

**RISK MANAGEMENT AND INSURANCE**

**SAN JOSÉ STATE UNIVERSITY**

**Report Number 03-27**

**October 16, 2003**

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## **ABBREVIATIONS**

CBO	Community Based Organization
CSU	California State University
CSURMA	CSU Risk Management Authority
DMV	Department of Motor Vehicles
DWC-1	Employee's Claim for Workers' Compensation Benefits
EO	Executive Order
FTLIP	Foreign Travel Liability Insurance Program
IIPP	Injury and Illness Prevention Program
ORIM	Office of Risk and Insurance Management
SAM	State Administrative Manual
SCIF	State Compensation Insurance Fund
SJSU	San José State University

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## **EXECUTIVE SUMMARY**

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

We visited the San José State University (SJSU) campus from May 19, 2003, through June 20, 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. We were, however, impressed with the risk mitigation practices in place as part of the procurement process.

The following summary provides management with an overview of conditions requiring 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]**

Although the campus had developed a risk management policy in response to Executive Order No. 715, its program lacked important required elements and had not been fully implemented. The program did not include a campus risk assessment and mitigation plan, documented campuswide risk management guidelines and procedures, or an ongoing process to proactively identify risks, analyze the frequency and severity of identified risks, and implement risk mitigation programs. Controls over service-learning programs did not include student placement agreements to define associated risks and ensure adequate insurance coverage, while international travel for state funded study abroad programs was not properly approved and required release and hold harmless statements were not always completed. In addition, the campus risk management program did not include policies and procedures to control the risk associated with off-campus field trips. Finally, the campus was not in full compliance with 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 completed, defensive driving courses were not always completed every four years, driving records were not being checked, and procedures did not ensure that accidents were timely reported.

### **INSURANCE PROGRAM ADMINISTRATION [12]**

Controls over property and liability claim processing did not always ensure adequate claim file documentation. Procedures for claim processing and claim file documentation standards had not been documented, and instances were noted where claim files could not be located or were never prepared, on-line claim file records were not updated, claim file status could not be determined, and signed settlement agreements were not on file.

### **WORKERS' COMPENSATION MANAGEMENT [14]**

Work-related injuries and illnesses were not consistently handled in accordance with campus procedures and state timeliness standards. Instances were noted where the supervisor's injury report and employee claim forms were not submitted/provided within 24 hours as required, and some employee claim forms

were not retained on file. In addition, workers' compensation claims resulting from unsafe work conditions and/or environmental risks were not consistently assessed and resolved to prevent future occurrences.

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## INTRODUCTION

### BACKGROUND

Risk management is the process by which financial or operational risks are identified, evaluated, measured and prioritized. Once the risks have been prioritized, various risk mitigation techniques are reviewed, and the best technique or combination of techniques is applied to mitigate 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 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 are in place 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 through March 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.

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## **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 had not been fully implemented.

We noted that:

- ▶ SJSU Presidential Directive No. 2000-02 was outdated and had not been fully implemented. For example, the directive references the director of safety and risk management instead of the manager of compliance as having risk management advisory and monitoring responsibility. Additionally, campuswide risk management guidelines and procedures were not documented.
- ▶ A campus risk assessment and mitigation plan had not been developed and documented.
- ▶ An effective, ongoing process was not in place to proactively identify risks, analyze the frequency and severity of identified risks, and implement risk mitigation programs.

SJSU Presidential Directive No. 2000-02, *Risk Management Policy*, dated February 15, 2000, recognizes risk management as an essential function of the campus and implements the provisions of EO No. 715.

EO No. 715, *California State University 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.

The manager of compliance stated that the previous risk manager had not implemented these requirements. He further stated that the newly created position of risk and insurance specialist was filled in February 2003 and includes managerial oversight for compliance with EO No. 715. He added that he and the risk and insurance specialist are currently developing internal policies and procedures and drafting campuswide guidelines on risk assessment and other risk management techniques.

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 establish, document, and implement policies, procedures, and controls to ensure full compliance with EO No. 715 and Presidential Directive No. 2000-02.

### **Campus Response**

We concur. The campus will draft and implement a presidential directive establishing, documenting, and implementing policies, procedures, and controls requiring full compliance with Executive Order No. 715 and Presidential Directive 2000-02.

Expected completion date: January 30, 2004.

## **SERVICE-LEARNING PROGRAM**

Controls over service-learning programs did not include student placement agreements to define associated risks and ensure insurance coverage in compliance with CSU policy.

Our review disclosed that service-learning programs had not been centrally monitored and formalized in written service-learning agreements. 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. The campus was in the process of modifying service-learning agreement and learning plan templates from the CSU *Best Practices for Managing Risk in Service Learning* for its use.

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 manager of compliance stated that the SJSU Center for Service Learning, the entity responsible for service-learning program administration, had not finalized service-learning agreements for evaluation by his unit. He further stated that the risk and insurance specialist sits on the service learning committee and is assisting in the establishment of these agreements.

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 in accordance with CSU policy to adequately reduce the risks associated with service-learning programs.

### **Campus Response**

We concur. The campus will draft and implement a presidential directive outlining policies, procedures, and controls in accordance with CSU policy to adequately reduce the risks associated with service learning programs.

In accordance with the *CSU Best Practices for Managing Risk in Service Learning*, the service learning agreement between the university and community based organization (CBO) will be revised and implemented before any student is permitted to participate in service learning. The risk and insurance specialist will train service-learning staff regarding mandatory insurance and workers' compensation requirements, and will be consulted should any CBO wish to deviate from the requirements of the presidential directive. A log will be maintained by the service-learning center indicating all students and all CBO's partnered with are on record for documentation and corrective action purposes. A master list of all students engaged in service learning will be maintained by service learning and reviewed by risk management on a quarterly basis. To ensure appropriate linking, the risk and insurance specialist will attend all quarterly service learning meetings to provide input regarding risk management and to ensure all proper procedures outlined in the service learning manual are complied with. In addition, the risk and insurance specialist will conduct training, including an overview of the required guidelines, for the deans of the eight colleges.

Expected completion date: January 30, 2004.

## **STATE FUNDED STUDY ABROAD PROGRAMS**

International travel for student participants was not approved in accordance with campus guidelines, and required release and hold harmless statements were not always completed.

Our review of 29 study abroad student participant records disclosed that:

- ▶ International travel request forms had not been completed and approved by the provost for all of the students.
- ▶ In 11 instances, release and hold harmless statements had not been completed.

SJSU *Foreign Travel Liability Insurance Program Guidelines* state that per Presidential Directive No. 98-03 and CSU EO No. 688, all international travel must have prior approval from the provost for faculty and students, or vice president of a staff member's division. The traveler must complete the SJSU international travel request at least 30 days before travel is to begin and submit it to the provost or appropriate vice president.

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

The manager of compliance stated that the previous risk manager had not implemented these requirements. He further stated that the recently hired risk and insurance specialist plans to conduct training on this issue and monitor activities to ensure compliance.

The lack of compliance with campus guidelines and CSU policy unnecessarily exposes the university to financial loss and/or embarrassment.

### **Recommendation 3**

We recommend that the campus establish and implement controls that ensure compliance with campus foreign travel guidelines and CSU policy.

### **Campus Response**

We concur. The campus will establish and implement controls that ensure compliance with campus foreign travel guidelines and CSU policy.

These guidelines will, among other things, involve the risk and insurance specialist working in conjunction with the international and extended studies department to develop a system of checks and balances to insure that all required releases and hold-harmless agreements are signed and explained to each student. A record of all trips, including duration and purpose will be maintained and reviewed by international studies and risk management on a quarterly basis. Risk management will be available to advise and consult the department of international and extended studies regarding travel requirements.

The risk and insurance specialist will issue a letter created jointly with international studies to all deans prior to the beginning of each academic year explaining the need for proper procedures to be

followed and foreign travel liability insurance program (FTLIP) guidelines will be adhered to as written.

The SJSU request form for FTLIP has recently been simplified by combining the approval form and the insurance request form into one document. This allows both the required approvals from the provost for faculty and student travel and insurance quotation underwriting information to be compiled in one form, thus simplifying the process for all concerned. This information and copies of the new form have been presented to a representative of all SJSU departments to disseminate to all deans, departments chairs and faculty.

Expected completion date: January 30, 2004.

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

The campus risk management program did not include policies and procedures to control the risk associated with off-campus field trips.

Specifically, the campus was unable to provide a list of off-campus field trips for our review, and risk mitigation polices and procedures had not been established and documented.

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.

The manager of compliance stated that the previous risk manager had not implemented controls over off-campus field trips. He further stated that the recently hired risk and insurance specialist plans to conduct training on this issue and monitor activities to ensure compliance.

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

#### **Recommendation 4**

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

#### **Campus Response**

We concur. The campus will draft and disseminate a presidential directive establishing and implementing policies, procedures, and controls in accordance with CSU policy to adequately reduce risks associated with off campus field trips. After completion of the presidential directive, the risk

and insurance specialist will provide training to the council of deans, the council of chairs, and departmental human resource contacts. The risk and insurance specialist will then provide follow-up with colleges and departments on a semester basis.

Expected completion date: January 30, 2004.

## **USE OF UNIVERSITY AND PRIVATE VEHICLES**

Authorization forms to drive privately owned vehicles were not always completed, defensive driving courses were not always completed every four years, driving records were not being checked, and procedures did not ensure that accidents were timely reported.

We noted that:

- ▶ Twenty-four of thirty employees reviewed had not completed an Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) form.
- ▶ Twenty-five of forty-five employees reviewed who drove campus vehicles on official business did not complete a defensive driving course within the last four years.
- ▶ Department of Motor Vehicles (DMV) driving records were not being checked for employees who drive vehicles as a condition of employment.
- ▶ Two of four vehicle accidents reviewed were not reported to the Office of Risk and Insurance Management (ORIM) within the required 48-hour period.

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 and Std. Form 261, *Authorization to Use Privately Owned Vehicles on State Business*, must be completed. 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.

*SJSU Motor Vehicle Inspection Program and Defensive Driving Guidelines* state 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, the person must make certain certifications in writing. The authorization/certification form (Std. Form 261) will be valid for a period not to exceed one year. Once completed, Form 261 may be initiated and dated annually by the employee to certify that it is current. In addition, defensive driver training is required every four years. 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 manager of compliance stated that sole responsibility for compliance with this program had shifted to his unit in December 2002, and previous efforts to establish the program between multiple departments without centralized responsibility for implementation proved unsuccessful.

Failure to complete Std. Form 261 authorizations, attend defensive drivers training, check driving records, and timely report accidents 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 5**

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 all employees that operate vehicles on official business attend and successfully complete an approved defensive driver training course at least once every four years.
- c. Check driving records at least once every four years.
- d. Ensure that vehicle accidents are reported to the ORIM within 48 hours.

### **Campus Response**

We concur. The campus will draft and disseminate a presidential directive delineating campus procedures to obtain and maintain Std. Form 261 for all employees authorized to drive privately owned vehicles while conducting official business, including annual renewals, ensure that all employees that operate vehicles on official business attend and successfully complete an approved defensive driver training course at least once every four years, check driving records at least once every four years, and ensure that vehicle accidents are reported to the ORIM within 48 hours.

Expected completion date: January 30, 2004.

## **INSURANCE PROGRAM ADMINISTRATION**

Controls over property and liability claim processing did not always ensure adequate claim file documentation.

Our review of claim processing procedures and 15 liability claim files disclosed that:

- ▶ Procedures for claim processing and claim file documentation standards had not been documented.
- ▶ In six instances, the claim files could not be located or were never prepared.

- ▶ In four instances, the on-line claim file record was not updated to reflect closure of the claim.
- ▶ In three instances, the claim file status could not be determined by reviewing file documentation.
- ▶ In two instances, the signed settlement agreement was not in file.

State Administration 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. In addition, 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 manager of compliance stated that the previous risk manager had not implemented these requirements. He further stated that he and the recently hired risk and insurance specialist are developing internal policies and procedures to appropriately manage all property and liability claim files.

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 nonexistent.

#### **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 draft internal risk and insurance guidelines to formalize property and liability claim processing procedures and claim file documentation standards. At a minimum, the guidelines will mandate that all documents pertaining to property and liability claims are located in a central file, separated according to complaint/issue, correspondence, internal investigation/notes, remedial action, and disposition/settlement.

Expected completion date: January 30, 2004.

## **WORKERS' COMPENSATION MANAGEMENT**

### **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 10 instances, supervisors did not complete a supervisor's report of employee accident/incident within 24 hours.
- ▶ In 9 instances, supervisors did not provide the injured employee with an Employee's Claim for Workers' Compensation Benefits (form DWC-1) within 24 hours.
- ▶ In 3 instances, a DWC-1 form was not in the claim file.

SJSU *Employee Accident Reporting Guidelines* require that the supervisor or his/her designee complete the Supervisor's Report of Employee Accident/Incident within 24 hours of knowledge of the accident/incident. Further, the supervisor should provide the injured employee with the form DWC-1 within 24 hours of the reported accident/incident.

The SJSU *Desk Reference Guide* for use by members of the safety and risk services unit requires creation of a claim file with all pertinent documentation.

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 manager of compliance stated that those instances in which a supervisor's report or employee claim form was not submitted or provided within 24 hours occurred before the issuance of the SJSU *Employee Accident Reporting Guidelines*. He further stated that the missing file documentation was an oversight.

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 7**

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

### **Campus Response**

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

Expected completion date: January 30, 2004.

### **CLAIMS FOLLOW-UP**

Workers' compensation claims resulting from unsafe work conditions and/or environmental risks were not consistently assessed and resolved to prevent future occurrences.

Our review of eight workers' compensation claim files disclosed five files lacking evidence that an accident investigation took place and/or remedial action was taken.

The SJSU *Injury and Illness Prevention Plan* states that unsafe or unhealthy conditions and work practices identified from accident investigations should be corrected within a reasonable period of time. The purpose of the investigation is to identify the fundamental cause and prevent future occurrences. Further, corrective action can and should include training, retraining, provision of engineering controls or personal protective equipment, and/or physical alteration of the workplace.

Title 8 §3203, *Injury and Illness Prevention Program (IIPP)*, states that the IIPP program 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 program should provide training whenever the employer is made aware of a new or previously unrecognized hazard.

The manager of compliance stated that the safety coordinator position responsible for the investigation of unsafe and unhealthy conditions was vacant for seven months in 2002, which resulted in accidents not being investigated as completely as currently done. He further stated that the university had recently implemented an accident investigation and correction record form to assist departments in remedying safety hazards and ensuring appropriate documentation of accident investigations.

Failure to assess and correct known risks increases the potential for liability lawsuits.

### **Recommendation 8**

We recommend that the campus strengthen procedures to assess and resolve conditions from workers' compensation claims that resulted from unsafe work conditions and/or environmental risks.

### **Campus Response**

We concur. The campus will strengthen procedures to assess and resolve conditions from workers' compensation claims that resulted from unsafe work conditions and or environmental risks. The safety coordinator has made an addition to the campus injury and illness prevention plan to ensure

unsafe work conditions and/or environmental risks are investigated and resolved by creating the accident investigation and correction record which is filled out by the safety coordinator or departmental representative following an injury caused by an environmental risk. Should the environmental or unsafe condition be left uncorrected by the department or facilities development and operations within 30 days, the appropriate associate vice president and vice president will be provided a copy of the form and notified of the need to correct the condition immediately.

Expected completion date: January 30, 2004.

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## APPENDIX A: PERSONNEL CONTACTED

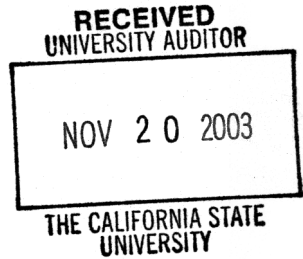
<u>Name</u>	<u>Title</u>
Joseph N. Crowley	Interim President
Robert L. Caret	President (at time of review)
Dona Bertain	Associate Vice President, Human Resources Service Group
Shawn Bibb	Director of Accounting, Systems and Technology
Michaux P. Burchard	Safety Coordinator
Richard Casillo	Workers' Compensation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



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November 20, 2003

Mr. Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore, 4<sup>th</sup> Floor  
Long Beach, CA 90802

Campus Response to Audit Report Number 03-27  
RISK MANAGEMENT AND INSURANCE AUDIT  
San José State University

Enclosed is San José State University's response to Audit No. 03-27.  
The campus is committed to addressing the issues identified in this  
audit report.

Please let me know if I can provide you with additional information.

DON W. KASSING  
Vice President for Administration and Finance

Enclosure

c: Joseph N. Crowley, Interim President  
Ninh Pham-Hi, Director, Internal Control

## RISK MANAGEMENT AND INSURANCE

### SAN JOSÉ STATE UNIVERSITY

REPORT NO. 03-27

## RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

### POLICIES, PROCEDURES, AND REPORTING

#### Recommendation 1

We recommend that the campus establish, document, and implement policies, procedures, and controls to ensure full compliance with EO No. 715 and Presidential Directive No. 2000-02.

#### Campus Response

We concur. The campus will draft and implement a Presidential Directive establishing, documenting, and implementing policies, procedures, and controls requiring full compliance with Executive Order 715 and Presidential Directive 2000-02. Will be completed by 01/30/04.

### SERVICE-LEARNING PROGRAM

#### Recommendation 2

We recommend that the campus establish and implement policies, procedures, and controls in accordance with CSU policy to adequately reduce the risks associated with service-learning programs.

#### Campus Response

We concur. The campus will draft and implement a Presidential Directive outlining policies, procedures, and controls in accordance with CSU policy to adequately reduce the risks associated with service learning programs.

In accordance with the Best Practices Service Learning Manual, the Service Learning Agreement between the University and Community Based Organization will be revised and implemented before any student is permitted to participate in service learning. The Risk and Insurance Specialist will train service learning staff regarding mandatory insurance and workers' compensation requirements, and will be consulted should any Community Based Organization wish to deviate from the requirements of the Presidential Directive. A log will be maintained by the Service-learning Center indicating all students and all CBO's partnered with are on record for documentation and corrective action purposes. A master list of all students engaged in Service Learning will be maintained by Service Learning and reviewed by Risk Management on a quarterly basis. To ensure appropriate linking, the Risk and Insurance Specialist will attend all quarterly Service Learning meetings to provide input regarding risk management and to ensure all proper procedures outlined in the Service

Learning Manual are complied with. In addition, the Risk and Insurance Specialist will conduct training, including an overview of the required guidelines, for the Deans of the eight colleges. Will be completed by 01/30/04.

## **STATE FUNDED STUDY ABROAD PROGRAMS**

### **Recommendation 3**

We recommend that the campus establish and implement controls that ensure compliance with campus foreign travel guidelines and CSU policy.

### **Campus Response**

We concur. The campus will establish and implement controls that ensure compliance with campus foreign travel guidelines and CSU policy.

These guidelines will, among other things, involve the Risk and Insurance Specialist working in conjunction with the International and Extended Studies Department to develop a system of checks and balances to insure that all required releases and hold-harmless agreements are signed and explained to each student. A record of all trips, including duration and purpose will be maintained and reviewed by International Studies and Risk Management on a quarterly basis. Risk Management will be available to advise and consult the department of International and Extended Studies regarding travel requirements.

The Risk & Insurance Specialist will issue a letter created jointly with International Studies to all Deans prior to the beginning of each academic year explaining the need for proper procedures to be followed and Foreign Travel Liability Insurance Program guidelines will be adhered to as written.

The SJSU Request form for FTLIP has recently been simplified by combining the approval form and the insurance request form into one document. This allows both the required approvals from the Provost for faculty and student travel and insurance quotation underwriting information to be compiled in one form, thus simplifying the process for all concerned. This information and copies of the new form have been presented to a representative of all SJSU departments to disseminate to all Deans, departments chairs and faculty. Will be completed by 01/30/04.

## **OFF-CAMPUS FIELD TRIPS**

### **Recommendation 4**

We recommend that the campus establish and implement polices, procedures, and controls in accordance with CSU policy to adequately reduce the risks associated with off-campus field trips. Will be completed by 01/30/04.

### **Campus Response**

We concur. The campus will draft and disseminate a Presidential Directive establishing and implementing policies, procedures, and controls in accordance with CSU policy to adequately reduce risks associated with off campus field trips. After completion of the Presidential Directive, the Risk

& Insurance Specialist will provide training to the Council of Deans, the Council of Chairs, and departmental human resource contacts. The Risk & Insurance Specialist will then provide follow-up with colleges and departments on a semester basis.

## **USE OF UNIVERSITY AND PRIVATE VEHICLES**

### **Recommendation 5**

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 all employees that operate vehicles on official business attend and successfully complete an approved defensive driver training course at least once every four years.
- c. Check driving records at least once every four years.
- d. Ensure that vehicle accidents are reported to the ORIM within 48 hours.

### **Campus Response**

We concur. The campus will draft and disseminate a Presidential Directive delineating campus procedures to obtain and maintain Std. Form 261 for all employees authorized to drive privately owned vehicles while conducting official business, including annual renewals, ensure that all employees that operate vehicles on official business attend and successfully complete an approved defensive driver training course at least once every four years, check driving records at least once every four years, and ensure that vehicle accidents are reported to the ORIM within 48 hours. Will be completed by 01/30/04.

## **INSURANCE PROGRAM ADMINISTRATION**

### **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 draft internal risk and insurance guidelines to formalize property and liability claim processing procedures and claim file documentation standards. At a minimum, the guidelines will mandate that all documents pertaining to property and liability claims are located in a central file, separated according to complaint/issue, correspondence, internal investigation/notes, remedial action, and disposition/settlement. Will be completed by 01/30/04.

## **WORKERS' COMPENSATION MANAGEMENT**

### **CLAIM HANDLING**

#### **Recommendation 7**

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

#### **Campus Response**

We concur. The campus will strengthen procedures to ensure that work related injuries or illnesses are handled in accordance with procedures and to state timeliness standards. Will be completed by 01/30/04.

## **CLAIMS FOLLOW-UP**

#### **Recommendation 8**

We recommend that the campus strengthen procedures to assess and resolve conditions from workers' compensation claims that resulted from unsafe work conditions and/or environmental risks.

#### **Campus Response**

We concur. The campus will strengthen procedures to assess and resolve conditions from workers' compensation claims that resulted from unsafe work conditions and or environmental risks. The Safety Coordinator has made an addition to the campus Injury & Illness Prevention Plan to ensure unsafe work conditions and /or environmental risks are investigated and resolved by creating the Accident Investigation and Correction Record which is filled out by the Safety Coordinator or departmental representative following an injury caused by an environmental risk. Should the environmental or unsafe condition be left uncorrected by the department or Facilities Development & Operations within 30 days, the appropriate Associate Vice President and Vice President will be provided a copy of the form and notified of the need to correct the condition immediately. Will be completed by 01/30/04.

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

December 9, 2003

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

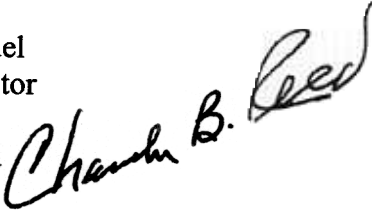
DOMINGUEZ HILLS

FRESNO

FULLERTON

TO: Mr. Larry Mandel  
University Auditor

HAYWARD

FROM: Charles B. Reed  
Chancellor 

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 03-27 on *Risk Management and Insurance*, San José State University.

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of December 9, 2003, I accept the response as submitted with the draft final report on *Risk Management and Insurance*, San José State University.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/bth

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Dr. Joseph N. Crowley, Interim President  
Mr. Don W. Kassing, Vice President for Administration and Finance

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS