator, provided a manager's and supervisor's procedure for reporting work-related injuries and illnesses, and included the new posting notice, employee claim form, manager's supervisors report of employee injury or illness, and medical service order.

A second memorandum was sent to all campus employees on September 15, 2003. This memo was a review of the procedures for reporting work-related injuries or illnesses. We have also created a template memo to be sent to supervisors when we are not notified in a timely manner of a work-related injury or illness. Additionally, the office of Risk Management Services will conduct audits to ensure we remain in compliance.

Timeline: Completed

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

October 1, 2003

CHANNEL ISLANDS

CHICO

MEMORANDUM

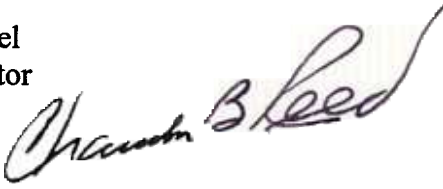
DOMINGUEZ HILLS

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed 
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 03-26 on *Risk Management and Insurance*, California State Polytechnic University, Pomona

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of October 1, 2003, I accept the response as submitted with the draft final report on *Risk Management and Insurance*, California State Polytechnic University, Pomona.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/bth

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Ms. Patricia L. Farris, Vice President for Administrative Affairs
Dr. J. Michael Ortiz, President

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS