

**UNIVERSITY OF CALIFORNIA, DAVIS  
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**UC Davis Health  
Environmental Health & Safety  
Be Smart About Safety Program  
Audit & Management Advisory Services Project #18-18**

**October 2017**

**Fieldwork Performed by:**

Victoria Owens, Principal Auditor

**Reviewed & Approved by:**

Leslyn Kraus, Director

**Environmental Health & Safety  
Be Smart About Safety Program  
Project # 18-18**

**MANAGEMENT SUMMARY**

**Background**

As part of the fiscal year (FY) 2018 audit plan, Audit and Management Advisory Services (AMAS) performed a review of the Department of Environmental Health & Safety (EH&S) at the UC Davis Medical Center (Medical Center).

EH&S was reorganized at the beginning of FY 2018, with the Emergency Preparedness and Health Physics units moved to other departments. The former Occupational Safety unit was elevated to be the Department of Environmental Health & Safety. Based on our preliminary assessment of risks for the reconstituted EH&S, we focused our review on the Be Smart About Safety program. The administration of this program, previously handled by Workers' Compensation, was taken over by EH&S in December 2016.

Be Smart About Safety (BSAS) is a safety and loss prevention program that was initiated by the University of California Office of the President, Risk Services (OPRS) on July 1, 2006. The program is designed to increase awareness of employee safety and reduce the frequency and/or severity of potential loss. Through the BSAS program, OPRS provides funding for safety projects proposed by campuses and medical centers. The amount available for projects at a particular campus or medical center is a percentage of that location's insurance premiums, based on its loss experience and exposure. The program covers multiple areas of risk: workers' compensation, general liability, employment liability, automobile liability, and property liability. The amount of funding available is calculated separately for each risk area. The amounts available and awarded at the Medical Center in FY 2017 were:

Risk Pool <sup>1</sup>	Funds Available <sup>2</sup>	Projects Approved	No. of Approved Projects
Workers' Compensation	\$ 977,001	\$ 893,966	8
General Liability	\$ 169,000	\$ 71,880	3
Employment Practices Liability	\$ 365,000	\$ -	0
Automobile Liability	\$ -	None	None
Property Liability	\$ -	None	None

<sup>1</sup> Funding for projects related to the Workers' Compensation, General Liability and Employment Practices Liability risk pools flows directly from OPRS to the Medical Center's BSAS program. The Medical Center receives funding for projects related to Automobile or Property Liability through the campus BSAS program.

<sup>2</sup> OPRS carries over available funds for which there were no approved applications. The FY 2017 carryover funds held by OPRS were \$149,000 for General Liability, \$280,000 for Employment Practices and \$(18,999) for Workers' Compensation. This does not include unclaimed funds for approved projects. Those funds are held in Medical Center accounts.

All proposals for projects funded by BSAS must first be approved locally. At the Medical Center, the BSAS Review Group (Review Group) performs this function. The Review Group is composed of representatives from EH&S, Risk Management and Workers' Compensation and chaired by the Director of Professional Services.

The proposals that receive this local approval are reviewed by OPRS, with the Chief Risk Officer as the final approver. Both the Review Group and OPRS judge the proposals on whether they are complete, appropriate for BSAS funding, and can be expected to reduce risk. OPRS transfers the funds for the approved projects to the Medical Center, where they are used to reimburse project expenses.

OPRS has announced that it intends to conduct audits of the local BSAS programs in the near future to judge their operation and the effectiveness of the approved projects.

### **Purpose and Scope**

The purpose of this review was to assess the design and implementation of the Medical Center's BSAS program and its compliance with the guidelines established by the Office of the President. The periods under review were the funding cycles for FY 2016 and FY 2017.

To complete our review, we studied the BSAS program requirements and guidelines from the Office of the President and the Medical Center. We analyzed applications for project funding and data on approved, claimed and carryover funds. We also interviewed key personnel in EH&S, Risk Management and Workers' Compensation at the Medical Center, campus Risk Management and the Office of the President Risk Services. Finally, we reviewed the operation of the OPRS web portal.

### **Conclusion**

We found that EH&S has strengthened the transparency of the program and accountability for BSAS funding. EH&S has recruited a BSAS application Review Group, created a Medical Center policy governing the program, and developed requirements and reporting instructions for approved projects.

We also concluded that there are opportunities to streamline the application process, improve oversight and reconciliation of carryforward funds, and enhance communication between the units involved in the BSAS program.

**Observations, Recommendations, and Management Corrective Actions****A. Application and Approval Process**

**The application process for Medical Center BSAS funding could be simplified and made more efficient.**

EH&S revised the application process for BSAS funding when it became the program administrator in FY 2017. In the first step of the process, a staff member in the proposing department completes an application via the OPRS website. The form can be confusing and asks for information the applicant may not have, leading them to contact EH&S or the other members of the BSAS Review Group for assistance. This creates extra work for these entities to ensure that proposals for safety projects are complete and accurate, giving them the best chance of being approved and funded by OPRS.

All submitted proposals require approval by the Medical Center BSAS Review Group before they are reviewed and approved at OPRS. Before approving a proposal, the Review Group may need more details or additional information not requested by the OPRS application, requiring another contact with the applicants.

OPRS created and owns the application; the local programs cannot add to or revise its questions. To easily gather all the necessary information without multiple interactions, other local BSAS programs have created a more basic application form. In those programs, the applicants complete the basic form, and staff from the local BSAS program use the information to complete the OPRS online application. Our testing showed that the OPRS application could be completed in a few minutes by a knowledgeable staff member.

By asking departments to submit an application directly to OPRS via the web portal, the intent was to encourage departmental ownership of safety proposals and projects. The revised process does require the active participation of staff from the departments applying. However, the process can lead to multiple interactions between the applicants and the members of the BSAS Review Group, creating more work for the Review Group members and discouraging applicants.

The Office of the President created the BSAS program specifically to encourage staff to report safety concerns and to fund improvements to increase safety and reduce liability claims. Simplifying the application process will encourage Medical Center departments to submit proposals that address risks and increase employee safety. The BSAS program's mission states that investing in employee health & safety and the overall safety and protection of the University and its assets through loss prevention and loss control is a sound business decision.

**Recommendations**

1. We recommend that EH&S simplify the application process for BSAS funding to encourage proposals that would increase employee safety.

### **Management Corrective Actions**

By **10/15/18**, EH&S will work with Risk Management and Workers' Compensation to change the application process for BSAS funding as follows:

- The Loss Prevention Workgroup will create a simplified application for funds. This simplified form will include the information needed by OPRS and all necessary questions including those not in the OPRS form.
- EH&S will revise the application process to have applicants submit proposals directly to the BSAS Review Group.
- Applications which need additional information will be assigned to the appropriate Review Group representative (Risk Management, Workers' Comp or EH&S) for follow up.
- The Review Group will review and approve the completed proposals.
- A staff member designated by the Review Group will enter the approved proposals into the web portal and mark them as locally approved.

### **B. Oversight and Reporting**

**The oversight process for Medical Center BSAS project expenses does not include monitoring and approval by personnel familiar with the projects.**

The redesigned BSAS process calls for units to submit an invoice to the financial analyst in the Division of Professional Services and be reimbursed for expenses in their BSAS projects. Before processing the invoice, the financial analyst is responsible to verify whether the expenses are appropriate for the funded project. No evaluation or approval by management from the department with the project or other knowledgeable staff is required before the invoices are submitted to the financial analyst.

To provide project oversight, EH&S this year added a requirement that all funded projects submit the project goals, two progress reports and a final report detailing results and use of funds. The new requirement has caused some misunderstanding and concern. Some projects have not submitted the required information, while others submitted late or incomplete information, limiting their effectiveness as an oversight tool. Additionally, the reports are not included with the invoices sent to the financial analyst for reimbursement of project expenses. Therefore, they cannot substitute for management approval of the invoices.

OPRS guidelines require the local sites to monitor the operation and results of their BSAS projects to ensure funding results in improvements in safety. In addition, University policy requires that invoices be approved by someone close enough to the project to be familiar with the expenses. The Division of Professional Services financial analyst is not sufficiently close to the projects to act as an informed approver of the invoices.

Lack of knowledgeable and prompt oversight can result in the BSAS funds being diverted to unapproved uses.

### **Recommendations**

1. We recommend that the BSAS program ensure that funded projects are monitored and reimbursements approved by personnel knowledgeable about the progress and expenses of the projects.

### **Management Corrective Actions**

1. By **4/15/2018**, oversight of BSAS-funded projects will be provided by the Loss Prevention Workgroup. Projects will give periodic reports at the Loss Prevention Workgroup meetings detailing how the funds have been used, what changes have been made, and how those changes affected the frequency and severity of accidents and claims. The reports will replace written progress reports. The minutes from the presentations will be submitted to the financial analyst to serve as approval of the expenses.
2. By **4/15/2018**, the Loss Prevention Workgroup will limit the financial analyst's role to paying approved invoices.

### **C. Carryover Funds**

**The available balance of BSAS carryover funds is unclear, and the amount of potential claims still outstanding from previous years' projects is unknown.**

OPRS transfers the funds for all approved BSAS projects to the Medical Center accounts at the beginning of the fiscal year. The funds are segregated into separate accounts for each risk pool. When EH&S took over the administration of the Medical Center's BSAS program, it placed all BSAS accounts under one account manager. Historical information on approved project budgets and balances, including the number and amount of potential claims for previous projects remained with the previous account managers. EH&S does not know how much of the account balances are unused funds from completed projects that are now available for future projects, and how much may yet be requested by previously approved projects. Neither did EH&S receive reconciled data on the unawarded carryover funds held by OPRS in each risk pool.

Without historical information, it is not possible for the Medical Center BSAS program to determine all the funds available for new projects, leading to large balances in retained funds that could be spent to increase safety as intended.

### **Recommendations**

1. We recommend that EH&S work with Risk Management and Workers' Compensation to document the history of funded BSAS projects at the Medical Center. This history will assist EH&S to determine the total funds available to be awarded and to assist with the forthcoming OPRS audit.

**Management Corrective Actions**

1. By **7/15/2018**, the Loss Prevention Workgroup will compile the historical financial information for the Medical Center's BSAS program for the previous three years. The information will include the total funds available from OPRS for each liability pool, the approved projects, funds spent, balances remaining and unclaimed funds.
2. By **6/15/2018**, the Loss Prevention Workgroup will contact personnel responsible for the Medical Center projects that have not claimed all their budgeted funds and determine if the remaining funds will be claimed.
3. EH&S will coordinate with OPRS and determine the balance of Medical Center BSAS carryforward funds held at the Office of the President by **6/15/2018**.
4. By **10/15/2018**, the financial analyst will use this information and perform a reconciliation to determine the balances in each liability pool that are available to be reallocated to proposed safety projects.

\*\*\*\*\*