

RISK MANAGEMENT AND INSURANCE

**CALIFORNIA STATE UNIVERSITY,
SACRAMENTO**

Report Number 03-29

November 25, 2003

Members, Committee on Audit

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Roberta Achtenberg, Vice Chair
Debra S. Farar William Hauck
Fredrick W. Pierce, IV

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THE CALIFORNIA STATE UNIVERSITY

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ABBREVIATIONS

CSU	California State University
CSUS	California State University, Sacramento
CSURMA	CSU Risk Management Authority
DMV	Department of Motor Vehicles
EO	Executive Order
HR	Human Resources
IIPP	Injury and Illness Prevention Program
ORIM	Office of Risk and Insurance Management
OSHA	Occupational Safety and Health Act
SAM	State Administrative Manual
SCIF	State Compensation Insurance Fund
OSHA	Occupational Safety and Health Act
FSA	Faculty and Staff Affairs

EXECUTIVE SUMMARY

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

We visited the California State University, Sacramento (CSUS) campus from July 14, 2003, through August 22, 2003, and audited the procedures in effect at that time.

In our opinion, risk management policies and procedures were operating effectively in most instances, except for service-learning and use of university and privately owned vehicles.

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 had not been formally adopted and signed off by the campus president. Controls over service-learning programs did not ensure that required insurance and hold harmless provisions were included in student placement agreements. Further, the campus was not in full compliance with campus and California State University (CSU) policy concerning the use of university and private vehicles. In addition, authorization forms to drive privately owned vehicles and defensive driving courses were not always completed; driving records were not consistently checked; and procedures did not ensure that accidents were timely reported. Finally, required release and hold harmless statements were not always completed for off-campus field trips.

INSURANCE PROGRAM ADMINISTRATION [9]

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. Additional insured endorsements were not always obtained for purchase transactions.

WORKERS' COMPENSATION MANAGEMENT [10]

The campus had not formalized workers' compensation policies and processing procedures, claim file documentation standards, security policies, and loss/fraud prevention procedures. As a result, claims were not reported to the third party administrator in a timely manner; injured employee claim forms were not provided within 24 hours as required; and, in one instance, an injury was not reported to the California Occupational Safety and Health Act (OSHA). In addition, return to work policies and procedures and claim file documentation 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.
- ▶ Effective claims management and reporting.
- ▶ Periodic evaluations of campus risk management programs.
- ▶ Provision of risk management training and communications to campus management and staff.

- ▶ Implementation and monitoring of loss prevention and control programs.
- ▶ Effective claims handling to minimize losses, preserve evidence, and maximize claim defense successes.
- ▶ Proactive participation, as appropriate, in claims settlement.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of the risk management and workers' compensation functions and to determine the adequacy of controls that ensure compliance with state regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Administration and management of the risk management program provide effective internal controls, clear lines of organizational authority, adequate loss prevention and control programs, and documented policies and procedures.
- ▶ The campus has identified, evaluated, mitigated, and documented significant financial and operational risks.
- ▶ Processes exist that adequately mitigate the risks associated with campus sponsored special events, field trips, study abroad programs, air travel, and service learning programs.
- ▶ The campus has established and documented an injury and illness prevention program (IIPP).
- ▶ Campus risk management staff has been adequately trained.
- ▶ The campus is in compliance with the CSU *Use of University and Private Vehicles* policy guidelines.
- ▶ Risks associated with campus agreements, contracts, and purchases have been adequately transferred or mitigated.
- ▶ Property and liability claims are adequately supported and properly processed within established timeframes.
- ▶ Significant property and liability risks have been insured.
- ▶ Workers' compensation claims are properly safeguarded and effectively processed, communicated, monitored, and resolved.
- ▶ The campus has an effective return-to-work program.
- ▶ Adequate processes exist to prevent and/or detect workers' compensation fraud.

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment B, Audit Item 2 of the January 28-29, 2003, meeting of the Committee on Audit stated that *Risk Management and Insurance* includes risk evaluation and asset protection; mitigation of liabilities and claims; and, administration of related programs such as workers' compensation. Potential impacts include unnecessary risk exposures, excessive claims and costs, and fraudulent losses. Risk Management and Insurance was previously audited in 1998.

Our study and evaluation were conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures in effect from July 2002 to August 2003. In instances when it was necessary to review annualized data, fiscal year 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, PROCEDURES, AND REPORTING

The campus risk management policy had not been formally adopted and approved by the campus president.

Executive Order (EO) No. 715, *California 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 California State University (CSU) mission, implement appropriate risk management techniques and staffing standards, and monitor, evaluate, and document the results.

