CAMPUS SERVICE ENTERPRISES

INSURANCE & RISK MANAGEMENT

AUDIT REPORT #17-2214

Audit & Advisory Services

May 2017

CAMPUS SERVICE ENTERPRISES

INSURANCE & RISK MANAGEMENT

AUDIT REPORT #17-2214

# Background

In accordance with the UCLA Administration fiscal year 2016-17 audit plan, Audit & Advisory Services (A&AS) conducted an audit of internal controls and associated business practices of selected programs as administered by UCLA’s Insurance & Risk Management (IRM) department.

Risk management is the process of identifying potential loss exposures and developing strategies to minimize their negative effects on the organization’s mission. Risk management includes prevention of on-campus injuries and property damage. IRM provides risk management programs and services to the UCLA campus.

IRM is responsible for preserving the human and physical assets of the University and management of department operational risk. By identifying potential events and providing tools to manage outcomes, IRM enables departments to manage risks associated with their objectives.

The University of California Office of the President (UCOP) annually allocates the total program cost of risk to each University of California (UC) campus, and IRM further allocates costs to campus cost centers. IRM also administers the Be Smart About Safety (BSAS) loss prevention/loss control program in conjunction with UCOP.

IRM is comprised of 18 professional staff and is overseen by a Director. The Director of IRM reports to the Executive Director of Campus Service Enterprises.

The following are summary descriptions of key topics discussed in this report.

Travel Insurance Program

UC offers a travel insurance and security program via iJET Worldcue at no cost to UC faculty and staff that travel out of state and out of the country on official UC business. The program is also available to students in UC-sponsored and supervised off-campus activities and programs abroad. Travel insurance protections and benefits include: emergency medical and travel services, travel alerts and advisories while traveling, and security evacuation services. Coverage also extends to spouses, domestic partners and dependents when traveling with University faculty, staff or students as personal travelers.

Be Smart About Safety (BSAS) Program

BSAS is a safety and loss prevention program that was initiated by the UC on July 1, 2006. The program is designed to increase awareness of employee safety and provide a funding mechanism that allows the campus and medical centers to invest in loss prevention programs. BSAS reduces the frequency and/or severity of loss by focusing on proactive measures, controlling loss frequency by focusing on the cause of loss, and reducing loss severity by focusing on the effects of the loss. BSAS funds may be used for correcting safety deficiencies, initiating new safety programs, providing employee safety training and development, and purchasing safety equipment.

Temporary Disability

When a University employee is off from work due to a work-related injury or illness; is either totally temporarily disabled or has functional limitations that cannot be accommodated and whose Workers’ Compensation claim has been accepted, temporary disability benefits are paid by the University’s third party Claims Administrator, Sedgwick Claims Management Services (Sedgwick). Generally, temporary disability benefits are paid to an employee once a physician certifies that the illness or injury resulted in lost time from work and lost wages and the claim has been accepted. Temporary disability payments are generally two-thirds of an employee’s average weekly wage, subject to a minimum and maximum set by the California State Legislature. Temporary disability benefits are paid until either the physician releases the employee to return to work full duty, with work limitations that can be accommodated, or when the employee’s condition reaches Maximum Medical Improvement. In an effort to facilitate an employee’s recovery and return to full work duties, the physician may release an employee to return on a part-time work schedule. In that case, temporary partial disability or wage loss benefits may be payable subject to the same minimum and maximum limits.

General Liability

The UC Regents maintain a General Liability Self-Insurance Program to provide coverage for certain tort responsibilities of the University arising from its operations. This program covers general, automobile, and employment practices liability. General Liability covers bodily injury, property damage, personal and advertising injury and products/completed operations for damages sustained by third parties, automobile liability, employment practices liability, and non-clinical professional liability (clinical patient care is covered under Professional Medical and Hospital Liability program). The Regents and employees of the Regents are covered by the self-insured liability coverage programs for their acts or omissions while acting within the course and scope of their University employment.

Workers’ Compensation

California's Workers’ Compensation (WC) law, passed by the State Legislature more than 85 years ago, guarantees prompt medical care and, when meeting claims’ criteria, disability benefits to workers injured on the job.

Sedgwick, the University’s WC claims administrator, coordinates the provision of medical care and compensation benefits to an injured employee in accordance with California State Workers’ Compensation laws and regulations. Generally, if a University employee cannot work because of an industrial injury, Sedgwick administers Workers’ Compensation benefits that may include the employee’s medical costs and compensation benefits to help replace lost income in accordance with State laws and regulations.

Benefits guaranteed under WC are:

* Medical care to cure or relieve the effects of the industrial injury.
* Compensation payments to help replace lost wages.
* Permanent disability to compensate for inability to compete in the open labor market.
* Death benefits payable to surviving dependents.
* It is a no-fault system with benefits paid — no matter who is at fault.

The term "industrial injury" is used to describe any injury, illness, or disease which results from work or working conditions, and occurs during the employee's service to the employer. First-aid types of injuries are also covered. However, benefits may not be provided for injuries occurring during voluntary participation in any off-duty recreational, social, or athletic activity which is not part of any employee's work-related duties.

Child Abuse and Neglect Reporting (CANRA) Act

UCLA Policy 136, Reporting Child Abuse and Neglect, was established for UCLA Mandated Reporters as an internal reporting requirement in order to comply with the California Child Abuse and Neglect Reporting (CANRA) Act. The policy applies to all UCLA employees or officials who are UCLA Mandated Reporters, Supervisors of Mandated Reporters, and Department heads and Senior Administrators, and all members of the University Community. UCLA Non-Mandated Reporters that may observe, have knowledge of, or reasonably suspect child abuse or neglect has occurred are strongly encouraged to report the matter as established in the policy. IRM’s responsibilities include coordinating with Campus and UCLA Health Human Resources, and the Academic Personnel Office to communicate the availability of training obligations for UCLA Mandated Reporters and other members of the University Community.

Third Party Administrator (TPA) – Sedgwick Claims Management Services

Sedgwick is the third-party administrator for the UC system. The professional services agreement between the University and Sedgwick requires that Sedgwick provide a variety of claims management services to the UC in areas including: WC, General Liability, Automobile Liability and Physical Damage, Employment Practices, Property Claims, and Professional Medical and Hospital Liability.

# Purpose and Scope

The primary purpose of the review was to ensure that the organizational structure and controls surrounding IRM’s operations are conducive to accomplishing its business objectives. Where applicable, compliance with campus and University policies and procedures was also evaluated.

The scope of the audit focused on the following areas:

* Travel Insurance Program
* Be Smart About Safety Program
* Temporary Disability Benefits – Overpayments
* General Liability – Confidential Information
* Workers’ Compensation – Claim Form Process
* Child Abuse and Neglect Reporting
* Third Party Administrator Reviews

The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests of records, interviews, and other auditing procedures considered necessary in achieving the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, IRM’s organizational structure and controls are generally conducive to accomplishing its business objectives. However, internal controls and business practices related to selected IRM programs and their administration could be further strengthened by implementing the following:

* Collaborate with the Corporate Financial Services – UCLA Travel Center to develop and enable an interactive message alert on the Travel Express logon page to increase the enrollment rate in the UC Travel Insurance program (a free employee benefit) through iJET’s Worldcue system.
* Ensure Workers’ Compensation temporary disability benefit overpayments are identified and recovered timely by Sedgwick per their professional services agreement with the University.
* Identify and properly destroy personal identifying information (PII) being maintained in non-active litigation files once they no longer have value to the University. Additionally, safeguard the security of files containing PII as long as they are being stored on-site.
* Encrypt all confidential litigation information, evidence, and other related sensitive data prior to being transmitted regardless of the device or media used.
* Utilize a digital facsimile software application to receive WC claim documents to reduce staff time necessary in reconciling hard copy documents, and decrease expenditures of paper and printing supplies.
* Conduct periodic on-site reviews of Sedgwick to validate the effectiveness of claim administration and assess compliance with their professional services agreement with the University.

The audit results and corresponding recommendations are detailed in the following sections of the report.

Audit Results and Recommendations

Travel Insurance Program

Interviews were conducted with IRM management and staff to obtain an overview of the travel insurance program, which is available to faculty, staff, and students that travel in excess of 100 miles from campus, travel out of state or out of the country on official UC business, and in UC-sponsored and supervised off-campus activities and programs. A review of UC travel insurance and security program registration, and enrollment guidelines was performed to determine the adequacy of such information available to UC travelers. An observation of the registration process was conducted by A&AS staff for both the UC Away and iJET Worldcue systems to verify the registration and enrollment steps for the foreign travel insurance benefit. UCLA Travel Center management was interviewed to determine the most effective and efficient method to communicate relevant information about the foreign travel insurance program benefit to UC travelers.

Generally, when travel is booked through UC Travel, Connexxus, or if an out-of-state or international trip is registered with UC Away, the travel insurance registration information is automatically transmitted to iJET Worldcue. An email is then generated and sent to the traveler via the iJET Worldcue system. Completion of the traveler profile is an essential element in reducing travel risk, and ensuring other travel services such as travel alerts and advisories, and security evacuations are provided. This travel insurance program is designed to protect the health, safety, and security of UC faculty and staff. The benefit also extends to spouses, domestic partners and dependents when traveling with University faculty, staff or students as personal travelers.

Enrollment – Travel Insurance Program

The UC travel insurance and security protection program currently only receives an estimated 10 to 20 percent participation rate from UCLA campus travelers. In addition to the benefits noted earlier, iJET’s Worldcue system also provides real time intelligence and travel alerts via direct email to keep the traveler informed about political unrest, natural disasters, and health warnings. When traveling more than 100 miles off-campus or internationally, it is crucial that for each trip, the traveler properly complete the five steps necessary to activate their account, as prompted by the iJET Worldcue system. Completing the five steps enables the traveler to maintain an up-to-date profile and contact information for each registered trip, and download the iJET Worldcue mobile application for receiving real-time alerts.

  ­

Recommendation: Management, in collaboration with the UCLA Travel Center, should explore the possibility of developing and enabling an interactive message alert on the Travel Express logon page to convey to the traveler the importance of completing the five step iJET Worldcue system information. The interactive message alert should require a traveler to accept as “read” prior to being able to submit an expense reimbursement request. Since the traveler owns the process of properly completing their iJET Worldcue system information, strengthening communication with the traveler, and further promoting the value of the program should increase the traveler participation rate.

Response: IRM will collaborate with UCLA Travel to explore developing an interactive message alert in Travel Express in order to increase user participation of the iJET Worldcue system. The viability of using an interactive message may increase awareness but the effect may be tempered by the fact that some travelers (especially faculty) depend on others to register their travel. Additionally, expense reimbursement for travel is completed in arrears, after the trip is completed. Further discussion and consensus regarding the more appropriate next steps with UC Travel, will take place by the end of July 2017.

Be Smart About Safety Program

A&AS held discussions with IRM management to obtain an overview and understanding of the BSAS program. Verification procedures were performed to ensure program funding assessments on campus departments by UCOP are approved, accurate, and timely. Additional audit tests were performed to evaluate whether funds received into the program from UCOP were timely. UCOP administers the BSAS program which utilizes an actuarial calculated assessment rate of $0.21 per every $100 of payroll. This rate is a combination of $0.10 for BSAS and $0.11 for the campus’ WC rate additive. The BSAS programs funded by the assessments are approved by the campus’ Rate Additive Committee. Campus Payroll and General Accounting own the automated process of calculating the monthly assessments.

Controls over BSAS safety programs were evaluated to verify their adequacy and to ensure supporting documentation is maintained for each program. Supporting documentation for BSAS safety program proposal packages vary depending on the nature of the safety program and related funding that was awarded. Supporting documentation includes core documents such as the proposal prepared by the requesting department, funding request, program justification, sub-object code itemization, and a funding approval letter from the Campus Service Enterprises’ Executive Director.

Two programs selected for testing included the Seismic Gas Shut-Off Valve program and the Infrared Testing program. For the Seismic Gas Shut-Off Valve program, at-risk campus buildings were identified by the Facilities Management department and replacement seismic gas shut-off valves were installed. For the Infrared Testing program, buildings with high voltage equipment were identified and evaluated by an authorized risk engineering vendor as part of an overall campus risk improvement assessment. The objective of the program is to prevent electrical outages and to reduce the likelihood of fires involving electrical equipment.

There were no significant weaknesses noted in this area.

Workers’ Compensation Temporary Disability Benefits – Overpayments

IRM management discussed and walked through temporary disability benefits, payments, and the overpayment recovery process to provide A&AS staff a foundation to evaluate procedures. IRM management provides training to Human Resource Service Centers and Campus Payroll for identifying and reporting overpayments. Once notified, IRM sends an email to Sedgwick to begin overpayment recovery from the injured employee.

Workers’ Compensation Temporary Disability benefit payments are payable until the employee’s return-to-work date, or the return-to-work on a modified basis date, or when the employee has reached Maximum Medical Improvement as documented by the attending doctor, or when the legislated maximum 104 weeks has been reached, and other events unrelated to return to work. Sedgwick is notified of the trigger to cease benefit payments in several ways:

* Direct receipt of documentation from the medical provider that justifies the cessation of payments;
* Guidance from the Workers’ Compensation defense attorney to cease benefit payments;
* A Workers’ Compensation Appeals Board order that triggers the cessation of benefit payments;
* Communication directly from the injured employee regarding their own return to work status;
* Communication from the employee’s department, usually the Human Resources area, regarding the injured employee’s work status;
* Communication and interaction with IRM’s Workers’ Compensation/Disability Management/return to work staff regarding the injured employee’s return to work status and accommodations;
* The computation that the employee has maximized the 104 week cap on temporary disability benefit payments.

Once Sedgwick verifies the return to work date or other event that triggers the cessation of benefit payments, Sedgwick then calculates the amount due the employee and performs a reconciliation process to verify payment accuracy.

A temporary disability benefit payment log and related payment notes were obtained from Sedgwick for the period from July 1, 2016, to December 31, 2016. Of the 1,000 line items and $1.1 million in temporary disability payments recorded in the log, 150 line items covering 21 claims where temporary disability benefits were paid, (approximately $120,000 in disability benefits paid) were judgmentally selected for testing.

Existing controls to prevent and detect overpayments were evaluated for adequacy and Sedgwick’s professional services agreement with the University was reviewed to confirm the responsibility for payment accuracy and, where applicable, recovery of overpayments. The following was noted:

Overpayments

Five of 21 claims where temporary disability benefits were paid were tested showed overpayments of $350, $686, $140, $45, $561, totaling $1,782. The $350 overpayment was subsequently deducted from a wage loss payment for the same claim. The $45 overpayment was reimbursed by the employee to Sedgwick. It is uncertain; however, if the overpayments of $686, $140 and $561 will be recovered because it is unknown whether any future benefits will be payable to credit against. In addition, Sedgwick may determine that these amounts are not significant and, consequently, seeking recovery would not be cost effective to the University.

As discussed earlier, the University has a professional services agreement with Sedgwick to manage temporary disability benefit payments, maintain appropriate stewardship over UC funds entrusted to it, and to ensure the interests of the UC are properly protected.

The professional services agreement provides the following:

* Resolution of Claims: “… TPA shall ensure the interests of the University are properly protected in the resolution of all matters, including specifically, liens and rights of recovery…”
* Financial Control Requirements and Claims Accounting: “TPA must establish adequate financial and accounting controls to protect the security of funds and maintain the integrity of the claims payment process.”

IRM provides ongoing training to campus departments on the importance of promptly reporting return to work information for injured employees to IRM and Sedgwick. Prompt notification to Sedgwick of a triggering event to cease temporary disability benefit payments as described above reduces the time frame available for an overpayment to be generated. When overpayments do occur, it is incumbent upon the TPA to initiate recovery on a timely basis unless such recovery would not be in the best financial interests of the University. If an overpayment cannot be recovered as part of the customary claims handling process, the determination to engage in recovery efforts is at the direction of the Office of the President Risk Services. When overpayments are not properly recovered, appropriate stewardship and prudent oversight of University financial assets are not always being maintained by Sedgwick.

Recommendation: IRM should improve efforts to ensure that employees’ return to work status is promptly communicated to Sedgwick. This includes an increase in activity to educate campus departments on the importance of promptly notifying return to work dates to IRM and Sedgwick. This will aide in minimizing the risk of overpayments of temporary disability benefits. When overpayments occur, IRM management should advise Sedgwick so that prompt and responsive action for recovery, as detailed in the professional services agreement between the University and Sedgwick, is started. Pertinent overpayment information should be captured and communicated to enable the recovery process to be as efficient and effective as possible.

Response: IRM will increase its activity to educate campus departments on the importance of prompt notification to IRM of return to work dates. An increased focus of this effort will take place in the IRM quarterly payroll classes offered to campus departments through the Learning Management System (LMS). This will be completed at quarterly meetings throughout Fiscal Year 2017-18 and in perpetuity. IRM continues to promptly notify Sedgwick to trigger recovery efforts upon knowledge of overpayment issues.

General Liability – Confidential Information

IRM management provided an overview of the General Liability function, identified types of confidential information being maintained, and described the access controls in place over the confidential information. A&AS performed an observation of IRM offices and common areas where printed (hard copy) confidential information is being stored.

General Liability litigation files are being maintained in both paper form and electronic files, and are either active (open) or inactive (closed). Inactive paper files more than five years old are disassembled and properly shredded.

Active paper files are stored in the General Liability Manager’s office. During non-business hours, the main door to IRM and the General Liability Manager’s office door are locked. In order to access the General Liability Manager’s office during business hours, visitors are limited to the reception area by the IRM Administrative Assistant workspace.

Electronic litigation files that contain confidential information and evidence are stored on IRM’s managed network servers. Electronic information is provided from campus departments, undergraduate, graduate and professional schools and the School of Medicine and sent to defense counsel, OGC, Campus Counsel, and Sedgwick during the litigation process as necessary.

A. Storage of Non-Active Litigation Files

Hardcopy non-active General Liability litigation files which contain campus employee database (EDB) print-outs and other confidential litigation information are maintained in IRM’s photocopy room, which is regularly accessed by vendors such as photocopy machine service technicians, bottled water delivery service, and Facilities Management staff for recycling service. The EDB print-outs contain employee name, address, telephone number, social security number, and date of birth. The litigation information contains an array of confidential records, compact discs with digitized documents, and other information that is utilized in the University’s litigation proceedings. If deemed to have no value or relevance to the University after five years, these files are purged and properly shredded. However, within the five-year period, there is a continuous inventory of litigation files being stored in the photocopy room on shelving and are easily accessible by any person entering or in close proximity to the photocopy room.

UC Policy BFB-RMP-1, University Records Management Program, applies to the University community and is intended to ensure, among other things, that University administrative records are appropriately managed regardless of their form and format. The term administrative record is defined in the policy as any record that documents or contains valuable information related to the organization, functions, policies, decisions, procedures, operations, or other business activities of the University.

Additionally, UCLA Policy 313, Prevention of Identity Theft, defines “personal identifying information” (PII) as any name or number that may be used, alone or in conjunction with any other information, to identify a specific person, including (but not limited to) name, social security number, date of birth, official State of government issued driver’s license or identification number.

By storing PII and/or confidential litigation information in its photocopy room, management may not be able to detect, prevent, and/or minimize the risk of unauthorized access to such information. Should a breach occur relating to this information, the University would likely incur a legal, financial, and reputational liability that would divert resources away from their original intent.

Recommendation: Management should locate, identify and appropriately shred all EDB print-outs and other similar administrative records within the hard-copy non-active litigation files that contain PII when it is determined that the files no longer have value to the University. Additionally, management should take reasonable steps to safeguard the security of all non-active litigation records as long as they are being stored within IRM offices. By doing so, management will be adhering to sound business practices, minimizing the risk of unauthorized PII disclosure and/or identity theft, and mitigating the vulnerability of confidential litigation information.

Response: IRM completed a recent purge of all claims and litigated files greater than five years old not subject to a litigation preservation hold. This purging process utilized a vendor-secured shredding process. For closed files that are physically located on site, IRM has responded by securely locking storage filing cabinets containing these closed files and the locks are maintained by IRM’s Administrative Assistant. Additionally, EDB printouts in all closed files are shredded at the time of file closing to ensure no EDB printouts are located in closed files on premises.

B. Transmission of Confidential Information

Electronic forms of evidence may be provided by IRM to Defense Counsel, OGC, Campus Counsel, Sedgwick and others, as necessary, using unencrypted compact discs and unprotected documents in email attachments. Additionally, confidential litigation information and evidence are also copied onto encrypted USB “thumb” drives. These encrypted thumb drives are expensive and are not being returned by the entity that received the drive. Due to these drives being cost prohibitive, IRM also utilizes unencrypted compact discs and email attachments. Electronic copies are provided to members of the litigation management team when needed.

UC Business and Finance Bulletin IS-3, Electronic Information Security (Policy IS-3), Section III, Paragraph C.2.g, provides that encryption measures shall be utilized during the transmission of confidential information that is protected by law or policy, and requires the highest level of access control and security protection, whether in storage or transit. The encryption measures should be strong enough to minimize the risk of the information’s exposure if intercepted or misrouted.

Section III, Paragraph C.3.e, provides that departments should establish procedures to ensure physical security of portable devices and media housed within their work area or under their control, including memory sticks (thumb drives) and compact discs. Additionally, restricted information may only be stored on such portable devices and media if protective measures, such as encryption, are implemented that safeguard the confidentiality and integrity of the information in the event of theft or loss of the portable devices.

Section III, Paragraph C.3.c and d, provides that departments should implement procedures that track the receipt and reuse of electronic media. Removal of restricted or other sensitive information from the electronic media should be conducted in accordance with Policy IS-3. Procedures should also be implemented to address the reassignment of electronic media (in this case, the non-return of costly encrypted thumb drives), including requirements to ensure complete removal of restricted or other sensitive data as appropriate.

Recommendation: Management should ensure that all confidential litigation information, evidence, and other related sensitive data is appropriately encrypted prior to being transmitted regardless of the device or media being utilized. Management should also consider utilizing a secure file transfer product to protect and securely share confidential litigation information between IRM and other parties, as needed. This would reduce the need for costly encrypted thumb drives. If a secure file transfer product will be used, management should ensure that the vendor agreement complies with Policy IS-3, Section III, Paragraph F, Third Party Agreements.

Implementing these measures will strengthen protections over its information assets and resources in accordance with Policy IS-3 and will reduce the risk of related vulnerabilities and threats.

Response: IRM is consulting with vendors for encryption storage, retrieval and transfer products and services in order to implement secure file storage, retrieval and transfer to protect and securely share confidential litigation information between IRM and other parties. IRM is currently utilizing encrypted file transfer and storage (Acellion) for the UCLA School of Medicine and health related litigation. For campus departments, IRM is working with UCOP and UCLA Purchasing to explore using the same product for the remainder of campus. A proposal and implementation for campus is expected by the end of FY 2017-18. This fiscal year, IRM moved to Office 365 to ensure encrypted e-mails are sent between IRM and other parties including campus departments and external entities such as UC’s Third Party Claims Administrator (Sedgwick) and outside legal counsel.

Workers’ Compensation – Claim Form Process

A&AS conducted interviews with IRM management and staff to obtain an overview of WC claims processing and document handling for the disability management staff. Discussions focused on processes that rely on the manual handling, administration, and consumption of large amounts of paper and printing supplies associated with these processes.

For a majority of WC claims and disability documentation, paperwork is received from Campus Human Resources, campus departments, employees, attorneys, Sedgwick, doctors’ offices, emergency rooms, and occupational health facility, as email attachments or via fax.

Manual Claim Processing – Staff Effort

WC and disability documents received by IRM via fax consume large amounts of paper and printing supplies because the fax machine prints every page of the document bundle. Document bundles can range from 10 to 100 pages, and received multiple times over the duration of the claim due to revisions by campus departments, health care providers, and other parties. Additionally, faxes are not typically received in sequential order to enable efficient processing by IRM claim managers. Consequently, IRM staff is required to perform manual reconciliation of the document bundles to identify any document changes from earlier versions. Efficient administration of WC and disability documentation necessitates maximizing the use of digital technology to capture and store documents. Increasing the use of digital technology could minimize the need to print documents or perform manual reconciliations of multiple versions of document bundles.

Recommendation: Management should consider utilizing a digital facsimile (eFax) software application to receive WC and disability documents that are received via the department fax machine. We recommend using the current fax numbers to the eFax number which will be distributed to the current e-mail reporting system for IRM. With such an application, electronic claim documents can be transmitted to a web-based account. The digital document bundles can then be saved directly to a secured network folder, and “drag and drop” functionality could be used for proper document sequencing. Additional benefits of utilizing a digital facsimile software application include reducing the staff time necessary to reconcile hard copy documents, and reduce consumption of paper and printing supplies.

Response: IRM will explore eFAX applications to reduce staff time currently required to manage hard copy documents as well as reduce consumption of paper and printing supplies. This new process will be explored and implemented (if viable), in fiscal year 2017-18.

Child Abuse and Neglect Reporting (CANRA) Act

IRM management discussed the nature of CANRA with A&AS to assist with our understanding, how IRM fulfills its responsibilities as defined in UCLA Policy 136 (the policy), Child Abuse and Neglect Reporting. Specifically, section IV.B, of the policy provides the following: “In coordination with Campus and UCLA Health Human Resources and the Academic Personnel Office, IRM will communicate the availability of training obligations for UCLA Mandated Reporters and other members of the University community.” A&AS reviewed IRM’s CANRA Monthly Completion Summary, its data definitions and related data collection process description, and data flow as used in the summary.

When the policy was initially implemented, there was a heavy volume of CANRA training activity based on identification of mandated reviewers by Campus Human Resource departments and the Academic Personnel Office. CANRA training is provided by an authorized vendor, Praesidium, and tracked in the Completion Summary Report. The report reflects the cumulative (by campus department) CANRA course training completions. Praesidium submits the Completion Summary Report to IRM management on a monthly basis. The monthly report of training is also distributed from Praesidium to various units on campus.

There were no significant weaknesses noted in this area.

Third Party Administrator Reviews

Meetings were conducted with IRM management to obtain an understanding of the claim management services provided to the University by Sedgwick. The professional services agreement between the University and Sedgwick was obtained and reviewed to identify relevant terms and conditions allowing the University to perform on-site reviews of Sedgwick.

Page 23 of the professional services agreement, “Program Management – All Programs, Audits and Claims Reviews,” contains the following provision (in part) that allows the University to perform on-site reviews of Sedgwick:

“The University (as a public institution) is subject to periodic audits by the University’s internal and external auditors, state and federal auditors and excess carriers. In addition, to ensure the services being contracted are being appropriately managed by the TPA, the University will conduct or direct external operational reviews. The TPA will fully cooperate with the University directed and/or authorized audits. Audits may include, but are not limited to, the following:

1. Compliance with procedures and controls established by OPRS (Office of the President Risk Services)
2. Adequacy of file documentation
3. Adequacy of reserves
4. Competence of litigation management
5. Compliance with contractual requirements
6. Excess underwriting reviews
7. Compliance with TPA’s financial control systems.
8. Twice annually, a claim audit by the University’s broker or other representing party upon at least three (3) days advanced notice.”

On-Site Reviews - Sedgwick

IRM management has not performed an on-site review of its TPA Sedgwick, nor has UCOP conducted such a review, despite having the authority to do so under the existing professional services agreement. Rather, the University depends on Sedgwick’s audit of itself, known as the “stewardship report.” The professional services agreement between the University and Sedgwick allows for the University to conduct or direct operational reviews. Generally, self-assessments have a tendency to not be free from conditions that would otherwise lead to an unbiased review of performance and related responsibilities. By not performing on-site reviews, IRM waives the ability to objectively determine Sedgwick’s performance under the professional services agreement.

Recommendation: Management should begin conducting periodic on-site reviews of Sedgwick to ensure the overall effectiveness of its claim administration. An on-site client review is a best practice that validates current performance, encourages better future performance, and measures compliance with the professional services agreement. Additionally, management should obtain the current “stewardship report” to validate the conclusions of Sedgwick’s self-assessment and determine that corrective actions, if any, have been implemented, as necessary.

Response: IRM will collaborate with OP Risk Services to conduct periodic on-site reviews of Sedgwick’s San Diego office which services UCLA campus. However, it must be noted that OP Risk Services has never permitted periodic reviews of Sedgwick offices in the past by any UC Risk Management campus office as they indicate the UC’s broker completes these reviews in order to ensure an independent review. IRM will be provided “stewardship reports” completed by Sedgwick for OP Risk Services and analyze the findings.

170308-2

REP