The support services director stated that while a risk management policy had been developed, attention given to other workload priorities delayed its review and completion.

Failure to formally approve, adopt, and communicate campus risk management policies and procedures exposes the campus to the possibility that significant risks will not be adequately controlled or mitigated.

Recommendation 1

We recommend that the campus formally approve, adopt, communicate, and monitor the campus' risk management policies and procedures.

Campus Response

We concur. The campus will formally adopt and implement a risk management policy by March 1, 2004.

SERVICE-LEARNING PROGRAM

The campus had not established a mechanism to ensure that service-learning program risks were adequately assessed and mitigated.

Our review disclosed that the campus service-learning program did not include controls to ensure that agreements were prepared and signed; minimum insurance requirements were met; and workers' compensation responsibilities were established.

EO No. 849, *CSU Insurance Requirements*, dated February 5, 2003, states that student placement agreements must be in writing and shall specify minimum insurance requirements applicable to the contracting parties and appropriate hold harmless provisions based upon the needs of the contracting

parties. These requirements have been in effect since the initial EO concerning CSU insurance requirements dated April 4, 2000.

Human Resources (HR) directive 2001-38, *CSU Volunteer Policy*, dated December 20, 2001, states that the community agency for which the student is providing services and the university should develop an agreement that articulates their agreed upon responsibilities for workers' compensation and liability coverage prior to student placements. The university does not provide workers' compensation coverage to students participating in university-sponsored community service programs.

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 director of the office of community collaboration stated that the department provides faculty support and has not been designated as the administrative unit responsible to oversee the entire campus' service-learning program. She further stated that several of the programs operate independently of the department.

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. By May 31, 2004, the campus will formally adopt and implement a policy relative to service-learning programs, to include the use of appropriate service-learning agreements.

USE OF UNIVERSITY AND PRIVATELY OWNED VEHICLES

Authorization forms to drive privately owned vehicles were not always completed, defensive driving courses were not always taken, documentation was not consistently maintained to evidence that driving records were checked, and procedures did not ensure that accidents were timely reported.

We noted that:

- ▶ Twenty-five of thirty employees reviewed had not completed an Authorization to Use Privately Owned Vehicles on State Business (Std. Form 261) form.
- ▶ Documentation to support the successful completion of the required defensive driving course was not on file for 18 of 45 employees reviewed who drove on official business.

- ▶ Documentation was not maintained to evidence that Department of Motor Vehicles (DMV) driving records were checked for 29 of 45 employees reviewed who drive vehicles as a condition of employment.
- ▶ For five of eleven vehicle accident claims reviewed, the campus did not notify 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, 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.

California State University, Sacramento (CSUS) *University Policy Manual* states that campus administrators will ensure compliance with all relevant directives, applicable policies and regulations, particularly the following:

- ▶ The requestor is a university employee.
- ▶ The requestor has a valid state driver license and maintains a good driving record.
- ▶ The requestor has satisfactorily completed a CSU approved defensive driving course (if driving on university business more than once a month).
- ▶ The campus has reviewed the requestor's DMV driving record at least once every four years.

The risk manager stated that the responsibility for authorizing employees to drive on university business has been delegated to the campus departments, with risk management as the designated control point. He also stated that the appropriate information has been communicated to the campus and is readily available on the campus web. The risk manager further stated that managers are still not fully aware of the requirements, and therefore have not fulfilled the steps necessary for certification. He added that in most instances, the accidents were not reported timely because the involved persons/departments did not promptly submit reports.

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 3

We recommend that the campus strengthen 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 at least once a month attend and successfully complete an approved defensive driver-training course.
- 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. Since September 2003, appropriate forms are obtained from employees driving on university business based on information captured from travel claims. By March 1, 2004, the campus will reinforce adherence to existing policies and procedures with applicable staff.

OFF-CAMPUS FIELD TRIPS

Controls over off-campus field trips did not ensure that hold harmless agreements or informed consent forms were obtained from students before departing on each trip.

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.

CSUS *Risk Management Guidelines for Field Trips* requires hold harmless release agreements be filled out, signed by all participants, and filed in their respective department before departing on the field trip.

The risk manager stated that field trip administration is the responsibility of the various departments and faculty members, and the risk manager is contacted only on an exception basis. He also stated that lack of adequate training of the departments and faculty regarding their responsibilities may have been a contributing factor.

Inadequate procedures to control the risks associated with off-campus field trips 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 obtain hold harmless agreements or informed consent forms from students before they depart on each trip.

Campus Response

We concur. Campus-wide training will be conducted with academic departments to reinforce the requirement to obtain hold-harmless agreements. This training will be completed by March 31, 2004.

INSURANCE PROGRAM ADMINISTRATION

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.

Our review of 31 purchase transactions that required insurance disclosed the following:

- ▶ In five instances, evidence of additional insured endorsements had not been obtained.
- ▶ In six instances, insurance was not obtained for professional services.
- ▶ In one instance, the insurance limits were not in compliance with EO No. 849, and there was no evidence of acceptance of the lower limits by the risk manager and procurement.

EO No. 849, *CSU Insurance Requirements*, dated February 5, 2003, states that under the terms and conditions of a contract or agreement for services, the contractor, consultant, or vendor, must be required to show evidence of adequate insurance coverage by furnishing to the CSU a certificate or certificates of insurance that include additional insured endorsements. Further, 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 risk manager stated that for service contracts, procurement followed the CSU Model General Provisions, which did not specify any requirement for insurance. He added that in certain instances, the appearance of lack of proof of adequate insurance coverage or endorsements may have been caused by unfamiliar insurer forms or processing errors by the procurement staff.

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

Recommendation 5

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

Campus Response

We concur. As of November 5, 2003, corrective action has been completed. Training related to insurance requirements was provided to procurement services and facilities management personnel. Additionally, a risk analysis tool was provided to the buyers in procurement services to document risk factors and decisions to amend insurance limits. Insurance requirements were posted on risk management's web site and also provided to procurement services.

WORKERS' COMPENSATION MANAGEMENT

CLAIM HANDLING

The campus had not formalized workers' compensation policies and processing procedures, claim file documentation standards, security policies, and loss/fraud prevention procedures.

We noted that:

- ▶ In 13 of 30 files reviewed, an Employer's Report of Occupational Injury/Illness form was not completed within five days, and the third party administrator was not notified in a timely manner.
- ▶ In 6 of 30 files reviewed, supervisors did not provide the injured employee with a workers' compensation claim form within one working day of knowledge of the injury.
- ▶ One claim file was not included and reported in Occupational Safety and Health Act's (OSHA) Log and Summary of Occupational Injuries and Illnesses prepared by the third party administrator.

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. 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.

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, *Worker's Compensation and Injury Prevention*, states that the agency will establish a prompt reporting system for job-related injuries and illnesses and provide the injured worker with a workers' compensation claim form within one working day of knowledge of the injury.

SAM §2581.62 states that additional work injury and illness reporting and recording is required by OSHA. Generally, all job-related injuries and illnesses must be posted on OSHA Form 200, Log and Summary of Occupational Injury and Illnesses.

The workers' compensation manager stated that faculty and staff affairs (FSA) had not considered the importance and ramifications regarding documenting departmental workers' compensation policies and procedures. She further stated that a formal written policy was not a main priority, primarily due to the manager's extensive CSU experience.

The absence of properly documented and effectively communicated procedural and/or operational policies and procedures over the handling of work-related injuries or illnesses exposes the campus to penalties, increases claim costs, and could negatively impact the return-to-work program.

Recommendation 6

We recommend that the campus establish, document, and implement workers' compensation policies, procedures, and controls to ensure full compliance with state regulations.

Campus Response

We concur. The office of human resources will develop and implement written Loss Prevention Practices and Procedures, which will encompass safety, training, fraud prevention and investigations, and claim file documentation standards. These procedures will be completed by January 30, 2004.

RETURN TO WORK

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

A review of claim files disclosed that in 8 of 15 instances, return to work procedures were inadequately documented and processed and, transitional employment plans were not prepared.

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 that 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.

The workers' compensation manager stated that she was unaware of the SAM return to work requirement and that the FSA was using an informal systemwide return to work program.

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

Recommendation 7

We recommend that the campus establish, document, and implement return to work policies and procedures and claim file documentation standards.

Campus Response

We concur. The office of human resources will develop and implement written Workers' Compensation Practices and Procedures, which will include return-to-work transitional employment guidelines, and claim file documentation standards. These procedures will be completed by January 30, 2004.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Alexander Gonzalez	President
Barbara Alvarado	Administrative Analyst, Department of Public Safety
Michael Christensen	Director, Department of Environmental Health and Safety
JoAnne Davis	Workers' Compensation/Retirement/Disability Leaves Manager, Faculty and Staff Affairs
Edward Del Biaggio	Vice President for Administration
Monica Freeman	Coordinator – International Programs, Office of Global Education
Ronald Grant	Director, Support Services
Georgina Kiss	Supervising Buyer, Public Works/Commodities and Services
Sheila Macias	Coordinator of Programs and Partnerships, Office of Community Collaboration
Kathi McCoy	Manager, Auditing Services
Jay Rutherford	Travel Coordinator, Accounts Payable
Fran Sato	Director of Staff Affairs, Faculty and Staff Affairs
Janis Silvers	Study Abroad Advisor, Office of Global Education
Steve Somsen	Risk Manager, Support Services
Suzanne Swartz	Buyer III, Commodities and Services – Procurement and Contract Services
David Wagner	Dean, Faculty and Staff Affairs
Lisa Wicks	Accounts Payable Supervisor

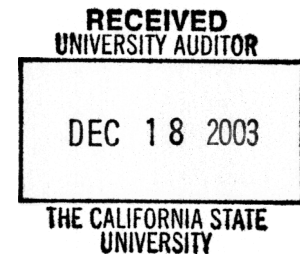


CALIFORNIA STATE UNIVERSITY, SACRAMENTO

OFFICE OF THE VICE PRESIDENT FOR ADMINISTRATION

December 18, 2003

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



Subject: Campus Response to Recommendations of Audit Report #03-29
CSU, Sacramento - Risk Management and Insurance

Dear Mr. Mandel:

We submit the attached document as our response to the recommendations of the audit. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or require additional information, please contact Kathi McCoy, Director of Internal Audit, at 916 278-7439.

Sincerely,

A handwritten signature in black ink that reads "Edward C. Del Biaggio".

Edward C. Del Biaggio
Vice President for Administration

Attachment

cc: A. Gonzalez
R. Grant
K. McCoy
D. Wagner

CALIFORNIA STATE UNIVERSITY,
SACRAMENTO

RISK MANAGEMENT AND INSURANCE
AUDIT REPORT NO. 03-29

RISK MANAGEMENT AND LOSS PREVENTION PROGRAMS

POLICIES, PROCEDURES, AND REPORTING

Recommendation 1

We recommend that the campus formally approve, adopt, communicate, and monitor the campus' risk management policies and procedures.

Campus Response

We concur. The campus will formally adopt and implement a Risk Management Policy by March 1, 2004.

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. By May 31, 2004, the campus will formally adopt and implement a policy relative to service-learning programs, to include the use of appropriate service learning agreements.

USE OF UNIVERSITY AND PRIVATELY OWNED VEHICLES

Recommendation 3

We recommend that the campus strengthen 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 at least once a month attend and successfully complete an approved defensive driver training course.
- 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. Since September 2003, appropriate forms are obtained from employees driving on University business based on information captured from travel claims. By March 1, 2004, the campus will reinforce adherence to existing policies and procedures with applicable staff.

OFF-CAMPUS FIELD TRIPS

Recommendation 4

We recommend that the campus obtain hold harmless agreements or informed consent forms from students before they depart on each trip.

Campus Response

We concur. Campus-wide training will be conducted with academic departments to reinforce the requirement to obtain hold-harmless agreements. This training will be completed by March 31, 2004.

INSURANCE PROGRAM ADMINISTRATION

Recommendation 5

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. As of November 5, 2003, corrective action has been completed. Training related to insurance requirements was provided to Procurement Services and Facilities Management personnel. Additionally, a risk analysis tool was provided to the buyers in Procurement Services to document risk factors and decisions to amend insurance limits. Insurance requirements were posted on Risk Management's web site and also provided to Procurement Services.

WORKERS' COMPENSATION MANAGEMENT

CLAIM HANDLING

Recommendation 6

We recommend that the campus establish, document, and implement workers' compensation policies, procedures, and controls to ensure full compliance with state regulations.

Campus Response

We concur. The Office of Human Resources will develop and implement written Loss Prevention Practices and Procedures, which will encompass safety, training, fraud prevention and investigations, and claim file documentation standards. These procedures will be completed by January 30, 2004.

RETURN TO WORK

Recommendation 7

We recommend that the campus establish, document, and implement return to work policies and procedures and claim file documentation standards.

Campus Response

We concur. The Office of Human Resources will develop and implement written Workers' Compensation Practices and Procedures, which will include return-to-work transitional employment guidelines, and claim file documentation standards. These procedures will be completed by January 30, 2004.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

January 15, 2004

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 03-29 on *Risk Management and Insurance*, California State University, Sacramento

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of January 15, 2004, I accept the response as submitted with the draft final report on *Risk Management and Insurance*, California State University, Sacramento.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/bth

SACRAMENTO

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Dr. Alexander Gonzalez, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS